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**ASROCK INC.  
PARENT COMPANY ONLY  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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**Telephone: 886-2-2896-5588**

*The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these parent company only financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language parent company only financial statements shall prevail.*

## **Independent Auditors' Report Translated from Chinese**

To ASROCK INC.

### **Opinion**

We have audited the accompanying balance sheets of ASROCK INC.(the “Company”) as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies(collectively “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Investments accounted for using equity method - Inventory of Subsidiary

The net carrying value of inventory as of December 31, 2020 for ASROCK INC.'s investments accounted for using equity method - Inventory of Subsidiary was significant to the parent company only financial statements. ASROCK INC. and subsidiaries's main business, the sale of motherboard products, are affected by market demand and changes. The management measured allowance for inventory obsolescence valuation losses based on market demands. The valuation involved management's significant judgement, we have therefore determined valuation on inventory a key audit matter. The audit procedures we performed regarding inventories valuation included, but not limited to, understanding the program of estimating the allowance for inventory valuation, testing the effectiveness of relevant control. For the raw material and products, we selected samples and checked related certificates, to confirm the correctness of net realizable value that management used. In addition, we obtained and reviewed the full-year purchase and sales details of raw materials and products. For raw materials that are not frequently used and products with low sales volume, we referred to industry information and management to discuss the reasonableness of allowance for inventory valuation and obsolescence losses. We also considered the appropriateness of disclosure of inventories in Notes 5 and 6 of the Company's consolidated financial statements.

### Revenue recognition

The main source of revenue was from the sales of motherboard. Due to diversified pricing strategy, the orders and implied items in contracts usually included quantity discount and warranty, therefore the Company should determine the performance obligation and the timing of revenue recognition. Consequently, we considered that revenue recognition from contracts with customers is key audit matter. For revenue recognition, we have conducted audit procedures including but not limited to evaluating the design and operating effectiveness of internal controls with respect to the revenue cycle, selecting representative samples to conduct test of transactions by inspecting contracts approved by both parties, identifying the performance obligation, evaluating whether the transaction prices were appropriately allocated to all the performance obligations in the contract in proportion to the stand-alone selling prices of each performance obligation, and confirming the correctness of timing when a performance obligation is satisfied. We also considered the appropriation of operating revenue disclosure in Notes 4, 5 and 6 of the parent company only financial statements.

## **Other Matter - Making Reference to the Audits of Component Auditors**

We did not audit the parent company only financial statements of certain investments accounted for using equity method whose statements are based solely on the reports of other auditors. These investments accounted for using equity method amounted to \$675,353 thousand and \$573,720 thousand, representing 6.81% and 7.00% of the parent company only total assets as of December 31, 2020 and 2019, respectively. The related share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method amounted to \$155,464 thousand and \$ 39,298 thousand, representing 9.98% and 5.74% of the profit before tax for the years ended December 31, 2020 and 2019.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 2020 parent company only financial statements 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.

Yang, Chih-Huei  
Yu, Chien-Ju

Ernst & Young, Taiwan  
February 24, 2021

Notice to Readers

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

*Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the parent company only financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2020	%	December 31, 2019	%
<b>Current assets</b>					
Cash and cash equivalents	4,6(1)	\$1,508,440	15	\$687,289	9
Financial assets measured at amortized cost - current	4,6(2),6(12)	486,206	5	602,000	7
Accounts receivable, net	4,5,6(3),6(12)	441,609	4	528,677	7
Accounts receivable - related parties, net	4,5,6(3),6(12),7	1,592,011	16	1,257,946	15
Inventories, net	4,5,6(4)	1,367,370	14	755,808	9
Other current assets	7	79,693	1	89,740	1
<b>Total current assets</b>		<u>5,475,329</u>	<u>55</u>	<u>3,921,460</u>	<u>48</u>
<b>Non-current assets</b>					
Investments accounted for using equity method	4,6(5)	4,332,169	44	4,182,137	52
Property, plant and equipment	4,6(6),7	21,405	-	26,757	-
Right-of-use assets	4,6(13)	30,671	-	23,537	-
Intangible assets	4,6(7)	570	-	646	-
Deferred tax assets	4,5,6(17)	43,274	1	32,674	-
Guarantee deposits paid		11,326	-	9,317	-
Other non-current assets		3,824	-	-	-
<b>Total non-current assets</b>		<u>4,443,239</u>	<u>45</u>	<u>4,275,068</u>	<u>52</u>
<b>Total assets</b>		<u><u>\$9,918,568</u></u>	<u><u>100</u></u>	<u><u>\$8,196,528</u></u>	<u><u>100</u></u>

(Continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of			
		December 31, 2020	%	December 31, 2019	%
<b>Current liabilities</b>					
Accounts payable		\$17,835	-	\$14,561	-
Accounts payable - related parties	7	2,188,109	22	1,343,746	16
Other payables	7	410,447	4	296,651	4
Current tax liabilities	4,5,6(17)	198,539	2	123,975	2
Lease liabilities - current	4,6(13)	13,674	-	12,190	-
Other current liabilities	4,7	133,343	1	146,287	2
<b>Total current liabilities</b>		<u>2,961,947</u>	<u>29</u>	<u>1,937,410</u>	<u>24</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4,5,6(17)	228	-	-	-
Lease liabilities - non-current	4,6(13)	17,231	-	11,591	-
Net defined benefit liabilities	4,5,6(8)	37,854	1	29,581	-
Credit balance of investments accounted for using equity method	4,6(5)	-	-	20,602	-
<b>Total non-current liabilities</b>		<u>55,313</u>	<u>1</u>	<u>61,774</u>	<u>-</u>
<b>Total liabilities</b>		<u>3,017,260</u>	<u>30</u>	<u>1,999,184</u>	<u>24</u>
<b>Equity</b>					
<b>Share capital</b>					
Ordinary share	6(9)	1,206,424	12	1,206,472	15
<b>Capital surplus</b>	6(5),6(9),6(10)	<u>3,134,705</u>	<u>32</u>	<u>3,129,659</u>	<u>38</u>
<b>Retained earnings</b>					
Legal reserve	6(9)	1,209,419	12	1,149,884	14
Special reserve	6(9)	279,336	3	186,407	2
Unappropriated retained earnings	6(5),6(9),6(10)	1,544,081	16	822,460	10
Total retained earnings		<u>3,032,836</u>	<u>31</u>	<u>2,158,751</u>	<u>26</u>
<b>Other equity interest</b>	4,6(10)	<u>(472,657)</u>	<u>(5)</u>	<u>(297,538)</u>	<u>(3)</u>
<b>Total equity</b>		<u>6,901,308</u>	<u>70</u>	<u>6,197,344</u>	<u>76</u>
<b>Total liabilities and equity</b>		<u>\$9,918,568</u>	<u>100</u>	<u>\$8,196,528</u>	<u>100</u>

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



## ASROCK INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

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

Accounting Items	Notes	For the years ended December 31,			
		2020	%	2019	%
<b>Operating revenues</b>	4,5,6(11),7	\$12,577,723	100	\$9,171,372	100
<b>Operating costs</b>	6(4),6(14),7	(10,472,888)	(83)	(7,891,651)	(86)
<b>Gross profit</b>		2,104,835	17	1,279,721	14
Unrealized intercompany profit		(133,313)	(1)	(81,456)	(1)
Realized intercompany profit		81,456	-	94,811	1
<b>Net gross profit</b>		2,052,978	16	1,293,076	14
<b>Operating expenses</b>	4,6(7),6(8),6(10) 6(13),6(14),7				
Sales and marketing expenses		(293,649)	(2)	(255,485)	(3)
General and administrative expenses		(175,545)	(1)	(136,251)	(1)
Research and development expenses		(484,401)	(4)	(394,600)	(4)
Expected credit losses	6(12)	(345)	-	(447)	-
Total operating expenses		(953,940)	(7)	(786,783)	(8)
<b>Net operating income</b>		1,099,038	9	506,293	6
<b>Non-operating income and expenses</b>	6(15)				
Interest income		12,009	-	13,380	-
Other income	7	84,963	1	39,719	-
Other gains and losses		(48,913)	-	(14,601)	-
Finance costs		(312)	-	(906)	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	4,6(5)	411,692	3	141,270	2
Total non-operating income and expenses		459,439	4	178,862	2
<b>Profit from continuing operations before tax</b>		1,558,477	13	685,155	8
<b>Income tax expenses</b>	4,5,6(17)	(195,385)	(2)	(87,678)	(1)
<b>Profit from continuing operations</b>		1,363,092	11	597,477	7
<b>Profit</b>		1,363,092	11	597,477	7
<b>Other comprehensive income</b>	4,6(8),6(16)				
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Losses on remeasurements of defined benefit plans		(7,364)	-	(3,109)	-
Income tax related to items that will not be reclassified to profit or loss		1,473	-	622	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(193,321)	(2)	(92,929)	(1)
<b>Other comprehensive income, net of tax</b>		(199,212)	(2)	(95,416)	(1)
<b>Total comprehensive income</b>		\$1,163,880	9	\$502,061	6
<b>Earnings per share(NT\$):</b>	6(18)				
Earnings per share - basic					
Profit from continuing operations		\$11.30		\$4.95	
Profit		\$11.30		\$4.95	
Earnings per share - diluted	6(18)				
Profit from continuing operations		\$11.22		\$4.92	
Profit		\$11.22		\$4.92	

