

**FUZETEC TECHNOLOGY CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Fuzetec Technology Co., Ltd.

PWCR21000557

Opinion

We have audited the accompanying consolidated balance sheets of Fuzetec Technology Co., Ltd. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(13) for accounting policy on inventories, Note 5(2) for the uncertainty of accounting estimates and assumptions related to inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses. As of December 31, 2021, the Group's inventory cost and allowance for valuation loss were NT\$115,536 thousand and NT\$21,486 thousand, respectively.

The Group is primarily engaged in the trading of electronic components used in vehicles and smart applications, etc. Considering the economic order quantity factors and numerous inventory items, there is a higher risk of inventory losing value or becoming obsolete. The Group's inventory is stated at the lower of cost and net realisable value, and the net realisable value of inventory over a certain age and individually identified as obsolete is evaluated based on the historical data on inventory clearance and discounts. For inventory over normal age and those individually identified as obsolete or damaged inventory, the Group recognises the allowance for inventory valuation losses.

Since the Group has numerous inventory items, and the determination of net realisable value for obsolete inventories is subject to management's judgment on whether the inventories have future market value, there is a high degree of estimation uncertainty. Given that the Group's inventories and the allowance for inventory valuation losses were material to its consolidated financial statements, we considered the valuation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the allowance for valuation losses of inventories that are over a certain age and individually identified as obsolete:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.



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2. Assessed the reasonableness of obsolete or damaged inventory identified by the management against related supporting documents. Reviewed the annual physical inventory count plan and participated in such count in order to assess the classification of obsolete inventory and effectiveness of internal control of obsolete inventory by management.
3. Verified the appropriateness of the system logic in calculating the ageing of inventories, and confirmed that the information in the reports is consistent with the relevant policies.
4. Discussed with management the estimated net realisable value of separately identified obsolete and damaged inventories, obtained and corroborated against supporting documents and recalculated the allowance provision.
5. Tested the market value on which the net realisable value is estimated, and sampled and checked the calculation of net realisable value.

Timing of sales revenue recognition

Description

Refer to Note 4(26) for accounting policy on revenue recognition.

The Group is primarily engaged in the manufacture and trading of electronic components used in vehicles and smart applications, etc. Given that the Group has numerous customers, sales areas and transaction terms, we considered the timing of sales revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the revenue recognition by management:

1. Obtained an understanding of sales terms and tested internal control relevant to sales revenue recognition.
2. Performed a cut-off test on sales revenue transactions that occurred within a certain period before and after the year end date, and ascertain that the sales revenues are recorded in the appropriate reporting period.
3. Tested subsequent collections of accounts receivable that occurred within a certain period after the balance sheet date.



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Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Fuzetec Technology Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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



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

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

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

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

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

Wu, Han-Chi

Lin, Ya-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan
February 25, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 175,724	12	\$ 82,420	11
1110	Financial assets at fair value through profit or loss - current	6(2)	2,044	-	2,022	-
1136	Current financial assets at amortised cost, net	6(3)	598,264	41	259,297	35
1150	Notes receivable, net	6(4)	27,118	2	17,884	3
1170	Accounts receivable, net	6(4)	139,079	10	113,772	15
1180	Accounts receivable - related parties	6(4) and 7	3,002	-	1,699	-
1200	Other receivables		1,360	-	1,251	-
130X	Inventory	6(5)	94,050	6	58,944	8
1410	Prepayments		1,722	-	1,761	-
1470	Other current assets	6(1) and 8	3,685	-	3,740	1
11XX	Total current assets		<u>1,046,048</u>	<u>71</u>	<u>542,790</u>	<u>73</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income-non-current	6(6)	10,000	1	10,000	2
1535	Non-current financial assets at amortised cost- non-current	6(3)	2,345	-	2,495	-
1600	Property, plant and equipment	6(7)	367,647	25	29,792	4
1755	Right-of-use assets	6(8)	26,453	2	37,504	5
1780	Intangible assets	6(9)	2,006	-	2,261	-
1840	Deferred income tax assets	6(23)	13,668	1	13,866	2
1900	Other non-current assets	6(10)	5,363	-	101,376	14
15XX	Total non-current assets		<u>427,482</u>	<u>29</u>	<u>197,294</u>	<u>27</u>
1XXX	Total assets		<u>\$ 1,473,530</u>	<u>100</u>	<u>\$ 740,084</u>	<u>100</u>

(Continued)

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 1,116	-	\$ 128	-
2170	Accounts payable		62,070	4	52,743	7
2200	Other payables	6(11)	61,227	4	46,794	6
2230	Current income tax liabilities		33,898	3	22,775	3
2280	Current lease liabilities		11,028	1	10,886	2
2300	Other current liabilities		<u>1,780</u>	-	<u>806</u>	-
21XX	Total current liabilities		<u>171,119</u>	<u>12</u>	<u>134,132</u>	<u>18</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)	225,650	15	3,427	1
2570	Deferred income tax liabilities	6(23)	1,536	-	1,531	-
2580	Lease liabilities-non-current		15,607	1	26,643	4
2640	Net defined benefit liability-non-current		<u>15,689</u>	<u>1</u>	<u>15,891</u>	<u>2</u>
25XX	Total non-current liabilities		<u>258,482</u>	<u>17</u>	<u>47,492</u>	<u>7</u>
2XXX	Total liabilities		<u>429,601</u>	<u>29</u>	<u>181,624</u>	<u>25</u>
Equity						
	Share capital	6(15)				
3110	Common stock		373,996	25	313,996	42
	Capital surplus	6(16)				
3200	Capital surplus		427,894	29	99,012	13
	Retained earnings	6(17)				
3310	Legal reserve		66,021	5	57,999	8
3320	Special reserve		3,807	-	4,952	1
3350	Unappropriated retained earnings		176,494	12	86,308	12
	Other equity interest					
3400	Other equity interest		<u>(4,283)</u>	-	<u>(3,807)</u>	<u>(1)</u>
31XX	Equity attributable to owners of the parent		<u>1,043,929</u>	<u>71</u>	<u>558,460</u>	<u>75</u>
3XXX	Total equity		<u>1,043,929</u>	<u>71</u>	<u>558,460</u>	<u>75</u>
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 1,473,530</u>	<u>100</u>	<u>\$ 740,084</u>	<u>100</u>

