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Stark Technology Inc. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Review Report

For the periods January 1 to March 31, 2021 and 2020

Company address: 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City
TEL: (03)542-5566

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

Independent Auditor's Review Report

To stakeholders of Stark Technology Inc.:

Foreword

We have reviewed the consolidated balance sheet of Stark Technology Inc. and subsidiaries as at March 31, 2021 and 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flow, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to March 31, 2021 and 2020. It is the responsibility of the management to prepare and ensure fair presentation of consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the version of IAS 34 - "Interim Financial Reporting" approved and published by the Financial Supervisory Commission. Our responsibility as auditor is to form a conclusion based on our review.

Scope

Except for the issues discussed in the "Basis of reservation" paragraph, we, the auditors, have performed the review in accordance with Statement on Auditing Standards No. 65 - "Financial Statement Review." The procedures executed in our review of consolidated financial statements include inquiry (mainly with employees responsible for financial and accounting affairs), analysis and other review-related processes. The scope of financial statement review is significantly smaller than a financial statement audit, therefore we may not be able to detect all material issues through the steps we have taken, and are therefore unable to provide an opinion.

Basis of reservation

As mentioned in Note 4.3 of the consolidated financial statements, some of the non-material subsidiaries were consolidated using financial statements for the corresponding periods that were not reviewed by CPAs. As at March 31, 2021 and 2020, these subsidiaries aggregately reported total assets of NT$346,147 thousand and NT$314,310 thousand that represented 6.08% and 6.21% of consolidated total assets, and total liabilities of NT$21,376 thousand and NT$22,388 thousand that represented 0.67% and 0.86% of consolidated total liabilities, respectively. These subsidiaries also reported total comprehensive income of NT$5,494 thousand and NT$11,732 thousand that represented 3.75% and 9.07% of consolidated total comprehensive income for the periods January 1 to March 31, 2021 and 2020, respectively. Furthermore, information relating to the abovementioned subsidiaries, as disclosed in Note 13 of the consolidated financial statements, were not CPA-reviewed.

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Reservations

Based on the reports we have reviewed, we found that none of the material disclosures of the consolidated financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of Financial Reports by Securities Issuers or the version of IAS 34 - "Interim Financial Reporting" approved by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of Stark Technology Inc. and subsidiaries as at March 31, 2021 and 2020, or the consolidated financial performance or consolidated cash flow for the periods January 1 to March 31, 2021 and 2020, except for the issues discussed in the "Basis of reservation" paragraph, where financial statements and information of non-material subsidiaries had yet to be reviewed by CPAs, and may cause adjustments to the consolidated financial statements.

Ernst & Young
Release of public company financial statements has been approved by the authority
Approval reference: (96)-Jin-Guan-Zheng-(VI)-0960002720
(103)-Jin-Guan-Zheng-Shen-1030025503

Hsu, Hsin-Min

CPA:

Cheng, Ching-Piao

May 3, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent auditors 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.

Stark Technology Inc. and Subsidiaries

Consolidated Balance Sheet

As at March 31, 2021, December 31, 2020, and March 31, 2020

(Information as at March 31, 2021 and 2020, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Asset			March 31, 2021		December 31, 2020		March 31, 2020	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	4, 6.1 and 12	$ 1,331,897	24	$ 1,348,404	24	$ 1,534,311	30
1140	Contract assets - current	4, 6.15 and 6.16	474,221	8	338,698	6	328,114	6
1150	Notes receivable, net	4, 6.4, 6.16, and 12	2,448	-	2,829	-	6,310	-
1172	Accounts receivable	4, 6.5, 6.16, and 12	284,034	5	630,958	11	335,413	7
1173	Instalment accounts receivable	4, 6.5, 6.16, and 12	44,769	1	45,634	1	38,096	1
1200	Other receivables	12	4,710	-	2,689	-	958	-
130x	Inventories	4 and 6.6	2,116,373	37	1,957,859	34	1,454,592	29
1410	Prepayments	4 and 6.7	500,928	9	462,614	8	428,917	8
1476	Other financial assets - current	4, 8 and 12	9,360	-	8,433	-	1,127	-
1478	Refundable deposits - current	12	97,152	2	113,305	2	80,372	2
1479	Other current assets		3,214	-	3,550	-	2,959	-
11xx	Total current assets		4,869,106	86	4,914,973	86	4,211,169	83
	Non-current assets							
1510	Financial assets at fair value through profit or loss - non-current	4, 6.2 and 12	14,790	-	12,590	-	10,000	-
1517	Financial assets at fair value through other comprehensive income - non-current	4, 6.3 and 12	94,850	2	92,570	2	98,325	2
1600	Property, plant and equipment	4 and 6.8	450,452	8	453,651	8	450,891	9
1755	Right-of-use assets	3, 4 and 6.17	30,654	1	35,197	-	42,494	1
1780	Intangible assets	4 and 6.9	5,638	-	6,711	-	6,297	-
1840	Deferred income tax assets	4 and 6.21	18,827	-	22,851	-	18,158	1
1920	Refundable deposits - non-current	12	117,217	2	102,292	2	96,168	2
1933	Long-term installment accounts receivable	4, 6.5, 6.16 and 12	79,432	1	87,317	2	108,312	2
1980	Other financial assets - non-current	4, 8 and 12	8,207	-	9,092	-	16,592	-
1990	Other non-current assets	6.10	5,205	-	5,803	-	5,781	-
15xx	Total non-current assets		825,272	14	828,074	14	853,018	17
1xxx	Total assets		$ 5,694,378	100	$ 5,743,047	100	$ 5,064,187	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung Manager: Liang, Hsiu-Chung Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries (Continued)
Consolidated Balance Sheet
As at March 31, 2021, December 31, 2020, and March 31, 2020
(Information as at March 31, 2021 and 2020, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Liabilities and equity			March 31, 2021		December 31, 2020		March 31, 2020	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	4, 6.11 and 12	$ -	-	$ -	-	$ 69,048	1
2130	Contract liabilities - current	4 and 6.15	1,333,897	23	1,229,208	21	860,072	17
2150	Notes payable	12	512	-	2,746	-	833	-
2170	Accounts payable	12	836,653	15	1,117,006	19	741,375	15
2200	Other payables	12	687,257	12	268,272	5	691,359	14
2230	Current income tax liabilities	4 and 6.21	127,056	2	97,375	2	83,589	2
2250	Provisions	6.12	28,560	1	42,171	1	25,299	1
2280	Lease liabilities - current	3, 4 and 6.17	13,055	-	14,957	-	14,798	-
2399	Other current liabilities		43,442	1	36,149	1	19,298	-
21xx	Total current liabilities		3,070,432	54	2,807,884	49	2,505,671	50
	Non-current liabilities							
2570	Deferred income tax liabilities	4 and 6.21	48,892	1	47,489	1	41,886	1
2580	Lease liabilities - non-current	3, 4 and 6.17	18,860	-	20,927	-	28,183	-
2640	Net defined benefit liabilities - non-current	4 and 6.13	34,914	1	34,914	1	30,058	1
2645	Guarantee deposits	12	3,146	-	2,821	-	4,668	-
25xx	Total non-current liabilities		105,812	2	106,151	2	104,795	2
2xxx	Total liabilities		3,176,244	56	2,914,035	51	2,610,466	52
31xx	Equity attributable to owners of the parent company	6.14						
3100	Share capital							
3110	Ordinary share		1,063,603	19	1,063,603	19	1,063,603	21
3200	Capital surplus		166,514	3	166,514	3	166,514	3
3300	Retained earnings							
3310	Legal reserve		833,911	15	833,911	14	781,998	15
3320	Special reserve		62,079	1	62,079	1	88,196	2
3350	Unappropriated retained earnings		361,703	6	675,258	12	416,334	8
	Total retained earnings		1,257,693	22	1,571,248	27	1,286,528	25
3400	Other equity interests	6.20	30,324	-	27,647	-	(62,924)	(1)
3xxx	Total equity		2,518,134	44	2,829,012	49	2,453,721	48
	Total liabilities and equity		$ 5,694,378	100	$ 5,743,047	100	$ 5,064,187	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung Manager: Liang, Hsiu-Chung Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the periods January 1 to March 31, 2021 and 2020
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

			2021 Q1		2020 Q1	
Code	Item	Notes	Amount	%	Amount	%
4000	Net operating revenue	4 and 6.15	$ 1,444,341	100	$ 1,307,761	100
5000	Operating cost	6.6 and 6.18	(1,072,195)	(74)	(974,920)	(74)
5900	Operating margin		372,146	26	332,841	26
6000	Operating expenses	6.17 and 6.18				
6200	Administrative expenses		(178,188)	(12)	(166,265)	(13)
6300	Research and development expenses		(20,992)	(2)	(22,723)	(2)
6450	Expected credit impairment reversal gain	6.16	1,857	-	11,847	1
	Total operating expenses		(197,323)	(14)	(177,141)	(14)
6900	Operating income		174,823	12	155,700	12
7000	Non-operating income and expenses	6.19				
7100	Interest income		1,834	-	3,571	-
7010	Other income		953	-	6,042	1
7020	Other gains and losses		3,242	1	1,896	-
7050	Finance costs		(179)	-	(624)	-
	Total non-operating income and expenses		5,850	1	10,885	1
7900	Income before income tax		180,673	13	166,585	13
7950	Income tax expense	4 and 6.21	(36,879)	(3)	(36,445)	(3)
8200	Net income		143,794	10	130,140	10
8300	Other comprehensive income					
8310	Items not reclassified into profit or loss	6.20				
8316	Unrealized gain on investment in equity instruments at fair value through other comprehensive income		506	-	1,869	-
8360	Items likely to be reclassified into profit or loss	6.20				
8361	Exchange differences on translation of foreign operations		2,171	-	(2,713)	-
	Other comprehensive income for the current period (net of income tax)		2,677	-	(844)	-
8500	Total comprehensive income for the period		$ 146,471	10	$ 129,296	10
8600	Net income attributable to:	6.22				
8610	Owners of the parent company		$ 143,794		$ 130,140	
8620	Non-controlling interest		-		-	
			$ 143,794		$ 130,140	
8700	Comprehensive income attributable to:					
8710	Owners of the parent company		$ 146,471		$ 129,296	
8720	Non-controlling interests		-		-	
			$ 146,471		$ 129,296	
	Earnings per share (NTD)					
9750	Basic earnings per share					
9710	Net income	6.22	$ 1.35		$ 1.22	
9850	Diluted earnings per share					
9810	Net income	6.22	$ 1.35		$ 1.22	