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest				Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost	Treasury stock		
Balance as of January 1,2019	\$1,207,456	\$3,131,054	\$1,090,592	\$305,453	\$650,142	\$(186,407)	\$(82,494)	\$(480)	\$6,115,316	
Appropriation and distribution of 2018 retained earnings										
Legal reserve appropriated	-	-	59,292	-	(59,292)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(482,791)	-	-	-	(482,791)	
Reversal of special reserve	-	-	-	(119,046)	119,046	-	-	-	-	
Profit in 2019	-	-	-	-	597,477	-	-	-	597,477	
Other comprehensive income,net of tax in 2019	-	-	-	-	(2,487)	(92,929)	-	-	(95,416)	
Total comprehensive income	-	-	-	-	594,990	(92,929)	-	-	502,061	
Treasury stock acquired	-	-	-	-	-	-	-	(504)	(504)	
Treasury stock cancelled	(984)	-	-	-	-	-	-	984	-	
Changes in subsidiaries' ownership	-	(6,537)	-	-	(31)	-	-	-	(6,568)	
Share-based payment transaction	-	5,142	-	-	396	-	64,292	-	69,830	
Balance as of December 31,2019	<u>\$1,206,472</u>	<u>\$3,129,659</u>	<u>\$1,149,884</u>	<u>\$186,407</u>	<u>\$822,460</u>	<u>\$(279,336)</u>	<u>\$(18,202)</u>	<u>\$-</u>	<u>\$6,197,344</u>	
Balance as of January 1,2020	\$1,206,472	\$3,129,659	\$1,149,884	\$186,407	\$822,460	\$(279,336)	\$(18,202)	\$-	\$6,197,344	
Appropriation and distribution of 2019 retained earnings										
Legal reserve appropriated	-	-	59,535	-	(59,535)	-	-	-	-	
Special reserve appropriated	-	-	-	92,929	(92,929)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(482,570)	-	-	-	(482,570)	
Profit in 2020	-	-	-	-	1,363,092	-	-	-	1,363,092	
Other comprehensive income,net of tax in 2020	-	-	-	-	(5,891)	(193,321)	-	-	(199,212)	
Total comprehensive income	-	-	-	-	1,357,201	(193,321)	-	-	1,163,880	
Treasury stock acquired	-	-	-	-	-	-	-	(48)	(48)	
Treasury stock cancelled	(48)	-	-	-	-	-	-	48	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	335	-	-	(27)	-	-	-	308	
Changes in subsidiaries' ownership	-	(261)	-	-	-	-	-	-	(261)	
Share-based payment transaction	-	4,972	-	-	(519)	-	18,202	-	22,655	
Balance as of December 31,2020	<u>\$1,206,424</u>	<u>\$3,134,705</u>	<u>\$1,209,419</u>	<u>\$279,336</u>	<u>\$1,544,081</u>	<u>\$(472,657)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,901,308</u>	

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

Note:For the years ended December 31,2019, compensation of employees amounted to \$49,731 thousand and remuneration of directors amounted to \$4,973 thousand, respectively.  
For the years ended December 31, 2020, compensation of employees amounted to \$129,435 thousand and remuneration of directors amounted to \$12,944 thousand, respectively.  
The amounts were deducted from comprehensive income for the years ended December 31,2019 and 2020.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$1,558,477	\$685,155
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	21,917	21,609
Amortization expense	1,198	1,786
Expected credit losses	345	447
Interest expenses	312	906
Interest income	(12,009)	(13,380)
Compensation cost arising from employee stock options	22,655	69,830
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(411,692)	(141,270)
Unrealized intercompany profit from sale	133,313	81,456
Realized intercompany profit from sale	(81,456)	(94,811)
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable, net	86,723	(215,978)
Increase in account receivable-related parties	(334,065)	(96,650)
(Increase) Decrease in inventories, net	(611,562)	187,335
Decrease in other current assets	9,455	5,794
Increase in accounts payable	3,274	9,247
Increase in other payables-related parties	844,363	384,294
Increase in other payables	113,796	38,521
(Decrease) Increase in other current liabilities	(12,944)	27,214
Increase in net defined benefit liabilities	909	914
Cash generated from operations	1,333,009	952,419
Income taxes paid	(129,720)	(53,313)
Net cash provided by operating activities	1,203,289	899,106
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost	-	(161,600)
Proceed from disposal of financial assets measured at amortized cost	115,794	-
Acquisition of investments accounted for using equity method	(4,073)	(304,886)
Acquisition of property, plant and equipment	(13,704)	(5,744)
Proceed from disposal of property, plant and equipment	11,196	-
Increase in guarantee deposits paid	(2,009)	-
Decrease in guarantee deposits paid	-	354
Acquisition of intangible assets	(1,122)	(988)
Increase in other non-current assets	(3,824)	-
Interest received	12,601	12,229
Net cash provided by (used in) investing activities	114,859	(460,635)
Cash flows from financing activities:		
Decrease in short-term loans	-	(44,305)
Cash payments for the principal portion of the lease liability	(14,379)	(11,965)
Cash dividends	(482,570)	(482,791)
Treasury stock acquired	(48)	(504)
Interest paid	-	(579)
Net cash used in financing activities	(496,997)	(540,144)
Net increase (decrease) in cash and cash equivalents	821,151	(101,673)
Cash and cash equivalents, beginning of the year	687,289	788,962
Cash and cash equivalents, end of the year	\$1,508,440	\$687,289

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

ASROCK INC. (the Company) was approved to establish on May 10, 2002, and began its main business activities. The current main business is the sales of motherboards and related product development and design. The Company's first public offering was approved by the Securities and Futures Bureau in May, 2006 and its common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in November, 2007. The Company's registered office and the main business location are at 2F., No. 37, Sec. 2, Zhongyang S. Rd., Beitou Dist., Taipei City 11270, Taiwan (R.O.C.). Pegatron Corporation is the ultimate controller of the Company to which the company belongs.

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 were authorized for issue by the Company's board of directors on February 24, 2021.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by the International Accounting Standards Board (IASB) which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

- (a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. The company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. The company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. The company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1 2021 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

(a) IFRS 10“ Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- A. estimates of future cash flows;
- B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- C. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (1) and (3), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").



## (2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

## (3) Foreign currency transactions

The Company's parent company only financial statements are presented in its functional currency, Nt dollars. Items included in the parent company only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as all the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (4) Translation of financial statements in foreign currencies

The assets and liabilities of foreign operations are translated into NT dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation.
- (b) When the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint arrangement control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or 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.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company 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 the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the Accounts date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

#### Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, account receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

### Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

### Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

### B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

- (c) For Accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

#### C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

#### D. Financial liabilities and equity

##### Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### (8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability



The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### (9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted average cost basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

#### (10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### (11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Machinery and equipment	3~5 years
Office equipment	3~5 years
Lease improvement	Shorter of the lease period or the useful life
Other equipment	2~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## (12) Leases

The Company assesses whether the 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 for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset
- (b) the right to direct the use of the identified asset

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

### Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) amounts expected to be payable by the lessee under residual value guarantees
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability
- (b) any lease payments made at or before the commencement date, less any lease incentives received
- (c) any initial direct costs incurred by the lessee
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset 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.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

### (13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- i) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 3 years).

#### (14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or Companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

## (15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

## (16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

### Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.



The credit period of the Company's sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as Accounts receivables. These accounts receivable usually have a short period and do not have a significant financial component.

#### Rendering of services

The Company provides maintenance services for the sale of the motherboard. These services are separately priced or negotiated for maintenance benefits and are recognized as revenue when the performance obligations are met.

#### (17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

## (18) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

## (19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgements, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

(c) Revenue recognition – sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2020, please refer to Note 6 for the explanation of the Company's unrecognized deferred income tax assets.

(e) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of Accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(f) Inventories

Due to the rapid changes in technology and product demand, the Company assessed the inventory at the end of the reporting period due to normal wear and tear, obsolescence, or changes in market sales prices, and reduced inventory costs to net realizable value. The Company estimates the loss of obsolete inventories based on the product life cycle, historical experience, and subsequent inventory removal. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2020	2019
Cash on hand	\$513	\$639
Cash in banks	549,514	531,650
Time deposits	815,930	155,000
Cash equivalents—Bonds with repurchase agreements	142,483	-
Total	<u>\$1,508,440</u>	<u>\$687,289</u>

Cash and cash equivalents were not pledged.

(2) Financial assets measured at amortized cost

	As of December 31,	
	2020	2019
Time deposit—Current	<u>\$486,206</u>	<u>\$602,000</u>

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6 for more details on loss allowance and Note 12 for more details on credit risk.

(3) Accounts receivable and Accounts receivable - related parties

	As of December 31,	
	2020	2019
Accounts receivable (total carrying amount)	\$446,610	\$533,333
Less: loss allowance	(5,001)	(4,656)
Subtotal	441,609	528,677
Accounts receivable—related parties (total carrying amount)	1,592,011	1,257,946
Less: loss allowance	-	-
Subtotal	1,592,011	1,257,946
Total	<u>\$2,033,620</u>	<u>\$1,786,623</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 30-90 day terms. The total carrying amount as of December 31, 2020 and 2019 were \$2,038,621 thousand and \$1,791,279 thousand, respectively. Please refer to Note 6 for more details on loss allowance of accounts receivable for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(4) Inventories

	As of December 31,	
	2020	2019
Raw materials	\$13,043	\$12,641
Work in progress	23,882	19,769
Finished goods	4,175	6,041
Merchandise	1,326,270	717,357
Total	<u>\$1,367,370</u>	<u>\$755,808</u>

For the years ended December 31, 2020 and 2019, the Company recognized \$10,472,888 thousand and \$7,891,651 thousand, respectively, in operating cost, including the write-down of inventories of \$5,134 thousand and \$6,907 thousand, respectively.