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

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(18) and 7	\$ 595,500	100	\$ 436,274	100
5000	Operating costs	6(5)(21)(22)	(271,127)	(46)	(235,678)	(54)
5900	Net operating margin		<u>324,373</u>	<u>54</u>	<u>200,596</u>	<u>46</u>
	Operating expenses	6(21)(22)				
6100	Selling expenses		(36,217)	(6)	(30,030)	(7)
6200	General and administrative expenses		(73,774)	(12)	(44,801)	(10)
6300	Research and development expenses		(23,031)	(4)	(21,521)	(5)
6450	Impairment gain (expected credit loss)		<u>246</u>	<u>-</u>	<u>(2,188)</u>	<u>(1)</u>
6000	Total operating expenses		<u>(132,776)</u>	<u>(22)</u>	<u>(98,540)</u>	<u>(23)</u>
6900	Operating profit		<u>191,597</u>	<u>32</u>	<u>102,056</u>	<u>23</u>
	Non-operating income and expenses					
7010	Other income	6(19)	2,736	-	4,731	1
7020	Other gains and losses	6(20)	(7,527)	(1)	(10,039)	(2)
7050	Finance costs		<u>(472)</u>	<u>-</u>	<u>(323)</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>(5,263)</u>	<u>(1)</u>	<u>(5,631)</u>	<u>(1)</u>
7900	Profit before income tax		<u>186,334</u>	<u>31</u>	<u>96,425</u>	<u>22</u>
7950	Income tax expense	6(23)	<u>(33,087)</u>	<u>(5)</u>	<u>(15,625)</u>	<u>(3)</u>
8200	Profit for the year		<u>\$ 153,247</u>	<u>26</u>	<u>\$ 80,800</u>	<u>19</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(13)	\$ 419	-	(\$ 730)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	<u>(84)</u>	<u>-</u>	<u>146</u>	<u>-</u>
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>335</u>	<u>-</u>	<u>(584)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		<u>(476)</u>	<u>-</u>	<u>1,145</u>	<u>-</u>
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(476)</u>	<u>-</u>	<u>1,145</u>	<u>-</u>
8300	Total other comprehensive income for the year		<u>(\$ 141)</u>	<u>-</u>	<u>\$ 561</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 153,106</u>	<u>26</u>	<u>\$ 81,361</u>	<u>19</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 153,247</u>	<u>26</u>	<u>\$ 80,800</u>	<u>19</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 153,106</u>	<u>26</u>	<u>\$ 81,361</u>	<u>19</u>
	Earnings per share (in dollars)	6(24)				
9750	Basic earnings per share		<u>\$ 4.65</u>		<u>\$ 2.57</u>	
9850	Diluted earnings per share		<u>\$ 4.63</u>		<u>\$ 2.56</u>	

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

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Financial statements translation differences of foreign operations	Total
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings		
						Unappropriated retained earnings		
<u>2020</u>								
Balance at January 1, 2020		\$ 313,996	\$ 99,012	\$ 51,823	\$ 2,832	\$ 61,487	(\$ 4,952)	\$ 524,198
Profit		-	-	-	-	80,800	-	80,800
Other comprehensive income (loss)		-	-	-	-	(584)	1,145	561
Total comprehensive income		-	-	-	-	80,216	1,145	81,361
Appropriations of 2019 earnings	6(17)							
Legal reserve		-	-	6,176	-	(6,176)	-	-
Special reserve		-	-	-	2,120	(2,120)	-	-
Cash dividends		-	-	-	-	(47,099)	-	(47,099)
Balance at December 31, 2020		\$ 313,996	\$ 99,012	\$ 57,999	\$ 4,952	\$ 86,308	(\$ 3,807)	\$ 558,460
<u>2021</u>								
Balance at January 1, 2021		\$ 313,996	\$ 99,012	\$ 57,999	\$ 4,952	\$ 86,308	(\$ 3,807)	\$ 558,460
Profit		-	-	-	-	153,247	-	153,247
Other comprehensive income (loss)		-	-	-	-	335	(476)	(141)
Total comprehensive income (loss)		-	-	-	-	153,582	(476)	153,106
Appropriations of 2020 earnings	6(17)							
Legal reserve		-	-	8,022	-	(8,022)	-	-
Special reserve		-	-	-	(1,145)	1,145	-	-
Cash dividends		-	-	-	-	(56,519)	-	(56,519)
Cash capital increase	6(15)	60,000	312,000	-	-	-	-	372,000
Share-based payment transactions	6(14)	-	16,882	-	-	-	-	16,882
Balance at December 31, 2021		\$ 373,996	\$ 427,894	\$ 66,021	\$ 3,807	\$ 176,494	(\$ 4,283)	\$ 1,043,929

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

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 186,334	\$ 96,425
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(21)	10,965	11,181
Depreciation (right-of-use assets)	6(8)(21)	11,041	10,794
Amortisation	6(9)(21)	1,443	1,319
(Impairment gain) expected credit loss		(246)	2,188
Gain on financial assets at fair value through profit and loss	6(2)(20)	(22)	(68)
Loss on disposal of investments		19	-
Interest expense		35	61
Interest expense (lease liabilities)	6(8)	437	262
Interest income	6(19)	(1,662)	3,667
Share-based payments	6(14)	16,882	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(9,234)	(7,912)
Accounts receivable (including related parties)		(26,364)	(23,371)
Other receivables		(356)	19
Inventories		(35,106)	17,852
Prepayments		39	(89)
Other non-current assets		(156)	(403)
Changes in operating liabilities			
Notes payable		988	39
Accounts payable		9,327	4,298
Other payables		12,317	5,523
Other current liabilities		974	290
Net defined benefit liability		217	218
Cash inflow generated from operations		177,872	114,959
Interest received		1,909	3,667
Interest paid		(472)	(346)
Income taxes paid		(21,859)	(5,211)
Net cash flows from operating activities		157,450	113,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(338,817)	-
Proceeds from disposal of financial assets at amortised cost		-	29,245
Decrease in other current assets		55	109
Acquisition of financial assets at fair value through other comprehensive income	6(6)	-	(10,000)
Acquisition of property, plant and equipment	6(25)	(250,145)	(5,645)
Acquisition of intangible assets	6(9)	(1,188)	(780)
Increase in other non-current assets		(720)	96,561
Decrease in refundable deposits		328	4
Net cash flows used in investing activities		(590,487)	(83,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		-	(1,802)
Proceeds from long-term borrowings		222,327	-
Cash dividends paid	6(17)	(56,519)	(47,099)
Cash capital increase	6(15)	372,000	-
Payments of lease liabilities	6(8)	(10,952)	(10,810)
Net cash flows from (used in) financing activities		526,856	(59,711)
Effect of exchange rate changes on cash and cash equivalents		(515)	1,073
Net increase (decrease) in cash and cash equivalents		93,304	(29,197)
Cash and cash equivalents at beginning of year	6(1)	82,420	111,617
Cash and cash equivalents at end of year	6(1)	\$ 175,724	\$ 82,420