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung Manager: Liang, Hsiu-Chung Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the periods January 1 to March 31, 2021 and 2020
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

		Equity attributable to owners of the parent company								
				Retained earnings			Other equity items			
	Item	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Total equity
Code		3100	3200	3310	3320	3350	3410	3420	31XX	3XXX
A1	Balance as at January 1, 2020	$ 1,063,603	$ 166,514	$ 781,998	$ 88,196	$ 759,497	$ (22,931)	$ (39,149)	$ 2,797,728	$ 2,797,728
	Appropriation and distribution of 2019 earnings									
B5	Cash dividends on ordinary shares	-	-	-	-	(473,303)	-	-	(473,303)	(473,303)
D1	Net income for the first quarter of 2020	-	-	-	-	130,140	-	-	130,140	130,140
D3	Other comprehensive income for the first quarter of 2020	-	-	-	-	-	(2,713)	1,869	(844)	(844)
D5	Total comprehensive income for the period	-	-	-	-	130,140	(2,713)	1,869	129,296	129,296
Z1	Balance as at March 31, 2020	$ 1,063,603	$ 166,514	$ 781,998	$ 88,196	$ 416,334	$ (25,644)	$ (37,280)	$ 2,453,721	$ 2,453,721
A1	Balance as at January 1, 2021	$ 1,063,603	$ 166,514	$ 833,911	$ 62,079	$ 675,258	$ (25,798)	$ 53,445	$ 2,829,012	$ 2,829,012
	Appropriation and distribution of 2020 earnings									
B5	Cash dividends on ordinary shares	-	-	-	-	(457,349)	-	-	(457,349)	(457,349)
D1	Net income for the first quarter of 2021	-	-	-	-	143,794	-	-	143,794	143,794
D3	Other comprehensive income for the first quarter of 2021	-	-	-	-	-	2,171	506	2,677	2,677
D5	Total comprehensive income for the period	-	-	-	-	143,794	2,171	506	146,471	146,471
Z1	Balance as at March 31, 2021	$ 1,063,603	$ 166,514	$ 833,911	$ 62,079	$ 361,703	$ (23,627)	$ 53,951	$ 2,518,134	$ 2,518,134

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung　　Manager: Liang, Hsiu-Chung　　Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flow
For the periods January 1 to March 31, 2021 and 2020
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Code	Item	2021 Q1 Amount	2020 Q1 Amount
AAAA	Cash flow from operating activities:		
A10000	Income before income tax	$ 180,673	$ 166,585
A20000	Adjustments:		
A20010	Income, expenses and losses:		
A20100	Depreciation expenses	8,864	8,429
A20200	Amortization expenses	1,117	610
A20300	Expected credit impairment reversal gain	(1,857)	(11,847)
A20400	Net gain on financial assets or liabilities at fair value through profit or loss	(2,200)	-
A20900	Interest expense	179	624
A21200	Interest income	(1,834)	(3,571)
A31000	Changes in assets/liabilities that are related to operating activities:		
A31125	Contract assets	(136,069)	(69,151)
A31130	Notes receivable	381	(329)
A31150	Accounts receivable	359,615	139,553
A31180	Other receivables	(2,044)	627
A31200	Inventory	(158,787)	15,661
A31230	Prepayments	(38,314)	(60,445)
A31240	Other current assets	336	328
A32125	Contract liabilities - current	104,689	(71,014)
A32130	Notes payable	(2,234)	258
A32150	Accounts payable	(280,353)	(26,678)
A32180	Other payables	(38,364)	(48,720)
A32200	Provisions	(13,611)	2,355
A32230	Other current liabilities	7,293	(3,383)
A33000	Cash inflow (outflow) from operations	(12,520)	39,892
A33100	Interests received	316	1,669
A33300	Interests paid	-	(344)
A33500	Income tax paid	(1,771)	(1,812)
AAAA	Net cash inflow (outflow) from operating activities	(13,975)	39,405

Code	Item	2021 Q1 Amount	2020 Q1 Amount
BBBB	Cash flow from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(1,774)	-
B00100	Acquisition of financial assets at fair value through profit or loss	-	(10,000)
B02000	Increase in prepaid investments	-	(4,444)
B02700	Acquisition of property, plant and equipment	(787)	(1,845)
B03800	Decrease in refundable deposits	1,228	13,269
B04500	Acquisition of intangible assets	(44)	(1,377)
B06500	Increase (decrease) in other financial assets - current	(42)	324
B06800	Decrease in other non-current assets	598	645
BBBB	Net cash outflow from investing activities	(821)	(3,428)
CCCC	Cash flow from financing activities:		
C00200	Decrease in short-term loans	-	(61,142)
C03000	Increase (decrease) in guarantee deposits	325	(359)
C04020	Repayment of lease principal	(4,157)	(4,663)
CCCC	Net cash outflow from financing activities	(3,832)	(66,164)
DDDD	Effect of exchange rate variation on cash and cash equivalents	2,121	(2,679)
EEEE	Net decrease in cash and cash equivalents for the current period	(16,507)	(32,866)
E00100	Cash and cash equivalents, beginning of period	1,348,404	1,567,177
E00200	Cash and cash equivalents, end of period	$ 1,331,897	$ 1,534,311

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung   Manager: Liang, Hsiu-Chung   Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For periods January 1 to March 31, 2021
and January 1 to March 31, 2020
(Reviewed only; not audited in accordance with generally accepted audit principles)
(All amounts in NTD thousands unless otherwise specified)

(I) Organization and Operations

Stark Technology Inc. (the "Company") was incorporated on March 24, 1993. Its main business activities include distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, computer system design, and import/export trade for the Company's own products.

Shares of the Company have been listed for trading on "Taiwan Stock Exchange Corporation" since September 2001. The Company's place of registration and main business location is 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City.

(II) Financial Statement Approval Date and Procedures

Consolidated financial statements of the Company and subsidiaries (collectively referred to as the "Group") for the periods January 1 to March 31, 2021 and 2020, were approved by the board of directors on May 3, 2021.

(III) Application of new standards, amendments, and interpretations

1. Change of accounting policy resulting from first-time adoption of International Financial Reporting Standards (IFRS)

   The Group has adopted the version of IFRS, IAS, IFRIC and interpretations thereof that approved and effected by Financial Supervisory Commission (FSC) for accounting periods on and after January 1, 2021. First-time adoption of the new standards and amendments has had no material impact on the Group.

2. The Group has not adopted the following IASB-announced and FSC-approved new standards, amendments, guidance, and interpretation:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Covid-19-Related Rent Concessions (IFRS 16 amendment) effected after June 30, 2021	April 1, 2021

(1) Covid-19-Related Rent Concessions (IFRS 16 amendment) effected after June 30, 2021

This amendment will extend the practical expedient stated in paragraph 46A of IFRS 16 - "Leases" by one year. As per assessment, the Group expects no material impact from the above amendment for accounting periods on and after April 1, 2021.

3. As of the publication date of financial statements, the Group had not adopted the following IASB-announced new standards, amendments, guidance, and interpretation that were not approved by FSC:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
2	IFRS 17, “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Non-current (IAS 1 amendment)	January 1, 2023
4	Narrow-scope amendments to IFRSs, including amendments to IFRS 3, IAS 16, and IAS 37 and annual improvements	January 1, 2022
5	Disclosure initiative - Accounting policies (IAS 1 amendment)	January 1, 2023
6	Definition of Accounting Estimates (IAS 8 amendment)	January 1, 2023

(1) Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

This amendment is intended to address the inconsistent treatments between IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" in cases where a company loses control in a subsidiary when ownership of that subsidiary is offered as consideration for investing into an associated company or joint venture. IAS 28 states that, when a company contributes non-monetary asset in exchange for equity interest in an associated company or joint venture, the transaction shall be treated as a downstream transaction and any share of gains or losses that arises as a result is eliminated. IFRS 10, however, requires the entirety of gains or losses to be recognized when a company loses control in a subsidiary. This amendment limits the IAS 28 treatment mentioned above, and requires all gains or losses to be recognized when the assets sold or contributed constitute a business defined under IFRS 3.

Meanwhile, IFRS 10 was amended so that, when an investor sells or contributes a subsidiary that does not constitute a business defined under IFRS 3 with its associated company or joint venture, gains or losses that arise as a result shall be recognized only for the share that is not attributed to the investor.

(2) IFRS 17, “Insurance Contracts”

This standard provides a comprehensive model for the treatment of insurance contracts, including accounting practices (from recognition, measurement, presentation to disclosure). The standard uses a general model at its core, and under this model, a group of insurance contracts shall be recognized at initiation as the sum of fulfillment cash flows and contractual service margin; thereafter, book value for the group of insurance contracts shall be presented as the sum of liability for remaining coverage and liability for incurred claims as at each balance sheet date.

In addition to the general model, the standard also introduces treatment for insurance contract with direct participation features (the Variable Fee Approach) and simplified approach for short-term contracts (the Premium Allocation Approach).

This standard was first published in May 2017 and later amended in June 2020, which postponed the effective date stated in the transition clause by 2 years (from January 1, 2021 to January 1, 2023), introduced additional exemptions, and reduced cost of adoption through the simplified approach. The amendment also made some circumstances easier to interpret. This standard will supersede the transitional standard (i.e. IFRS 4 - "Insurance Contracts") once effected

(3) Classification of Liabilities as Current or Non-current (IAS 1 amendment)

This amendment concerns the classification of liabilities between current and non-current, as stated in paragraphs 69-76 of IAS 1 - "Presentation of Financial Statements."