No inventories were pledged.

(5) Investments accounted for using equity method

Investees	As of December 31,			
	2020		2019	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
Investments in subsidiaries:				
ASIAROCK TECHNOLOGY LIMITED	\$3,563,486	100.00%	\$3,700,936	100.00%
LEADER INSIGHT HOLDINGS LTD.	35,743	100.00%	(20,602)	100.00%
ASROCK RACK INCORPORATION	387,739	62.05%	190,503	62.02%
ASRock Industrial Computer Corporation	344,649	66.96%	290,120	67.38%
SOARING ASIA LIMITED	552	100.00%	578	100.00%
Carrying amount of the investments accounted for using equity method	4,332,169		4,161,535	
Add: Credit balance of investments accounted for using equity method	-		20,602	
Total	<u>\$4,332,169</u>		<u>\$4,182,137</u>	

The share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method as of December 31, 2020 and 2019 were \$411,692 thousand and \$141,270 thousand, respectively, based on the financial statements of the investee company audited by accountants during the same period.

Investments in subsidiaries

Investments in subsidiaries are expressed in parent company only financial statements as "Investments accounted for using equity method", and necessary evaluation adjustments are made.

ASRock Industrial Computer Corporation increased capital in the amount of \$200,000 thousand on July 24, 2019. The Company increased its investment in ASRock Industrial Computer Corporation by \$112,122 thousand. Because the Company did not subscribe for the shares according to the shareholding ratio, the original shareholding ratio of the Company decreased from 82.47% to 67.38% after the capital increase. The recognized capital surplus decreased \$9,045 thousand. In addition, the Company paid \$300 thousand, \$246 thousand and \$266 thousand, respectively on January 13, March 23, and May 7, 2020. The purchase of 30 thousand shares, 20 thousand shares and 21 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 67.38% to 67.46%, and then to 67.52% and 67.58%, respectively, and increased capital share, when then increased capital surplus in the amount of \$69 thousand, \$5 thousand and \$3 thousand, respectively. Later, the employee stock option was processed on July 31, 2020, and the board of directors resolved to issue new shares, increasing the capital by \$6,848 thousand. Because the Company did not subscribe for shares according to the shareholding ratio, the original shareholding ratio of the Company after the capital increase was reduced from 67.58% to 66.28%, and recognized capital reserve decreased by \$1,384 thousand. In addition, the Company paid \$1,295 thousand, \$1,302 thousand and \$452 thousand, respectively on September 30, December 7 and December 21, 2020. The purchase of 105 thousand shares, 103 thousand shares and 36 thousand shares of ASRock Industrial Computer Corporation from non-related parties increased the Company's original shareholding ratio from 66.28% to 66.58%, and then to 66.86% and 66.96%, respectively, and capital shares, which the increased capital surplus in the amount of \$124 thousand, \$155 thousand and \$53 thousand, respectively.



ASROCK RACK INCORPORATION increased its capital and issued restricted employee rights shares on March 4, 2019. Because the Company did not subscribe for the restricted shares in accordance with the shareholding ratio, the original shareholding ratio was reduced from 65.97% to 59.98% after the capital increase. As a result, it recognized additional capital surplus in the amount of \$5,477 thousand. In addition, the Company increased capital on August 16, 2019. The Company increased its investment in ASROCK RACK INCORPORATION by \$192,704 thousand. Because the Company did not subscribe for the shares according to the shareholding ratio, the original shareholding ratio of the Company increased from 59.98% to 62.01% after the capital increase, and recognized decrease of capital surplus in the amount of \$7,491 thousand. In addition, the Company purchased 3 thousand shares of ASROCK RACK INCORPORATION from non-related parties on December 17, 2019 for \$60 thousand which increased the Company's original shareholding ratio from 62.01% to 62.02%. The Company recognized decreased retained earnings by \$31 thousand due to insufficient capital surplus. In addition, the Company purchased 2 thousand shares and 9 thousand shares of the company from non-related parties at \$40 thousand and \$172 thousand on March 25, 2020 and April 15, 2020, respectively. Shares, resulting in the Company's original shareholding ratio increased from 62.02% to 62.03%, and then increased to 62.05%, and the capital reserve was reduced by \$20 thousand and \$54 thousand, and the recognized retained earnings due to insufficient capital reserve decreased by \$27 thousand.

(6) Property, plant and equipment

	Machinery equipment	Office equipment	Leasehold improvement	Other	Total
Cost:					
As of January 1, 2020	\$44,801	\$366	\$8,407	\$3,285	\$56,859
Additional	1,883	-	5,668	6,153	13,704
Disposals	(31,191)	(156)	(1,283)	(1,084)	(33,714)
As of December 31, 2020	<u>\$15,493</u>	<u>\$210</u>	<u>\$12,792</u>	<u>\$8,354</u>	<u>\$36,849</u>
As of January 1, 2019	\$41,629	\$366	\$5,835	\$3,285	\$51,115
Additional	3,172	-	2,572	-	5,744
Disposals	-	-	-	-	-
As of December 31, 2019	<u>\$44,801</u>	<u>\$366</u>	<u>\$8,407</u>	<u>\$3,285</u>	<u>\$56,859</u>
Depreciation and impairment loss:					
As of January 1, 2020	\$24,035	\$338	\$3,339	\$2,390	\$30,102
Depreciation	4,103	28	1,655	2,074	7,860
Disposals	(19,995)	(156)	(1,283)	(1,084)	(22,518)
As of December 31, 2020	<u>\$8,143</u>	<u>\$210</u>	<u>\$3,711</u>	<u>\$3,380</u>	<u>\$15,444</u>
As of January 1, 2019	\$16,824	\$303	\$2,061	\$1,165	\$20,353
Depreciation	7,211	35	1,278	1,225	9,749
Disposals	-	-	-	-	-
As of December 31, 2019	<u>\$24,035</u>	<u>\$338</u>	<u>\$3,339</u>	<u>\$2,390</u>	<u>\$30,102</u>
Net carrying amount as of:					
December 31, 2020	<u>\$7,350</u>	<u>\$-</u>	<u>\$9,081</u>	<u>\$4,974</u>	<u>\$21,405</u>
December 31, 2019	<u>\$20,766</u>	<u>\$28</u>	<u>\$5,068</u>	<u>\$895</u>	<u>\$26,757</u>

No Property, plant and equipment were pledged.

(7) Intangible assets

	<u>Other</u>
Cost:	
January 1,2020	\$18,326
Addition-acquired separately	1,122
December 31, 2020	<u>\$19,448</u>
January 1,2019	\$17,338
Addition-acquired separately	988
December 31, 2019	<u>\$18,326</u>
Amortization and impairment:	
January 1,2020	\$17,680
Amortization	1,198
December 31, 2020	<u>\$18,878</u>
January 1,2019	\$15,894
Amortization	1,786
December 31, 2019	<u>\$17,680</u>
Net carrying amount as at:	
December 31, 2020	<u>\$570</u>
December 31, 2019	<u>\$646</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December	
	31,	
	2020	2019
General and administrative expenses	<u>\$320</u>	<u>\$714</u>
Research and development expenses	<u>\$878</u>	<u>\$1,072</u>

(8) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were \$13,565 thousand and \$12,561 thousand, respectively.

#### Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$153 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020 and 2019, the Company's definite benefit plans are expected to expire in 2038 and 2037.

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current period service costs	\$812	\$733
Net interest of defined benefit liability (asset)	251	342
Total	<u>\$1,063</u>	<u>\$1,075</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Defined benefit obligation			
Plan assets at fair value	\$63,017	\$53,593	\$48,376
Other non-current liabilities - Accrued net defined benefit liability recognized on the consolidated parent company only balance sheets	(25,163)	(24,012)	(22,818)
	<u>\$37,854</u>	<u>\$29,581</u>	<u>\$25,558</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net benefit liability (asset)
As of January 1, 2019	\$48,376	\$(22,818)	\$25,558
Current period service costs	733	-	733
Net interest expense (income)	648	(306)	342
Subtotal	<u>49,757</u>	<u>(23,124)</u>	<u>26,633</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	4,582	-	4,582
Experience adjustments	(746)	-	(746)
Return on plan assets	-	(727)	(727)
Subtotal	<u>3,836</u>	<u>(727)</u>	<u>3,109</u>
Contributions by employer	-	(161)	(161)
As of December 31, 2019	53,593	(24,012)	29,581
Current period service costs	812	-	812
Net interest expense (income)	456	(205)	251
Subtotal	<u>54,861</u>	<u>(24,217)</u>	<u>30,644</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	2,512	-	2,512
Actuarial gains and losses arising from changes in financial assumptions	5,492	-	5,492
Experience adjustments	152	-	152
Return on plan assets	-	(792)	(792)
Subtotal	<u>8,156</u>	<u>(792)</u>	<u>7,364</u>
Contributions by employer	-	(154)	(154)
As of December 31, 2020	<u>\$63,017</u>	<u>\$(25,163)</u>	<u>\$37,854</u>

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Pension plan (%)	
	As of December 31,	
	2020	2019
Cash	16.61%	16.31%
Equity instrument	52.93%	49.45%
Debt instrument	15.80%	20.53%
Others	14.66%	13.71%
Total	100.00%	100.00%

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2020	2019
Discount rate	0.31%	0.85%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as at December 31, 2020 and 2019 is, as shown below:

	For the years ended December 31,			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$5,256	\$-	\$4,671
Discount rate decrease by 0.5%	5,787	-	5,164	-
Expected salary level increase by 0.5%	5,600	-	5,025	-
Expected salary level decrease by 0.5%	-	5,149	-	4,599

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or expected salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (9) Equities

### A. Ordinary share

The Company's authorized capital were both \$1,500,000 thousand as of December 31, 2020 and 2019 (Both reserve \$40,000 thousand of shares for employee stock options). The Company's issued capital were \$1,206,424 thousand and \$1,206,472 thousand as of December 31, 2020 and 2019, respectively, each at a par value of \$10. The Company issued 120,642,429 and 120,647,229 common shares as of December 31, 2020 and 2019, respectively. Each share has one voting right and a right to receive dividends.

