

TYNTEK Corporation and Its Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report For the Years Ended December 31, 2021 and 2020

Address: No. 15, Kezhong Rd., Zhunan Township, Miaoli
County, Hsinchu Science Park
TEL: (037)582997

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.

Table of Content

	Item	Page	No. of Notes of Financial Statements
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Representation Letter	3	-
IV.	Independent Auditors' Review Report	4~8	-
V.	Consolidated balance sheet	9	-
VI.	Consolidated Statements of Comprehensive Income	10~11	-
VII.	Consolidated Statements of Changes Equity	12	-
VIII.	Consolidated Statements of Cash Flows	13~14	-
IX.	Notes to consolidated financial statements		
	(I) Organization and operations	15	1
	(II) The Authorization of Financial Statements	15	2
	(III) Application of New and Revised International Financial Reporting Standards	15~17	3.
	(IV) Summary of Significant Accounting Policies	17~34	4
	(V) Critical Accounting Judgements and Key Sources of Estimation and Uncertainty	34	5.
	(VI) Summary of Significant Accounting Items	34~77	6~31
	(VII) Related party transaction	77~81	32
	(VIII) Pledged Assets	81	33
	(IX) Significant Contingent Liabilities and Unrecognized Commitments	81~82	34
	(X) Major Disaster Loss	-	-
	(XI) Material Events After the Balance Sheet Date	-	-
	(XII) Significant assets and liabilities denominated in foreign currencies	82~83	35
	(XIII) Additional Disclosures		
	1. Information about significant transactions	83、87~90、95	36
	2. Information about investees	83、91~92	36
	3. Information on investments in mainland China	83、93~94	36
	4. Information on main investors	83、96	36
	(XIV) Segments Information	84~86	37

Representation Letter

The entities that are required to be included in the 2021 consolidated financial statements of the Company (from January 1 2021, to December 31, 2021), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

Sincerely,

Name of the Company: TYNTEK Corporation

Chairman: Lee, Biing-Jye

February 22, 2022

Independent Auditors' Review Report

To TYNTEK Corporation,

Audit opinion

We have reviewed the accompanying consolidated balance sheets of TYNTEK Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2021 and 2020 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies “(collectively referred to as the consolidated financial statements)”.

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

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China for 2020. Our responsibility under those standards is further described in the section of "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". 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 are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2021, are stated as follows:

Sales recognition

The Group's 2021 consolidated operating income was NT\$3,163,375 thousand. Please refer to Notes 4 and 25 to the consolidated financial statements for the accounting policy and information related to revenue recognition. The Group's operating income is mainly from the sale of optoelectronic products. As it has many sales clients at home and abroad, the sales, in which the transactions increased compared to the prior year, the transaction amounts were significant, and the transaction counterparties were not publicly listed, are listed as a key audit matter for 2021.

The main audit procedures we performed for said matter are as follows:

1. Understand and test the effectiveness of the design and the implementation of the main internal control mechanism for the sales.
2. Select samples randomly to check the receipts and payment status related to the sales, and inquire the existence of the transaction counterparties to verify the actual occurrence of the sales, and check whether there is any anomaly existing in the sales counterparties and the payment recipients.

Other Matters

The Company has also prepared the parent company's only financial statements for the years ended December 31, 2021, and 2020, for which we have issued an unqualified opinion.

Included in the aforementioned consolidated financial statements, some of the financial statements of the investees measured using the equity method have not been audited by us but by other CPAs. Therefore, in our opinions on the aforementioned consolidated financial statements, the above-mentioned investment balance of the investees using the equity method and the relevant share of profit and loss on the investees are recognized based on the audit report of other CPAs. As of December 31, 2021 and 2020, the balance of investment in the aforementioned investees using the equity method was NT\$149,194,000 and NT\$122,583,000, respectively, accounting for 2.36% and 1.97% of the total consolidated assets, respectively, and the share of profit or loss on associates recognized using the equity method for the year ended December 31,

2021 and 2020 was NT\$7,459 thousand and NT\$1,165 thousand, respectively, accounting for 0.91% and 0.32% of the consolidated net income before tax, respectively.

Responsibilities of the management and the governing body for the consolidated financial statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS and IAS, as well as IFRIC and SIC interpretations endorsed and entered into effect by the FSC, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing body of the Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis of our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing body include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report, for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA Su-Li Fang

CPA Cheng-Chih Lin

The Financial Supervisory Commission

R.O.C. Approved No.

Jing-Guang-Zheng-Liu No. 0940161384

The Financial Supervisory Commission

R.O.C. Approved No.

Jing-Guang-Zheng-Liu No. 0930160267

February 22, 2022

TYNTEK Corporation and Its Subsidiaries
Consolidated balance sheet
For the Years Ended December 31, 2021 and 2020

Unit: NTD thousands

Code	Asset	Dec. 31, 2021		Dec. 31, 2020		Code	LIABILITIES AND EQUITY	Dec. 31, 2021		Dec. 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents (Notes 6 and 31)	\$ 1,145,382	18	\$ 655,749	11	2100	Short-term borrowings (Notes 19 and 31)	\$ 157,977	3	\$ 523,318	8
1110	Financial assets at fair value through profit or loss - current (Note 7 and 31)	583,316	9	522,790	9	2130	Contract liabilities - Current (Note 25)	303	-	2,222	-
1120	Financial assets at fair value through profit or loss - current (Note 8 and 31)	-	-	20,579	-	2150	Notes payable (Notes 20 and 31)	4,911	-	6,251	-
1136	Financial assets at amortized cost - current (Note 9, 31 and 33)	44,191	1	558,932	9	2170	Accounts payable (Notes 20 and 31)	454,548	7	346,044	6
1150	Notes receivable, net (Note 10, 31)	21,863	-	9,224	-	2180	Accounts payable to related parties (Notes 20, 31 and 32)	6,453	-	755	-
1170	Accounts receivable, net (Notes 10 and 31)	998,356	16	856,173	14	2200	Other payables (Notes 21, 31, and 32)	275,540	4	206,168	3
1180	Accounts receivable - related parties, net (Notes 10, 31, and 32)	84,274	1	903	-	2230	Current tax liabilities (Note 27)	62,522	1	20,170	-
1200	Other receivables (Notes 10 and 31)	67,529	1	66,253	1	2280	Lease liabilities - current (Notes 15 and 31)	8,899	-	43,430	1
130X	Inventories (Note 11)	843,782	14	728,725	12	2320	Current portion of long-term borrowings (Notes 19 and 31)	116,558	2	160,707	3
1410	Prepayments (Notes 17 and 34)	22,725	1	15,874	-	2313	Unearned revenue (Notes 21, 29, and 31)	4,631	-	628	-
1476	Other financial assets (Notes 19, 31, and 33)	3,593	-	12,475	-	2399	Other current liabilities (Note 21)	31,587	1	25,896	-
1479	Other current assets (Note 18)	6,046	-	4,347	-	21XX	Total current liabilities	1,123,929	18	1,335,589	21
11XX	Total current assets	3,821,057	61	3,452,024	56		non-current liabilities				
	non-current assets					2540	Long-term borrowings (Notes 19 and 31)	529,091	8	733,314	12
1510	Financial assets at fair value through profit or loss - non-current (Note 7 and 31)	263,055	4	364,103	6	2550	Provisions - non-current (Note 22)	16,807	-	15,428	-
1517	Financial assets at fair value through profit or loss - non-current (Note 8 and 31)	74,231	1	41,754	1	2570	Deferred tax liabilities (Note 27)	15,325	-	15,044	-
1535	Financial assets at amortized cost - non-current (Note 9, 31 and 33)	6,615	-	6,566	-	2580	Lease liabilities - non-current (Notes 15 and 31)	89,618	2	98,335	2
1550	Investments accounted for using equity method (Note 13)	175,738	3	153,115	2	2640	Defined benefit liability - non-current (Note 23)	37,905	1	47,258	1
1600	Property, plant and equipment (Notes 14, 33 and 34)	1,686,193	27	1,714,593	28	2630	Long-term deferred revenue (Notes 19, 29, and 31)	1,031	-	1,458	-
1755	Right-of-use assets (Note 15)	99,949	2	109,827	2	2645	Guarantee deposits received (Note 31)	4,545	-	16,180	-
1760	Investment property (Note 14)	-	-	220,964	3	25XX	Total non-current liabilities	694,322	11	927,017	15
1780	Other intangible assets (Note 16)	1,561	-	2,172	-	2XXX	Total liabilities	1,818,251	29	2,262,606	36
1840	Deferred tax assets (Note 27)	81,287	1	91,825	1		Equity attributable to owners of the company (Note 24)				
1915	Prepayments for equipment (Note 34)	98,416	1	41,725	1	3110	Ordinary shares	3,006,223	47	3,006,223	48
1920	Refundable deposits (Note 31)	1,963	-	2,176	-	3200	Capital surplus	243,639	4	224,694	4
1980	Other financial assets - non-current (Notes 19, 31 and 33)	-	-	3,788	-		Retained earnings				
1990	Other non-current assets - others (Note 18)	4,622	-	4,136	-	3310	Statutory reserves	214,568	3	186,082	3
15XX	Total non-current assets	2,493,630	39	2,756,744	44	3320	Special reserves	55,815	1	89,035	1
						3350	undistributed earnings	960,086	15	466,022	8
1XXX	Total assets	\$ 6,314,687	100	\$ 6,208,768	100	3300	Total retained earnings	1,230,469	19	741,139	12
						3400	Other equities	(22,435)	-	(63,178)	(1)
						31XX	Total equity attributable to owners of the company	4,457,896	70	3,908,878	63
						36XX	Non-controlling interests (Notes 12, 24, and 31)	38,540	1	37,284	1
						3XXX	Total equity	4,496,436	71	3,946,162	64
							Total liabilities and equity	\$ 6,314,687	100	\$ 6,208,768	100

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2022)

Chairman: Lee, Biing-Jye

Manager: Will Chou

Head of Accounting: Hsiao-Ping Li

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

Unit: NTD thousands; EPS in NTD

Code		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 25 and 32)	\$ 3,163,375	100	\$ 2,428,616	100
5000	Operating costs (Notes 11, 26, and 32)	<u>2,446,714</u>	<u>77</u>	<u>2,067,874</u>	<u>85</u>
5900	Gross income from operations	<u>716,661</u>	<u>23</u>	<u>360,742</u>	<u>15</u>
	Operating expenses				
6100	Selling and marketing expenses (Notes 23 and 26)	41,493	1	36,506	2
6200	Administrative expenses (Notes 23 and 26)	231,702	8	195,828	8
6300	Research and development expense (Notes 23 and 26)	132,896	4	128,112	5
6450	Expected credit impairment loss (Note 10)	<u>-</u>	<u>-</u>	<u>6,406</u>	<u>-</u>
6000	Total operating expenses	<u>406,091</u>	<u>13</u>	<u>366,852</u>	<u>15</u>
6500	Other income and expenses, net (Note 26)	(<u>23</u>)	<u>-</u>	<u>14,438</u>	<u>-</u>
6900	Operating profit (loss)	<u>310,547</u>	<u>10</u>	<u>8,328</u>	<u>-</u>
	Non-operating income and expense				
7100	Interest revenue (Note 26)	5,489	-	9,120	-
7010	Other income (Notes 26 and 32)	26,212	1	42,192	2
7020	Other gains or losses (Notes 26 and 35)	485,335	15	340,899	14
7050	Financial costs (Note 26)	(20,531)	(1)	(24,163)	(1)
7060	Share of profit (loss) on associates using the equity method	<u>14,038</u>	<u>1</u>	(<u>12,387</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>510,543</u>	<u>16</u>	<u>355,661</u>	<u>15</u>
7900	Net income before tax	821,090	26	363,989	15
7950	Income tax expense (Note 27)	<u>94,958</u>	<u>3</u>	<u>56,088</u>	<u>3</u>
8200	Net income of the current year	<u>726,132</u>	<u>23</u>	<u>307,901</u>	<u>12</u>
	Other comprehensive income (Note 24)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(\$ 2,054)	-	(\$ 7,977)	(1)

(Continued on next page)

(Continued from previous page)

Code		2021		2020	
		Amount	%	Amount	%
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	40,778	1	19,428	1
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	(6,112)	-	(3,398)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange Differences in Translating the Financial Statements of Foreign Operations	(2,428)	-	12,342	1
8399	Income tax (expense) income related to the components of other comprehensive income (Note 27)	480	-	(2,457)	-
8300	Other comprehensive income of the current year (net amount after tax)	30,664	1	17,938	1
8500	Total comprehensive income of the current year	<u>\$ 756,796</u>	<u>24</u>	<u>\$ 325,839</u>	<u>13</u>
8600	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the company	\$ 724,850	23	\$ 304,498	13
8620	Non-controlling interests	<u>1,282</u>	<u>-</u>	<u>3,403</u>	<u>-</u>
		<u>\$ 726,132</u>	<u>23</u>	<u>\$ 307,901</u>	<u>13</u>
8700	Total comprehensive income attributable to:				
8710	Owners of the company	\$ 755,540	24	\$ 322,379	13
8720	Non-controlling interests	<u>1,256</u>	<u>-</u>	<u>3,460</u>	<u>-</u>
		<u>\$ 756,796</u>	<u>24</u>	<u>\$ 325,839</u>	<u>13</u>
	Earnings per share (Note 28)				
9710	Basic	<u>\$ 2.41</u>		<u>\$ 1.02</u>	
9810	Diluted	<u>\$ 2.39</u>		<u>\$ 1.01</u>	