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

FUZETEC TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Fuzetec Technology Co., Ltd. (the “Company”) was incorporated in December 1999. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and trading of electronic components. The shares of the Company have been listed on the Taipei Exchange since September 23, 2019.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on February 25, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
The Company	Fuzetec Technology Co., Ltd.	General investment	100	100	-
The Company	X-Fuse Limited	Trading of electronic components	-	100	Note
Fuzetec Technology Co., Ltd.	Suzhou Fuding Trading Co., Ltd.	Trading of electronic components	100	100	-

Note: The Group deregistered X-Fuse Limited in August 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operations.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at fair value through other comprehensive income

- A. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- B. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3 ~ 10 years
Leasehold improvements	1 ~ 6 years
Office equipment	3 ~ 6 years
Other equipment	4 ~ 6 years

(15) Leasing arrangements (lessee) – right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Patents are stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 20 years.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 6 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

- A. The Group manufactures and sells electronic components used in vehicles and smart applications, etc. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

B. Revenue from sales of electronic components is recognised based on the price specified in the contract, net of business tax, returns, rebates and discounts.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year ; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$94,050.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 519	\$ 564
Checking accounts and demand deposits	75,205	67,616
Time deposits	<u>103,685</u>	<u>17,980</u>
	179,409	86,160
Trasferred to restricted assets (shown as 'other current assets')	(<u>3,685</u>)	(<u>3,740</u>)
	<u>\$ 175,724</u>	<u>\$ 82,420</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2021 and 2020, the Group has time deposits pledged to others as collateral for borrowing facilities, and thus it was transferred to restricted assets (shown as 'other current assets') based on its nature. Refer to Note 8 for details.

(2) Financial assets at fair value through profit or loss - current

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets designated as at fair value through profit or loss:		
Trust funds beneficiary certificates	\$ 1,790	\$ 1,790
Valuation adjustment	<u>254</u>	<u>232</u>
	<u>\$ 2,044</u>	<u>\$ 2,022</u>

A. For the years ended December 31, 2021 and 2020, the net gain on valuation recognised in profit or loss in relation to financial assets at fair value through profit or loss are \$22 and \$68, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits with maturity over three months	<u>\$ 598,264</u>	<u>\$ 259,297</u>
Non-current items :		
Time deposits with maturity over twelve months	<u>\$ 2,345</u>	<u>\$ 2,495</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31	
	2021	2020
Interest income	\$ 1,483	\$ 3,224

B. As of December 31, 2021 and 2020, the Group had no financial assets at amortised cost pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 27,162	\$ 17,928
Less: Allowance for uncollectible accounts	(44)	(44)
	<u>\$ 27,118</u>	<u>\$ 17,884</u>
Accounts receivable	\$ 143,687	\$ 120,454
Less: Allowance for uncollectible accounts	(4,608)	(6,682)
	<u>\$ 139,079</u>	<u>\$ 113,772</u>

	December 31, 2021	December 31, 2020
Accounts receivable – related parties	\$ 3,002	\$ 1,699
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 3,002</u>	<u>\$ 1,699</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 132,860	\$ 27,162	\$ 109,116	\$ 17,928
Up to 30 days	9,158	-	10,425	-
31 to 90 days	4,137	-	293	-
Over 90 days	534	-	2,319	-
	<u>\$ 146,689</u>	<u>\$ 27,162</u>	<u>\$ 122,153</u>	<u>\$ 17,928</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$108,714.

C. The Group has no notes and accounts receivable pledged to others as collateral.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$27,118 and \$17,884, \$142,081 and \$115,471, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 15,495	(\$ 2,864)	\$ 12,631
Work in progress	24,940	(3,535)	21,405
Finished goods	75,101	(15,087)	60,014
	<u>\$ 115,536</u>	<u>(\$ 21,486)</u>	<u>\$ 94,050</u>
December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,118	(\$ 2,844)	\$ 3,274
Work in progress	24,944	(6,074)	18,870
Finished goods	53,676	(16,876)	36,800
	<u>\$ 84,738</u>	<u>(\$ 25,794)</u>	<u>\$ 58,944</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2021	2020
Cost of goods sold	\$ 274,409	\$ 232,106
(Gain) loss on inventory valuation (Note)	(4,280)	3,023
Loss on scrapping inventory	1,004	498
Loss on physical inventory	60	101
Revenue from sale of scraps	(66)	(50)
	<u>\$ 271,127</u>	<u>\$ 235,678</u>

Note: For the year ended December 31, 2021, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the Group used inventories for research and development, which had been previously provided with inventory valuation loss.

(6) Financial assets at fair value through other comprehensive income

Items	December 31, 2021	December 31, 2020
Unlisted stocks	\$ 10,000	\$ 10,000

A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$10,000 and \$10,000 as at December 31, 2021 and 2020, respectively.