## B. Capital surplus

	As of December 31,	
	2020	2019
Additional paid-in capital	\$3,127,994	\$3,029,529
Difference between consideration given/received and carrying amount of interests in subsidiaries acquired disposed of	335	-
Increase (decrease) through changes in ownership interests in subsidiaries	6,376	6,555
Retired stock to employees	-	93,575
Total	<u>\$3,134,705</u>	<u>\$3,129,659</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

## C. Treasury stock

On December 5, 2018, the Company repurchased 48 thousand shares of its treasury stocks in the amount of \$480 thousand which became invalid following expiration of restricted stock awards and were retired upon resolution of the board of directors on March 7, 2019. The base date for a capital reduction was set on March 11, 2019. The statutory change of registration procedure has been completed. On April 3, 2019, the Company repurchased \$186 thousand of treasury stocks in 19 thousand shares. Such shares became invalid as a result of expiration of restricted stock awards therefore the board of directors resolved to retire the shares on August 7, 2019. The base date for capital reduction was set on August 16, 2019. The statutory change of registration procedure has been completed. On September 5, 2019, the Company repurchased \$30 thousand of treasury stocks in 3 thousand shares and on October 9, 2019, the Company repurchased \$72 thousand of treasury stocks in 7 thousand shares and on November 6, 2019, the Company repurchased \$216 thousand of treasury stocks in 22 thousand shares. Such shares became invalid as a result of expiration of restricted stock awards therefore the board of directors resolved to retire the shares on November 6, 2019. The base date for capital reduction was set on November 22, 2019. The statutory change of registration procedure has been completed. On January 3, 2020, the treasury stocks in the amount of \$48 thousand in 5 thousand shares were repurchased due to the expiration of restricted employee awards by the resolution of the board of directors on April 29, 2020. The base date for a capital reduction was set on May 29, 2020. The statutory change of registration procedure has been completed.

#### D. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, dividend appropriateness and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and the Company held a general meeting of shareholders on June 12, 2019 and passed a resolution to amend the company's articles of association, stating that if all or part of the dividends and bonuses are distributed in cash, the Board of Directors is authorized to make two-thirds The above-mentioned directors attend, and after more than half of the attending directors agree, and report to the shareholders' meeting; the share dividends must be submitted to the shareholders' meeting for resolution of distribution. The Company's Articles of Incorporation further provide that at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of IFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved by the board of directors' meeting and shareholders' meeting on February 24, 2021 and May 29, 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (\$)	
	2020	2019	2020	2019
Legal reserve	\$135,666	\$59,535		
Special reserve	193,321	92,929		
Common stock - cash dividend (Note)	965,139	482,570	\$8.00	\$4.00

(Note): As stipulated in the Articles of Incorporation, a special resolution was passed at a Board of Directors meeting held on February 24, 2021 and March 12, 2020, respectively, to distribute the 2020 and 2019 common stock dividend in cash.

Please refer to Note 6(14) for details on employees' compensation and remuneration to directors and supervisors.

#### (10) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

##### (a) Restricted stocks plan for employees of the parent entity

The parent company issued 6,000 thousand shares of restricted stock awards, which was resolved at the shareholders' meeting held on June 7, 2017. The grantees are limited to full-time employees of the parent company who meet specific requirements, and have already filed the approved shares with the Securities and Futures Bureau of the FSC. The total number of shares was 5,750 thousand shares. The total number of new shares issued on September 22, 2017 was 5,704 thousand shares. The stock price on the grant date was \$68.8 per share.

Employees who have been granted the above-mentioned restricted stock awards can subscribe to the shares for \$10, and if they continue to work in the company for one year, two years, and three years from the subscription date, they shall be vested 40%, 30% and 30% of the allocated shares, respectively. The vested new restricted stock awards shall be entrusted and may not be sold, pledged, transferred, gifted to others, created lien or otherwise disposed of in any other manner before the vested conditions are met. According to the parent company's new share issuance measures for restricted stock awards, after the new shares with restricted stock awards are issued, except for the restricted stock awards that are delivered to a trust and those that do not meet the vested conditions under the parent company's issuance measures, the rights of the other restricted stock are the same as the common shares issued by the company.



The detailed information of the above restricted stock awards are as follows:

Vested period	Restricted stock to employee			
	1 years	2 years	3 years	Total
Original number of shares	2,281,600	1,711,200	1,711,200	5,704,000
Estimated turnover rate	0.00%	3.89%	2.14%	
Vested shares after considering the turnover rate	2,281,600	1,644,634	1,674,580	5,600,814
Embedded value	\$58.8	\$58.8	\$58.8	
Labor cost	\$134,158	\$96,705	\$98,465	\$329,328

The new shares issued by the parent company that restrict the rights of employees cannot be transferred within three years of the vesting period, but they still have the right to vote and distribute dividends. If an employee who has been allocated the restricted employee rights new shares resigns during the vesting period, he must return the restricted employee rights stock and the dividends already obtained.

(b) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred in the year ended December 31, 2020.

(c) The expense recognized for employee services received during the years ended December 31, 2020 and 2019, is shown in the following table:

	For the years ended December 31,	
	2020	2019
Expense arising from share-based payment transaction (All of arising from equity-settled share-based payment transaction)	\$22,655(Note)	\$69,830

Note: The board of directors of the subsidiary company -ASROCK RACK INCORPORATION resolved to issue shares of restricted stock awards on May 29, 2020. The grantees are limited to full-time employees of The Company and ASROCK RACK INCORPORATION. The Company recognized an expense of \$82 thousand for the above-mentioned share basic payment transaction in 2020.

(11) Operating revenue

The Company's revenue from contracts with customers in 2020 and 2019:

A. Disaggregation of revenue

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers		
Sale of goods	\$12,565,660	\$9,154,442
Revenue arising from rendering services	12,063	16,930
Total	<u>\$12,577,723</u>	<u>\$9,171,372</u>

B. The Company's revenue from contracts with customers is recognized at certain points in time.

(12) Expected credit losses

	For the years ended December 31,	
	2020	2019
Operating expenses – expected credit losses		
Accounts receivables	\$345	\$447
Non-operating income and expenses - expected credit losses		
Financial assets measured at amortized cost	-	-
Total	<u>\$345</u>	<u>\$447</u>

Please refer to Note 12 for more details on credit risk.

The credit risk for the Company's financial assets measured at amortized cost are assessed as low as of December 31, 2020 and 2019 (The same as the assessment result of January 1, 2019). Since the transaction counterparties of the Company are all financial institutions such as banks with good credit, all of them are calculated based on the expected credit loss rate of 0% and the allowance loss amount was \$0.

The Company measures the loss allowance of its trade receivables (including notes receivables and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2020 and 2019 are as follows:

The Company considers the Companying of Trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2020

	Not yet due	Overdue					Total
		Under 30 days	31~60days	61~90days	91~120days	Over 121 days	
Gross carrying amount	\$1,957,503	\$38,231	\$9,311	\$31,920	\$44	\$1,612	\$2,038,621
Loss ratio	0.16%	0.69%	0.00%	0.00%	0.00%	100.00%	
Lifetime expected credit losses	3,125	264	-	-	-	1,612	5,001
Net carrying amount	\$1,954,378	\$37,967	\$9,311	\$31,920	\$44	\$-	\$2,033,620

As of December 31, 2019

	Not yet due	Overdue					Total
		Under 30 days	31~60days	61~90days	91~120days	Over 121 days	
Gross carrying amount	\$1,597,651	\$83,045	\$29,392	\$17,263	\$12,429	\$51,499	\$1,791,279
Loss ratio	0.18%	0.18%	0.18%	0.18%	0.18%	3.03%	
Lifetime expected credit losses	2,840	148	52	31	22	1,563	4,656
Net carrying amount	\$1,594,811	\$82,897	\$29,340	\$17,232	\$12,407	\$49,936	\$1,786,623

The movement in the provision for impairment of trade receivables during the years ended December 31, 2020 and 2019 is as follows:

	Accounts receivables
As of January 1, 2020	\$4,656
Addition/(reversal) for the current period	345
Write off	-
As of December 31, 2020	<u>\$5,001</u>
	Accounts receivables
As of January 1, 2019	\$4,520
Addition/(reversal) for the current period	447
Write off	(311)
As of December 31, 2019	<u>\$4,656</u>

(13) Leases

Company as a lessee

The Company leases various properties, including real estate such as land and buildings, and parking space. The lease terms range from 1 to 5 years. The Company is not subject to any special restrictions.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2020	2019
Buildings	\$30,671	\$23,537

During the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounting to \$21,191 thousand and \$ 0, respectively.