The accompanying notes are an integral part of the consolidated financial statements

(With Deloitte & Touche review report dated February 22, 2022)

Chairman: Lee, Biing-Jye

Manager: Will Chou

Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Changes Equity
For the Years Ended December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

		Equity attributable to owners of the company							Other equities				
		Share capital		Retained earnings				Exchange Differences in Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury shares	Total	Non-controlling interests	Total equity
Code		Shares (Thousands)	Amount	Capital surplus	Statutory reserves	Special reserve	Undistributed earnings						
A1	Balance at January 1, 2020	300,621	\$ 3,006,223	\$ 223,902	\$ 168,403	\$ 76,927	\$ 301,131	(\$ 30,757)	(\$ 58,279)	\$ -	\$ 3,687,550	\$ 33,824	\$ 3,721,374
	Earning appropriation and distribution for 2019												
B1	Appropriated as statutory reserves	-	-	-	17,679	-	(17,679)	-	-	-	-	-	-
B3	Appropriated as special reserve	-	-	-	-	12,108	(12,108)	-	-	-	-	-	-
B5	Appropriated as special reserve	-	-	-	-	-	(90,187)	-	-	-	(90,187)	-	(90,187)
D1	Net income of 2020	-	-	-	-	-	304,498	-	-	-	304,498	3,403	307,901
D3	Other comprehensive income after tax of 2020	-	-	-	-	-	(7,977)	9,828	16,030	-	17,881	57	17,938
D5	Total comprehensive income of 2020	-	-	-	-	-	296,521	9,828	16,030	-	322,379	3,460	325,839
F3	Transfer of treasury stock	-	-	5,771	-	-	-	-	-	30,790	36,561	-	36,561
L1	Redemption of treasury stock	-	-	-	-	-	-	-	-	(30,790)	(30,790)	-	(30,790)
C7	Changes in associates and joint ventures accounted for using the equity method	-	-	(4,979)	-	-	(11,656)	-	-	-	(16,635)	-	(16,635)
Z1	Balance at December 31, 2020	300,621	3,006,223	224,694	186,082	89,035	466,022	(20,929)	(42,249)	-	3,908,878	37,284	3,946,162
	Earning appropriation and distribution for 2020												
B1	Appropriated as statutory reserves	-	-	-	28,486	-	(28,486)	-	-	-	-	-	-
B17	Reversed special reserve	-	-	-	-	(33,220)	33,220	-	-	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	(225,467)	-	-	-	(225,467)	-	(225,467)
C7	Changes in associates and joint ventures accounted for using the equity method	-	-	18,945	-	-	-	-	-	-	18,945	-	18,945
D1	2021 net income	-	-	-	-	-	724,850	-	-	-	724,850	1,282	726,132
D3	2021 other comprehensive income after tax	-	-	-	-	-	(2,054)	(1,922)	34,666	-	30,690	(26)	30,664
D5	2021 total comprehensive income	-	-	-	-	-	722,796	(1,922)	34,666	-	755,540	1,256	756,796
Q1	Disposal of equity instruments measured at FVTOCI	-	-	-	-	-	(7,999)	-	7,999	-	-	-	-
Z1	Balance at December 31, 2021	<u>300,621</u>	<u>\$ 3,006,223</u>	<u>\$ 243,639</u>	<u>\$ 214,568</u>	<u>\$ 55,815</u>	<u>\$ 960,086</u>	<u>(\$ 22,851)</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 4,457,896</u>	<u>\$ 38,540</u>	<u>\$ 4,496,436</u>

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2022)

Chairman: Lee, Biing-Jye

Manager: Will Chou

Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

Unit: NTD thousands

Code		2021	2020
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net income before tax of the current year	\$ 821,090	\$ 363,989
A20010	Adjustments for:		
A20100	Depreciation expense	246,559	247,200
A20200	Amortization expenses	818	1,211
A20300	Expected credit impairment loss	-	6,406
A20400	Net gains on financial assets and liabilities at FVTPL	(126,101)	(212,528)
A20900	Financial costs	20,531	24,163
A21200	Interest income	(5,489)	(9,120)
A21300	Dividend revenue	(14,930)	(18,385)
A21900	Share-based compensation	-	5,771
A22300	Share of profit or loss of associates accounted for using equity method	(14,038)	12,387
A22500	Losses (gains) on disposal of property, plant and equipment	23	(14,110)
A23000	Gains on disposal of non-current assets held for sale	(379,527)	(614)
A23200	Gains on disposal of investments accounted for using equity method	(282)	(17,475)
A23800	Losses on inventory valuation and obsolescence losses	-	14,250
A24100	Unrealized losses on foreign currency exchange	(28,753)	(22,238)
A29900	Gains on disposal of right-of-use assets	-	(174,980)
A29900	Gains on lease modification	-	(10)
A30000	Changes in operating assets and liabilities		
A31130	Note receivable	(12,639)	8,060
A31150	Accounts receivable - related parties	(226,187)	(55,436)
A31180	Other receivables	(1,452)	3,031
A31200	Inventories	(115,057)	(80,077)
A31230	Prepayments	(7,337)	1,332
A31240	Other current assets	(1,699)	494
A32125	contract liability	(1,919)	(8,024)
A32130	Note payable	(1,340)	(1,280)
A32150	Accounts payable - related parties	115,709	60,525
A32180	Other payables	60,421	25,038
A32200	Provisions	1,379	668
A32230	Other current liabilities	5,691	21,757
A32240	Net defined benefit liability	(11,407)	2,511
A33000	Cash from operations	324,064	184,516
A33300	Interest paid	(20,980)	(24,851)
A33500	Income tax refunded (paid)	(47,418)	11,845
AAAA	Net cash inflow from operating activities	<u>255,666</u>	<u>171,510</u>

(Continued on next page)

(Continued from previous page)

Code		2021	2020
	Cash flows from investing activities		
B00020	Disposal of financial assets at FVTOCI	\$ 28,880	\$ -
B00050	Disposal of financial assets at amortized cost	518,945	91,368
B00100	Purchase of financial assets at fair value through profit or loss	(20,754)	(263,609)
B00200	Disposal of financial assets at FVTPL	185,303	260,995
B01800	Acquisition of long-term investments in equity using equity method	(1,470)	(36,153)
B01900	Disposal of long-term investments in equity using equity method	12,054	34,659
B02600	Proceeds from disposal of non-current assets held for sale	600,161	3,444
B02700	Acquisition of property, plant and equipment	(105,459)	(54,368)
B02800	Proceeds from disposal of property, plant and equipment	1,374	46,843
B03700	Decrease in refundable deposits	213	461
B04500	Acquisition of intangible assets	(211)	(92)
B06500	Decrease in other financial assets	12,671	3,750
B07100	Increase in prepayments for equipment	(151,946)	(66,368)
B07500	Interest received	5,616	9,692
B07600	Dividends received	14,930	18,385
B09900	Proceeds from disposal of right-of-use assets	-	134,140
BBBB	Net cash inflows from investing activities	<u>1,100,307</u>	<u>183,147</u>
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	1,099,231	1,569,234
C00200	Decrease in short-term borrowings	(1,461,009)	(1,994,450)
C01600	Proceeds from long-term borrowings	518,917	128,500
C01700	Repayments of long-term borrowings	(763,713)	(88,148)
C03000	Increase (decrease) in guarantee deposits received	(11,635)	12,480
C04020	Repayment of the principal portion of leases	(43,353)	(10,499)
C04500	Cash dividends distributed	(225,467)	(90,187)
C04900	Cost of redemption of treasury stock	-	(30,790)
C05000	Proceeds from disposal of treasury stock	-	30,790
CCCC	Net cash outflows from financing activities	<u>(887,029)</u>	<u>(473,070)</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>20,689</u>	<u>11,070</u>
EEEE	Increase (decrease) in cash and equivalents	489,633	(107,343)
E00100	Balance of cash and cash equivalents at the beginning of the year	<u>655,749</u>	<u>763,092</u>
E00200	Balance of cash and cash equivalents at the end of the year	<u>\$ 1,145,382</u>	<u>\$ 655,749</u>

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2022)

Chairman: Lee, Biing-Jye

Manager: Will Chou

Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Notes to consolidated financial statements
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

TYNTEK Corporation (hereinafter referred to as the "Company") was incorporated on April 4, 1987 in accordance with the Company Act of R.O.C. The main businesses are research and development, manufacturing, and sales of relevant products, including gallium arsenide, infrared, light-emitting diodes, laser diodes, phototransistors, photodiodes, single crystal and epitaxy, crystal grains, optoelectronic systems, radio transmitters, and other electrical devices that can generate radio radiant energy.

The Company's shares had been listed for trading in Taipei Exchange (TEPx) since November 1998, and were approved by the Securities and Futures Commission, Ministry of Finance (currently known as the Securities and Futures Bureau, Financial Supervisory Commission) to be listed on the Taiwan Stock Exchange for trading instead since September 2000.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company's functional currency, the New Taiwan dollar.

II. The Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors and authorized for issue on February 22, 2022.

III. Application of New and Revised International Financial Reporting Standards

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group's accounting policies.

(II) IFRSs endorsed by FSC that are applicable from 2022 onwards

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 (Reference to the Conceptual Framework)	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022 (Note 4)

Note 1: The amendment of IFRS 9 applies to the exchange of financial liabilities or modified terms incurring in the annual reported periods since January 1, 2022; the amendment of “Agriculture” in IAS 41 applies to the measurement at fair value in the annual reported periods since January 1, 2022; The amendment of “Initial application of IFRSs” in IFRS 1 applies the annual reported periods since January 1, 2022 retrospectively.

Note 2: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 3: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 4: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

As of the publication date of the consolidated financial statements, the Group has assessed that other standards and amendments to the interpretations will not have a significant influence on the Group’s financial position and financial performance.

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments of IFRS 17	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 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to the annual reporting periods beginning on or after January 1, 2023 prospectively.

Note 3: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during the annual reporting periods beginning on or after January 1, 2023.

Note 4: The amendments apply to transactions occurring after January 1, 2022, except for the recognition of temporary differences in lease and decommissioning obligations as deferred tax at January 1, 2022.

As of the publication date of the consolidated financial statements, the Group is continuing to assess the impact of amendments to the aforementioned standards and interpretations on the Group's financial position and financial performance, and will disclose relevant impacts when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments measured at fair value and the net defined liabilities recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities realized within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition up to the effective dates of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests have been adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the gains or losses on the disposal are the differences between the following two: (1) The sum of the fair value of the consideration received and the fair value of the remaining investment in the

former subsidiary on the date of loss of control, and (2) the sum of the carrying amounts of the assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary on the day of loss of control. All amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Group's direct disposal of the relevant assets or liabilities.

The remaining investment in the former subsidiary is adopted as the amount of financial assets initially recognized at FVTPL based on the fair value at the date of loss of control.

For details of subsidiaries, ownership percentage, and businesses, please refer to Note 12 and Table 4.

(V) Foreign currencies

In preparing the financial statements of each entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures, or branches that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive

income (and attributable to the owners of the Company and non-controlling interests, respectively).

If the Group disposes of the ownership interest of a foreign operation, or disposes of part of the equity of a foreign operation's subsidiary and loses control, or disposes of a foreign operation's joint agreement or associate, and the retained equity is a financial asset and is treated based on the accounting policies adopted for financial instruments, then all accumulated exchange differences attributable to the owners of the Company and related to the foreign operation will be reclassified to profit or loss.

If the partial disposal of a subsidiary of a foreign operation does not result in the loss of control, the accumulated exchange differences are attributable to the non-controlling interest of the subsidiary proportionally again but are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences will be reclassified to profit or loss according to the proportion of the disposal.

(VI) Inventories

Inventories include merchandise, raw materials, work-in-progress, and finished goods. The value of inventories shall be determined based on the cost and net realizable value (NRV), whichever is lower. The comparison of the cost and NRV is based on individual items except for inventories of the same category. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(VII) Investments in Associates

An associate is an entity over which the Group has significant influence and is not a subsidiary nor a joint venture.

The Group adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in its share of the equity of associates based on the percentage of ownership.