(4) Narrow-scope amendments to IFRSs, including amendments to IFRS 3, IAS 16, and IAS 37 and annual improvements

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

This amendment supersedes old references of conceptual framework for financial reporting, and updates IFRS 3 with the latest references announced in March 2018. The amendment also introduces one exception to the recognition principles that can be adopted to avoid "second day" gains or losses from liabilities or contingent liabilities. Furthermore, the amendment clarifies existing references for contingent assets that are not affected by the superseding reference.

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

This amendment aims to address how businesses account for sale of items produced from a property, plant, or equipment while bringing the asset to its intended use, and prohibits deduction of sales proceeds from the cost of property, plant, or equipment. Instead, businesses are required to account for sales proceeds and associated costs in profit or loss.

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

This amendment clarifies how onerous contract is determined, and the amount of cost to be recognized.

D. IFRS improvements for years 2018-2020

Amendments to IFRS 1

This amendment simplifies measurement of aggregate adjustment under IFRS 1 when a subsidiary adopts IFRS for the first time after its parent company.

Amendments to IFRS 9 - "Financial Instruments"

This amendment clarifies the fees to be included when assessing material differences between existing and new financial liabilities, in the case of new contract clause or modification to existing clauses.

Amendments to interpretations of IFRS 16 - "Leases"

This amendment addresses how a lessee should account for leasehold improvement incentives in Example 13.

Amendments to IAS 41

This amendment removes a requirement to exclude cash flows from taxation when measuring fair value, so that the fair value measurement rules stated in IAS 41 are consistent with other IFRSs.

(5) Disclosure initiative - Accounting policies (IAS 1 amendment)

This amendment is intended to improve disclosure of accounting policy, and provide more useful information to investors and other financial statement users.

(6) Definition of Accounting Estimates (IAS 8 amendment)

This amendment directly defines an accounting estimate, and introduces other amendments to IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" to help businesses distinguish between change of accounting policy and change of accounting estimate.

All above standards and interpretations announced by IASB but not yet approved by FSC shall become effective on dates announced by FSC. The Group is currently evaluating the potential impacts of newly announced/amended standards and interpretations listed in (1), and is unable to provide reasonable estimate of how the above standards or interpretations may affect the Group. Aside from the above, other newly announced/amended standards and interpretations have no material impact on the Group.

(IV) Summary of Significant Accounting Policies

1. Compliance statement

The consolidated financial statements for the periods January 1 to March 31, 2021 and 2020, have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IAS 34 - "Interim Financial Reporting."

2. Basis of Preparation

The consolidated financial statements have been prepared based on historical cost, except for financial instruments carried at fair value. Unless otherwise specified, all amounts in the consolidated financial statements are presented in NTD thousands.

3. Consolidation overview

Basis of preparation for consolidated financial statements

The Company is considered to exercise control if it is exposed or entitled to variable returns generated by an investee and has the power to influence such return through control over the investee. Specifically, the Group considers itself to exercise control over an investee when all three conditions below are satisfied:

(1) Power over the investee (i.e. existing rights that give the current ability to direct the relevant activities of the investee)
(2) Exposure or entitlement to variable returns due to involvement in the investee's operation, and
(3) Ability to influence returns by exercising authority over the investee

If the Company directly or indirectly holds less-than-majority voting rights (or rights of similar nature) in an investee, the Company would evaluate whether it has power over the investee after taking into consideration all relevant facts and circumstances, including:

(1) Agreement with other voting right holders in the investee
(2) Power given rise through other agreement
(3) Voting rights and potential voting rights

When facts or circumstances indicate change in one or several of the three control elements above, the Company would immediately evaluate whether it still exercises control over the investee.

A subsidiary is consolidated into the consolidated financial statements from the day of acquisition (i.e. the day the Company gains control), until the day control is lost on the subsidiary. All subsidiaries adopt accounting periods and accounting policies that align with those of the parent company. All intra-group account balances, transactions, dividends, and unrealized gains or losses on intra-group transactions are eliminated upon consolidation.

Changes in shareholding of subsidiary without losing control are treated as equity transactions.

Total comprehensive income produced by subsidiaries is divided into amounts that are attributable to owners of the Company and amounts that are attributable to non-controlling shareholders, even if the allocation would put non-controlling equity in negative balance.

When the Company loses control in a subsidiary

(1) All assets (including goodwill) and liabilities of the subsidiary are removed;
(2) Book value of any non-controlling equity is removed;
(3) Fair value of consideration received is recognized;
(4) Fair value of any investment retained is recognized;
(5) Any gains or losses are recognized in current profit or loss;
(6) Amounts previously recognized by the parent company as other comprehensive income are reclassified into current profit or loss;

This consolidated financial statement encompasses the following:

Name of the investor	Name of subsidiary	Main business activities	Ownership percentage		
			March 31, 2021	December 31, 2020	March 31, 2020
The Company	Stark Technology Inc. (USA)	Trading of computer-related products	100%	100%	100%
The Company	Pacific Ace Holding International Ltd.	General investment	100%	100%	100%
The Company	SRAIN Investment Co., Ltd.	General investment	100%	100%	100%
The Company	Stark Information (Hong Kong) Limited (Note)	Trading of computer equipment and software	100%	-	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	General investment	100%	100%	100%
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Trading of computer-related products	100%	100%	100%
S-Rain Investment Ltd.	Shanghai Stark Technology Inc.	General electronics trading	100%	100%	100%
Pacific Ace Holding International Ltd.	Profit Reap International Limited	General investment	100%	100%	100%
Profit Reap International Limited	STARK (NINGBO) Technology Inc.	General electronics trading	100%	100%	100%

Note: Stark Information (Hong Kong) Limited was registered on January 14, 2021.

Some of the non-material subsidiaries listed above were consolidated into the consolidated financial statements using financial statements that were not reviewed by CPAs. As at March 31, 2021 and 2020, these subsidiaries aggregated reported total assets of NT$346,147 thousand and NT$314,310 thousand and total liabilities of NT$21,376 thousand and NT$22,388 thousand, respectively; whereas comprehensive income (loss) for the first quarter of 2021 and 2020 totaled NT$5,494 thousand and NT$11,732 thousand, respectively.

4. Except for the accounting policies stated in Note 4. 5 to 6, consolidated financial statements for the period January 1 to March 31, 2021 were prepared using the same accounting policies as those of 2020. Please refer to the Group's 2020 consolidated financial statements for summary of other significant accounting policies.

5. Interim retirement costs are calculated from the beginning until the end of the interim period using the actuarial pension cost rate determined at the end of the previous year, and adjusted for major market changes, plan curtailments, settlements and other one-time events that took place in the current period.

6. Income taxes for the interim period are accrued and disclosed using tax rate applicable for the Company's expected total earnings for the given year, or in other words, by applying the estimated average effective tax rate for the whole year to pre-tax profit for the interim period. Estimation of average annual effective tax rate only includes income tax expense for the current period; interim deferred income taxes are recognized and measured in the same manner as annual financial report, which follows IAS 12 - "Income Taxes." If tax rate changes in the interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income, or directly through equity in one lump sum.

(V) Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions

Consolidated financial statements for the period January 1 to March 31, 2021 were prepared using the same significant accounting judgments, estimates, and assumptions as those of 2020. Please refer to the Group's 2020 consolidated financial statements for details.

(VI) Notes to Major Accounts

1. Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash	$197	$198	$215
Demand and check deposit	1,157,803	1,175,524	1,425,203
Time deposit	173,897	172,682	108,893
Total	$1,331,897	$1,348,404	$1,534,311

2. Financial assets at fair value through profit or loss

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instruments at fair value through profit or loss - non-current:			
Fund	$14,790	$12,590	$10,000

(1) The Group acquired 1 million units of Yuanta Taiwan High-yield Leading Company Fund in March 2020 at a cost of NT$10,000 thousand.

(2) None of the Group's financial assets at fair value through profit or loss was placed as collateral.

3. Financial assets at fair value through other comprehensive income

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instruments at fair value through other comprehensive income - non-current:			
TWSE/TPEX listed shares	$80,687	$78,407	$86,866
Unlisted shares	14,163	14,163	11,459
Total	$94,850	$92,570	$98,325

(1) The Group subscribed to the cash issue of LOLA Technology Inc. in October 2020, and acquired 700 thousand shares at a cost of NT$7,000 thousand.

(2) The Group sold shares of SYSAGE Technology Co., Ltd., a TWSE-listed company presented as equity instruments measured at fair value through other comprehensive income, in 2020 as part of its investment strategy. Proceeds from the disposal amounted to NT$24,727 thousand, and unrealized gain on valuation totaling NT$11,570 thousand that the instrument had accumulated up until the time of disposal were reclassified from other equity item to retained earnings.

(3) The Group sold shares of GENIRON.COM Inc., an unlisted company presented as equity instruments measured at fair value through other comprehensive income, in 2020 as part of its investment strategy. Proceeds from the disposal amounted to NT$6,795 thousand, and unrealized gain on valuation totaling NT$599 thousand that the instrument had accumulated up until the time of disposal were reclassified from other equity item to retained earnings.

(4) The Group held shares of Solar PV Corp., an unlisted company, that underwent and completed liquidation procedures in 2020. Unrealized loss on valuation totaling NT$90,990 thousand that the instrument had accumulated up until the time of disposal were reclassified from other equity item to retained earnings.

(5) The Group subscribed to the cash issue of ITEQ Corporation in 2020, and acquired 40 thousand shares at a cost of NT$4,444 thousand.

(6) The Group recognized NT$4,555 thousand of dividend income in 2020 from equity instruments at fair value through other comprehensive income held in possession. This income was related to investments that remained in possession as at the balance sheet date.

(7) The Group acquired 47 thousand shares of Zero One Technology Co., Ltd., a TWSE-listed company, in the first quarter of 2021, at a cost of NT$1,775 thousand.

(8) None of the Group's financial assets at fair value through other comprehensive income was placed as collateral.

4. Notes receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable - arising from business activities	$2,448	$2,829	$6,310
Less: loss provisions	-	-	-
Net amount	$2,448	$2,829	$6,310

None of the Group's notes receivables was placed as collateral.