(b) Lease liabilities

	As of December 31,	
	2020	2019
Lease liabilities	\$30,905	\$23,781
Current	\$13,674	\$12,190
Non-current	\$17,231	\$11,591

Please refer to Note 6(15)D. for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Buildings	\$14,057	\$11,860

C. Income and costs relating to leasing activities

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
The expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$7,833</u>	<u>\$7,007</u>

D. Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounting to \$22,212 thousand and \$18,972 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$604,098	\$604,098	\$-	\$454,664	\$454,664
Labor and health insurance	-	26,675	26,675	-	24,602	24,602
Pension	-	14,628	14,628	-	13,623	13,623
Remuneration to directors	-	13,338	13,338	-	4,973	4,973
Other employee benefits expense	-	20,899	20,899	-	18,736	18,736
Depreciation expense	-	21,917	21,917	-	21,609	21,609
Amortization expense	-	1,198	1,198	-	1,786	1,786

- i. The Company of average number of employees on December 31, 2020 and 2019, were 331 and 323 people, respectively, of which 6 people were directors, who were not concurrently employees.
- ii. The Cost of average employee benefits on December 31, 2020 and 2019, amounting to \$2,050 thousand and \$1,614 thousand, respectively. The Cost of average employee salaries on December 31, 2020 and 2019, amounting to \$1,859 thousand and \$1,434 thousand, respectively. The average of employee salaries raises to 29.64%.
- iii. In accordance with the Securities and Exchange Act, the Company established the Audit Committee to replace the supervisors. Therefore the supervisors' remuneration were \$0 on December 31, 2020 and 2019.

- iv. The Company has set up a remuneration committee to determine the performance evaluation and remuneration of directors, supervisors and managers, and regularly evaluate the remuneration of directors, supervisors and managers based on principles such as peer standards and company operating performance. Directors' remuneration is mainly based on the company's articles of association, based on the net profit before tax deducting director's remuneration and employee remuneration, and no more than 1% is allocated as directors' remuneration. The company's overall operating results and the degree of participation by each director in the company's operations are considered Reasonable remuneration. The remuneration of managers and employees includes a regular monthly salary (including principal salary and food allowance, etc.) based on personal academic experience, professional technical ability, and professional years of experience. In addition, it is based on company operating performance, personal seniority and performance. After consideration, relevant year-end bonuses, cash bonuses and performance bonuses will be issued.

According to the Articles of Incorporation, 5% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. If the Board of Directors subsequently modifies the estimates significantly, the Company will recognize the change as an adjustment in the profit or loss in the subsequent period. Estimated employee remuneration and directors' remuneration are recognized as expenses in the current year. If there is a significant change in the amount determined by the board meeting resolution in the following year, it will be treated according to the changes in accounting estimates and the profit and loss of the following year will be adjusted. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be 7.610% of profit of the current year and 0.761% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to \$129,435 thousand and \$12,944 thousand, respectively and recognized as salaries expense. A resolution was passed at the board meeting held on February 24, 2021 to distribute \$129,435 thousand and \$12,944 thousand in cash as employees' compensation and remuneration to directors of 2020, respectively.

A resolution was passed at the board meeting held on March 12, 2020 to distribute \$49,731 thousand and \$4,973 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

A resolution was passed at the board meeting held on March 7, 2019 to distribute \$52,114 thousand and \$5,571 thousand in cash as employees' compensation and remuneration to directors of 2018, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2018.

(15) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	\$12,009	\$13,380

B. Other income

	For the years ended December 31,	
	2020	2019
Other income - others	\$84,963	\$39,719

C. Other gains and losses

	For the years ended December 31,	
	2020	2019
Foreign exchange losses, net	\$48,913	\$14,601

D. Finance costs

	For the years ended December 31,	
	2020	2019
Interest on borrowings from bank	\$-	\$557
Interest on lease liabilities	312	349
Total	\$312	\$906

(16) Components of other comprehensive income

For the year ended December 31, 2020

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive	Other comprehensive income, net of tax
Arising during the period	during the period	income, before tax	other comprehensive	income, net of tax
Items that will not be reclassified subsequently to profit or loss:				
Losses on remeasurements of defined benefit plans				
	\$ (7,364)	\$-	\$ (7,364)	\$ (5,891)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method				
	(193,321)	-	(193,321)	(193,321)
Total	\$ (200,685)	\$-	\$ (200,685)	\$ (199,212)

For the year ended December 31, 2019

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive	Other comprehensive income, net of tax
Arising during the period	during the period	income, before tax	other comprehensive	income, net of tax
Items that will not be reclassified subsequently to profit or loss:				
Losses on remeasurements of defined benefit plans				
	\$ (3,109)	\$-	\$ (3,109)	\$ (2,487)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method				
	(92,929)	-	(92,929)	(92,929)
Total	\$ (96,038)	\$-	\$ (96,038)	\$ (95,416)



(17)Income tax

The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

Income tax expense recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current income tax expense (income):		
Current income tax charge	\$215,202	\$105,763
Adjustments in respect of current income tax of prior periods	(10,918)	(15,821)
Deferred tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(8,899)	(2,264)
Total income tax expense	<u>\$195,385</u>	<u>\$87,678</u>

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Deferred tax expense:		
Profit or losses of defined benefits plan	\$(1,473)	\$(622)
Income tax relating to components of other comprehensive income	<u>\$(1,473)</u>	<u>\$(622)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax from continuing operations	<u>\$1,558,477</u>	<u>\$685,155</u>
Tax at the domestic rates applicable to profits in the country concerned	\$311,695	\$137,031
Tax effect of revenues exempt from taxation	(82,338)	(28,254)
Tax effect of expenses not deductible for tax purposes	-	1
Income tax impact of research and development deduction	(23,581)	(14,339)
Corporate income surtax on undistributed retained earnings	-	8,450
Adjustments in respect of current income tax of prior periods	(10,918)	(15,821)
Other	527	610
Total income tax expense recognized in profit or loss	<u>\$195,385</u>	<u>\$87,678</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized (gains) loss on foreign exchange	\$2,453	\$(2,681)	\$-	\$-	\$(228)
Unrealized intracompany profits and losses	16,291	10,371	-	-	26,662
Inventory valuation and obsolescence loss	7,147	1,027	-	-	8,174
Net defined benefit liabilities-non current	5,916	182	1,473	-	7,571
Other payables (non-leave bonus, etc.)	867	-	-	-	867
Deferred tax income(expense)		<u>\$8,899</u>	<u>\$1,473</u>	<u>\$-</u>	
Net deferred tax assets(liabilities)	<u>\$32,674</u>				<u>\$43,046</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$32,674</u>				<u>\$43,274</u>
Deferred tax liabilities	<u>\$-</u>				<u>\$(228)</u>

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized (gains) loss on foreign exchange	\$(918)	\$3,371	\$-	\$-	\$2,453
Unrealized intracompany profits and losses	18,962	(2,671)	-	-	16,291
Inventory valuation and obsolescence loss	5,765	1,382	-	-	7,147
Net defined benefit liabilities-non current	5,112	182	622	-	5,916
Other payables (non-leave bonus, etc.)	867	-	-	-	867
Deferred tax income(expense)		<u>\$2,264</u>	<u>\$622</u>	<u>\$-</u>	
Net deferred tax assets (liabilities)	<u>\$29,788</u>				<u>\$32,674</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$30,706</u>				<u>\$32,674</u>
Deferred tax liabilities	<u>\$(918)</u>				<u>\$-</u>

### Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$2,862,904 thousand and \$2,756,764 thousand, respectively.

### The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>	<u>Notes</u>
The Company	Assessed and approved up to 2017	None

### (18) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	<u>\$1,363,092</u>	<u>\$597,477</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>120,642</u>	<u>120,678</u>
Basic earnings per share (\$)	<u>\$11.30</u>	<u>\$4.95</u>

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand \$)	<u>\$1,363,092</u>	<u>\$597,477</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	120,642	120,678
Effect of dilution:		
Employee compensation — stock (in thousands)	<u>830</u>	<u>659</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>121,472</u>	<u>121,337</u>
Diluted earnings per share (\$)	<u>\$11.22</u>	<u>\$4.92</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

#### 7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

##### Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
PEGATRON Corporation	The parent company
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary
ASRock Europe B.V.	The Company's subsidiary
ASRock America, Inc.	The Company's subsidiary
ASROCK RACK INCORPORATION	The Company's subsidiary
ASRock Industrial Computer Corporation	The Company's subsidiary
AS FLY TRAVEL SERVICE CO.	Substantive related party

##### Significant transactions with the related parties

###### (a) Sales

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries		
ASRock America, Inc.	\$4,066,728	\$2,432,887
ASRock Europe B.V.	3,388,098	2,586,680
Others	27,219	14,202
Total	<u>\$7,482,045</u>	<u>\$5,033,769</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for related parties sales was O/A 45~90 days. The collection period for non-related parties sales were TT or 30~90 days . The outstanding balance at December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	\$10,838,232	\$7,554,848
Others	3,829	1,977
Total	<u>\$10,842,061</u>	<u>\$7,556,825</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are TT or 30~90 days.