The amount of the acquisition cost in excess of the Group's share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date is classified as goodwill, which is included in the

book value of the investment and cannot be amortized. The amount of the Group's share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date in excess of the amount of the acquisition cost is classified as profit or loss.

When an associate issues new shares, if the Group does not subscribe according to the ownership percentage, which causes the ownership percentage to change, and, thus, the net equity value of the investment increases or decreases, capital surplus - the changes in the net equity value of associates accounted for using the equity method and the investment accounted for using the equity method are adjusted for the increase or decrease. However, if the new shares is not subscribed to or acquired according to the ownership percentage, which results in a decrease in the ownership interests of the associate, the amount recognized in the other comprehensive income related to the associate is reclassified according to the percentage of the decrease, and the basis of the accounting treatment adopted is the same as the basis that the associate must follow in the case of direct disposal of relevant assets or liabilities. Where the adjustment in the preceding paragraph shall be debited to the capital surplus, and the balance of the capital surplus generated by the investment under the equity method is insufficient, the difference is debited to the retained earnings.

When the Group's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The Group ceases to adopt the equity method on the day when its investment ceases to be an associate, and its retained equity in the original associate is measured at fair value. The differences between the fair value, the proceeds from the disposal,

and the carrying amount of the investment on the day when the equity method ceases to be adopted are recognized in profit or loss. In addition, all amounts recognized in other comprehensive income related to said associate are accounted for on the same basis as the one adopted for the associate's direct disposal of the relevant assets or liabilities. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Group will continue to adopt the equity method without remeasuring the retained equity.

Profit or loss on upstream, downstream, and lateral transactions between the Group and its associates is recognized in the consolidated financial statements only to the extent that it does not affect the Group's interests in the associates.

(VIII) Property, plant, and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment are depreciated using the straight-line method over their useful lives. Each significant part is depreciated separately. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, while applying the effect of changes in accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(IX) Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation or both (including the assets that meet the definition of investment property and the right-of-use assets). Investment property also includes land held, in which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction costs), and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The investment property is depreciated on a straight-line basis.

When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(X) Intangible asset

1. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Internally generated— research and development (R&D) expenditure

Research expenditure is recognized in expenses when incurred.

3. Derecognition

When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(XI) Impairment of assets related to property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and assets related to contract costs

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets (excluding goodwill) at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is a sign that the assets may be impaired.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

The inventory, property, plant and equipment, and intangible assets related to customer contracts are first recognized as impairment in accordance with the inventory impairment regulations and the regulations above. Then, the carrying

amount of the assets related to contract cost in excess of the expected amount of consideration received for the provision of the relevant goods or services less the direct relevant costs is recognized as an impairment loss. Subsequently, the carrying amount of the assets related to contract cost is included in the cash-generating unit to which they belong to perform impairment assessment of the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of the asset, the cash-generating unit, or the asset related to contract cost is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset, cash-generating unit, or the asset related to contract cost which was not recognized as impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial asset

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Disposal of financial assets at FVTPL

Financial assets measured at FVTPL include those mandatorily measured at FVTPL and those designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity

instrument that the Group has not designated to measure at FVTOCI, and debt instruments that are not classified as measured at amortized cost or at FVTOCI.

Financial assets measured at FVTPL are measured at fair value, and the gains or losses arising from remeasurement (not including any dividends or interest generated by the financial asset) are recognized in other gains or losses. Please refer to Note 31 for the method of determining the fair value.

B. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
- b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, accounts receivable measured at amortized cost, and time deposits with the original maturity date of more than 3 months) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange differences are recognized in profit or loss.

Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
- b. For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from

the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to the fact that when an issuer or debtor has experienced major financial difficulties or default, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for the financial assets disappears due to financial difficulties.

Equivalent cash includes time deposits that are highly liquid, convertible into imprest cash at any time with little risk of value changes within 3 months from the date of acquisition, and is used to meet short-term cash commitments.

C. Investments in equity instruments measured at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, cumulative gain or loss is directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly

since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- B. It is overdue for more than 90 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Company recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When the investment in debt instruments measured at FVTOCI is derecognized in its entirety, the

difference between its carrying amount and the consideration received plus the sum of any accumulated gains or losses that have been recognized in other comprehensive income is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOC in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instrument

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

Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Group's own equity instruments is not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

All financial liabilities are measured at amortized cost in the effective interest method.

(2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(XIII) Provisions

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provisions are measured at the discounted value of the cash flow estimated to settle the obligation.

(XIV) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If several contracts are signed with the same customer (or the customer's related party) almost at the same time, as the goods or services promised in these contracts are single performance obligations, the Group deals with the contracts separately.

1. Sales revenue

Sales revenue comes from the sales of products. As when a product reaches the transaction conditions signed with a customer, the customer already has the right to set the price and the way the product is used while bearing the main responsibility for resale and the risk of obsolescence, at which the Group recognizes such revenue and reclassifies it to accounts receivable after fulfilling the remaining obligations. Advance receipts from sales are recognized as contract liabilities before a product reaches the transaction conditions signed with a customer.

In the case of export of raw materials overseas for processing, the control of the ownership of the processed product has not been transferred, so the income is not recognized when said materials are exported.

(XV) Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of each lease, except for low value asset leases and short-term leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term, the expected payment under the residual value guarantee, the evaluation of the underlying asset purchase options, or the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XVI) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

For specific borrowings, if the investment income earned by making a temporary investment before the capital expenditure that meets the requirements is incurred, it is deducted from the borrowing costs that meet the capitalization conditions.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XVII) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods, in which the Group recognizes as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognized as deferred income and reclassified to profit or loss during the useful life of said assets on a reasonable and systematic basis.

If government grants are used to compensate expenses or losses incurred, or are given to the Group for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which the Group can receive said grants.

For the government loan obtained by the Company with an interest rate lower than that in the market, the difference between the loan amount received and the fair value of the loan calculated at the prevailing market interest rate is recognized as a government grant.

(XVIII) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting treatment of other long-term employee benefits is the same as that of the defined benefit pension plan, but the relevant remeasurement is recognized in profit or loss.

(XIX) Share-based payment arrangement

Share-based payment arrangement for granting shares to employees and employee stock options

The share-based payment arrangement for equity delivery and employee stock options are based on the fair value of the equity instrument on the grant date and the best estimated number expected to be vested, and is recognized as expenses on a straight-line basis during the vesting period, while the capital surplus - employee share options is adjusted at the same time. If it is immediately vested on the grant date, the full amount of the shares shall be recognized in expenses on the grant date. The Company transfers treasury shares to employees, so the record date for the transfer is the grant date.

(XX) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction area for income tax filings, and calculates the income tax payable (recoverable) accordingly.

A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via a resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, equipment purchase, research and development, as well as talent training expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income to realize the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or

directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively.

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Group will include the recent development of the COVID-19 pandemic in Taiwan and its potential impact on the economic environment in the consideration for estimation of cash flows, growth rates, discount rates, and profitability, and other relevant critical accounting estimates. The management will continue to examine the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

Key Sources of Estimation and Assumption Uncertainty

(I) Inventory impairment

The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical and historical sales experience in similar products. Changes in market conditions may materially affect the results of these estimates.

VI. Cash and equivalents

	Dec. 31, 2021	Dec. 31, 2020
Cash on hand and petty cash	\$ 660	\$ 832
Check and demand (current) deposit	644,722	597,957
Cash equivalents (investments with original maturity date of less than 3 months)		
Time deposits	500,000	56,960
	<u>\$ 1,145,382</u>	<u>\$ 655,749</u>

The interest rate ranges of bank demand deposits and time deposits at the balance sheet date are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Cash in banks	0.001%~0.200%	0.001%~1.400%

VII. Financial instruments at FVTPL

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Financial assets - current</u>		
Financial assets designated as at FVTPL		
Derivatives (not designated for hedging)		
- Forward foreign exchange contracts (1)	\$ 496	\$ -
Non-derivative financial assets		
- Domestic listed stocks	582,805	522,687
- Gold passbook	15	15
Hybrid financial assets		
- structured deposit (2)	-	88
Subtotal	<u>\$583,316</u>	<u>\$522,790</u>

Financial assets - non-current

Financial assets designated as at FVTPL		
Non-derivative financial assets		
- Foreign unlisted stocks	\$ 87,201	\$142,166
Hybrid financial assets		
- wealth management products (1)	175,854	221,937
	<u>\$263,055</u>	<u>\$364,103</u>

- (I) The structured deposit and wealth management product contracts signed between the Group and the banks. The structured deposits and wealth management products include an embedded derivative that is not closely related to the host contract. Since the host contract included in the hybrid contract is an asset within the scope of IFRS 9, the hybrid contract is mandatorily classified as at FVTPL.

- (II) The unexpired forward foreign exchange contracts without hedge accounting applied on the balance sheet date are as follows:

Dec. 31, 2021

	<u>Currency</u>	<u>Duration</u>	<u>Contract amount (thousand NTD)</u>
Sale of forward foreign exchange	USD: NTD	Oct. 6, 2021, to Jan. 20, 2022	USD2,000

The Company's purpose of engaging in forward foreign exchange transactions is to hedge risks arising from foreign currency assets and liabilities due to exchange rate fluctuations. As the forward foreign exchange contracts held by the Company do not meet the conditions for effective hedging, hedge accounting is not applicable.

VIII. Financial assets at FVTOCI

<u>Equity investment instruments</u>	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Current</u>		
Domestic investment		
Listed stocks		
Para Light Electronics Co., Ltd.	\$ -	\$ 20,579
<u>Non-current</u>		
Domestic investment		
Stocks listed in emerging stock markets and unlisted stocks		
Chipwell Tech Corporation	\$ 9,526	\$ 9,369
Chipstar Tech Corporation	7,860	6,099
Brightek Optoelectronic Co., Ltd.	56,845	26,286
	<u>\$ 74,231</u>	<u>\$ 41,754</u>

The Group has invested in the common stocks of the above-mentioned companies in accordance with medium and long-term strategic purposes, and expects to make profits through long-term investments. The management of the Group believes that if the short-term fair value fluctuations of these investments are recognized in profit or loss, it is inconsistent with the aforementioned long-term investment plan, so it has elected to designate these investments as at FVTOCI.

IX. Financial assets at amortized cost

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Current</u>		
Time deposits with original maturity date of more than 3 months - pledge	\$ 36,528	\$229,367
Time deposits with original maturity date of less than 3 months - pledge	7,663	329,565
	<u>\$ 44,191</u>	<u>\$558,932</u>

(Continued on next page)

(Continued from previous page)

	Dec. 31, 2021	Dec. 31, 2020
<u>Non-current</u>		
Time deposits with original maturity date of more than 1 year - pledge	<u>\$ 6,615</u>	<u>\$ 6,566</u>

As of December 31, 2021 and 2020, the interest rate range of the pledged time deposits with the original maturity date of less 3 months and the those with more than 3 months were 0.20%–0.26% and 0.20%– 1.50% per annum, respectively.

As of December 31, 2021 and 2020, the interest rate range of the pledged time deposits with original maturity date of over one year was both 0.755%–0.815%.

For information on pledged financial assets measured at amortized cost, please refer to Note 33.

X. Notes receivable, accounts receivable, and other receivables

	Dec. 31, 2021	Dec. 31, 2020
<u>Note receivable</u>		
From operations	<u>\$ 21,863</u>	<u>\$ 9,224</u>
<u>Trade receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,010,311	\$ 868,128
Less: Allowance for impairment loss	(<u>11,955</u>)	(<u>11,955</u>)
	998,356	856,173
Accounts receivable - related parties	<u>84,274</u>	<u>903</u>
	<u>\$ 1,082,630</u>	<u>\$ 857,076</u>
<u>Other receivables</u>		
Proceeds from disposal of right-of-use assets receivable (Note)	\$ 57,581	\$ 58,019
Business tax refund receivable	9,263	7,469
Others	<u>685</u>	<u>765</u>
	<u>\$ 67,529</u>	<u>\$ 66,253</u>

Note: As for the proceeds from disposal of right-of-use assets receivable, the Group signed a state-owned land use right recovery agreement with the sub-center of the Donghu New Technology Development Zone, Wuhan Land Consolidation and Reserve Center, China, in the first half of 2020. The total price is CNY 61,624 thousand (approximately NT\$269,729 thousand) to recover part of the land use

rights of Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. located in Wuhan, mainland China. As of December 31, 2021, the balance of the proceeds from the disposal in the amount of CNY 13,255 thousand (approximately NT\$57,581 thousand) has not been recovered (see Note 15).

(I) Notes and accounts receivable

The average credit period for customers is open account with net 30 to 180 days. In addition to the loss allowance for individual customers' actual credit impairment loss, the Group refers to historical experience, considers individual customers' financial status, industries, competitive advantages, and prospects, and divides them into different risk groups and recognizes loss allowances for each group based on their expected loss rates. In addition, a 100% loss allowance is recognized for accounts receivable with an account opened for over 365 days and no other credit guarantee provided.