The Group assesses impairment according to IFRS 9. Please see Note 6.16 for information on loss provisions and Note 12 for credit risk-related information.

5. Accounts receivable and instalment accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	$292,540	$642,614	$342,099
Instalment accounts receivable	142,221	152,512	170,788
Less: Unrealized interest income - instalment accounts receivable	(10,970)	(12,511)	(17,331)
Subtotal (total book value)	423,791	782,615	495,556
Less: loss provisions	(15,556)	(18,706)	(13,735)
Total	$408,235	$763,909	$481,821

Expected recovery of instalment accounts receivable is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
No more than 1 year	$57,311	$58,598	$52,024
1 to 2 years	37,240	37,142	35,955
2 years and above	47,670	56,772	82,809
Total	$142,221	$152,512	$170,788

None of the Group's accounts receivables was placed as collateral. Credit terms granted to customers are generally 30 days to 120 days after the end of the month of inspection.

The Group had accounts receivable and instalment accounts receivable balance outstanding at NT$423,791 thousand on March 31, 2021, NT$782,615 thousand on December 31, 2020, and NT$495,556 thousand on March 31, 2020. See Note 6.16 for information on loss provisions and Note 12 for credit risk-related information.

6. Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Net inventory - merchandise	$2,116,373	$1,957,859	$1,454,592

Cost of inventory, consultation, and maintenance recognized as expenses in the first quarter of 2021 and 2020 totaled NT$1,072,195 thousand and NT$974,920 thousand, respectively. These amounts included NT$418 thousand and NT$2,625 thousand of gain on reversal of inventory devaluation and obsolescence for the first quarter of 2021 and 2020, respectively. The reversal gains were due to sale of inventories that were previously considered as devalued or obsolete, and were treated as reduction to the cost of sale. As at the first quarter of 2021 and 2020, the Group had provisions on inventory devaluation outstanding at NT$4,655 thousand and NT$6,925 thousand, respectively.

None of the above inventory was pledged as collateral.

7. Prepayments

	March 31, 2021	December 31, 2020	March 31, 2020
Prepaid purchases	$428,334	$402,094	$373,405
Prepaid investments	-	-	4,444
Other prepaid expenses	72,594	60,520	51,068
Total	$500,928	$462,614	$428,917

8. Property, plant and equipment

	March 31, 2021	December 31, 2020	March 31, 2020
Owner-occupied property, plant and equipment	$450,452	$453,651	$450,891

	Land	Buildings	Transportation equipment	Office equipment	Lease improvements	Other equipment	Total
Cost:							
January 1, 2021	$291,892	$202,098	$4,004	$45,759	$5,796	$323	$549,872
Additions	-	50	-	737	-	-	787
Disposals	-	-	-	(3,149)	-	-	(3,149)
Reclassifications	-	-	-	70	-	255	325
Effects of exchange rate change	-	-	21	2	-	-	23
March 31, 2021	$291,892	$202,148	$4,025	$43,419	$5,796	$578	$547,858
Cost:							
January 1, 2020	$291,892	$204,388	$4,848	$31,394	$5,711	$2,754	$540,987
Additions	-	131	-	1,714	-	-	1,845
Disposals	-	(3,253)	-	(119)	-	-	(3,372)
Reclassifications	-	-	-	233	-	-	233
Effects of exchange rate change	-	-	(15)	(3)	-	-	(18)
March 31, 2020	$291,892	$201,266	$4,833	$33,219	$5,711	$2,754	$539,675
Depreciation and impairment:							
January 1, 2021	$-	$69,264	$3,031	$21,582	$2,166	$178	$96,221
Depreciation	-	1,350	64	2,629	241	28	4,312
Disposals	-	-	-	(3,149)	-	-	(3,149)
Effects of exchange rate change	-	-	21	1	-	-	22
March 31, 2021	$-	$70,614	$3,116	$21,063	$2,407	$206	$97,406
January 1, 2020	$-	$67,279	$3,209	$14,418	$1,204	$2,150	$88,260
Depreciation	-	1,314	137	2,008	237	216	3,912
Disposals	-	(3,253)	-	(119)	-	-	(3,372)
Effects of exchange rate change	-	-	(15)	(1)	-	-	(16)
March 31, 2020	$-	$65,340	$3,331	$16,306	$1,441	$2,366	$88,784
Net book value:							
March 31, 2021	$291,892	$131,534	$909	$22,356	$3,389	$372	$450,452
December 31, 2020	$291,892	$132,834	$973	$24,177	$3,630	$145	$453,651
March 31, 2020	$291,892	$135,926	$1,502	$16,913	$4,270	$388	$450,891

The Group did not capitalize any interest in the first quarter of 2021 and 2020.

Major components of buildings include: main structure, air conditioning, and renovation, which are depreciated over useful lives of 51-56 years, 6 years, and 6 years, respectively.

None of the above property, plant and equipment was pledged as collateral.

9. Intangible asset

	Computer software
Cost:	
January 1, 2021	$12,470
Addition - acquisition by separate purchase	44
Reduction - removal in the current period	-
March 31, 2021	$12,514
January 1, 2020	$8,045
Addition - acquisition by separate purchase	1,377
Reduction - removal in the current period	-
March 31, 2020	$9,422
Amortization and impairment:	
January 1, 2021	$5,759
Reduction - removal in the current period	-
Amortization	1,117
March 31, 2021	$6,876
January 1, 2020	$2,515
Reduction - removal in the current period	-
Amortization	610
March 31, 2020	$3,125
Net book value:	
March 31, 2021	$5,638
December 31, 2020	$6,711
March 31, 2020	$6,297

Amortization amount of intangible assets:

	2021 Q1	2020 Q1
Operating costs	$-	$-
Administrative expenses	$1,117	$610
Research and development expenses	$-	$-

10. Other non-current assets

	March 31, 2021	December 31, 2020	March 31, 2020
Other non-current assets - others	$5,205	$5,803	$5,781

11. Short-term loans

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	$-	$-	$69,048
Interest rate range	-%	-%	2.29%~2.78%

The Group had undrawn short-term credit facilities of NT$1,983,055 thousand, NT$2,141,519 thousand, and NT$2,251,583 thousand as at March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

12. Provisions

	Warranty	
	2021 Q1	2020 Q1
Beginning of period	$42,171	$22,944
Additions in the current period	9,784	7,271
Utilization in the current period	(1,356)	(2,153)
Reversals in the current period	(22,039)	(2,763)
End of the period	$28,560	$25,299

Warranty

This provision was made by estimating future product warranty claims, which involved use of historical experience, the management's judgment and other known factors.

13. Retirement benefit plans

Defined Contribution Plans

The Group recognized pension expenses related to defined contribution plans in the first quarter of 2021 and 2020 totaled NT$6,854 thousand and NT$6,777 thousand, respectively.

Defined Benefit Plans

The Group recognized pension expenses related to defined benefit plans in the first quarter of 2021 and 2020 totaled NT$2,543 thousand and NT$2,057 thousand, respectively.

14. Equity

(1) Ordinary share

The Company had authorized capital of NT$3,400,000 thousand (20,000 thousand shares of which were reserved for the exercise of employee warrants) as at March 31, 2021, December 31, 2020, and March 31, 2020. Each share carries a face value of NT$10 and can be issued in multiple offerings. Paid-up capital amounted to NT$1,063,603 thousand and outstanding shares totaled 106,360 thousand on all three dates. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
Premium on consolidation	$148,259	$148,259	$148,259
Premium on conversion of convertible bonds	18,255	18,255	18,255
Total	$166,514	$166,514	$166,514

According to regulations, capital surplus can not be used for any purpose other than reimbursing previous losses. If the Company has no cumulative losses, capital surpluses that arise from shares issued at premium and gifts received may be capitalized into share capital, up to a certain percentage of paid-in capital per year; these capital surpluses may also be distributed in cash among shareholders at the current ownership percentage.

(3) Earnings appropriation and dividend policy

According to the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve (unless legal reserves have accumulated to an amount equal to share capital). Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws may require. The residual balance can then be added to unappropriated earnings carried from previous years and retained or distributed to shareholders as a form of profit sharing, subject to resolution in a shareholder meeting. Shareholders' profit sharing can be paid in cash or shares; however, the cash portion shall be no less than 10% of total dividends.

The Company operates in the high-tech industry and is susceptible to the industry's enterprise life cycle. Dividends shall be allocated after taking into consideration several factors including: current and future investment environment, capital requirement, domestic/foreign competition, capital budget, shareholders' expectations, balanced dividends, and the Company's long-term financial plan. Dividend distribution plans are to be proposed by the board of directors and presented for final resolution in shareholder meeting on a yearly basis.

After adopting IFRS, the Company is bound to comply with Letter No. Jin-Guan-Zheng-Fa-1010012865 issued by FSC on April 6, 2012, which states that, when adopting IFRS for the first time, any unrealized gain on revaluation and any cumulative translation adjustments (gains) classified into retained earnings due to opting of exemptions under IFRS 1 - "First-time Adoption of IFRS" on the conversion date shall be accompanied by provision of special reserve for the same amount.

Once the Company begins preparation of IFRS-compliant financial statements, the Company will be required to provide additional special reserves to make up for the shortfall between the balance of special reserves provided during first-time adoption of IFRS and the net balance of other contra equity items in years it decides to distribute available earnings. If contra equity items are reversed on a later date, the amount reversed may be distributed to shareholders.

As at March 31, 2021, the Company had NT$144 thousand of special reserve that were provided due to first-time adoption of IFRS.

The Company's 2020 and 2019 earnings appropriation proposal and dividends per share were proposed and resolved during the board of directors meeting held on February 26, 2021 and annual general meeting held on May 28, 2020, respectively. Details are as presented below:

	Earnings appropriation plan		Dividends per share (NTD)	
	2020	2019	2020	2019
Legal reserve	$45,401	$51,913		
Special reserve	(61,935)	(26,117)		
Cash dividends on ordinary shares	457,349	473,303	$4.30	$4.45

Please refer to Note 6.18 for the amount of employee remuneration and director remuneration recognized and the basis of estimation.