B. The Group had no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2021 and 2020.

(7) Property, plant and equipment

	Land	Machinery	Leasehold improvements	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2021</u>							
Cost	\$ -	\$ 126,529	\$ 15,436	\$ 1,361	\$ 16,108	\$ -	\$ 159,434
Accumulated depreciation	-	(98,301)	(15,225)	(1,287)	(14,829)	-	(129,642)
	<u>\$ -</u>	<u>\$ 28,228</u>	<u>\$ 211</u>	<u>\$ 74</u>	<u>\$ 1,279</u>	<u>\$ -</u>	<u>\$ 29,792</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ -	\$ 28,228	\$ 211	\$ 74	\$ 1,279	\$ -	\$ 29,792
Additions	226,995	13,563	-	23	687	10,993	252,261
Reclassifications	95,913	648	-	-	-	-	96,561
Depreciation charge	-	(10,242)	(192)	(33)	(498)	-	(10,965)
Net exchange differences	-	(1)	-	(1)	-	-	(2)
Closing net book amount as at December 31	<u>\$ 322,908</u>	<u>\$ 32,196</u>	<u>\$ 19</u>	<u>\$ 63</u>	<u>\$ 1,468</u>	<u>\$ 10,993</u>	<u>\$ 367,647</u>
<u>December 31, 2021</u>							
Cost	\$ 322,908	\$ 139,586	\$ 15,436	\$ 1,380	\$ 16,791	\$ 10,993	\$ 507,094
Accumulated depreciation	-	(107,390)	(15,417)	(1,317)	(15,323)	-	(139,447)
	<u>\$ 322,908</u>	<u>\$ 32,196</u>	<u>\$ 19</u>	<u>\$ 63</u>	<u>\$ 1,468</u>	<u>\$ 10,993</u>	<u>\$ 367,647</u>

	Machinery	Leasehold improvements	Office equipment	Other equipment	Total
<u>January 1, 2020</u>					
Cost	\$ 118,360	\$ 15,436	\$ 1,352	\$ 16,101	\$ 151,249
Accumulated depreciation	(88,671)	(14,674)	(1,159)	(14,214)	(118,718)
	<u>\$ 29,689</u>	<u>\$ 762</u>	<u>\$ 193</u>	<u>\$ 1,887</u>	<u>\$ 32,531</u>
<u>2020</u>					
Opening net book amount as at January 1	\$ 29,689	\$ 762	\$ 193	\$ 1,887	\$ 32,531
Additions	6,042	-	-	-	6,042
Reclassifications	2,398	-	-	-	2,398
Depreciation charge	(9,902)	(551)	(120)	(608)	(11,181)
Net exchange differences	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>
Closing net book amount as at December 31	<u>\$ 28,228</u>	<u>\$ 211</u>	<u>\$ 74</u>	<u>\$ 1,279</u>	<u>\$ 29,792</u>
<u>December 31, 2020</u>					
Cost	\$ 126,529	\$ 15,436	\$ 1,361	\$ 16,108	\$ 159,434
Accumulated depreciation	(98,301)	(15,225)	(1,287)	(14,829)	(129,642)
	<u>\$ 28,228</u>	<u>\$ 211</u>	<u>\$ 74</u>	<u>\$ 1,279</u>	<u>\$ 29,792</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	<u>Year ended December 31, 2021</u>
Amount capitalised	<u>\$ 1,823</u>
Range of the interest rates for capitalisation	<u>0.89%</u>

B. The Company purchased a parcel of land in Wugu District, New Taipei City for the use of the Group's operating plant and office, and the cost amounted to \$321,085. The transfer of land had been completed on January 11, 2021.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Lease transactions — lessee

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 5 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Book value</u>	<u>Book value</u>
Buildings	\$ 26,453	\$ 37,504
	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 11,041	\$ 10,794

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0 and \$40,599, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 437	\$ 262
Expense on short-term lease contracts	683	667
	<u>\$ 1,120</u>	<u>\$ 929</u>

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$12,072 and \$11,739, respectively.

(9) Intangible assets

	<u>Patent</u>	<u>Computer software</u>	<u>Total</u>
<u>January 1, 2021</u>			
Cost	\$ 8,567	\$ 6,260	\$ 14,827
Accumulated depreciation	(6,495)	(6,071)	(12,566)
	<u>\$ 2,072</u>	<u>\$ 189</u>	<u>\$ 2,261</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 2,072	\$ 189	\$ 2,261
Additions – acquired separately	1,041	147	1,188
Amortisation charge	(1,320)	(123)	(1,443)
Closing net book amount as at December 31	<u>\$ 1,793</u>	<u>\$ 213</u>	<u>\$ 2,006</u>
<u>December 31, 2021</u>			
Cost	\$ 9,608	\$ 4,157	\$ 13,765
Accumulated depreciation	(7,815)	(3,944)	(11,759)
	<u>\$ 1,793</u>	<u>\$ 213</u>	<u>\$ 2,006</u>
	<u>Patent</u>	<u>Computer software</u>	<u>Total</u>
<u>January 1, 2020</u>			
Cost	\$ 8,502	\$ 6,115	\$ 14,617
Accumulated depreciation	(5,852)	(5,965)	(11,817)
	<u>\$ 2,650</u>	<u>\$ 150</u>	<u>\$ 2,800</u>
<u>2020</u>			
Opening net book amount as at January 1	\$ 2,650	\$ 150	\$ 2,800
Additions – acquired separately	635	145	780
Amortisation charge	(1,213)	(106)	(1,319)
Closing net book amount as at December 31	<u>\$ 2,072</u>	<u>\$ 189</u>	<u>\$ 2,261</u>
<u>December 31, 2020</u>			
Cost	\$ 8,567	\$ 6,260	\$ 14,827
Accumulated depreciation	(6,495)	(6,071)	(12,566)
	<u>\$ 2,072</u>	<u>\$ 189</u>	<u>\$ 2,261</u>

The Group's amortisation charge is classified as administrative expenses.

(10) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Guarantee deposits paid	2,884	3,212
Prepayment for equipment	720	648
Prepayment for land	-	95,913
Others	1,759	1,603
	<u>\$ 5,363</u>	<u>\$ 101,376</u>

(11) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payable	\$ 36,804	\$ 27,528
Disposable expense payable	7,325	4,288
Payables for machinery and equipment	2,991	875
Service fees payable	2,730	2,710
Pension expense payable	2,540	2,573
Payables for labour and health insurance fees	2,037	1,881
Accrued commission	791	1,036
Others	6,009	5,903
	<u>\$ 61,227</u>	<u>\$ 46,794</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term bank borrowings			
Secured borrowings	Borrowing period is from January 11, 2021 to January 11, 2036; The grace period is two years from the date of drawdown (interest-only payments). The principal and interest are payable in monthly installments starting from the 25th month.	\$ 222,327	\$ -
Secured borrowings	Borrowing period is from August 29, 2011 to February 10, 2023; The interest is payable quarterly from the date of drawdown, and the principal is payable in full at maturity.		
		3,323	3,427
Total		225,650	3,427
Less: Current portion (shown as 'other current liabilities')		-	-
		<u>\$ 225,650</u>	<u>\$ 3,427</u>
Undrawn borrowing facilities		<u>\$ 173</u>	<u>\$ -</u>
Interest rate range		<u>0.89%~1.08%</u>	<u>1.08%~2.72%</u>

A. Except for the collateral described in Note 8, the long-term secured borrowings contract which the Company entered into with Taipei Fubon Bank amounted to \$222,327 on December 23, 2020. In addition, the Company's director was the joint guarantor.