In order to reduce credit risk, the management of the Group is responsible for the determination of credit limit, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. In this regard, the management of the Group believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, the Group directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

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

Dec. 31, 2021

	O/A 1–120 days	121–180 days	181–365 days	Over 365 days	Total
Gross carrying amount	\$ 825,066	\$ 280,396	\$ 77	\$ 10,909	\$ 1,116,448
Loss allowance (lifetime ECLs)	-	(969)	(77)	(10,909)	(11,955)
Amortized cost	<u>\$ 825,066</u>	<u>\$ 279,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,104,493</u>

Dec. 31, 2020

	O/A 1–120 days	121–180 days	181–365 days	Over 365 days	Total
Gross carrying amount	\$ 717,030	\$ 145,801	\$ 7,065	\$ 8,359	\$ 878,255
Loss allowance (lifetime ECLs)	-	-	(3,596)	(8,359)	(11,955)
Amortized cost	<u>\$ 717,030</u>	<u>\$ 145,801</u>	<u>\$ 3,469</u>	<u>\$ -</u>	<u>\$ 866,300</u>

The information on the movements in the loss allowance for notes and accounts receivable is as follows:

	2021	2020
Opening balance	\$ 11,955	\$ 5,549
Impairment loss for the current year	-	6,406
Closing balance	<u>\$ 11,955</u>	<u>\$ 11,955</u>

(II) Other receivables

In order to reduce credit risk, the management of the Group will consider the publicly available financial information to give appropriate internal ratings for items without external information on ratings.

The Group considers the historical default loss rate, the debtor's current financial position, and business forecast for the industry in which it is located to measure the 12-month ECLs or lifetime ECLs of other receivables.

XI. Inventories

	Dec. 31, 2021	Dec. 31, 2020
Finished goods	\$333,237	\$263,236
Work in process	254,939	282,773
Raw materials	<u>255,606</u>	<u>182,716</u>
	<u>\$843,782</u>	<u>\$728,725</u>

The inventory-related costs of sales in 2021 and 2020 were NT\$2,446,714 thousand and NT\$2,067,874 thousand, respectively.

The cost of sales for 2021 and 2020 included the gains on inventory value recoveries of NT\$0 and the inventory valuation losses of NT\$14,250 thousand, respectively.

XII. Subsidiary

(I) Subsidiaries included in consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

Ownership (%)

Investor	Investee	Main Business	Dec. 31, 2021	Dec. 31, 2020	Description
The Company	TEK Holding Co., Ltd.	Investment in various overseas businesses	100.00	100.00	—
	Long Benefit Investment Co., Ltd. (Long Benefit)	General investment	100.00	100.00	—
	Keeper Technology Co. Ltd. (Keeper Technology)	Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery.	21.43	21.43	—
The Company	Xu Qi Co., Ltd. (Xu Qi)	Manufacturing of lighting equipment	94.44	94.44	—
Long Benefit	Keeper Technology	Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery.	40.79	40.79	—
TEK Holding Co., Ltd.	Keyway International L.L.C.	Investment in various overseas businesses	100.00	100.00	Note
Keyway International L.L.C.	Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.	Other light-emitting diode production and sales business	100.00	100.00	—
Keeper Technology	Global Unity Int'l Co., Ltd.	Investment in various overseas businesses	100.00	100.00	Note
Global Unity Int'l Co., Ltd.	Creation New Technology Inc.	Investment in various overseas businesses	100.00	100.00	Note
Creation New Technology Inc.	Kaishin Technology (Wuhan) Corporation	R&D and manufacturing of LED lighting equipment products, electronic component manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing	100.00	100.00	Note

Note: It is a non-significant subsidiary, and its financial statements have not been audited by CPAs; however, the management of the Group believes that the financial statements of the aforementioned non-significant subsidiary would not be materially different if audited by CPAs.

XIII. Investments accounted for using equity method

Investments in Associates

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Material associates		
Hsinjing Holding Co. Ltd. (Hsinjing) (Note)	\$149,194	\$122,583
Associates that are not individually material	<u>34,043</u>	<u>38,031</u>
	183,237	160,614
Less: Accumulated impairment	(<u>7,499</u>)	(<u>7,499</u>)
	<u>\$175,738</u>	<u>\$153,115</u>

Note: The Group originally held the shares of Tynsolar Corporation (hereinafter referred to as "Tynsolar"). On February 27, 2020, Tynsolar's board of directors passed a resolution to suspend the trading of stocks on Taipei Exchange, and established Hsinjing by means of share swap. The Group received Hsinjing's shares swapped from Tynsolar's on March 2, 2020, with the ownership percentage remaining unchanged.

(I) Material associates

The Group's percentages of ownership interests and voting rights in associates at the balance sheet date are as follows:

<u>Company name</u>	<u>Percentage of ownership and voting rights</u>	
	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Hsinjing (formerly known as Tynsolar)	22.79%	22.79%

The Group continued to dispose of Hsinjing's shares in 2020, resulting in a decrease in the ownership to 22.79%, but it still had a significant influence over the company.

Refer to Table 5 in Note 36. "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Group's investment in Hsinjing using the equity method and its share of profit and loss and other comprehensive income of Hsinjing were recognized based on financial statements audited by other CPAs in 2021 and 2020.

The information on Level 1 fair value of associate with open market quotes is as follows:

Company name	Dec. 31, 2021	Dec. 31, 2020
Hsinjing	<u>\$674,395</u>	<u>\$782,050</u>

(II) Aggregate information on associates that are not individually material

	2021	2020
The Group's share of Net income (loss) of the continuing operations	<u>\$ 6,947</u>	<u>(\$ 13,800)</u>

Refer to Table 5 in Note 36. "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Group adopts the equity method to measure the above-mentioned associates that are not individually material, and its share of profits and losses and other comprehensive income is calculated based on financial statements that have not been audited by CPAs. However, the management of the Group believes that the financial statements of the aforementioned subsidiaries will not have a material impact if audited by CPAs.

XIV. Property, plant, and equipment

(I) Self-use

	Self-owned land	Building	Equipment	Leased Improvements	Other Equipment	Unfinished construction and asset to be checked and accepted	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 62,273	\$ 1,777,241	\$ 2,042,448	\$ 23,793	\$ 120,617	\$ 5,240	\$ 4,031,612
Additions	-	23,933	47,254	-	5,103	38,569	114,859
Disposal	-	(30)	(17,736)	(2,154)	(14,051)	-	(33,971)
Reclassified to held for sale	-	(6,968)	-	-	-	-	(6,968)
Reclassification	-	2,212	87,981	-	5,062	-	95,255
Net exchange differences	-	(2,207)	(1,653)	-	(39)	(13)	(3,912)
Balance at December 31, 2021	<u>\$ 62,273</u>	<u>\$ 1,794,181</u>	<u>\$ 2,158,294</u>	<u>\$ 21,639</u>	<u>\$ 116,692</u>	<u>\$ 43,796</u>	<u>\$ 4,196,875</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 568,453	\$ 1,634,266	\$ 23,504	\$ 90,796	\$ -	\$ 2,317,019
Depreciation expense	-	98,523	126,762	117	10,471	-	235,873
Disposal	-	(30)	(16,588)	(2,154)	(13,802)	-	(32,574)
Reclassified to held for sale	-	(6,825)	-	-	-	-	(6,825)
Net exchange differences	-	(1,452)	(1,324)	-	(35)	-	(2,811)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 658,669</u>	<u>\$ 1,743,116</u>	<u>\$ 21,467</u>	<u>\$ 87,430</u>	<u>\$ -</u>	<u>\$ 2,510,682</u>
Net amount at December 31, 2021	<u>\$ 62,273</u>	<u>\$ 1,135,512</u>	<u>\$ 415,178</u>	<u>\$ 172</u>	<u>\$ 29,262</u>	<u>\$ 43,796</u>	<u>\$ 1,686,193</u>

(Continued on next page)

(Continued from previous page)

	Self-owned land	Building	Equipment	Leased Improvements	Other Equipment	Unfinished construction and asset to be checked and accepted	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 62,273	\$ 1,782,930	\$ 2,039,573	\$ 63,155	\$ 110,434	\$ 225	\$ 4,058,590
Additions	-	21,502	24,097	-	6,080	4,902	56,581
Disposal	-	(55,002)	(35,402)	(39,362)	(6,990)	-	(136,756)
Reclassification	-	24,032	10,575	-	11,030	-	45,637
Net exchange differences	-	3,779	3,605	-	63	113	7,560
Balance at December 31, 2020	<u>\$ 62,273</u>	<u>\$ 1,777,241</u>	<u>\$ 2,042,448</u>	<u>\$ 23,793</u>	<u>\$ 120,617</u>	<u>\$ 5,240</u>	<u>\$ 4,031,612</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 490,729	\$ 1,572,431	\$ 32,271	\$ 85,435	\$ -	\$ 2,180,866
Depreciation expense	-	101,177	122,903	484	9,713	-	234,277
Disposal	-	(26,307)	(34,658)	(36,327)	(6,731)	-	(104,023)
Reclassification	-	(7)	(29,393)	27,076	2,322	-	(2)
Net exchange differences	-	2,861	2,983	-	57	-	5,901
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 568,453</u>	<u>\$ 1,634,266</u>	<u>\$ 23,504</u>	<u>\$ 90,796</u>	<u>\$ -</u>	<u>\$ 2,317,019</u>
Net amount at December 31, 2020	<u>\$ 62,273</u>	<u>\$ 1,208,788</u>	<u>\$ 408,182</u>	<u>\$ 289</u>	<u>\$ 29,821</u>	<u>\$ 5,240</u>	<u>\$ 1,714,593</u>

Depreciation expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Buildings	
Main buildings	15 to 55 years
Electromechanical power equipment	9 to 10 years
Engineering systems	1.5 to 15 years
Equipment	1 to 20 years
Leased Improvements	2 to 15 years
Other Equipment	1 to 18 years

Please refer to Note 33 for the amount of property, plant and equipment pledged for loans.

(II) Investment Property

	Investment property that has been completed		
	Land	Building	Total
<u>Cost</u>			
Jan. 1, 2021	\$ 216,119	\$ 22,314	\$ 238,433
Reclassified to held for sale	(216,119)	(22,314)	(238,433)
Dec. 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

(Continued from previous page)

	Investment property that has been completed		
	Land	Building	Total
<u>Accumulated depreciation and impairment</u>			
Jan. 1, 2021	\$ -	\$ 17,469	\$ 17,469
Reclassified to held for sale	-	(17,942)	(17,942)
Depreciation expense	-	473	473
Dec. 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net amount at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cost</u>			
January 1, 2020	<u>\$ 216,119</u>	<u>\$ 22,314</u>	<u>\$ 238,433</u>
Dec. 31, 2020	<u>\$ 216,119</u>	<u>\$ 22,314</u>	<u>\$ 238,433</u>
<u>Accumulated depreciation and impairment</u>			
January 1, 2020	\$ -	\$ 16,051	\$ 16,051
Depreciation expense	-	1,418	1,418
Dec. 31, 2020	<u>\$ -</u>	<u>\$ 17,469</u>	<u>\$ 17,469</u>
Net amount at December 31, 2020	<u>\$ 216,119</u>	<u>\$ 4,845</u>	<u>\$ 220,964</u>

Investment property includes land and buildings, of which buildings are depreciated on a straight-line basis based on 55 years of useful life.

Due to the infrequent transactions in the comparable market and the inability to obtain reliable alternative fair value estimates for the Group's investment property, the fair value cannot be determined reliably.

All the Group's investment property is self-owned equity.

The actual selling price exceeded the carrying amount of the relevant net assets, so when these units were classified as non-current assets held for sale, there was no impairment loss that shall be recognized.

The Group signed a property transaction contract with a non-related person in May 2021 to dispose of the Group's land and buildings in Xiangshan District, Hsinchu City, at a total price of NT\$607,865,000. The transfer procedure was completed in November 2021.

For the amount of investment property pledged for loans, please refer to Note 32.

XV. Lease arrangements

(I) right-of-use asset

	Dec. 31, 2021	Dec. 31, 2020
Right-of-use assets amounts		
Land (Note)	\$ 86,104	\$ 89,336
Buildings	12,495	18,262
Transport Equipment	338	679
Other Equipment	<u>1,012</u>	<u>1,550</u>
	<u>\$ 99,949</u>	<u>\$109,827</u>
	<u>2021</u>	<u>2020</u>
The additions of the right-of-use assets	<u>\$ 363</u>	<u>\$ 1,308</u>
Depreciation charge for right-of-use assets		
Land	\$ 3,205	\$ 3,390
Buildings	5,767	6,586
Transport Equipment	704	989
Other Equipment	<u>537</u>	<u>537</u>
	<u>\$ 10,213</u>	<u>\$ 11,502</u>

Note: The Group signed a state-owned land use right recovery agreement with the sub-center of the Donghu New Technology Development Zone, Wuhan Land Consolidation and Reserve Center, China, in the first half of 2020. The total price is CNY 61,624 thousand (approximately NT\$269,729 thousand) to recover part of the land use rights of Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. located in Wuhan, mainland China. See Note 10.