(4) Non-controlling interests: None.

15. Operating revenue

	2021 Q1	2020 Q1
Revenues from sale of merchandise	$966,369	$921,930
Revenues from rendering of service	476,213	382,744
Other operating revenues	1,759	3,087
Total	$1,444,341	$1,307,761

Information relating to revenue from contracts with customers in the first quarter of 2021 and 2020 were as below:

(1) Breakdown of revenue

	Operating segment	
	2021 Q1	2020 Q1
Sales of merchandise	$966,369	$921,930
Rendering of service	476,213	382,744
Others	1,759	3,087
Total	$1,444,341	$1,307,761
Timing of revenue recognition		
At a point in time	$968,128	$925,017
Over time	476,213	382,744
Total	$1,444,341	$1,307,761

(2) Contract balance

A. Contract assets - current

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Sales of merchandise and rendering of service	$487,291	$351,222	$340,812	$271,661
Less: loss provisions	(13,070)	(12,524)	(12,698)	(11,898)
Total	$474,221	$338,698	$328,114	$259,763

Major changes in the balance of contract assets in the first quarter of 2021 and 2020 are explained below:

	2021 Q1	2020 Q1
Amount of beginning balance reclassified into accounts receivable in the current period	$(238,231)	$(185,097)
Changes were measured based on level of completion	$374,300	$254,248

The Group assesses impairment according to IFRS 9. Please see Note 6.16 for information on loss provisions and Note 12 for credit risk-related information.

B. Contract liabilities - current

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Sales of merchandise and rendering of service	$1,333,897	$1,229,208	$860,072	$931,086

Major changes in the balance of contract liabilities in the first quarter of 2021 and 2020 are explained below:

	2021 Q1	2020 Q1
Amount of beginning balance reclassified into revenue in the current period	$(500,286)	$(339,587)
Current increase in advanced receipt (less amounts incurred and reclassified into revenue in the current period)	$604,975	$268,573

(3) Allocation of transaction price into unfulfilled contractual obligations

As at March 31, 2021, the Group had allocated NT$5,056,884 thousand of transaction price into unfulfilled (including partially fulfilled) contractual obligations; 84.53% of which are expected to be recognized as revenue in 2021, whereas the remainder will be recognized as revenue on and after 2022.

(4) Assets recognized from costs of acquiring and fulfilling customer contracts

None.

16. Expected credit impairment loss/reversal gain

	2021 Q1	2020 Q1
Operating expenses - expected credit impairment (loss) reversal gain		
Contract assets	$(546)	$(800)
Accounts receivable	2,403	12,647
Total	$1,857	$11,847

Please see Note 12 for credit risk-related information.

All of the Group's contract assets and accounts receivable (including notes receivable, accounts receivable, and instalment accounts receivable) have loss provisions measured based on Lifetime expected credit losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow (prospective information). For short-term receivables, however, credit loss is not measured using present value difference as the effect of discounting is insignificant. Loss provisions as at March 31, 2021, December 31, 2020, and March 31, 2020 are explained below:

Contract assets and accounts receivable are divided into groups based on counterparties' credit rating, location, and industry, and a provision matrix is used to measure loss provisions. Relevant details are presented below:

March 31, 2021

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$803,174	$44,242	$16,710	$14,687	$2,699	$11,484	$892,996
Loss ratio	0.9%	0.6%	0.5%	0.5%	0.7%	2.2%	
Lifetime expected credit losses	(7,405)	(257)	(83)	(75)	(19)	(253)	(8,092)
Net amount	$795,769	$43,985	$16,627	$14,612	$2,680	$11,231	$884,904

Group 2 (Note 2)	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$12,909	$-	$-	$-	$-	$7,625	$20,534
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(7,625)	(20,534)
Net amount	$-	$-	$-	$-	$-	$-	$-

December 31, 2020

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$974,799	$82,199	$27,313	$9,279	$2,891	$18,950	$1,115,431
Loss ratio	0.9%	0.7%	0.5%	0.5%	0.9%	2.0%	
Lifetime expected credit losses	(8,843)	(561)	(147)	(46)	(25)	(373)	(9,995)
Net amount	$965,956	$81,638	$27,166	$9,233	$2,866	$18,577	$1,105,436

Group 2 (Note 2)	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$12,909	$-	$-	$-	$-	$8,326	$21,235
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(8,326)	(21,235)
Net amount	$-	$-	$-	$-	$-	$-	$-

March 31, 2020

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$706,120	$53,146	$21,294	$6,497	$3,475	$33,004	$823,536
Loss ratio	0.9%	0.7%	0.6%	0.5%	1.2%	1.4%	
Lifetime expected credit losses	(6,271)	(358)	(125)	(33)	(43)	(461)	(7,291)
Net amount	$699,849	$52,788	$21,169	$6,464	$3,432	$32,543	$816,245

Group 2 (Note 2)	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value:	$13,741	$-	$-	$-	$-	$5,401	$19,142
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(13,741)	-	-	-	-	(5,401)	(19,142)
Net amount	$-	$-	$-	$-	$-	$-	$-

Note 1: All notes receivable and contract assets are not past due; loss provisions are measured based on expected credit loss over the remaining lifetime.

Note 2: The Group measures loss provision for individual counterparties based on expected credit loss over the remaining lifetime. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow.

Changes in loss provisions on contract assets, accounts receivable, and instalment accounts receivable for the first quarter of 2021 and 2020 are explained below:

	Contract assets	Accounts receivable	Instalment accounts receivable
January 1, 2021	$12,524	$11,657	$7,049
Net recognitions (reversals) for the current period	347	(2,204)	-
Reclassifications	199	(199)	-
Actual write-offs	-	(750)	-
Effect of exchange rate changes	-	3	-
March 31, 2021	$13,070	$8,507	$7,049
January 1, 2020	$11,898	$19,676	$7,049
Net recognitions (reversals) for the current period	(1,088)	(10,759)	-
Reclassifications	1,888	(1,888)	-
Actual write-offs	-	(337)	-
Effect of exchange rate changes	-	(6)	-
March 31, 2020	$12,698	$6,686	$7,049

17. Lease

(1) The Group as lessee

The Group leases several types of asset, including building, transportation equipment, and office equipment. Lease tenor of each contract is from 1 to 6 years.

Effects of leases on the Group's financial position, financial performance, and cash flow are explained below:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book value of right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	$25,126	$27,552	$34,476
Transportation equipment	2,812	4,192	5,994
Office equipment	2,716	3,453	2,024
Total	$30,654	$35,197	$42,494

Right-of-use assets increased by NT$0 and NT$2,001 thousand in the first quarter of 2021 and 2020, respectively.

(b) Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Lease liabilities	$31,915	$35,884	$42,981
Current	$13,055	$14,957	$14,798
Non-current	18,860	20,927	28,183
Total	$31,915	$35,884	$42,981

Please see Note 6.19(4) - Financial cost for interest on lease liabilities in the first quarter of 2021 and 2020; and Note 12.5 - Liquidity risk management for maturity analysis of lease liabilities from January 1 to March 31, 2021.

B. Amount recognized in statement of comprehensive income

Depreciation of right-of-use assets

	2021 Q1	2020 Q1
Buildings	$2,435	$2,434
Transportation equipment	1,380	1,879
Office equipment	737	204
Total	$4,552	$4,517

C. Income, expenses, and losses relating to lease activities as a lessee

	2021 Q1	2020 Q1
Short-term lease expense	$1,004	$1,466

D. Cash outflow relating to lease activities as a lessee

The Group incurred NT$5,161 thousand and NT$6,129 thousand of lease-related cash outflow in the first quarter of 2021 and 2020, respectively.

18. Summary of employee benefit, depreciation, and amortization expenses by function:

By function / By nature	2021 Q1			2020 Q1		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	$18,443	$164,155	$182,598	$17,732	$157,198	$174,930
Wages and salaries	15,826	137,887	153,713	15,298	131,818	147,116
Labor and national health insurance expenses	1,373	12,153	13,526	1,246	11,506	12,752
Pension expenses	814	8,583	9,397	749	8,085	8,834
Other employee benefit expenses	430	5,532	5,962	439	5,789	6,228
Depreciation expenses	-	8,864	8,864	-	8,429	8,429
Amortization expenses	-	1,117	1,117	-	610	610

Pursuant to the Articles of Incorporation, profits concluded from a financial year are subject to employee remuneration of no less than 3% and director remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses if any. Distribution of employee remuneration mentioned above can be made in cash or in shares. This decision must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of all attending directors, and subsequently reported in shareholder meeting. Please visit the "Market Observation Post System" for more information regarding employee/director remuneration resolved in board of director meetings.

Employee remuneration and director remuneration for the first quarter of 2021 were estimated at NT$10,136 thousand and NT$0, respectively, based on the Company's first-quarter profitability and the percentages stated in the Articles of Incorporation. Employee remuneration and director/supervisor remuneration for the first quarter of 2020 were estimated at NT$9,167 thousand and NT$0, respectively, based on profitability of that particular year. The abovementioned amounts were presented under salary expense at the time of estimation, and if the actual amount resolved by the board of directors differs from the estimate, the difference will be recognized as gain or loss for the next year.

The board of directors passed a resolution on February 26, 2021 to pay the 2020 employee remuneration and director/supervisor remuneration at NT$38,900 thousand and NT$0, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2020 financial statements.

The board of directors passed a resolution on February 26, 2020 to pay the 2019 employee remuneration and director/supervisor remuneration at NT$33,167 thousand and NT$0, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2019 financial statements.