(c) Accounts receivable - related parties

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries		
ASRock America, Inc.	\$1,442,790	\$1,063,308
Others	149,221	194,638
Total	<u>\$1,592,011</u>	<u>\$1,257,946</u>

(d) Other current assets

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Parent	\$2,149	\$2,778
Subsidiaries		
ASROCK RACK INCORPORATION	14,750	2,178
Others	5,843	14,565
Other related parties	-	862
Total	<u>\$22,742</u>	<u>\$20,383</u>

(e) Accounts payable - related parties

	As of December 31,	
	2020	2019
Subsidiaries		
ASIAROCK TECHNOLOGY LIMITED	\$2,188,109	\$1,341,641
Others	-	2,105
Total	<u>\$2,188,109</u>	<u>\$1,343,746</u>

(f) Other payables

	As of December 31,	
	2020	2019
Parent	\$1,952	\$1,407
Subsidiaries	906	1,290
Other related parties	-	208
Total	<u>\$2,858</u>	<u>\$2,905</u>

(g) Other current liabilities

	As of December 31,	
	2020	2019
Parent	\$3	\$3
Subsidiaries		
ASRock America, Inc.	48,233	49,332
Total	<u>\$48,236</u>	<u>\$49,335</u>

(h) Operating expenses

	For the years ended December 31,	
	2020	2019
Parent	\$3,553	\$3,906
Subsidiaries	15,286	14,252
Other related parties	1,320	5,951
Total	<u>\$20,159</u>	<u>\$24,109</u>

(i) Other revenue

	For the years ended December 31,	
	2020	2019
Subsidiaries		
ASROCK RACK INCORPORATION	\$54,254	\$-
ASRock Industrial Computer Corporation	14,506	26,808
ASRock America, Inc.	11,784	9,638
Others	234	30
Total	<u>\$80,778</u>	<u>\$36,476</u>

(j) Property transaction

Acquisition of intangible assets:

	Asset Name	For the years ended December 31,	
		2020	2019
Parent	Computer software	<u>\$749</u>	<u>\$734</u>

The Company's purchase price of computer software from the parent company was negotiated by both parties referencing the market price.

Sale of fixed assets:

For the year ended December 31, 2020:

Related Parties	Asset Name	Sale Price	Gain(Loss) of Disposal
Subsidiaries	Machinery equipment	<u>\$11,196</u>	<u>\$-</u>

For the year ended December 31, 2019:

None.

(k) Key management personnel compensation

	For the years ended December 31	
	2020	2019
Short-term employee benefits	\$57,074	\$37,076
Post-employment benefits	620	600
Share-based payment	3,913	12,060
Total	<u>\$61,607</u>	<u>\$49,736</u>

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contractual commitments

(1) Reversible Connections Inc. ("Reversible") filed a patent infringement lawsuit against ASRock America, Inc., a subsidiary of the Company, in 2017, claiming that ASRock America, Inc. infringed its '825 patent on several products sold in the United States. The Company denied these allegations and defended the case strongly. A lawyer has been appointed to cooperate with the court in the trial. The Company's operations, finances, and business remained normal and were not affected by the case.

(2) Elite Gaming Technology, LLC filed a patent infringement lawsuit against the Company, ASROCK RACK INCORPORATION and ASRock Industrial Computer Corporation, subsidiaries of the Company, in 2020, claiming that the Company, ASROCK RACK INCORPORATION and ASRock Industrial Computer Corporation used certain patents owned by Elite Gaming without licensing on several products sold in the United States. The Company denied these allegations and defended the case strongly. A lawyer has been appointed to cooperate with the court in the trial. The Company's operations, finances, and business remained normal and were not affected by the case.

(3) As of December 31, 2020, the Company recorded customs duties of \$500 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2020	2019
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	\$1,507,927	\$686,650
Financial assets measured at amortized cost	486,206	602,000
Trade receivables, net	2,033,620	1,786,623
Other receivables	20,119	16,339
Total	<u>\$4,047,872</u>	<u>\$3,091,612</u>



## Financial liabilities

	As of December 31,	
	2020	2019
Financial liabilities measured at amortized cost:		
Accounts payables	\$2,205,944	\$1,358,307
Lease liabilities	30,905	23,781
Other payables	410,447	296,651
Total	<u>\$2,647,296</u>	<u>\$1,678,739</u>

### (2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

### (3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by \$13,182 thousand and \$4,585 thousand, respectively, the equity is increased/decreased by \$37,520 thousand and \$37,816 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in banks and time deposit at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2020 and 2019 to increase /decrease by \$2,311 thousand and \$3,217 thousand, respectively.

#### (4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss.

The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2020 and 2019, amounts receivables from top ten customers represent 93.18% and 92.52% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. The Company measures the loss allowance of its trade receivables at an amount equal to life time expected credit losses, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery. (the issuer or the debtor is in financial difficulties or bankruptcy)

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

#### (5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity.

#### Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Accounts payables	\$2,205,944	\$-	\$-	\$-	\$2,205,944
Lease liabilities	13,894	7,958	6,795	2,831	31,478
Other payables	410,447	-	-	-	410,447
As of December 31, 2019					
Accounts payables	\$1,358,307	\$-	\$-	\$-	\$1,358,307
Lease liabilities	12,397	11,494	166	-	24,057
Other payables	296,651	-	-	-	296,651

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$-	\$23,781	\$23,781
Cash flows	-	(14,379)	(14,379)
Non-cash change	-	21,503	21,503
As of December 31, 2020	\$-	\$30,905	\$30,905

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	\$44,305	\$35,397	\$79,702
Cash flows	(44,305)	(11,965)	(56,270)
Non-cash change	-	349	349
As of December 31, 2019	\$-	\$23,781	\$23,781

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities Accounts in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2020		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$124,213	28.4965	\$3,539,649
<u>Financial liabilities</u>			
Monetary items:			
USD	77,955	28.4965	2,221,454
	As of December 31, 2019		
	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$66,156	29.98	\$1,983,371
<u>Financial liabilities</u>			
Monetary items:			
USD	50,863	29.98	1,524,866

Since there were various functional currencies used within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The realized and unrealized foreign exchange losses was \$48,913 thousand and \$14,601 thousand for the years ended December 31, 2020 and 2019, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Securities held at the end of the period: None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20 percent of the capital stock: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20 percent of the capital stock: Please refer to Attachment 1.

H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20 percent of capital stock: Please refer to Attachment 2.

I. Financial instruments and derivative transactions: None.

J. Others: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between term: Please refer to Attachment 3.

(2) Information on investees

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: Please refer to Attachment 4.

(3) Investment in Mainland China:

None.

(4) Information of major shareholder:

Name of major shareholder	Shares Number of shares held (shares)	Shareholding ratio (%)
ASUS INVESTMENT CO., LTD.	57,217,754	47.42%
ASUSTEK INVESTMENT CO., LTD.	7,453,405	6.17%
HONGHUNG INVESTMENT LIMITED	6,526,897	5.41%

Purchases/Sales Company Name	Counter-Party	Relationship (Note4)	Transactions Details				Details of Non-arm's Length Transactions(Note1)		Notes and Accounts Receivable (Payable)		Remark (Note2)
			Purchases (Sales)	Amount	Percentage of Total Purchases(Sales)	Terms	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)	
ASROCK INC.	ASRock Europe B.V.	1	(Sales)	\$(3,388,098)	(26.94%)	45 days	Same as other clients	Same as other clients	\$146,728	7.20%	
"	ASRock America, Inc	1	(Sales)	(4,066,728)	(32.33%)	90 days	Same as other clients	Same as other clients	1,442,790	70.77%	
ASROCK RACK INCORPORATION	ASRock America, Inc	3	(Sales)	(100,963)	(2.35%)	90 days	Same as other clients	Same as other clients	86,077	22.68%	
"	ASIROCK TECHNOLOGY LIMITED	3	(Sales)	(121,530)	(2.83%)	60 days	Same as other clients	Same as other clients	-	-	
ASIROCK TECHNOLOGY LIMITED	ASROCK INC.	2	(Sales)	(10,937,317)	(69.67%)	60 days	Same as other clients	Same as other clients	2,365,594	79.15%	
"	ASROCK RACK INCORPORATION	3	(Sales)	(3,300,364)	(21.02%)	60 days	Same as other clients	Same as other clients	530,362	17.74%	
"	ASRock Industrial Computer Corporation	3	(Sales)	(358,050)	(2.28%)	60 days	Same as other clients	Same as other clients	73,402	2.46%	
ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	(Sales)	(108,254)	(10.94%)	60 days	Same as other clients	Same as other clients	10,984	16.67%	

Note 1: If the related party's transaction terms are different from the general transaction terms, the unit price and credit period column should state the difference and the reason.

Note 2: If there is any receipt (payment) in advance, the reason, contractual terms, amount, and differences from the general transaction type should be stated in the remarks column.

Note 3: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 4: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".



(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company	Counter-party	Relationship	Ending Balance(Note1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
ASROCK INC.	ASRock Europe B.V.	1	\$146,728	19.92	\$-	-	\$105,765	-
"	ASRock America, Inc	1	1,442,790	3.25	-	-	54,946	-
ASIROCK TECHNOLOGY LIMITED	ASROCK INC.	2	2,365,594	5.90	-	-	-	-
"	ASROCK RACK INCORPORATION	3	530,362	5.32	-	-	210,783	-

Note 1: Please fill in separately according to accounts receivable, bills, other receivables... etc.