Except for the additions and depreciation listed above, the Group did not have significant subleases and impairment for the years ended December 31, 2021 and 2020.

(II) lease liabilities

	Dec. 31, 2021	Dec. 31, 2020
Lease liabilities amounts		
Current	<u>\$ 8,899</u>	<u>\$ 43,430</u>
Non-current	<u>\$ 89,618</u>	<u>\$ 98,335</u>

Range of discount rate for lease liabilities is as follows:

	Dec. 31, 2021	Dec. 31, 2020
Land	1.80%	1.80%
Buildings	2.50%	1.80%~2.50%
Transport Equipment	1.90%~2.50%	1.90%~2.50%
Other Equipment	1.79%~1.80%	1.79%~1.80%

(III) Material lease-in activities and terms

The Group has leased land and built buildings for offices. The lease term is 37 years. Upon the termination of the lease term, the Group does not have preferential rights to acquire the land and buildings leased, and it is agreed that the Group shall not lease, sublease, or transfer all (including the right to use the parking space) or part of the asset leased, or in other methods in disguise, to third parties without the consent of the lessor.

(IV) Other lease information

	2021	2020
Short-term lease expense	\$ 521	\$ 937
Total cash outflow for leases	(\$ 45,852)	(\$ 13,504)

XVI. Other intangible assets

	Computer software	Other intangible assets	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 31,338	\$ 10,822	\$ 42,160
Acquired separately	211	-	211
Disposal	-	(9,330)	(9,330)
Net exchange differences	(41)	-	(41)
Balance at December 31, 2021	<u>\$ 31,508</u>	<u>\$ 1,492</u>	<u>\$ 33,000</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 30,329	\$ 9,659	\$ 39,988
Amortization expenses	732	86	818
Disposal	-	(9,330)	(9,330)
Net exchange differences	(37)	-	(37)
Balance at December 31, 2021	<u>\$ 31,024</u>	<u>\$ 415</u>	<u>\$ 31,439</u>
Net amount at December 31, 2021	<u>\$ 484</u>	<u>\$ 1,077</u>	<u>\$ 1,561</u>

(Continued on next page)

(Continued from previous page)

	Computer software	Other intangible assets	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 31,156	\$ 10,822	\$ 41,978
Acquired separately	92	-	92
Net exchange differences	<u>90</u>	<u>-</u>	<u>90</u>
Balance at December 31, 2020	<u>\$ 31,338</u>	<u>\$ 10,822</u>	<u>\$ 42,160</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 29,118	\$ 9,574	\$ 38,692
Amortization expenses	1,126	85	1,211
Net exchange differences	<u>85</u>	<u>-</u>	<u>85</u>
Balance at December 31, 2020	<u>\$ 30,329</u>	<u>\$ 9,659</u>	<u>\$ 39,988</u>
Net amount at December 31, 2020	<u>\$ 1,009</u>	<u>\$ 1,163</u>	<u>\$ 2,172</u>

Amortization expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Computer software	1 to 6 years
Other intangible assets	1 to 18 years

XVII. Prepayments

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Current</u>		
Input VAT	\$ 5,445	\$ 3,454
Prepayment for purchases	585	641
Offset against value-added tax payable	100	147
Others	<u>16,595</u>	<u>11,632</u>
	<u>\$ 22,725</u>	<u>\$ 15,874</u>

XVIII. Other assets

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Other financial assets - current</u>		
Restricted demand deposits	<u>\$ 3,593</u>	<u>\$ 12,475</u>
<u>Other financial assets - non-current</u>		
Restricted demand deposits	<u>\$ -</u>	<u>\$ 3,788</u>

(Continued on next page)

(Continued from previous page)

	Dec. 31, 2021	Dec. 31, 2020
<u>Current</u>		
Payments for others	\$ 3,585	\$ 3,235
Other current assets	<u>2,461</u>	<u>1,112</u>
	<u>\$ 6,046</u>	<u>\$ 4,347</u>
<u>Non-current</u>		
Long-term prepayments	<u>\$ 4,622</u>	<u>\$ 4,136</u>

For other information on financial assets pledged or mortgaged, please refer to Note 33.

XIX. Loan

(I) Short-term borrowings

	Dec. 31, 2021	Dec. 31, 2020
<u>Secured borrowings</u>		
Bank loans	\$ 48,000	\$437,759
<u>Unsecured borrowings</u>		
Credit borrowings and borrowings for purchase of materials	<u>109,977</u>	<u>85,559</u>
	<u>\$157,977</u>	<u>\$523,318</u>

The interest rates of bank borrowings were 0.90%–2.20% and 0.88%–2.12% as of December 31, 2021 and 2020, respectively. Please refer to Note 33 for details of pledge and security for borrowings.

(II) Long-term borrowings

	Dec. 31, 2021	Dec. 31, 2020
<u>Secured borrowings</u>		
Syndicated loan (1)	\$ -	\$765,940
Loan project for return to Taiwan for investment (2)	139,350	112,100
Bank revolving borrowings (3)	-	1,667
Bank loan (4)	491,667	-
<u>Unsecured borrowings</u>		
Loan project for return to Taiwan for investment (2)	16,400	16,400
Less: Current portion Government grant discount (2)	(116,558)	(160,707)
	(<u>1,768</u>)	(<u>2,086</u>)
Long-term borrowings	<u>\$529,091</u>	<u>\$733,314</u>

1. The syndicated loan is a syndicated credit agreement signed between the Company and five participating banks including Bank of Taiwan. In accordance with the relevant terms of the loan agreement, it is stated in the first supplementary agreement for the syndicated loan that the review shall be conducted every six months during the term of the agreement (from November 2017 to November 2022), and the following financial ratios and regulations shall be maintained:

- (1) Current ratio: The ratio of current assets to current liabilities, which shall not be less than 100%;
- (2) Debt ratio: The ratio of total liabilities to net value of tangible assets, which shall not be higher than 200%;
- (3) Interest coverage ratio: The ratio of pre-tax net income plus interest expense and the sum of depreciation and amortization to interest expense, which shall not be less than 300%;
- (4) Net value of tangible assets: The net value less the amount of intangible assets, which shall be maintained at NT\$3,000,000 thousand or more.

The aforementioned financial ratios and regulations shall be calculated based on the annual and semi-annual consolidated financial statements audited/reviewed by CPAs. If the above agreed financial ratios and regulations are not met, adjustments and improvements shall be made before the date of the next issue of the consolidated financial report. The adjustment period shall not be regarded as a breach of the agreement for the time being. The Company and the loan facility management bank may renegotiate the relevant financial ratios, but the renegotiated financial ratios and standards must be approved as resolved by the majority of the participating banks in the agreement.

The Group takes out a medium-to-long-term bank loan. According to the agreement, the expiry date of 24 months from the date of taking out the loan is the first period, and every three months thereafter is a period. The principal shall be amortized and repaid on the expiry date of each period. The maturity date is November 2022, and the interest rate was 1.79% as of December 31, 2020. The Group has repaid the remaining amount of NT\$548,400 thousand early in November 2021.

2. The loan project for return to Taiwan for investment is based on the program of "Loan for Welcoming Overseas Taiwanese Businesspeople to Return to

Taiwan for Investment" launched by the National Development Fund, Executive Yuan. Since March 2020, the Group has successively taken out medium-term bank loans from domestic banks with maturity dates between October 14, 2024 and December 25, 2026, and the Company shall repay the principal and interest in an amortized manner on a monthly basis. The interest rate of bank borrowings was both 0.37%–1.00% as of December 31, 2021 and 2020.

3. The bank revolving loans are new bank loans of NT\$10,000,000 and NT\$5,000,000 obtained by the Group on November 15, 2018 and May 20, 2019, respectively, with the maturity dates of November 15, 2021 and August 12, 2021, respectively, and the principal and interest are amortized and repaid on a monthly basis. The interest rate of bank loans was 1.55% as of December 31, 2020.
4. The bank loan is a loan of NT\$500,000,000 taken out by the Group on November 8, 2021. The loan term ends on November 8, 2026. The purpose of the loan is to repay the balance of the 2017 syndicated loan. The principal and interest are amortized on a monthly basis, and the bank borrowing interest rate was 1.00% on December 31, 2021. Please refer to Note 33 for details of pledge and security for borrowings.

XX. Accounts payable and notes payable

	Dec. 31, 2021	Dec. 31, 2020
<u>Note payable</u>		
From operations	<u>\$ 4,911</u>	<u>\$ 6,251</u>
<u>Accounts payable</u>		
From operations - related parties	\$ 6,453	\$ 755
From operations - non-related parties	<u>454,548</u>	<u>346,044</u>
	<u>\$461,001</u>	<u>\$346,799</u>

XXI. Other liabilities

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Current</u>		
Other payables		
Wages, salaries, and bonuses payable	\$ 88,929	\$ 77,564
Employee compensation and remuneration of directors payable	87,158	38,722
Expenses payable	30,777	26,225
Labor and health insurance premium and pension payable	19,171	16,794
Plant and equipment payable	14,524	5,124
Processing expense payable	10,509	10,872
Others	<u>24,472</u>	<u>30,867</u>
	<u>\$275,540</u>	<u>\$206,168</u>
Unearned revenue		
Government grants (Note 29)	<u>\$ 4,631</u>	<u>\$ 628</u>
Other current liabilities		
Refund liabilities	\$ 23,490	\$ 17,053
Custodial receipts	4,488	5,090
Temporary credit	559	682
Others	<u>3,050</u>	<u>3,071</u>
	<u>\$ 31,587</u>	<u>\$ 25,896</u>

XXII. Provisions

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>Non-current</u>		
Employee benefits (Note)	<u>\$ 16,807</u>	<u>\$ 15,428</u>
		<u>Employee benefits</u>
Balance at January 1, 2021		\$ 15,428
Increase for the current period		2,563
Used for the current period		(<u>1,184</u>)
Balance at December 31, 2021		<u>\$ 16,807</u>
Balance at January 1, 2020		\$ 14,760
Increase for the current period		1,879
Used for the current period		(<u>1,211</u>)
Balance at December 31, 2020		<u>\$ 15,428</u>

Note: Provision for employee benefits liability is the estimate of employee long-term service bonuses (medals).

XXIII. Post-employment benefit plans

(I) Defined contribution plans

The Company and domestic subsidiaries in the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in mainland China are members of the retirement benefit plan managed by the mainland China government. The subsidiary must contribute a specific proportion of the salary cost to the retirement benefit plan to provide funding for the plan. The Group's obligation for this government-managed retirement benefit plan is only to contribute a specific amount.

(II) Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Act is the defined benefit plan under the management of the government of R.O.C. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes an amount, which equals to 2% of each employee's total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plan are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Present value of defined benefit obligation	\$103,556	\$101,097
Fair value of plan assets	(<u>65,651</u>)	(<u>53,839</u>)
Net defined benefit liability	<u>\$ 37,905</u>	<u>\$ 47,258</u>

The changes in net defined benefit liability:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
January 1, 2020	<u>\$ 98,333</u>	<u>(\$ 53,586)</u>	<u>\$ 44,747</u>
servicing costs			
Service cost for the current year	812	-	812
Interest expense (income)	<u>664</u>	<u>(374)</u>	<u>290</u>
Recognized in loss (profit)	<u>1,476</u>	<u>(374)</u>	<u>1,102</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	\$ -	(\$ 1,916)	(\$ 1,916)
Actuarial gains (losses)			
- Changes in financial assumptions	3,073	-	3,073
- Experience adjustments	<u>6,820</u>	<u>-</u>	<u>6,820</u>
Recognized in other comprehensive (income) loss	<u>9,893</u>	<u>(1,916)</u>	<u>7,977</u>
Contributions from the employer	<u>-</u>	<u>(1,978)</u>	<u>(1,978)</u>
Benefits paid	<u>(3,408)</u>	<u>3,408</u>	<u>-</u>
Settlement	<u>(5,197)</u>	<u>607</u>	<u>(4,590)</u>
Dec. 31, 2020	<u>101,097</u>	<u>(53,839)</u>	<u>47,258</u>
servicing costs			
Service cost for the current year	806	-	806
Interest expense (income)	<u>352</u>	<u>(185)</u>	<u>167</u>
Recognized in loss (profit)	<u>1,158</u>	<u>(185)</u>	<u>973</u>
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	(788)	(788)
Actuarial gains (losses)			
- Changes in demographic assumptions	2,122	-	2,122
- Changes in financial assumptions	<u>(2,529)</u>	<u>-</u>	<u>(2,529)</u>
- Experience adjustments	<u>3,249</u>	<u>-</u>	<u>3,249</u>
Recognized in other comprehensive (income) loss	<u>2,842</u>	<u>(788)</u>	<u>2,054</u>
Contributions from the employer	<u>-</u>	<u>(12,380)</u>	<u>(12,380)</u>
Benefits paid	<u>(1,541)</u>	<u>1,541</u>	<u>-</u>
Dec. 31, 2021	<u>\$ 103,556</u>	<u>(\$ 65,651)</u>	<u>\$ 37,905</u>

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Discount rate	0.69%	0.36%
Salary adjustment rate	2.50%	2.50%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Discount rate		
0.25% increase	(\$ 1,864)	(\$ 2,022)
0.25% decrease	<u>\$ 1,968</u>	<u>\$ 2,022</u>
Salary adjustment rate		
0.5% increase	<u>\$ 3,832</u>	<u>\$ 3,943</u>
0.5% decrease	(<u>\$ 3,624</u>)	(<u>\$ 3,741</u>)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above

may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
The expected contributions to the plan for the following year	<u>\$ 13,750</u>	<u>\$ 1,943</u>
The weighted average duration of the defined benefit obligation	10 years	10.8 years

XXIV. Equity

(I) Ordinary shares

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued and paid shares (in thousands)	<u>300,621</u>	<u>300,621</u>
Issued capital	<u>\$ 3,006,223</u>	<u>\$ 3,006,223</u>

The ordinary shares issued, with a par value of NT\$10 per share, are entitled to one voting right per share and to the right to receive dividends.