19. Non-operating income and expenses

(1) Interest income

	2021 Q1	2020 Q1
Financial assets carried at cost after amortization	$1,834	$3,571

(2) Other income

	2021 Q1	2020 Q1
Rental income	$3	$3
Other income - others	950	6,039
Total	$953	$6,042

(3) Other gains and losses

	2021 Q1	2020 Q1
Net gain on currency exchange	$1,042	$1,896
Gain on financial assets at fair value through profit or loss	2,200	-
Total	$3,242	$1,896

(4) Finance costs

	2021 Q1	2020 Q1
Interest expense on bank loans	$-	$394
Interest expense on lease liabilities	179	230
Total	$179	$624

20. <u>Composition of other comprehensive income</u>

Composition of other comprehensive income for the first quarter of 2021 is explained below:

	Incurred in the current period	Reclassifications in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount After tax
Items not reclassified into profit or loss:					
Unrealized gain(loss) on equity instruments investments at fair value through other comprehensive income	$(544)	$-	$(544)	$ -	$(544)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	1,050	-	1,050	-	1,050
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	2,171	-	2,171	-	2,171
Total other comprehensive income for the current period	$2,677	$-	$2,677	$ -	$2,677

Composition of other comprehensive income for the first quarter of 2020 is explained below:

	Incurred in the current period	Reclassifications in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Unrealized gain(loss) on equity instruments investments at fair value through other comprehensive income	$2,017	$-	$2,017	$-	$2,017
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(148)	-	(148)	-	(148)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	(2,713)	-	(2,713)	-	(2,713)
Total other comprehensive income for the current period	$(844)	$-	$(844)	$-	$(844)

21. Income tax

Main components of income tax expense (benefit) for 2021 and 2020 were as follows:

Income tax recognized in profit or loss

	2021 Q1	2020 Q1
Income tax expense (benefit) for the current period:		
Current income tax payable	$30,934	$31,079
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) relating to the origination and reversal of temporary differences	5,639	6,657
Deferred income tax relating to the origination and reversal of tax losses and income tax credits	(5)	461
Offset (reversal of previous offset) of deferred income tax asset	311	(1,640)
Deferred income taxes relating to tax rate changes	-	(112)
Income tax expense	$36,879	$36,445

Assessment of income tax return

Assessment of income tax filings submitted by the Company and domestic subsidiaries as at March 31, 2021 is explained below:

	Assessment of income tax return
The Company	Certified up to 2018
Subsidiary - SRAIN Investment Co., Ltd.	Certified up to 2019
Subsidiary - Stark Inforcom Inc.	Certified up to 2019

22. Earnings per share (EPS)

Amount of basic earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period.

Amount of diluted earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period, including all potential dilutive ordinary shares assuming total conversion.

	2021 Q1	2020 Q1
(1) Basic earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$143,794	$130,140
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Basic earnings per share (NTD)	$1.35	$1.22
(2) Diluted earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$143,794	$130,140
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Dilutive effect:		
Employee remuneration (shares)	510,105	571,984
Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares)	106,870,396	106,932,275
Diluted earnings per share (NTD)	$1.35	$1.22

There had been no other transaction that significantly changed the number of closing outstanding ordinary shares or potential ordinary shares after the reporting date up until the publication date of financial statements.

(VII) Related party transactions

Compensation for key management of the Group

	2021 Q1	2020 Q1
Short-term employee benefits	$24,542	$28,180
Post-employment benefits - pension	670	616
Total	$25,212	$28,796

(VIII) Pledged assets

The Group had placed the following assets as collaterals:

	Book value			
Item	March 31, 2021	December 31, 2020	March 31, 2020	Details of debts secured
Other financial assets - current	$9,360	$8,433	$1,127	Performance guarantee
Other financial assets - non-current	8,207	9,092	16,592	Performance guarantee
Total	$17,567	$17,525	$17,719	

(IX) Significant contingent liabilities and unrecognized contract commitments

1. The Company had engaged financial institutions to provide NT$116,945 thousand of performance and customs guarantee for various projects.

2. The Company had issued NT$38,391 thousand of guaranteed notes to customers and banks to secure sales and borrowing limits.

(X) Losses from Major Disasters

None.

(XI) Significant Subsequent Events

None.

(XII) Others

1. Types of financial instrument

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets			
Financial assets at fair value through profit or loss			
Mandatory at fair value throughout profit or loss	$14,790	$12,590	$10,000
Financial assets at fair value through other comprehensive income	94,850	92,570	98,325
Financial assets carried at cost after amortization			
Cash and cash equivalents (excluding cash on hand)	1,331,700	1,348,206	1,534,096
Receivables	335,961	682,110	380,777
Long-term receivables	79,432	87,317	108,312
Other financial assets	17,567	17,525	17,719
Refundable deposits	214,369	215,597	176,540
Subtotal	1,979,029	2,350,755	2,217,444
Total	$2,088,669	$2,455,915	$2,325,769
Financial liabilities			
Financial liabilities carried at cost after amortization:			
Short-term loans	$-	$-	$69,048
Payables	1,524,422	1,388,024	1,433,567
Lease liabilities	31,915	35,884	42,981
Guarantee deposits	3,146	2,821	4,668
Total	$1,559,483	$1,426,729	$1,550,264

2. Purpose and policy of financial risk management

The Group has set its financial risk management goals to primarily manage market risks, credit risks, and liquidity risks relating to operating activities. The abovementioned risks are identified, measured, and managed according to the Group's policies and risk preference.

The Group has implemented appropriate policies, procedures, and internal controls for the management of financial risks mentioned above. All important financial activities are subject to review by the board of directors in accordance with rules and the internal control system. The Group is required to duly comply with its financial risk management rules when carrying out financial management activities.

3. Market risk

Changes in the market price of financial instruments is the type of market risk that the Group is most concerned with. Market risk may cause fluctuation in the fair value or cash flow of financial instruments, and mainly includes exchange rate risk, interest rate risk, and other price risk.

In practice, however, it is extremely rare to see only one risk variable changing at one time. Although risk variables tend to be correlated to some degree, the sensitivity analysis below has not taken into consideration the inter-correlation of risk variables.

Exchange rate risk

The Group’s exchange rate risk exposure is mainly associated with operating activities (when the currency of income or expense is different from the Group’s functional currency) and net investments in foreign operations.

Some of the Group's foreign currency receivables and foreign currency payables are denominated in the same currencies, which create natural hedge to some extent. However, the Group did not adopt hedge accounting as natural hedge does not conform with the requirements for hedge accounting. Meanwhile, net investments in foreign operations represent strategic investments, therefore the Group did not hedge this exposure.

Sensitivity analysis for exchange rate risk is conducted on monetary items denominated in key foreign currencies as at the balance sheet date, and the analysis evaluates how a strengthening/weakening of foreign currency affects the Group's profits and equity. Exchange rate risks of the Group are mainly attributed to the volatility of USD and RMB currencies. Sensitivity analysis for the two currencies is provided below:

If NTD strengthened/weakened against USD by 1%, profits for the first quarter of 2021 and 2020 would have increased/decreased by NT$177 thousand and NT$334 thousand, whereas equity would have decreased/increased NT$132 thousand and NT$149 thousand, respectively.

If NTD strengthened/weakened against RMB by 1%, profits for the first quarter of 2021 and 2020 would have increased/decreased by NT$435 thousand and decreased/increased by NT$903 thousand, respectively, and there would be no effect whatsoever on equity.

Interest rate risk

Interest rate risk refers to fluctuations in the fair value or future cash flow of a financial instrument due to changes in market interest rate. The Group's exposure to interest rate risk arises mainly from loans borrowed at floating rate. However, given that the Group currently has no such loan outstanding, it is not exposed to any material interest rate risk.

Equity price risk

The Group holds TWSE/TPEX listed as well as unlisted equity securities; the fair value of investments may be affected by uncertainties associated with the future value. All TWSE/TPEX listed and unlisted equity securities held by the Group are classified as equity instruments at fair value through other comprehensive income. The Group manages equity price risk of equity securities through diversified investment and by setting investment limits on single and a portfolio of instruments. Information on portfolio of equity securities has to be provided to the Group's management on a regular basis; the board of directors is required to verify and approve all decisions concerning investment of equity securities.
A 10% rise/fall in the price of TWSE/TPEX listed shares held as equity instruments at fair value through other comprehensive income would have affected the Group's equity by NT$8,069 thousand and NT$8,687 thousand in the first quarter of 2021 and 2020, respectively.

4. Credit risk management

Credit risk refers to the possibility of financial losses suffered due to counterparties becoming unable to fulfill contractual obligations. The Group's credit risk exposure mainly arises from operating activities (primarily accounts receivable and notes receivable) and financing activities (primarily bank deposits and financial instruments).

All departments of the Group manage credit risks according to prevailing policies, procedures, and controls. Counterparty credit risk is evaluated after taking into consideration each counterparty's financial position, external credit rating, historical transactions, the current economic environment, and the Group's internal rating standards, etc. The Group uses credit enhancement tools (such as advanced receipt and insurance) at appropriate times to minimize credit risk of specific counterparties.

The Group's top 10 customers accounted for 32%, 33%, and 21% of total contract assets and accounts receivable balance as at March 31, 2021, December 31, 2020, and March 31, 2020, respectively. Judging by the above, there was no credit risk concentration in the Group's contract assets and accounts receivable.

The Finance Department manages credit risk of bank deposits and other financial instruments according to group policies. All counterparties of the Group are approved according to internal control procedures, and consist entirely of reputable banks, investment-grade financial institutions, companies, and government agencies, hence no major credit risk exists.

The Group assesses expected credit losses according to IFRS 9. Information relating to credit risk assessment is presented below:

			Total book value:		
Credit risk grade	Indicator	Method of measuring expected credit loss	March 31, 2021	December 31, 2020	March 31, 2020
Simplified approach (Note)	(Note)	Lifetime expected credit losses	$913,530	$1,136,666	$842,678

Note: The Group adopts the simplified approach (loss provision is measured based on Lifetime expected credit losses); the assessment covers contract assets, notes receivable, accounts receivable, and instalment accounts receivable.

5. Liquidity risk management

The Group uses cash and cash equivalents, marketable securities, bank loans, leases, and contracts to maintain financial flexibility.