B. Information of the Group's collateral for long-term borrowings is provided in Note 8.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to

retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 20,619)	(\$ 21,745)
Fair value of plan assets	<u>6,804</u>	<u>7,507</u>
Net defined benefit liability	<u>(\$ 13,815)</u>	<u>(\$ 14,238)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>2021</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 21,745)	\$ 7,507	(\$ 14,238)
Current service cost	(224)	-	(224)
Interest (expense) income	<u>(63)</u>	<u>21</u>	<u>(42)</u>
	<u>(22,032)</u>	<u>7,528</u>	<u>(14,504)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	111	111
Change in demographic assumptions	(24)	-	(24)
Change in financial assumptions	705	-	705
Experience adjustments	<u>(373)</u>	<u>-</u>	<u>(373)</u>
	<u>308</u>	<u>111</u>	<u>419</u>
	-	270	270
Pension fund contribution	<u>1,105</u>	<u>(1,105)</u>	<u>-</u>
At December 31	<u>(\$ 20,619)</u>	<u>\$ 6,804</u>	<u>(\$ 13,815)</u>

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 20,425)	\$ 6,915	(\$ 13,510)
Current service cost	(222)	-	(222)
Interest (expense) income	(142)	49	(93)
	(20,789)	6,964	(13,825)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	226	226
Change in demographic assumptions	(78)	-	(78)
Change in financial assumptions	(770)	-	(770)
Experience adjustments	(108)	-	(108)
	(956)	226	(730)
Pension fund contribution	-	317	317
At December 31	(\$ 21,745)	\$ 7,507	(\$ 14,238)

The abovementioned expenses recognised as costs and expenses in the statement of comprehensive income are as follows:

	Year ended December 31	
	2021	2020
Cost of sales	\$ 130	\$ 141
Selling expenses	82	84
General and administrative expenses	23	58
Research and development expense	31	32
	\$ 266	\$ 315

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2021	2020
Discount rate	0.7%	0.3%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Morality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 422)	\$ 440	\$ 433	(\$ 418)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 490)	\$ 511	\$ 502	(\$ 483)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ended December 31, 2022 amount to \$467.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	362
1 to 2 years		8,369
2 to 4 years		1,182
Over 4 years		11,982
	<u>\$</u>	<u>21,895</u>

B. Since 2015, the Company has made monthly provisions for the pension of the appointed managers. For the years ended December 31, 2021 and 2020, the recognised pension expenses amounted to \$220 and \$220, respectively. As of December 31, 2021 and 2020, the net defined benefit liabilities amounted to \$1,874 and \$1,653, respectively.

C. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$3,964 and \$3,865, respectively.

D. The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2021 and 2020, was 16% and 19%, respectively. Other than the monthly contributions, the Group has no further obligations. The pension costs under the above pension plan of the Group for the years ended December 31, 2021 and 2020 were \$631 and \$46, respectively.

(14) Share based payment

A. The Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	August 27, 2021	900 thousand shares	Not applicable	Vested immediately

The abovementioned share-based payment arrangements are equity-settled.

B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Share price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
Cash capital increase reserved for employee preemption	August 27, 2021	\$ 90.50	\$ 62	71.92%	0.07	-	0.34%	\$ 28.6625

C. Expenses incurred on equity-settled share-based payment arrangements for the year ended December 31, 2021 amounted to \$16,882.

(15) Share capital

A. As of December 31, 2021, the Company's authorized capital was \$500,000 consisting of 50,000 thousand shares, and the paid-in capital was \$373,996 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	31,400	31,400
Cash capital increase	6,000	-
At December 31	<u>37,400</u>	<u>31,400</u>

B. On July 26, 2021, the Board of Directors of the Company resolved to increase capital of \$372,000 by issuing common shares amounting to 6,000 thousand shares with a par value of \$10 (in dollars). This cash capital increase had been approved by Financial Supervisory Committee on August 18, 2021, and the effective date for the capital increase was set on September 27, 2021.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.
- B. Dividends are distributed in the form of stocks or cash, depending on the Company's current share capital, financial structure, operating conditions and earnings, through the appropriation of earnings as proposed by the Board of Directors and approved by the shareholders in order to achieve a balanced and stable dividend policy. The allocation of the distributable earnings was no less than 70% for dividend distribution to shareholders each year, of which at least 40 % of the total dividends to be paid shall be in the form of cash dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2020 earnings were resolved after meeting the statutory voting threshold on June 30, 2021 via the electronic voting platform for shareholders' meeting. The appropriations of 2019 earnings were resolved at the shareholders' meeting on June 11, 2020. Details of earnings for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 8,022		\$ 6,176	
(Reversal of) special reserve	(1,145)		2,120	
Cash dividends	56,519	\$ 1.8	47,099	\$ 1.5

F. The appropriations of 2021 earnings as proposed by the Board of Directors on February 25, 2022 are as follows:

	Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 15,358	
Special reserve	476	
Cash dividends	97,239	\$ 2.6
Capital surplus-cash	37,400	1.0

G. Refer to Note 6 (22) for further information relating to employees' compensation and directors' and supervisors' remuneration.

(18) Operating revenue

<u>2021</u>	<u>China</u>	<u>Taiwan</u>	<u>US</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 233,305</u>	<u>\$ 91,318</u>	<u>\$ 190,208</u>	<u>\$ 80,669</u>	<u>\$ 595,500</u>
Timing of revenue recognition					
At a point in time	<u>\$ 233,305</u>	<u>\$ 91,318</u>	<u>\$ 190,208</u>	<u>\$ 80,669</u>	<u>\$ 595,500</u>
<u>2020</u>	<u>China</u>	<u>Taiwan</u>	<u>US</u>	<u>Others</u>	<u>Total</u>
Sales revenue	<u>\$ 189,525</u>	<u>\$ 74,491</u>	<u>\$ 105,552</u>	<u>\$ 66,706</u>	<u>\$ 436,274</u>
Timing of revenue recognition					
At a point in time	<u>\$ 189,525</u>	<u>\$ 74,491</u>	<u>\$ 105,552</u>	<u>\$ 66,706</u>	<u>\$ 436,274</u>

A. The Group derives revenue from the transfer of goods at a point in time, and the major product lines are automotive and intelligence electronic components.