(II) Capital surplus

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Shares premium from issuance	\$ 6	\$ 6
Premium of corporate bond conversion	28,983	28,983
The difference between the equity price and the book value of acquisition or disposal of subsidiary	(3,064)	(3,064)
<u>May be used to offset a deficit only</u>		
Changes in the net equity of subsidiaries and associates accounted for using equity method (2)	82,000	63,055
Treasury stock transaction	37,403	37,403
Expired employees share option	16,410	16,410
Others (Note)	<u>81,901</u>	<u>81,901</u>
	<u>\$243,639</u>	<u>\$224,694</u>

Note: Reclassified from the difference in the repurchase of the convertible corporate bonds.

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
2. This type of capital surplus is the effect of equity transactions recognized due to changes in the Company's equity or the adjustment to the capital surplus of the subsidiary accounted for using the equity method by the Company when the Company has not actually acquired or disposed of the equity of the subsidiary.

The changes in capital surplus for the current period are as follows:

	Equity of subsidiaries and associates accounted for using equity method Changes in net worth
Balance at January 1, 2021	\$ 63,055
Adjustment to the capital surplus of associates accounted for using equity method	<u>18,945</u>
Balance at December 31, 2021	<u>\$ 82,000</u>
Balance at January 1, 2020	\$ 68,034
Adjustment to the capital surplus of subsidiaries accounted for using equity method	(<u>4,979</u>)
Balance at December 31, 2020	<u>\$ 63,055</u>

(III) Retained earnings and dividends policy

As per the Company's Articles of Incorporation regarding the earnings distribution policy, the Company's earnings distribution or loss compensation shall be proposed by the board of directors after the end of each semi-annual fiscal period. In the case of issue of new shares, it shall be submitted to the shareholders' meeting for a resolution. Any cash distribution of dividend, profit, legal reserve, or capital surplus, either in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

According to the earnings distribution policy under the Company's Articles of Incorporation, if there is a surplus as per the annual financial statements, the Company shall pay all taxes in accordance with the law and compensate the cumulative deficit first, and then allocate 10% as a legal reserve in accordance with the law unless it has reached the same amount of the Company's paid-in capital. Where there is any remaining balance, the Company shall allocate amount as or reverse the special reserve according to laws and regulations. If there is still any balance left, together with the cumulative undistributed earnings, the board of directors shall draft an earnings distribution proposal and submit it to the shareholders' meeting to resolve the distribution of shareholders' dividends. For information on the policy of the employee compensation and remuneration of directors and supervisors as in the Company's Articles of Incorporation, refer to Note 26 (9) regarding employee compensation and remuneration of directors.

In addition according to the Company's Articles of Incorporation, the Company adopts a dividend policy that allows the board of directors to propose dividends after taking into consideration its future capital requirements, long-term financial plans, and shareholders' needs for cash inflow. Profit sharing to shareholders can be paid in cash or shares, provided that the cash portion does not amount to less than 10% of total profit sharing.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company's 2020 and 2019 earnings distribution proposals are as follows:

	<u>2020</u>	<u>2019</u>
Appropriated as statutory reserves	<u>\$ 28,486</u>	<u>\$ 17,679</u>
Appropriated as (reversed) special reserve	<u>(\$ 33,220)</u>	<u>\$ 12,108</u>
Cash dividends	<u>\$225,467</u>	<u>\$ 90,187</u>
Cash dividend per share (NTD)	<u>\$ 0.75</u>	<u>\$ 0.30</u>

The above cash dividends proposals have been approved by the board of directors on March 25, 2021 and March 27, 2020, respectively, and the remaining items for earnings distribution for 2019 and 2020 were adopted at the general shareholders' meeting on June 23, 2020, and July 2, 2021, respectively.

The 2021 earnings distribution proposal approved by the Company's board of directors on February 22, 2022 is as follows:

	<u>2021</u>
Appropriated as statutory reserves	<u>\$ 71,480</u>
Reversed special reserve	<u>\$ 18,292</u>
Cash dividends	<u>\$300,622</u>
Cash dividend per share (NTD)	<u>\$ 1.00</u>

The above cash dividends distribution proposal has been approved by the board of directors, and the rest is pending a resolution by the annual general shareholders' meeting scheduled to be held on June 8, 2022.

(IV) Special reserves

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 89,035	\$ 76,927
Appropriated as (reversed) special reserve		
Amount debited to (reversed) other equity items	(<u>33,220</u>)	<u>12,108</u>
Closing balance	<u>\$ 55,815</u>	<u>\$ 89,035</u>

(V) Other items of equity

1. Exchange Differences in Translating the Financial Statements of Foreign Operations

	<u>2021</u>	<u>2020</u>
Opening balance	(\$ 20,929)	(\$ 30,757)
Incurring in the current year		
Exchange differences on translating the financial statements of foreign operations	(2,402)	12,285
Relevant income taxes	<u>480</u>	(<u>2,457</u>)
Closing balance	<u>(\$ 22,851)</u>	<u>(\$ 20,929)</u>

2. Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income

	2021	2020
Opening balance	(\$ 42,249)	(\$ 58,279)
Incurred in the current year through other comprehensive income	40,778	19,428
Relevant income taxes	(6,112)	(3,398)
Other comprehensive income for the current year	34,666	16,030
Cumulative gains and losses on disposal of equity instruments reclassified to retained earnings	7,999	-
Closing balance	<u>\$ 416</u>	<u>(\$ 42,249)</u>

(VI) Non-controlling interests

	2021	2020
Opening balance	\$ 37,284	\$ 33,824
Share attributable to non-controlling interests		
Net income of the current year	1,282	3,403
Exchange Differences in Translating the Financial Statements of Foreign Operations	(26)	57
Closing balance	<u>\$ 38,540</u>	<u>\$ 37,284</u>

(VII) Treasury stock

Reason for redemption	For transfer of shares to employees (thousand shares)
Number of shares as of Jan. 1, 2020	-
Increase	2,656
Decrease	(2,656)
Number of shares as of Dec. 31, 2020	<u>=====</u>

The Company's board of directors resolved on March 26, 2020 to transfer and buy back 2,656,000 treasury shares at a transfer price of NT\$11.59 per share on the record date of July 17, 2022, to motivate employees and enhance their commitment.

The treasury shares held by the Company shall not be pledged nor shall be entitled to the rights to dividends and voting rights in accordance with the provisions of the Securities and Exchange Act.

XXV. Revenue

	<u>2021</u>	<u>2020</u>
Sales revenue	\$ 2,923,375	\$ 2,177,159
Others	<u>240,000</u>	<u>251,457</u>
	<u>\$ 3,163,375</u>	<u>\$ 2,428,616</u>

(I) Contract balance

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Accounts receivable (Note 10)	<u>\$ 1,082,630</u>	<u>\$ 857,076</u>
Lease liabilities - current		
Sales	<u>\$ 303</u>	<u>\$ 2,222</u>

The change in contract assets and liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer. The contract liabilities at the beginning of the year and the performance obligations that have been satisfied in the prior years recognized as revenue in the current period is as follows:

	<u>2021</u>	<u>2020</u>
<u>Contract liabilities at the beginning of year</u>		
Sales	<u>\$ 1,919</u>	<u>\$ 8,024</u>

XXVI. Net income from continuing operations

(I) Net amount of other gains (losses)

	<u>2021</u>	<u>2020</u>
Gains (losses) on disposal of property, plant and equipment	(\$ 23)	\$ 14,110
Others	<u>-</u>	<u>328</u>
	<u>(\$ 23)</u>	<u>\$ 14,438</u>

(II) Interest income

	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 2,297	\$ 5,184
Financial assets at amortized cost	<u>3,192</u>	<u>3,936</u>
	<u>\$ 5,489</u>	<u>\$ 9,120</u>

(III) Other income

	<u>2021</u>	<u>2020</u>
Dividend revenue	\$ 14,930	\$ 18,385
Insurance claim income	-	7,470
Subsidy income	4,019	3,427
Rent income	1,132	1,208
Gains on write-off of accounts payable	349	13
Others	<u>5,782</u>	<u>11,689</u>
	<u>\$ 26,212</u>	<u>\$ 42,192</u>

(IV) Other gains (losses)

	2021	2020
Net foreign exchange losses	(\$ 6,783)	(\$ 36,006)
Net gains on financial assets at FVTPL	126,101	212,528
Gains on disposal of right-of-use assets	-	174,980
Gains on disposal of investments accounted for using equity method	\$ 307	\$ 17,475
Gains on disposal of non-current assets held for sale	379,527	614
Gains on lease modification	-	10
Indemnify losses	(11,165)	(17,053)
Miscellaneous expenditure	(<u>2,652</u>)	(<u>11,649</u>)
	<u>\$ 485,335</u>	<u>\$ 340,899</u>

(V) Financial costs

	2021	2020
Interest on bank loans	\$ 18,553	\$ 22,095
Interest on lease liabilities	<u>1,978</u>	<u>2,068</u>
	<u>\$ 20,531</u>	<u>\$ 24,163</u>

(VI) Impairment loss

	2021	2020
Inventories (including operating costs)	<u>\$ -</u>	<u>\$ 14,250</u>

(VII) Depreciation and amortization

	2021	2020
An analysis of depreciation by function		
Operating cost	\$ 211,040	\$ 214,403
Operating expenses	<u>35,519</u>	<u>32,797</u>
	<u>\$ 246,559</u>	<u>\$ 247,200</u>
Operating cost	\$ 9	\$ 23
Administrative expenses	723	1,104
R&D expenses	<u>86</u>	<u>84</u>
	<u>\$ 818</u>	<u>\$ 1,211</u>

(VIII) Employee benefits expense

	2021	2020
Short-term employee benefits	\$ 711,603	\$ 607,396
Long-term employee benefits	2,563	1,879
Post-employment benefits (Note 23)		
Defined contribution plans	20,407	19,121
Defined benefit plan	973	1,102
Total employee benefits expense	<u>\$ 735,546</u>	<u>\$ 629,498</u>
An analysis by function		
Operating cost	\$ 491,042	\$ 429,902
Operating expenses	<u>244,504</u>	<u>199,596</u>
	<u>\$ 735,546</u>	<u>\$ 629,498</u>

(IX) Employees' compensation and remuneration of directors

The Articles of Incorporation of the Company stipulate that the employees' compensation and remuneration of directors shall be appropriated at the rates from 5%–15% and no higher than 5%, respectively, of net income before tax and net of employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for 2021 and 2020 were approved by the board of directors on February 22, 2022 and March 25, 2021, respectively, were as below:

Ratio

	2021	2020
Employee compensation	7%	7%
Directors' remuneration	1%	3%

Amount

	2021		2020	
	Cash	Stocks	Cash	Stocks
Employee compensation	<u>\$ 61,702</u>	<u>\$ -</u>	<u>\$ 26,907</u>	<u>\$ -</u>
Directors' remuneration	<u>\$ 11,580</u>	<u>\$ -</u>	<u>\$ 11,532</u>	<u>\$ -</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There is no difference between the actual amounts of 2020 and 2019 employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the 2021 and 2020 employees' compensation and remuneration of directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(X) Foreign exchange gains (losses)

	2021	2020
Foreign exchange gains	\$ 105,077	\$ 109,263
Total foreign exchange losses	(111,860)	(145,269)
Net gains (losses)	(\$ 6,783)	(\$ 36,006)