The following table shows maturity of financial liabilities as stated in contract terms and conditions. The dates represent the earliest times at which the Group may be required to make repayments, whereas the amounts are undiscounted and include agreed interests. Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

Non-derivative instruments

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
March 31, 2021					
Payables	$1,524,422	$-	$-	$-	$1,524,422
Lease liabilities	13,562	18,543	703	-	32,808
December 31, 2020					
Payables	$1,388,024	$-	$-	$-	$1,388,024
Lease liabilities	15,526	19,222	2,171	-	36,919
March 31, 2020					
Short-term loans	$69,871	$-	$-	$-	$69,871
Payables	1,433,567	-	-	-	1,433,567
Lease liabilities	15,525	20,744	8,262	-	44,531

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the first quarter of 2021:

	Guarantee deposits	Lease liabilities	Total
January 1, 2021	$2,821	$35,884	$38,705
Non-cash movement	-	179	179
Cash flow	325	(4,157)	(3,832)
Effect of exchange rate changes	-	9	9
March 31, 2021	$3,146	$31,915	$35,061

Reconciliation of liabilities for the first quarter of 2020:

	Short-term loans	Guarantee deposits	Lease liabilities	Total
January 1, 2020	$130,190	$5,027	$45,425	$180,642
Non-cash movement	-	-	2,231	2,231

Cash flow	(61,142)	(359)	(4,663)	(66,164)
Effect of exchange rate changes	-	-	(12)	(12)
March 31, 2020	$69,048	$4,668	$42,981	$116,697

7. Fair value of financial instruments

(1) Fair value assessment techniques and assumptions

Fair value refers to the price that market participants are able to receive for selling an asset, or the price that has to be paid to transfer a liability, in an orderly transaction on the measurement date. The Group has adopted the following techniques and assumptions when measuring and disclosing fair values of financial assets and liabilities:

A. Book value of cash and cash equivalents, receivables, payables, and other current liabilities closely resemble their fair value due to their short maturity.

B. Financial assets and liabilities that are traded on active markets at standard terms and conditions shall have fair value determined by market quotation (e.g. TWSE/TPEX listed shares, beneficiary certificates, and bonds).

C. Equity instruments without active market (e.g. privately placed shares of TWSE/TPEX listed companies, shares of unlisted public and private companies without active market) shall have fair value estimated using the market approach, which infers fair values from transaction price or other relevant information (such as discount for lack of liquidity, P/E and P/B ratios of similar companies etc.) of same or comparable equity instruments.

D. For debt instruments without quotation in active market, bank loans, and other non-current liabilities, fair value is determined by counterparty's quotation or through the use of valuation technique. The valuation technique takes a discounted cash flow approach, and assumptions such as interest rate and discount rate are established in reference to instruments of similar nature.

(2) Fair value of financial instruments carried at cost after amortization

Book value of financial assets and liabilities carried at cost after amortization closely resemble their fair value.

(3) Fair value hierarchy for financial instruments

See Note 12.8 for information relating to fair value hierarchy for financial instruments.

8. Fair value hierarchy

(1) Definition of fair value hierarchy

For all assets and liabilities measured or disclosed at fair value, fair value measurement is categorized in their entirety in the level of the lowest level input that is significant to the entire measurement. The different levels of inputs used are explained below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.

Level 2 input: Inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.

Level 3 input: Inputs that can not be observed for an asset or liability.

Assets and liabilities that are recognized on financial statements on a recurring basis shall have classification reassessed on each balance sheet date to determine if transfer of fair value hierarchy has taken place.

(2) Information on fair value hierarchy

The Company did not have any asset that is measured at fair value on a non-recurring basis. Hierarchy of assets and liabilities with recurring fair value measurement is explained below:

March 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$14,790	$-	$-	$14,790
Financial assets at fair value through other comprehensive income				
Stock	$80,687	$-	$14,163	$94,850

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$12,590	$-	$-	$12,590
Financial assets at fair value through other comprehensive income				
Stock	$78,407	$-	$14,163	$92,570

March 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$10,000	$-	$-	$10,000
Financial assets at fair value through other comprehensive income				
Stock	$86,866	$-	$11,459	$98,325

Transfer of fair value input between level 1 and level 2

There had been no transfer of fair value input between level 1 and level 2 in the first quarter of 2021 and 2020 that involved assets or liabilities with fair value measured on a recurring basis.

Transfer of level 3 input for recurring fair value measurements

There had been no transfer of level 3 input that involved assets or liabilities with fair value measured on a recurring basis.

Information on the use of significant unobservable inputs in level 3 fair value measurement

The following significant unobservable inputs were used for level 3 measurement of assets with recurring fair value measurement:

March 31, 2021:

	Valuation technique	**Significant unobservable input**	**Quantitative information**	**Relationship between input and fair value**	**Sensitivity analysis on relationship between input and fair value**
Financial assets:					
At fair value through other comprehensive income					
Stock	Asset Method	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

December 31, 2020:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
At fair value through other comprehensive income					
Stock	Asset Method	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

March 31, 2020:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
At fair value through other comprehensive income					
Stock	Market Method	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If liquidity indicator improves/worsens by 10%, the Group's profits would decrease/increase by NT$430 thousand.
Stock	Asset Method	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

(3) Mandatory disclosure of fair value hierarchy for items not measured at fair value: None.

9. Significant foreign currency-denominated financial assets and liabilities

The Group had the following significant foreign currency-denominated financial assets and liabilities:

Unit: thousand dollars

	March 31, 2021		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$1,862	28.47	$53,018
CNY (RMB)	70,997	4.314	306,281
JPY	8,813	0.2558	2,254
SGD	53	21.08	1,118
Financial liabilities			
Monetary items:			
USD	637	28.47	18,124
CNY (RMB)	1,469	4.314	6,336

	December 31, 2020		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$1,580	28.04	$44,311
CNY (RMB)	69,574	4.286	298,192
JPY	25,613	0.2705	6,928
SGD	104	21.15	2,208
Financial liabilities			
Monetary items:			
USD	650	28.04	18,217
CNY (RMB)	1,624	4.286	6,959

	March 31, 2020		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$1,603	30.261	$48,522
CNY (RMB)	61,326	4.274	262,107
JPY	27,198	0.282	7,670
SGD	83	21.271	1,772
Financial liabilities			
Monetary items:			
USD	$3,545	30.261	$107,261
CNY (RMB)	1,278	4.274	5,463

Due to the broad diversity of functional currencies used for transactions by members of the Group, the Group was unable to disclose exchange gains/losses on monetary financial assets and liabilities separately for each significant foreign currency. The Group incurred NT$1,042 thousand and NT$1,896 thousand of gains on currency exchange in the first quarter of 2021 and 2020, respectively.

10. Capital management

The primary goals of the Group's capital management are to maintain robust credit rating and sound capital ratios in ways that support business operation and maximization of shareholders' equity. The Group manages and adjusts capital structure based on changes in economic circumstances. The Group maintains and adjusts capital structure through: adjustment of dividend payment, refund of share capital, or issuance of new shares.

(All amounts in NTD thousands unless otherwise specified)

(XIII) Other Disclosures

1. Information related to significant transactions:

(1) Loans to external parties: None.

(2) Endorsements/guarantees provided for others:

Serial No. (Note 1)	Name of the company providing an endorsement/ guarantee	The endorsed/guaranteed		Limits on endorsement/ guarantee amount provided to a single entity (Note 3)	Maximum balance for the period (Note 4)	Outstanding endorsement/ guarantee amount at the end of the period (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement/ guarantee secured with collateral	Cumulative amount of endorsement / guarantee as a percentage of net equity stated in the latest financial statements	Maximum endorsement/ guarantee amount allowed (Note 3)	Provision of endorsement/ guarantee by parent company to subsidiary (Note 7)	Subsidiary's guarantee/ endorsement to parent company (Note 7)	Provision of endorsement/ guarantee to the party in Mainland China (Note 7)
		Name of the company	Relationship (Note 2)										
0	The Company	Stark Inforcom Inc.	2	$1,259,067	$7,163	$5,471	$5,471	-	0.22%	$1,259,067	Y	-	-
0	The Company	STARK (NINGBO) Technology Inc.	2	1,259,067	129,420	129,420	-	-	5.14%	1,259,067	Y	-	Y
1	Stark Inforcom Inc.	The Company	4	212,712	38,526	19,500	19,500	-	0.77%	425,425	-	Y	-

Note 1: Explanation to the serial number column:
1. 0 for the Company.
2. Investees are numbered in sequential order starting from 1; serial number should be consistent for the same company.

Note 2: The relationship between endorsement/guarantee providers and guaranteed parties are classified as follows:

1. Business that the Company has business dealing with.
2. Business in which the Company holds more than 50% direct or indirect voting interest.
3. Business that holds more than 50% direct or indirect voting interest in the Company.
4. Business in which the Company holds more than 90% direct or indirect voting rights.
5. Peer or partner of a construction contract that the Company is in need to provide cross guarantees for.
6. Investee of a joint investment arrangement for which the Company and other shareholders have issued endorsements/guarantees proportionate to ownership interest.
7. Peer of a property pre-sale contract for which the Company has issued performance guarantee in accordance with the Consumer Protection Act.

Note 3: According to subsidiaries' endorsement and guarantee procedures, endorsements/guarantees to a single business shall not exceed 50% of current net equity; total endorsements/guarantees to external parties shall not exceed 100% of current net equity. According to parent company's endorsement and guarantee procedures, endorsements/guarantees to any single subsidiary in which the Company holds more than 90% ownership interest shall not exceed 50% of net equity shown in the Company's latest financial statements, whereas endorsements/guarantees to other external parties shall not exceed 10% of the Company's net equity per entity or 50% of the Company's net equity on an aggregate basis, as shown in the latest financial statements.

Note 4: Represents the maximum balance of endorsement/guarantee during the year.

Note 5: Represents board of directors-approved amount. If the Chairman has been authorized by the board of directors to make decisions according to Subparagraph 8, Article 12 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the column shall represent Chairman-approved amount.

Note 6: Represents the actual amount utilized by the guaranteed/endorsed within the endorsement/guarantee limit.

Note 7: Specify "Y" only for: endorsement/guarantee from a TWSE/TPEX listed parent to a subsidiary, endorsement/guarantee from a subsidiary to a TWSE/TPEX listed parent, or endorsement/guarantee to the Mainland China area.