Note 2: The paid-in capital shall refer to the paid-in capital of the parent company. If securities issuers issued no-par value stocks or stocks with par value that are not TWD10 per share, the criteria shall be 10% of the amount attributable to parent company's equity.

Note 3: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty)

- (1) Transactions from parent company to subsidiary is "1".
- (2) Transactions from subsidiary to parent company is "2".
- (3) Transactions between subsidiaries is "3".

## ATTACHMENT 3

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD)

No. (Note1)	Company	Counter-Party	Relationship (Note2)	Transaction Details			
				Account	Amount (Note4)	Terms	Percentage of consolidated total operating revenues or total assets(Note3)
0	ASROCK INC.	ASRock Europe B.V.	1	Sales Accounts receivable	\$3,388,098 146,728	Same as other clients 45 days	18.92% 1.25%
"	"	ASRock America, Inc	1	Sales Accounts receivable	4,066,728 1,442,790	Same as other clients 90 days	22.70% 12.31%
1	ASROCK RACK INCORPORATION	ASRock America, Inc	3	Sales Accounts receivable	100,963 86,077	Same as other clients 90 days	0.56% 0.73%
"	"	ASIA ROCK TECHNOLOGY LIMITED	3	Sales Accounts receivable	121,530 -	Same as other clients 60 days	0.68% -
2	ASIA ROCK TECHNOLOGY LIMITED	ASROCK INC.	2	Sales Accounts receivable	10,937,317 2,365,594	Same as other clients 60 days	61.06% 20.19%
"	"	ASROCK RACK INCORPORATION	3	Sales Accounts receivable	3,300,364 530,362	Same as other clients 90 days	18.43% 4.53%
"	"	ASRock Industrial Computer Corporation	3	Sales Accounts receivable	358,050 73,402	Same as other clients 60 days	2.00% 0.63%
3	ASRock Industrial Computer Corporation	ASRock Europe B.V.	3	Sales Accounts receivable	108,254 10,984	Same as other clients 60 days	0.60% 0.09%

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: The following lists the three types of intercompany transactions (any transaction between parent company and subsidiary or between subsidiaries is disclosed as one transaction by either transaction counterparty.)

(1) Transactions from parent company to subsidiary is "1".

(2) Transactions from subsidiary to parent company is "2".

(3) Transactions between subsidiaries is "3".

Note 3: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their midterm cumulative balance to the total consolidated income.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONTINUED)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Unit : thousands of NTD / dollar of USD)

Investor company (Note 2(1))	Investee company (Note 1,2(1))	Location (Note 2(1))	Main business item (Note 2(1))	Initial Investment (Note 2(1))		Investment as of December 31, 2020 (Note 2(1))			Investee company Net income(loss) of investee company(Note2(2))	Net Investment income (loss) recognized(Note2(3))	Remark
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
ASROCK INC.	ASROCK RACK INCORPORATION	Taiwan	Manufacture and sale of computers and peripheral	\$291,278	\$291,066	19,479,035	62.05% (Note4)	\$387,739	\$316,192	\$196,205	
"	ASIAROCK TECHNOLOGY LIMITED	British Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,563,486 (Note3)	106,141	106,554	
"	LEADER INSIGHT HOLDINGS LTD.	British Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	35,743	57,493	57,493	
"	ASRock Industrial Computer Corporation	Taiwan	Manufacture and sale of computers and peripheral	239,683	235,822	23,895,700	66.96% (Note5)	344,649	76,944	51,440	
"	SOARING ASIA LIMITED	Hong Kong	International trade	HKD 150,000	HKD 150,000	150,000	100.00%	552	0	0	
	Total									\$411,692	
ASIAROCK TECHNOLOGY LIMITED	ASRock Europe B.V.	Netherlands	Data storage and sales of electronic materials and international trade	USD 194,000	USD 194,000	200,000	100.00%	USD 20,251,426	USD 3,343,387	USD 3,343,387	
"	CALROCK HOLDINGS LLC	USA	Rent office building	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 2,193,765	(USD 34,963)	(USD 34,963)	
"	Orbweb Inc. (BVI)	British Virgin Islands	Computer equipment installation and peripheral equipment wholesale and service	USD 1,000,000	USD 1,000,000	4,000,000	27.59%	-	(USD 755,579)	-	
LEADER INSIGHT HOLDINGS LTD.	FIRSTPLACE INTERNATIONAL LTD.	British Virgin Islands	Investment holding	USD 2,050,000	USD 2,050,000	2,050,000	100.00%	USD 1,252,778	USD 1,941,494	USD 1,941,494	
FIRSTPLACE INTERNATIONAL LTD.	ASRock America, Inc.	USA	Data storage and sales of electronic materials and international trade	USD 2,000,000	USD 2,000,000	2,000,000	100.00%	USD 1,219,244	USD 1,941,452	USD 1,941,452	

Note 1: If a public offering company has a foreign holding company and uses consolidation as the main financial statement in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose relevant information to the holding company.

Note 2: If it is not in the case described in Note 1, fill in according to the following regulations:

- (1) The "name of the investee company", "location", "main business item", "original investment amount" and "end-of-term shareholding situation" should be based on the company's reinvestment status and fill in the reinvestment situation of each invested company directly or indirectly controlled in order, and indicate the relationship between each invested company and the (public offering) company (if it is a subsidiary or a grandson company) in the remarks column.
- (2) In column B of "Invested Company Current Profit and Loss", the amount of current profit and loss of each invested company should be filled in.
- (3) In column B of "Investment Profits and Losses Recognized in the Current Period", only the amount of profit and loss of the subsidiaries recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method is required. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss that should be recognized for its reinvestment in accordance with the regulations.

Note 3: Book value = net equity \$3,696,799 thousand + deferred credit \$(133,313) thousand.

Note 4: The Company purchased 2 thousand shares and 9 thousand shares of the company from non-related parties at \$40 thousand and \$172 thousand on March 25, 2020 and April 15, 2020, respectively. Shares, resulting in the company's original shareholding ratio increased from 62.02% to 62.05%.

Note 5: The Company paid \$300 thousand, \$246 thousand, \$266 thousand, \$1,295 thousand, \$1,302 thousand and \$452 thousand respectively on January 13, March 23, May 7, September 30, December 7, and December 21, 2020. The purchase of 30 thousand shares, 20 thousand shares, 21 thousand, 105 thousand, 103 thousand, and 36 thousand shares of the company from non-related parties. In addition, the subsidiaries transacted the increase of employee stock on July, 2020 and the Company did not subscribe. In summary, the Company was decreased original shareholding ratio from 67.38% to 66.96%.

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For the year ended December 31, 2020

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## English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

## ASROCK INC.

## 1. Statement of Cash and Cash Equivalents

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

(In dollars of Foreign Currency)

Item	Description	Amount	Note
Cash on hand	Petty cash	\$513	
Cash in banks			
Current deposits		105,158	
Foreign currency current deposit	USD 15,547,259	443,042	Exchange rate : 28.4965
	CNY 24	-	Exchange rate : 4.3674
Check deposit		1,314	
Total		549,514	
Time deposits			
Taipeifubon Commercial Bank			
USD 4,000,000	(109.12.03-110.01.07 , Rate0.35% , Fixed Rate)	113,986	Exchange rate : 28.4965
USD 8,000,000	(109.12.10-110.01.14 , Rate0.35% , Fixed Rate)	227,972	"
USD 8,000,000	(109.12.24-110.01.21 , Rate0.40% , Fixed Rate)	227,972	"
Land Bank of Taiwan			
TWD 60,000	(109.11.05-110.01.07 , Rate0.35% , Floating rate)	60,000	
TWD 56,000	(109.12.03-110.01.28 , Rate0.35% , Floating rate)	56,000	
TWD 40,000	(109.12.10-110.01.28 , Rate0.35% , Floating rate)	40,000	
TWD 40,000	(109.12.17-110.02.25 , Rate0.35% , Floating rate)	40,000	
TWD 50,000	(109.12.31-110.03.25 , Rate0.35% , Floating rate)	50,000	
Subtotal		815,930	
Cash equivalents			
International Bills Finance Corporation			
USD 5,000,000	(109.12.10-110.02.04 , Rate0.40% , Fixed Rate)	142,483	Exchange rate : 28.4965
Subtotal		142,483	
Total		\$1,508,440	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

2. Statement of Financial Assets Measured at Amortized Cost

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

(In dollars of Foreign Currency)

Item	Description	Interest Rate	Amount	Note
Time deposit—Current				
Land Bank of Taiwan				
USD 3,800,000	109.07.16-110.01.21	Rate0.500% , Fixed Rate	\$108,287	Exchange rate : 28.4965
USD 2,700,000	109.06.24-110.06.24	Rate0.750% , Fixed Rate	76,941	//
USD 3,000,000	109.10.22-110.01.28	Rate0.300% , Fixed Rate	85,489	//
USD 3,000,000	109.10.29-110.02.24	Rate0.300% , Fixed Rate	85,489	//
TWD 30,000	109.11.12-110.05.13	Rate0.585% , Floating rate	30,000	
TWD 50,000	109.12.24-110.03.25	Rate0.410% , Floating rate	50,000	
TWD 50,000	109.11.26-110.05.27	Rate0.585% , Floating rate	50,000	
Total			<u>\$486,206</u>	

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ASROCK INC.