XXVII. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	2021	2020
Tax currently payable		
Incurred in the current year	\$ 76,876	\$ 23,391
Prior years adjustment	12,895	1,667
	89,771	25,058
Deferred tax		
Incurred in the current year	5,187	31,030
Income tax expense recognized in profit or loss	<u>\$ 94,958</u>	<u>\$ 56,088</u>

The adjustment to accounting income and income tax expenses is as follows:

	2021	2020
Net income before tax	<u>\$ 821,090</u>	<u>\$ 363,989</u>
Income tax expense calculated based on statutory tax rate for net income tax before tax	\$ 196,313	\$ 104,075
Permanent difference	(125,735)	(64,134)
Basic tax difference payable	-	7,650
Unrecognized loss carryforwards and deductible temporary difference (including the unrecognized amounts in prior years recognized in the current year)	(5,998)	6,830
Adjustments to income tax expenses of prior years	12,895	1,667
Land value increment tax	<u>17,483</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 94,958</u>	<u>\$ 56,088</u>

(II) Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred tax</u>		
Incurred in the current year		
- Translation of foreign operations	\$ 480	(\$ 2,457)
- Unrealized gain (loss) on financial assets at FVTOC	(<u>6,112</u>)	(<u>3,398</u>)
Income tax recognized in other comprehensive income	(<u>\$ 5,632</u>)	(<u>\$ 5,855</u>)

(III) Current tax liabilities

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Current tax liabilities		
Income tax payable	<u>\$ 62,522</u>	<u>\$ 20,170</u>

(IV) Deferred tax assets and liabilities

The changes in the deferred tax assets and liabilities are as follows:

2021

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Closing balance</u>
<u>Deferred tax assets</u>				
Temporary difference				
Impairment losses, including loss allowance	\$ 22,737	\$ -	\$ -	\$ 22,737
Property, plant, and equipment	1,364	(1)	-	1,363
Financial assets at FVTOCI	(2,258)	-	(6,112)	(8,370)
Provisions	3,086	(6,728)	-	(3,642)
Refund liabilities	3,410	1,288	-	4,698
Defined benefit pension plan	3,723	(2,282)	-	1,441
Investment losses	664	(2,839)	-	3,503
Exchange differences on translating the financial statements of foreign operations	<u>5,231</u>	<u>-</u>	<u>480</u>	<u>5,711</u>
Temporary difference	37,957	(4,884)	(5,632)	27,441
Loss carryforwards	<u>53,868</u>	<u>(22)</u>	<u>-</u>	<u>53,846</u>
	<u>\$ 91,825</u>	<u>(\$ 4,906)</u>	<u>(\$ 5,632)</u>	<u>\$ 81,287</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized foreign exchange gains	\$ 4,243	\$ 1,508	\$ -	\$ 5,751
Financial assets at FVTPL	<u>10,801</u>	<u>(1,227)</u>	<u>-</u>	<u>9,574</u>
	<u>\$ 15,044</u>	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 15,325</u>

2020

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax assets</u>				
Temporary difference				
Impairment losses, including loss allowance	\$ 18,317	\$ 4,420	\$ -	\$ 22,737
Property, plant, and equipment	1,374	(10)	-	1,364
Financial assets at FVTOCI	1,140	-	(3,398)	(2,258)
Provisions	3,474	(388)	-	3,086
Refund liabilities	-	3,410	-	3,410
Defined benefit pension plan	3,898	(175)	-	3,723
Investment losses	25,956	(25,292)	-	664
Exchange differences on translating the financial statements of foreign operations	7,688	-	(2,457)	5,231
Temporary difference	61,847	(18,035)	(5,855)	37,957
Loss carryforwards	60,158	(6,290)	-	53,868
	<u>\$ 122,005</u>	<u>(\$ 24,325)</u>	<u>(\$ 5,855)</u>	<u>\$ 91,825</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized foreign exchange gains	\$ 8,339	(\$ 4,096)	\$ -	\$ 4,243
Financial assets at FVTPL	-	10,801	-	10,801
	<u>\$ 8,339</u>	<u>\$ 6,705</u>	<u>\$ -</u>	<u>\$ 15,044</u>

- (V) Deductible temporary difference of deferred tax assets and unused loss carryforwards not recognized in the consolidated balance sheet

	Dec. 31, 2021	Dec. 31, 2020
Loss carryforwards		
Due in 2023	\$ 21,481	\$ 19,597
Due in 2026	274	1,871
	<u>\$ 21,758</u>	<u>\$ 21,468</u>
Deductible temporary difference		
Unrealized foreign exchange losses	\$ 249	\$ 311
Impairment losses, including loss allowance	7,499	7,499
	<u>\$ 7,748</u>	<u>\$ 7,810</u>

- (VI) Information on unused loss carryforwards

As of December 31, 2021, the information on loss carryforwards is as follows:

<u>Balance of unused loss carryforwards</u>	<u>Last valid year</u>
\$ 21,481	2023
113,501	2026
84,625	2028
37,747	2029
<u>33,632</u>	2030
<u>\$290,986</u>	

(VII) Income tax assessments

The Company's profit-seeking enterprise income tax returns up to 2018 had been examined and approved by the tax authorities.

XXVIII. Earnings per share (EPS)

	Unit: NT\$ Per Share	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 2.41</u>	<u>\$ 1.02</u>
Diluted earnings per share	<u>\$ 2.39</u>	<u>\$ 1.01</u>

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Net income of the current year

	<u>2021</u>	<u>2020</u>
Net income in the computation of basic earnings per share	<u>\$724,850</u>	<u>\$304,498</u>

Number of shares

	Unit: Thousand Shares	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares in computation of basic earnings per share	300,621	299,849
Effect of potentially dilutive ordinary shares:		
Employee compensation	<u>2,383</u>	<u>1,816</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>303,004</u>	<u>301,665</u>

If the Group may choose to distribute employee compensation in cash or shares, it assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive.

Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIX. Government grants

As of December 31, 2021, the Company has obtained a government loan of NT\$155,750 thousand with preferential interest rates under the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan for capital expenditure and purchase of equipment. The loan will be repaid in installments over a period of five to seven years. The fair value of the loan is estimated to be NT\$152,959 thousand based on the market interest rate of 0.87% to 1.95% when the loan was taken out. The difference between the amount obtained and the fair value of the loan is in the amount of NT\$2,791 thousand as a government low-interest loan grant and recognized as unearned revenue. The unearned revenue is reclassified to profit or loss over the useful life of the relevant assets. Other income recognized by the Company for 2021 and 2020 is NT\$711 thousand and NT\$312 thousand, respectively, and the loan interest expenses recognized are NT\$987 thousand and NT\$520 thousand, respectively.

If the Company fails to meet the requirements of the project loan regulations during the loan term and the National Development Fund has to stop the loan, and when the processing fee should be charged, the Company shall pay at the initial agreed interest rate plus the annual interest rate.

In addition, the Company has obtained a grant of NT\$3,894 thousand under the Demonstration and Promotion Subsidy Program for the Energy Conservation Performance Guarantee Project and is expected to achieve the energy saving rate of 30% in April 2022 as promised in the project proposal. After the remaining grant of NT\$9,088 thousand is received, the grant will be recognized in income.

XXX. Capital risk management

In accordance with the overall business environment and the Group's future development, the Group's capital structure is regularly reviewed by the main management personnel in consideration of external competition, changes in the environment, and other factors. The review includes consideration for various types of capital costs and relevant risks to determine an appropriate capital structure of the Group. The purpose is to satisfy the Group's requirements for working capital, research and development expenses, and dividend expenditures in the future, while ensuring that the Group can continue to operate, give back to shareholders, and take into account the

interests of other stakeholders, and maintaining the best capital structure to enhance shareholders' value on a long term.

The capital structure of the Group consists of net debt (borrowings less cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital, capital surplus, retained earnings, and other equity items), as well as non-controlling interests.

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group reviews the capital structure annually. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Under the suggestions of the key management personnel, the Group may pay dividends, issue new shares, buy back shares, and issue new debts or repay old debts to balance the overall capital structure.

XXXI. Financial instruments

(I) Fair value—financial instruments not at fair value

The carrying amount of the Group's financial assets and liabilities measured at amortized cost was close to their fair value in the financial statements at the end of the financial reporting period.

(II) Fair value—financial instruments at fair value on a recurring basis

1. Degree of fair value measurements

Dec. 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at</u>				
<u>FVTPL</u>				
Domestic listed stocks	\$ 582,805	\$ -	\$ -	\$ 582,805
Foreign unlisted stocks	-	-	87,201	87,201
Wealth management products	-	175,854	-	175,854
Gold passbook	15	-	-	15
Derivatives	496	-	-	496
Total	<u>\$ 583,316</u>	<u>\$ 175,854</u>	<u>\$ 87,201</u>	<u>\$ 846,371</u>

Financial assets at

FVTOCI

Investment in equity instruments

- Stocks listed in emerging stock markets and unlisted stocks

	<u>\$ 56,845</u>	<u>\$ -</u>	<u>\$ 17,386</u>	<u>\$ 74,3231</u>
--	------------------	-------------	------------------	-------------------

Dec. 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at</u>				
<u>FVTPL</u>				
Domestic listed stocks	\$ 522,687	\$ -	\$ -	\$ 522,687
Foreign unlisted stocks	-	-	142,166	142,166
Wealth management products	-	221,937	-	221,937
Structured deposit	-	88	-	88
Gold passbook	15	-	-	15
Total	<u>\$ 522,702</u>	<u>\$ 222,025</u>	<u>\$ 142,166</u>	<u>\$ 886,893</u>

Financial assets at
FVTOCI

Investment in equity instruments				
- Domestic listed stocks	\$ 20,579	\$ -	\$ -	\$ 20,579
- Stocks listed in emerging stock markets and unlisted stocks	-	-	41,754	41,754
Total	<u>\$ 20,579</u>	<u>\$ -</u>	<u>\$ 41,754</u>	<u>\$ 62,333</u>

There were no transfers between Level 1 and Level 2 fair value in 2021 and 2020.

2. Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Class of financial instruments</u>	<u>Valuation technique and inputs</u>
Structured deposits and wealth management products	Discounted cash flow method: Discounted at a discount rate that reflects the current interest rate of a financial product at the end of the period.

3. Reconciliation of Level 3 fair value measurements of financial assets

2021

<u>Financial asset</u>	<u>Financial assets at FVTPL Equity instrument</u>	<u>Financial assets at FVTOCI Equity instrument</u>
Opening balance	\$ 142,166	\$ 41,754
Recognized in profit or loss (other gains or losses)	(54,965)	-
Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	-	32,477
Transferred out from Level 3	-	(56,845)
Closing balance	<u>\$ 87,201</u>	<u>\$ 17,386</u>

2020

Financial asset	Financial assets at FVTPL Equity instrument	Financial assets at FVTOCI Equity instrument
Opening balance	\$ 142,166	\$ 21,129
Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOC)	-	20,625
Closing balance	<u>\$ 142,166</u>	<u>\$ 41,754</u>

4. Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of domestic stocks traded on emerging stock markets is estimated based on the closing prices of the stocks in the emerging stock markets and the liquidity. Investments in domestic and foreign unlisted equity are estimated by the market approach based on the transaction price of comparable targets, and the difference between the evaluation target and the comparable target is considered to estimate the value of the target evaluated using an appropriate multiplier.

	Dec. 31, 2021	Dec. 31, 2020
Price-book ratio	1.35~16.67	1.22~13.19
Liquidity Discounts	30%	30%

(III) Categories of financial instruments

	Dec. 31, 2021	Dec. 31, 2020
<u>Financial asset</u>		
Financial assets as at FVTPL		
Financial assets designated as at FVTPL	\$ 846,371	\$ 886,893
Financial assets at amortized cost (Note 1)	2,373,766	2,172,238
Financial assets at FVTOCI		
Investment in equity instruments	74,231	62,333
<u>Financial liability</u>		
At amortized cost (Note 2)	1,555,285	1,994,823

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including from related parties), other receivables, other financial assets, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable (including to related parties), other payables, current portion of long-term borrowings, unearned revenue, long-term borrowings, long-term deferred revenue, and guarantee deposits received.

(IV) Financial risk management objective and policies

The Group's main financial instruments include equity investment, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department provides services to various business units, coordinates the operations in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing internal risk reports based on the degree and breadth of risks. These risks include market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

The Group uses derivative financial instruments to avoid risk exposure to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the Group's board of directors, which are written principles for exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of remaining working capital. Compliance with policies and exposure limits is being reviewed by the internal auditors continuously. The Group does not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risks for the Group's operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below). The Group engages in various derivative financial instruments to manage foreign currency exchange rate risk and interest rate risk.

The Group's exposure to the market risk of financial instruments and its management and measurement methods for the risk exposure have remained unchanged.