(All amounts in NTD thousands unless otherwise specified)

(3) Holding of marketable securities at the end of the period (not including investment in subsidiaries, associates and joint ventures):

Name of the investor	Type of marketable security	Name of marketable security	Relationship between the securities issuer and the Company	Financial statement account	At the end of the period			
					Shares / units	Book value	Percentage of shareholding	Fair value
Stark Technology Inc.	Fund	Yuanta Taiwan High-yield Leading Company Fund	-	Financial assets at fair value through profit or loss - non-current	1,000,000	$14,790	-	$14,790
	TWSE-listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	362,829	49,526	0.11%	49,526
	Stock	DWINS Digital Service Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,151	-	0.07%	-
	Stock	NexPower Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	5,014	-	0.01%	-
SRAIN Investment Co., Ltd.	TWSE-listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	187,614	25,609	0.06%	25,609
	TWSE-listed stock	Zero One Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	47,000	2,181	0.04%	2,181
	TPEX-listed stock	Genesis Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	20,000	1,240	0.04%	1,240
	TPEX-listed stock	Dimerco Data System Corporation	-	Financial assets at fair value through other comprehensive income - non-current	28,000	2,131	0.04%	2,131
	Stock	LOLA Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,450,000	14,000	15.78%	14,000

(All amounts in NTD thousands unless otherwise specified)

Name of the investor	Type of marketable security	Name of marketable security	Relationship between the securities issuer and the Company	Financial statement account	At the end of the period			
					Shares / units	Book value	Percentage of shareholding	Fair value
SRAIN Investment Co., Ltd.	Stock	Hua Chih Venture Capital Corp.	SRAIN Investment Co., Ltd. is the director of the mentioned company	Financial assets at fair value through other comprehensive income - non-current	16,304	$163	3.26%	$163
	Stock	Incomm Technologies Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	-	0.01%	-
	Stock	NexPower Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	4,512	-	0.01%	-

(4) Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of paid-in capital: None.

(5) Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

(6) Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

(7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

(8) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

(9) Trading of derivatives: None.

(All amounts in NTD thousands unless otherwise specified)

(10) Others: Major business dealings between the parent company and subsidiaries, and transactions between subsidiaries:

First quarter of 2021:

Serial No. (Note 1)	Name of transacting party	Counterparty	Relationship with the transacting party (Note 2)	Transaction summary			
				Account	Amount	Transaction terms	As a percentage of consolidated net revenues or total assets (Note 3)
0	Stark Technology Inc.	Stark Technology Inc. (USA)	1	Purchase	$600	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.04%
				Accounts payable	469		0.01%
0	Stark Technology Inc.	Stark Inforcom Inc.	1	Sales revenue	2,582	Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after inspection.	0.18%
				Purchase	6,881	Purchase price is determined by applying a 3%-20% markup on cost or through negotiation. Payment term is 30-120 days after delivery.	0.48%
				Accounts payable	2,307		0.04%
				Rental income	498	-	0.03%
				Other income	9	-	-%
				Other expense	47	-	-%
0	Stark Technology Inc.	SRAIN Investment Co., Ltd.	1	Rental income	29	-	-%

Serial No. (Note 1)	Name of transacting party	Counterparty	Relationship with the transacting party (Note 2)	Transaction summary			
				Account	Amount	Transaction terms	As a percentage of consolidated net revenues or total assets (Note 3)
1	Stark Inforcom Inc.	Stark TechnologyInc. (USA)	3	Purchase	13	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	-%

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

1. 0 for parent company.
2. Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets; for profit or loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: Key transactions presented in this chart are determined by the Company based on principles of materiality.

2. Information on business investments:

Supplementary disclosure of investees in which the Company has significant influence or control as at the first quarter of 2021 (excluding Mainland China investees)

Unit: NTD thousands/USD

Name of the investor	Name of investee	Location of the investee	Main business activities	Initial investment (Note 9)		Shares held as at end of the period			Current profit (loss) of the investee (Note 1)	Investment gains (losses) recognized in the current period (Note 1)	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Book value			
Stark Technology Inc.	Stark Technology Inc. (USA)	Note 2	Trading of computer-related products	$1,424 (USD50,000)	$1,424 (USD50,000)	500,000	100.00%	$12,818	$(289)	$(298)	-
Stark Technology Inc.	SRAIN Investment Co., Ltd.	Note 3	General investment	410,967	410,967	-	100.00%	525,406	32,282	32,282	-
Stark Technology Inc.	Pacific Ace Holding International Ltd.	Note 4	General investment	85,410 (USD3,000,000)	85,410 (USD3,000,000)	3,000,000	100.00%	300,320	4,406	4,406	-
Stark Technology Inc.	Stark Information (Hong Kong) Limited	Note 5	Trading of computer equipment and software	1,993 (USD70,000)	-	70,000	100.00%	1,993	-	-	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	Note 6	General investment	22,776 (USD800,000)	22,776 (USD800,000)	800,000	100.00%	10,063	(559)	-	-

(All amounts in NTD thousands unless otherwise specified)

Name of the investor	Name of investee	Location of the investee	Main business activities	Initial investment (Note 9)		Shares held as at end of the period			Current profit (loss) of the investee (Note 1)	Investment gains (losses) recognized in the current period (Note 1)	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Book value			
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Note 7	Trading of computer-related products	370,000	370,000	37,000,000	100.00%	425,425	32,860	-	-
Pacific Ace Holding International Ltd.	Profit Reap International Limited	Note 4	General investment	85,410 (USD3,000,000) (Note 8)	85,410 (USD3,000,000) (Note 8)	3,000,000	100.00%	300,643	4,406	-	-

Note 1: Investment gains/losses of each company is recognized as part of investment gains/losses of subsidiaries or 2nd-tier subsidiaries, and have been eliminated in the consolidated financial statements.

Note 2: 1209 Mayberry Lane San Jose, CA 95131, U.S.A.

Note 3: 13F, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 4: Beaufor House, P. O. Box 438, Road Town, Tortola, British Virgin Islands

Note 5: Unit 2104, No. 16, Argyle Street (Mongkok Commercial Centre), Kowloon, Hong Kong.

Note 6: Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands

Note 7: 11F-2, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 8: Includes technology in lieu of capital - USD906,243

Note 9: Amount of initial investment at the ends of the current and previous periods were converted using exchange rate as at March 31, 2021.

(All amounts in NTD thousands unless otherwise specified)

3. Information relating to investments in the Mainland China

(1) Breakdown of investments:

Name of the investee in Mainland China	Main business activities	Paid-in-capital amount	Investment method	Accumulated outflow of investment from Taiwan as beginning of current period	Investment flows of the period		Accumulated outflow of investment from Taiwan as end of current period	Net profit (loss) of the investee of current period	Percentage of shareholding (direct or indirect)	Investment gains (losses) recognized in the current period (Note 3)	Book value of investments in Mainland China at the end of the period (Note 3)	Investment gains recovered back to Taiwan to date
					Outflow	Inflow						
STARK (NINGBO) Technology Inc.	International trade, technical service and consultation, system integration, software development, and sale of computer-related equipment.	USD 3,000,000	Invested indirectly through an investee in a third location (Pacific Ace Holding International Ltd)	$85,410 (USD3,000,000)	-	-	$85,410 (USD3,000,000) (Note 1)	$4,406 (Note 4. (2), 3)	100.00%	$4,406 (Note 4. (2), 3)	$300,915	-
Shanghai Stark Technology Inc.	Wholesale and import/export trade of computers and peripherals, software, office equipment, and electrical/electronic equipment, computer system design, data processing service, and supply of network information.	USD 1,160,000	Invested indirectly through an investee in a third location (S-Rain Investment Ltd)	33,025 (USD1,160,000)	-	-	33,025 (USD1,160,000)	(559) (Note 4. (2), 3)	100.00%	(559) (Note 4. (2), 3)	10,052	-
Jiangxi Solar PV Corporation	Research, development, production, and sale of solar cells and components	- (Note 2)	Invested indirectly through an investee in a third location (Solar PV Corporation)	85,410 (USD3,000,000)	-	-	85,410 (USD3,000,000)	- (Note 2)	- (Note 2)	- (Note 2)	- (Note 2)	-

Accumulated outflows of investment from Taiwan to Mainland China as end of current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
$203,845 (USD7,160,000) (Note 3)	$203,845 (USD7,160,000) (Note 3)	$1,510,880(Note 5)

Note 1: As at March 31, 2021, the Company had invested USD 906,243 into STARK (NINGBO) Technology Inc. including technology in lieu of capital.

Note 2: The entity was declared bankrupt by the local court, and had completed liquidation on May 22, 2020.

Note 3: Converting the original foreign currency amount using exchange rate as at March 31, 2021.

Note 4: With regards to investment gains/losses recognized in the current period:

(I). It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit or loss during this period.

(II). Indicate the basis for investment income (loss) recognition in the number of one of the following three categories.

1. The financial statements were audited and attested by an international accounting firm which has a cooperative relationship with an accounting firm in R.O.C.
2. The financial statements were audited and attested by R.O.C. parent company's CPA
3. Others

Note 5: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA.

(2) Significant transactions with Mainland China investees:

A. Amount and percentage of purchases and balance and percentage of corresponding payables at the end of period: Please see Note 13.1(10) of the financial statements.

B. Amount and percentage of sales and balance and percentage of corresponding receivables at the end of period: Please see Note 13.1(10) of the financial statements.

C. Property transactions and the resulting gains or losses: None.

D. Ending balances and purposes of endorsed notes, guarantees, or pledged collaterals: Please see Note 13.1(2) of the financial statements.

E. Maximum balance, ending balance, interest rate range and total interests amount of loans in the current period: None.

F. Other transactions with material impact to the current profit or loss or financial position: None.

4. Information on major shareholders: Disclosure requirements not met.

(XIV) Segment Information

The Group generates revenues mainly from distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, and computer system design. The Group's decision makers evaluate performance of the Company and allocate resources accordingly. The Group has consolidated all of its operations into one single reporting segment due to the fact that they share similar economic characteristics and exhibit comparable long-term financial performance. Segment information is prepared using the same basis and significant accounting policies stated in Note 4.