B. Contract liabilities (shown as ‘Other current liabilities’)

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities:			
Contract liabilities - Sales			
revenue received in advance	\$ 1,119	\$ 573	\$ 353

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales revenue received in advance	\$ 562	\$ 339

(19) Other income

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 1,662	\$ 3,667
Other income	1,074	1,064
	<u>\$ 2,736</u>	<u>\$ 4,731</u>

(20) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Net currency exchange losses	(\$ 7,351)	(\$ 10,012)
Net gains on financial assets at fair value through profit or loss	22	68
Losses on disposals of investments	(19)	-
Other losses	(179)	(95)
	<u>(\$ 7,527)</u>	<u>(\$ 10,039)</u>

(21) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense	\$ 151,844	\$ 116,946
Depreciation charges on property, plant and equipment	10,965	11,181
Depreciation charges on right-of-use assets	11,041	10,794
Amortisation charges on intangible assets	1,443	1,319
	<u>\$ 175,293</u>	<u>\$ 140,240</u>

(22) Employee benefit expense

	Year ended December 31	
	2021	2020
Salary expenses	\$ 133,552	\$ 100,066
Labour and health insurance fees	9,445	8,612
Pension costs	5,081	4,446
Other personnel expenses	3,766	3,822
	<u>\$ 151,844</u>	<u>\$ 116,946</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute no less than 2% employees' compensation and no higher than 2% as directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$9,694 and \$4,978, respectively; while directors' remuneration was accrued at \$3,878 and \$1,991, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 2% of distributable profit of current year for the year ended December 31, 2021.

Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 38,381	\$ 22,618
Tax on undistributed earnings	841	293
Prior year income tax overestimation	(6,254)	(4,738)
Total current tax	32,968	18,173
Deferred tax:		
Origination and reversal of temporary differences	119	(2,548)
Income tax expenses	<u>\$ 33,087</u>	<u>\$ 15,625</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2021	2020
Remeasurement of defined benefit obligations	<u>(\$ 84)</u>	<u>\$ 146</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2021	2020
Income tax calculated by applying statutory rate to the profit before tax	\$ 42,070	\$ 22,197
Expenses disallowed by tax regulation	1	60
Tax exempt income by tax regulation	(3,571)	(2,187)
Prior year income tax overestimation	(6,254)	(4,738)
Tax on undistributed earnings	841	293
Income tax expenses	<u>\$ 33,087</u>	<u>\$ 15,625</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Pension expense that exceeds the limit for tax purpose	\$ 2,379	\$ 44	\$ -	\$ 2,423
Unrealised inventory valuation loss	5,357	(763)	-	4,594
Unrealised foreign exchange loss	1,864	379	-	2,243
Unrealised gross profit	1,746	851	-	2,597
Amount of allowance for bad debts in excess of the limit for tax purpose	1,363	(622)	-	741
Actuarial loss on pension	799	-	(84)	715
Others	358	(3)	-	355
	<u>13,866</u>	<u>(114)</u>	<u>(84)</u>	<u>13,668</u>
-Deferred tax liabilities:				
Investments accounted for under equity method	(1,485)	-	-	(1,485)
Gain on valuation of financial assets	(46)	(5)	-	(51)
	<u>(1,531)</u>	<u>(5)</u>	<u>-</u>	<u>(1,536)</u>
	<u>\$ 12,335</u>	<u>(\$ 119)</u>	<u>(\$ 84)</u>	<u>\$ 12,132</u>

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Pension expense that exceeds the limit for tax purpose	\$ 2,335	\$ 44	\$ -	\$ 2,379
Unrealised inventory valuation loss	4,778	579	-	5,357
Unrealised foreign exchange loss	832	1,032	-	1,864
Unrealised gross profit	1,280	466	-	1,746
Amount of allowance for bad debts in excess of the limit for tax purpose	915	448	-	1,363
Actuarial loss on pension	653	-	146	799
Others	365	(7)	-	358
	<u>11,158</u>	<u>2,562</u>	<u>146</u>	<u>13,866</u>
-Deferred tax liabilities:				
Loss on investments accounted for using equity method	(1,485)	-	-	(1,485)
Gain on valuation of financial assets	(32)	(14)	-	(46)
	<u>(1,517)</u>	<u>(14)</u>	<u>-</u>	<u>(1,531)</u>
	<u>\$ 9,641</u>	<u>\$ 2,548</u>	<u>\$ 146</u>	<u>\$ 12,335</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 153,247	32,978	\$ <u>4.65</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>138</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 153,247</u>	<u>33,116</u>	<u>\$ 4.63</u>
	2020		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 80,800	31,400	\$ <u>2.57</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>105</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 80,800</u>	<u>31,505</u>	<u>\$ 2.56</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2021	2020
Purchase of property, plant and equipment	\$ 252,261	\$ 6,042
Add: Opening balance of payable on equipment	875	478
Less: Ending balance of payable on equipment	(2,991)	(875)
Cash paid during the year	<u>\$ 250,145</u>	<u>\$ 5,645</u>

(26) Changes in liabilities from financing activities

For the years ended December 31, 2021 and 2020, the changes in liabilities arising from financing activities pertain to the changes pertaining to financing cash flow, and were not the changes in non-cash items. Refer to consolidated statements of cash flows.

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Excel Cell Electronic Co., Ltd.	Entities with significant influence to the Group
Good Sky Electric Co., Ltd.	Other related party

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Sales of goods:		
Entities with significant influence to the Group	\$ 7,646	\$ 4,743
Other related party	-	22
	<u>\$ 7,646</u>	<u>\$ 4,765</u>

Goods are sold based on the price lists in force and terms that would be available to third parties, and the credit terms are made based on the Group's credit policy.

B. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Entities with significant influence to the Group	\$ 3,002	\$ 1,688
Other related party	-	11
	<u>\$ 3,002</u>	<u>\$ 1,699</u>

Receivables from related parties mainly arose from sales transactions. The credit term for sales transactions is 75 days after the end of the next month.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 10,556	\$ 6,803
Post-employment benefits	220	220
	<u>\$ 10,776</u>	<u>\$ 7,023</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits (shown as 'other current assets')	\$ 3,685	\$ 3,740
Property, plant and equipment - land	322,908	-
	<u>\$ 326,593</u>	<u>\$ 3,740</u>

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. The Group obtained credit line from banks for consolidated subsidiaries, and details of endorsements and guarantees are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Suzhou Fuding Trading Co., Ltd.	\$ 3,323	\$ 3,427	Bank borrowings
	(USD 120 thousand)	(USD 120 thousand)	Guarantee for financing limit

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 6,185</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Refer to Note 6(17) for the Company's 2021 surplus distribution proposal proposed by the board of directors on February 25, 2022.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ <u>2,044</u>	\$ <u>2,022</u>
Financial assets at fair value through other comprehensive income	\$ <u>10,000</u>	\$ <u>10,000</u>
Financial assets at amortised cost	\$ <u>949,777</u>	\$ <u>482,030</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ <u>350,063</u>	\$ <u>103,092</u>
Lease liability	\$ <u>26,635</u>	\$ <u>37,529</u>

Note: Financial assets at amortised cost included cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortised cost included notes payable, accounts payable, other payables and long-term borrowings (including current portion).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; subsidiaries' functional currency: RMB or USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
Foreign currency	amount	Exchange	Book value
(Foreign currency: functional currency)	<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,168	27.68	\$ 336,810
RMB:NTD	11,514	4.34	49,971
HKD:NTD	1,174	3.55	4,168
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 402	4.34	\$ 1,745
USD:RMB	120	6.37	3,323

December 31, 2020

Foreign currency			
	amount	Exchange	Book value
	(In thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,099	28.48	\$ 202,180
RMB:NTD	13,322	4.38	58,350
HKD : NTD	810	3.67	2,973
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 515	4.38	\$ 2,256
USD:RMB	120	6.51	3,427

- ii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$7,351 and \$10,012, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021

Sensitivity analysis

	Extent of		Effect on	Effect on other
	Variation		profit or loss	comprehensive
				income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,368	\$ -
RMB:NTD	1%		500	-
HKD:NTD	1%		42	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	1%	\$	17	\$ -
USD:RMB	1%		33	-

	Year ended December 31, 2020		
	Sensitivity analysis		
	Extent of Variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,022	\$ -
RMB:NTD	1%	584	-
HKD:NTD	1%	30	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	1%	\$ 23	\$ -
USD:RMB	1%	34	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by both \$18, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by both \$100, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the modified approach using a provision matrix to estimate expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>December 31, 2021</u>					
Past due date	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days</u>	<u>Total</u>
Expected loss rate	0.03%-3.12%	2.16%-83.36%	20.72%-38.00%	25.03%-100%	
Total book value	\$ 160,022	\$ 9,158	\$ 4,137	\$ 534	\$ 173,851
Loss allowance	2,885	251	1,012	504	4,652
<u>December 31, 2020</u>					
Past due date	<u>Not past due</u>	<u>Up to 30 days past due</u>	<u>31~90 days past due</u>	<u>Over 90 days</u>	<u>Total</u>
Expected loss rate	0.20%-20.96%	16.99%-50.03%	18.48%-57.12%	100.00%	
Total book value	\$ 127,044	\$ 10,425	\$ 293	\$ 2,319	\$ 140,081
Loss allowance	2,417	1,887	103	2,319	6,726

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for notes receivable and accounts receivable are as follows:

	2021	
	Accounts receivable	Notes receivable
At January 1	(\$ 6,682)	(\$ 44)
Reversal of impairment loss	246	-
Write-off during the year	1,795	-
Effect of exchange rate changes	33	-
At December 31	(\$ 4,608)	(\$ 44)

	2020	
	Accounts receivable	Notes receivable
At January 1	(\$ 4,410)	(\$ 44)
Provision for impairment	(2,188)	-
Effect of exchange rate changes	(84)	-
At December 31	(\$ 6,682)	(\$ 44)

ix. Loss allowance that the Group recognised for debt instruments at amortised was \$0.

x. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2021			
	Lifetime			
		Significant	Impairment	
	12 months	increase	of credit	Total
	in credit risk			
Financial assets at amortised cost				
Time deposits with maturity over three months	\$ 600,609	\$ -	\$ -	\$ 600,609

	December 31, 2020			
	Lifetime			
		Significant	Impairment	
	12 months	increase	of credit	Total
	in credit risk			
Financial assets at amortised cost				
Time deposits with maturity over three months	\$ 261,792	\$ -	\$ -	\$ 261,792

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Within	Between	Between	Over
<u>Non-derivative financial liabilities</u>	<u>one year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>5 years</u>
Long-term borrowings	\$ 2,025	\$ 20,104	\$ 54,370	\$ 164,621
Lease liability	11,322	9,342	6,567	-
December 31, 2020	Within	Between	Between	Over
<u>Non-derivative financial liabilities</u>	<u>one year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>5 years</u>
Long-term borrowings	\$ 53	\$ 53	\$ 3,437	\$ -
Lease liability	10,886	11,030	15,114	499

Except for the above, all of the Group's non-derivative financial liabilities mature within 1 year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, notes payable, accounts payable, other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

(a) As of December 31, 2021 and 2020, financial assets at fair value through profit or loss which were included in Level 1 amounted to \$2,044 and \$2,022, respectively.

(b) As of December 31, 2021 and 2020, financial assets at fair value through other comprehensive income which were included in Level 3 amounted to \$10,000 and \$10,000, respectively.

D. The methods and assumptions the Group used to measure fair value are as follows:

i. The methods and assumptions that the Group used to measure fair value, for open-end fund, the Group used net value as their fair values (that is, Level 1).

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance.

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2021 and 2020, there was no transfer among levels.

F. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Equity instruments	Equity instruments
At January 1	\$ 10,000	\$ -
Acquired during the year	-	10,000
At December 31	<u>\$ 10,000</u>	<u>\$ 10,000</u>

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 10,000	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, discount for lack of marketability	The higher the multiple and control premium, the higher fair value; the higher the discount for lack of marketability, the lower the fair value
	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:				
Unlisted shares	\$ 10,000	Most recent non-active market price	Not applicable	Not applicable

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Refer to table 3.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 5.

(4) Major shareholders information

Names, number of shares held by and ownership of shareholders whose ownership over 5%: Refer to table 8.

14. Segment Information

(1) General information

The Group operates business only in manufacture and sales of electronic components. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) after tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies and estimates of the operating segments are in agreement with the significant accounting policies summarised in Notes 4 and 5.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31	
	2021	2020
Total segment revenue	\$ 595,500	\$ 436,274
Segment income (before tax)	\$ 186,334	\$ 96,425
Depreciation and amortisation	\$ 23,449	\$ 23,294
Capital expenditures- purchase of plant and equipment	\$ 250,865	\$ 102,206

(4) Reconciliation for segment revenue and income (loss)

The revenue and income (loss) from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

(5) Information on products

The Group's revenue is mainly from sales of electronic component products.

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 233,304	\$ 958	\$ 189,525	\$ 1,439
Taiwan	91,318	397,626	74,491	166,283
US	190,208	-	105,552	-
Others	80,670	-	66,706	-
	<u>\$ 595,500</u>	<u>\$ 398,584</u>	<u>\$ 436,274</u>	<u>\$ 167,722</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31	
	2021	2020
	Revenue	Revenue
A customer	<u>\$ 163,254</u>	<u>\$ 86,318</u>

Fuzetec Technology Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 1 Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/ guaranteed			Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement s/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the Endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)										
0	The Company	SUZHOU FUDING TRADING CO., LTD.	2	\$ 521,965	\$ 3,623	\$ 3,323	\$ 3,323	\$ 3,323	0.3	\$ 521,965	Y	N	Y	Note 8

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Limit on endorsements/guarantees provided by the Company is 50% of the Company's net asset value. The net asset value is based on the most recent financial statements that are audited and attested or reviewed by independent auditors.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorized by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: The Company has pledged time deposit as collateral. Refer to Note 8 for details.

Fuzetec Technology Co., Ltd. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries)
December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of December 31, 2021				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
The Company	Fuh Hwa RMB Money Market Fund	None	Financial assets at fair value through profit or loss - current	10,000	\$ 539	NA	\$ 539	
The Company	Cathay RMB Money Market Fund	"	"	28,000	1,505	"	1,505	
The Company	CENTRA SCIENCE CORP.	"	Financial assets at fair value through other comprehensive income - non-current	1,000,000	10,000	5.40	10,000	

Fuzetec Technology Co., Ltd. and subsidiaries
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 3 Expressed in thousands of NTD
(Except as otherwise indicated)

		If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:											
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Original owner		Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
						Relationship with the counterparty	who sold the real estate to the counterparty						
The Company	Land located in No. 111, Wugong 1st Rd., Wugu Dist., New Taipei City	2020.7.30	\$ 321,085	Note 4	SYH-CHE ENTERPRIS E CO., LTD.	-	-	-	-	\$ -	Appraised value was \$337,000 based on the appraisal report issued by Yongsheng real estate appraiser firm	To be used as the Group's operating plant and office	-

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: The Company paid \$95,913 in 2020 according to the agreement. The remainder was paid in January 2021.

Fuzetec Technology Co., Ltd. and subsidiaries

Purchases or sales transactions with related parties reaching \$100 million or 20% of the company's paid in capital or more

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchases/sales company	Name of the counterparty	Relationship	Description of transaction				Differences in transaction terms compared to third party transactions		Note/account receivable		Footnote
			Purchase/sales	Amount	Percentage of net purchases/(sales)	Credit term	Unit price	Credit term	Balance	Percentage of notes or accounts receivable	
The Company	SUZHOU FUDING TRADING CO., LTD.	Subsidiary	Sales	\$ 162,917	30	150 days	Note 1	Note 1	\$ 35,154	28	

Note 1: Since the transaction parties is the Company's sales territory in China, the transaction conditions are negotiated by both parties taking into consideration the local environment.

Fuzetec Technology Co., Ltd. and subsidiaries
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2021

Table 5 Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	SUZHOU FUDING TRADING CO., LTD.	1	Accounts receivable	\$ 35,154	150 days end of month	2
0	The Company	SUZHOU FUDING TRADING CO., LTD.	1	Sales revenue	162,917	150 days end of month	27

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Fuzetec Technology Co., Ltd. and subsidiaries

Information on investees

Year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
The Company	Fuzetec Technology Co., Ltd.	Samoa	General investment	\$ 19,548	\$ 19,548	630,000	100	\$ 71,096	\$ 18,007	\$ 18,007	-
"	X-Fuse Limited	Samoa	Trading of electronic components	-	-	-	-	-	75	75	Note

Note: The Group deregistered X-Fuse Limited in August 2021.

Fuzetec Technology Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the		Accumulated	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Book value of investments in Mainland China as of December 31, 2021	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2021	year ended December 31, 2021	amount of remittance from Taiwan to Mainland China as of December 31, 2021	amount of investment income remitted back to Taiwan as of December 31, 2021						
SUZHOU FUDING TRADING CO., LTD.	Trading of electronic components	\$ 19,548	Indirect investment in Mainland China through an existing company in the third area (Fuzetec Technology Co., Ltd.)	\$ 19,548	\$ -	\$ -	\$ 19,548	\$ 18,008	100	\$ 18,008	\$ 84,066	\$ -	

Note 1: Investment profit or loss for the year was based on the financial statements that were audited and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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
The Company	\$ 19,548	\$ 19,548	\$ 626,357

Fuzetec Technology Co., Ltd. and subsidiaries

Major shareholders information

December 31, 2021

Table 8 Expressed in share in thousands
(Except as otherwise indicated)

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
EXCEL CELL ELECTRONIC CO., LTD.	9,044	24.18
OCEAN PLASTICS CO., LTD.	2,945	7.87
Hongda Investment Co., Ltd.	2,926	7.82

Description: If company applies Taiwan Depository & Clearing Corporation for the information of the table, the followings can be explained in the notes of the table.

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.
- (2) If the aforementioned data contains shares which are kept in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to Market Observation Post System.