3. Statement of Accounts Receivable, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<u>Non-related parties</u>			
Client A	Payments for Sellings Goods	\$106,108	
Client B	"	50,548	
Client C	"	38,332	
Client D	"	29,887	
Client E	"	25,457	
Client F	"	22,880	
Others	The amount of individual client included in others does not exceed 5% of the account	173,398	
Subtotal		446,610	
Less: loss allowance		(5,001)	
Net		441,609	
<u>Related parties</u>			
ASRock America Inc.	Payments for Sellings Goods	1,442,790	
ASRock Europe B.V.	"	146,728	
ASRock Industrial Computer Corporation	"	1,380	
ASROCK RACK INCORPORATION	"	897	
ASIA ROCK TECHNOLOGY LIMITED	"	216	
Subtotal		1,592,011	
Less: loss allowance		-	
Net		1,592,011	
Total		\$2,033,620	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

4. Statement of Inventories, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Merchandise		\$1,357,735	\$1,612,294	1. Inventories were not pledged.
Work in progress		27,982	28,029	2. Inventories are valued at
Raw materials	Replace of components	18,345	19,628	lower of cost or net
Finished goods	after-sales service	4,175	4,175	realizable value item by item.
Subtotal		<u>1,408,237</u>	<u>\$1,664,126</u>	
Less: allowance for inventory obsolescence valuation losses		40,867		
Net		<u>\$1,367,370</u>		



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ASROCK INC.

5. Statement of Other Current Assets

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Overpaid sales tax		\$45,551	
Other receivables	Interest income and other income in receivable	20,119	
Other prepaid expenses	Prepaid for internet charge etc.	6,458	
Temporary payments	Prepaid for association fee and meal expense etc.	3,265	
Payment on behalf of others	Prepaid for rents , expense for administration and utilities etc.	2,798	
Supplies inventory		1,502	
Total		<u>\$79,693</u>	

## ASROCK INC.

## 6. Statement of Changes in Investments Accounted for Using Equity Method

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2020		Additions		Decrease		As of December 31, 2020			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price \$	Total amount		
<u>Investments Accounted for Using Equity Method</u>													
ASROCK RACK INCORPORATION	19,468,411	\$190,503	10,624	\$197,337 (Note 1)	-	\$(101) (Note 2)	19,479,035	62.05%	\$387,739	\$19.91	\$387,739	None	
ASIAROCK TECHNOLOGY LIMITED	40,000,000	3,700,936	-	106,554 (Note 3)	-	(244,004) (Note 4)	40,000,000	100.00%	3,563,486	89.09	3,563,486	None	
LEADER INSIGHT HOLDINGS LIMITED	2,100,000	(20,602)	-	57,493 (Note 5)	-	(1,148) (Note 6)	2,100,000	100.00%	35,743	17.02	35,743	None	
ASRock Industrial Computer Corporation	23,582,200	290,120	313,500	55,505 (Note 7)	-	(976) (Note 8)	23,895,700	66.96%	344,649	14.42	344,649	None	
SOARING ASIA LIMITED	150,000	578	-	-	-	(26) (Note 9)	150,000	100.00%	552	3.68	552	None	
Total		<u>\$4,161,535</u>		<u>\$416,889</u>		<u>\$(246,255)</u>			<u>\$4,332,169</u>				

Note 1 : Increased in investment by \$212. Recognize in investment gain according to the equity method by \$196,205. Recognize in capital surplus according to the equity method by \$920 .

Note 2 : Due to the subscription was not based on the shareholding ratio, the recognized capital surplus was reduced by \$74 and the recognized retained earnings was reduced by \$27.

Note 3 : Recognize in investment gains according to the equity method by \$106,554.

Note 4 : The cumulative translation adjustment is \$192,147 and unrealized intercompany profit is \$51,857.

Note 5 : Recognize in investment gains according to the equity method by \$57,493.

Note 6 : The cumulative translation adjustment is \$1,148.

Note 7 : Increased in investment by \$3,861. Recognize in investment gain according to the equity method by \$51,440. Recognize in capital surplus according to the equity method by \$204 .

Note 8 : Due to the subscription was not based on the shareholding ratio, the recognized capital surplus was reduced by \$976.

Note 9 : The cumulative translation adjustment is \$26.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

7. Statement of Changes in Right-of-Use Assets

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2020	Additions	Decrease	As of December 31, 2020	Note
Item A	\$9,027	\$-	\$-	\$9,027	
Item B	22,314	-	-	22,314	
Item C	4,056	-	-	4,056	
Item D	-	21,191	-	21,191	
Total	<u>\$35,397</u>	<u>\$21,191</u>	<u>\$-</u>	<u>\$56,588</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

8. Statement of Changes in Accumulated Depreciation of Right-of-Use Assets

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2020	Additions	Decrease	As of December 31, 2020	Note
Item A	\$9,027	\$-	\$-	\$9,027	The increased in the current period is all deprecation expense and the straight - line method is used.
Item B	1,860	11,157	-	13,017	
Item C	973	974	-	1,947	
Item D	-	1,926	-	1,926	
Total	<u>\$11,860</u>	<u>\$14,057</u>	<u>\$-</u>	<u>\$25,917</u>	

## English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

## ASROCK INC.

## 9. Statement of Other Non-Current Assets

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
<u>Guarantee deposits paid</u>			
Item E	Rents deposit for office	\$4,701	
Item F	Rents deposit for vehicle	2,240	
Item G	Rents deposit for vehicle	1,380	
Item H	Rents deposit for vehicle	880	
Item I	Rents deposit for vehicle	860	
Others	The amount of individual item does not exceed 5% of the account balance.	1,265	
Total		<u>11,326</u>	
<u>Other Non-Current Assets</u>			
Prepayment for equipment		<u>\$3,824</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

10. Statement of Accounts Payable

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
<u>Non-related parties</u>			
Vendor A	Payments for buying goods	\$7,681	
Vendor B	"	4,589	
Vendor C	"	1,530	
Others	The amount of individual vendor does not exceed 5% of the account balance.	4,035	
Subtotal		17,835	
<u>Related parties</u>			
ASIAROCK TECHNOLOGY LIMITED	Payments for buying goods	2,188,109	
Subtotal		2,188,109	
Total		\$2,205,944	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

11. Statement of Other Payables

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		\$196,798	
Accrued employees' compensation and compensation payable to directors		142,379	
Others	The amount of individual item does not exceed 5% of the account balance.	71,270	
Total		<u>\$410,447</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

12. Statement of Lease Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	As of December 31, 2020	Note
<u>Lease Liabilities - Current</u>					
Item B	Buildings	108.11.01-110.10.31	1.20%	\$9,456	
Item C	Buildings	107.05.01-112.02.28	1.20%	978	
Item D	Buildings	109.06.01-115.10.31	0.90%	3,240	
Subtotal				13,674	
<u>Lease Liabilities - Non-current</u>					
Item C	Buildings	107.05.01-112.02.28	1.20%	1,156	
Item D	Buildings	109.06.01-115.10.31	0.90%	16,075	
Subtotal				17,231	
Total				\$30,905	



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ASROCK INC.

13. Statement of Other Current Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Refund liability		\$81,857	
Contract liabilities		49,438	
Others	The amount of individual item does not exceed 5% of the account balance.	2,048	
Total		<u>\$133,343</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
ASROCK INC.

14. Statement of Other Non-Current Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Net defined benefit liabilities	According to IAS19 provision for net defined benefit liability	\$37,854	
Total		<u>\$37,854</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

15.Statement of Operating Revenues

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Quantity(PCS)	Domestic Sales	Export sales	Total	Note
Merchandise of computer peripheral	6,000,778	\$29,188	\$12,340,647	\$12,369,835	
Other	10,001,747	8,854	199,034	207,888	
Total operating revenues		<u>\$38,042</u>	<u>\$12,539,681</u>	<u>\$12,577,723</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

16. Statement of Operating Costs

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Raw materials beginng of year	\$17,076	
Add : Raw materials purchased	165,867	
Less : Ending balance	(18,345)	
Transferred to sales	(164,561)	
Others	(37)	
Raw materials used	-	
Add : Merchandise, beginning of year	774,465	
Merchandise purchased	10,927,278	
Raw materials transferred to sales	164,561	
Transferred to supplies inventories	15	
Less : Merchandise, ending of year	(1,389,892)	
Inventories transferred to expense	(15,157)	
Transferred to supplies inventories	(1,269)	
Cost of merchandise sold	10,460,001	
Add : Others	7,753	
Add : Loss from inventory obsolescence valuation loss	5,134	
	<u>\$10,472,888</u>	
Total		

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ASROCK INC.

17. Statement of Sales and marketing Expenses

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$129,161	The amount of individual item included in others does not exceed 5% of the sales and marketing expenses.
Advertisement expense		82,058	
Shipping		23,918	
Others		58,512	
Total		<u>\$293,649</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

18. Statement of General and Administrative Expenses

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$119,939	The amount of individual item included in others does not exceed 5% of the general and administrative expenses.
Board Compensation		12,943	
Professional service expense		12,935	
Others		29,728	
Total		<u>\$175,545</u>	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

ASROCK INC.

19. Statement of Research and Development Expenses

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries		\$354,998	The amount of individual item included in others does not exceed 5% of the research and development expenses.
Material Consumption		30,393	
Others		99,010	
Total		<u>\$484,401</u>	