(1) Exchange rate risk

The Group is engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Group to be exposed to the risk of exchange rate fluctuations. Approximately 78.38% of the Group's sales are not denominated in the functional currency, and approximately 64.14% of the cost is not denominated in the functional currency. The Group's management of the exposure to the exchange rate risk is to use foreign currency options to manage risks within the scope permitted by the policy.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the balance sheet date are set out in Note 35.

Sensitivity analysis

The Group was mainly affected by the fluctuations in the exchange rates of USD, JPY, and CNY.

The following table details the Group's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency. The sensitivity to a 1% change in New Taiwan dollars is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation, and the year-end translation was adjusted with a 1% change in the exchange rates. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

	Impact of USD		Impact of JPY		Impact of CNY	
	2021	2020	2021	2020	2021	2020
Gains (losses)	\$ 7,653(i)	\$ 12,006(i)	(\$ 1,479)(ii)	(\$ 1,288)(ii)	\$ 3,349(iii)	\$ 4,465(iii)

- (i) Mainly derived from the Group's USD-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

- (ii) Mainly derived from the Group's JPY-denominated payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.
- (iii) Mainly derived from the Group's CNY-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

Sales denominated in USD are seasonal, so the exposure to the foreign currency risk at the balance sheet date cannot reflect the risk exposure throughout the year.

(2) Interest rate risk

Because individual entities within the Group borrow funds at fixed and floating interest rates at the same time, the exposure to the interest rate risk arises. The Group manages the interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to the interest rate risk at the balance sheet date are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Fair value interest rate risk		
-Financial assets	\$ 547,691	\$ 619,369
-Financial liabilities	116,677	345,318
Cash flow interest rate risk		
-Financial assets	650,978	616,814
-Financial liabilities	686,949	1,074,107

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to the interest rate risk of derivatives and non-derivatives at the balance sheet date. For liabilities with floating interest rates, the analysis method is based on the assumption that the amount of liabilities outstanding at the balance sheet date is in outstanding throughout the reporting period. The sensitivity to a 1% change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management's assessment of the reasonably possible change in interest rates.

If the interest rate increased/decreased by 1% and all other variables remain unchanged, the Group's net income before tax for 2021 and 2020 would have decreased/increased by NT\$74 thousand and NT\$192 thousand, respectively.

(3) Other price risk

The Group's exposure to the equity price risk is due to the investment in the listed equity securities. The management of the Group manages the risk by holding investment portfolios with different risk factors. The Group's equity price risk is mainly concentrated on Taiwan Stock Exchange's equity instruments in specific industries.

Sensitivity analysis

The sensitivity analysis below is based on the equity price risk exposure at the balance sheet date.

If the equity price increased/decreased by 1%, the profit or loss before tax for 2021 and 2020 would have increased/decreased by NT\$5,828 thousand and NT\$5,227 thousand due to the increase/decrease in the fair value of financial assets at FVTPL. Other comprehensive income before tax for 2021 and 2020 would have increased/decreased by NT\$0 and NT\$206,000 due to the increase/decrease in the fair value of financial assets at FVTOCI.

The Group's sensitivity to the price risk decreased in 2020 because of the decrease in investment in equity securities held.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to perform an obligation and financial guarantees provided by the Company could arise from:

- (1) The carrying amount of the financial assets recognized in the consolidated balance sheet.
- (2) The amount of contingent liabilities arising from the financial guarantee provided by the Group.

The policy adopted by the Group is to conduct transactions only with reputable counterparties, and obtain sufficient guarantees under necessary

circumstances to reduce the risk of financial losses due to defaults. The Group only conducts transactions with companies whose ratings are equal to or higher than the investment grade. Such information is provided by independent rating agencies; if such information is not available, the Group will refer to other publicly available financial information and mutual transaction records to rate its major customers. The Group continuously monitors credit risk and the credit rating of its counterparties, and distributes the total transaction amount to customers with qualified credit ratings, and controls the exposure to credit risk through the counterparty credit limits that are reviewed and approved by the financial management department every year.

In order to mitigate the credit risk, the management of the Group assigns a dedicated team responsible for the determination of credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. In this regard, the management of the Group believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives is not high because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's customer base is large and unrelated, so the concentration of credit risk is not high.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Group monitors the use of the bank financing facilities and ensures compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Group. As of December 31, 2021 and 2020, for the Group's unutilized credit facilities, please refer to (2) below for description of financing facilities.

- (1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

Dec. 31, 2021

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>		
Non-interest-bearing liabilities		
Note payable and accounts payable	\$ 465,912	\$ -
Other payables (Note)	315,167	-
Floating interest rate instruments	156,091	530,858
Fixed interest rate instruments	116,677	-
lease liabilities	10,668	117,410
	<u>\$ 1,064,515</u>	<u>\$ 648,268</u>

Further information on the analysis of undiscounted lease liabilities maturity dates is as follows:

	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>Over 20 Years</u>
lease liabilities	<u>\$ 10,668</u>	<u>\$ 20,523</u>	<u>\$ 16,193</u>	<u>\$ 16,193</u>	<u>\$ 16,193</u>	<u>\$ 48,308</u>

Dec. 31, 2020

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>		
Non-interest-bearing liabilities		
Note payable and accounts payable	\$ 353,050	\$ -
Other payables (Note)	73,847	-
Floating interest rate instruments	338,707	735,400
Fixed interest rate instruments	345,318	-
lease liabilities	44,993	127,529
	<u>\$ 1,155,915</u>	<u>\$ 862,929</u>

Further information on the analysis of undiscounted lease liabilities maturity dates is as follows:

	Less than One Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	Over 20 Years
lease liabilities	<u>\$ 44,993</u>	<u>\$ 27,403</u>	<u>\$ 16,193</u>	<u>\$ 16,193</u>	<u>\$ 16,193</u>	<u>\$ 51,547</u>

Note: The other payables mentioned above do not include salaries, employee compensation payable, directors' remuneration payable, and pensions payable.

(2) Financing facilities

	Dec. 31, 2021	Dec. 31, 2020
Unsecured bank borrowings facility (review every year)		
- Amount used	\$ 126,377	\$ 101,959
- Amount unused	<u>1,030,623</u>	<u>1,100,441</u>
	<u>\$ 1,157,000</u>	<u>\$ 1,202,400</u>
Secured bank borrowings facility		
- Amount used	\$ 679,017	\$ 1,317,466
- Amount unused	<u>1,120,983</u>	<u>1,437,464</u>
	<u>\$ 1,800,000</u>	<u>\$ 2,754,930</u>

XXXII. Related party transaction

Balances and transactions between the Company and its subsidiaries have all been eliminated on consolidation and are not disclosed in this note. The transactions between the Group and other related parties are as follows.

(I) Related party name and category

Related Party Name	Related Party Category
<u>Associate</u>	
Coretech Optical Co., Ltd.	Associate by investment using the equity method
Uni Top Optical Corporation	Associate by investment using the equity method
Hsinjing Holding Co., Ltd.	Associate by investment using the equity method
<u>Substantive related party</u>	
Summit-tech Resource Corp.	Substantive related party before Jul. 2, 2021 (Note 1)
Epistar Corporation	Its parent company is a director of the Company (Note 2).
Lextar Electronics Corporation	Its parent company is a director of the Company (Note 2).
Prolight Opto Technology Corporation	Its parent company is a director of the Company (Note 3).
Best Epitaxy Manufacturing Co. Ltd.	Its parent company is a director of the Company (Note 3).
Lextar Electronics (Chuzhou) Corp.	Its parent company is a director of the Company (Note 3).
iReach Corporation	Its parent company is a director of the Company (Note 3).
Lee, Biing-Jye	Key managerial officer (the Chairman of the Company)
Raymond Sheu	Key management personnel
Wen-Hu Wang	Key management personnel

Note 1: The Company's supervisor is a relative within the second degree of kinship of the former Chairman of the Company. On July 2, 2021, the Company's board of directors re-elected a new chairman due to the end of the term of office of the former one. As the former chairman did not hold another position, Summit-tech Resource Corp. is not a related party, so the amounts of transactions after the date will not be disclosed.

Note 2: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar Inc. (hereinafter referred to as "Ennostar"), and Epistar Corporation and Lextar Electronics Corporation is a subsidiary of Ennostar, so it is determined to be a substantive related party.

Note 3: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar, and best Epitaxy Manufacturing Co. Ltd. and Prolight Opto Technology Corporation are the sub-subsidiaries of Ennostar, so it is determined to be a substantive related party.

(II) Operating income

Line Item	Category of related party	2021	2020
Sale	Substantive related party		
	Lextar Electronics Corporation	\$ 93,034	\$ -
	Lextar Electronics (Chuzhou) Corp.	10,883	-
	Summit-tech Resource Corp.	5,940	10,743
	Others	4,800	-
	Associate	-	2
		<u>\$ 114,657</u>	<u>\$ 10,745</u>

The selling prices to related parties are equivalent to those to ordinary customers, and the payment terms are implemented in accordance with the Group's payment policy.

(III) Purchase of goods

Line Item	Category of related party	2021	2020
Inventories - raw materials	Substantive related party		
	Epistar Corporation	\$ 15,188	\$ -
	Summit-tech Resource Corp.	6,010	7,663
	best Epitaxy Manufacturing Co. Ltd.	<u>387</u>	<u>-</u>
		<u>\$ 21,585</u>	<u>\$ 7,663</u>

The selling prices to related parties are equivalent to those to ordinary customers, and the payment terms are implemented in accordance with the Group's payment policy.

(IV) Receivables from related parties

Line Item	Category of related party	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable - related parties	Substantive related party		
	Lextar Electronics Corporation	\$ 72,623	\$ -
	Lextar Electronics (Chuzhou) Corp.	8,486	-
	Summit-tech Resource Corp.	-	900
	Others	3,165	-
	Associate	<u>-</u>	<u>3</u>
		<u>\$ 84,274</u>	<u>\$ 903</u>

The Group's selling prices to related parties are equivalent to those to ordinary customers, and the payment terms are implemented in accordance with the Group's payment policy. No guarantee is received for the accounts receivable from related parties still outstanding. No loss allowance was provided for accounts receivable from related parties in 2021 and 2020.

(V) Payables to related parties (excluding loans from related parties)

Line Item	Category of related party	Dec. 31, 2021	Dec. 31, 2020
Accounts payable - related parties	Substantive related party		
	Epistar Corporation	\$ 6,122	\$ -
	Summit-tech Resource Corp.	-	755
	best Epitaxy Manufacturing Co. Ltd.	<u>331</u>	<u>-</u>
		<u>\$ 6,453</u>	<u>\$ 755</u>
Other receivables - related parties	Substantive related party		
	Epistar Corporation	\$ 39	\$ -
	Summit-tech Resource Corp.	<u>-</u>	<u>1,052</u>
		<u>\$ 39</u>	<u>\$ 1,052</u>

The Group's purchase price from and processing contracted to related parties are handled in accordance with the general purchase terms; the payment period to related parties and non-related parties is implemented in accordance with the Company's payment policy.

No guarantee is provided for the balance of the outstanding accounts payable to related parties.

(VI) Acquisition of property, plant, and equipment

Category of related party	Price of acquisition	
	2021	2020
Associate	<u>\$ -</u>	<u>\$ 9,537</u>

(VII) Contract processing

The processing fees to the Group's substantive related parties contracted to process products for the Company in 2021 and 2020 were NT\$5,759 thousand and NT\$10,404 thousand, respectively. As of December 31, 2021 and 2020, the outstanding balance was NT\$0 and NT\$1,052 thousand, respectively, accounted for under the processing expense payable.

The pricing of the contract processing expenses is not able to be compared with other manufacturers' OEM prices and conditions because the Company did not commission other manufacturers for contract processing.

(VIII) Transactions with other related parties

Line Item	Category of related party	2021	2020
Production overheads - freight	Substantive related party	<u>\$ 1,051</u>	<u>\$ -</u>
Operating expenses - miscellaneous expenses	Substantive related party	<u>\$ 54</u>	<u>\$ -</u>

(IX) The joint guarantor of the Group's borrowings and actual amount used is as follows:

Category of related party	2021	2020
Key management personnel	<u>\$ 48,000</u>	<u>\$ 61,426</u>

(X) Compensation of key management personnel

	2021	2020
Short-term employee benefits	\$ 52,628	\$ 40,292
Post-employment benefits	<u>583</u>	<u>650</u>
	<u>\$ 53,211</u>	<u>\$ 40,942</u>

The remuneration of directors and other key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

XXXIII. Pledged Assets

The following assets have been provided as collateral for financing loans and security for tariff of imported raw materials:

	Dec. 31, 2021	Dec. 31, 2020
Restricted time deposits (accounted for in financial assets at amortized cost)	\$ 50,806	\$ 565,498
Restricted demand deposits (accounted for in financial assets)	3,593	16,263
Land	62,273	62,273
Buildings	<u>651,283</u>	<u>670,769</u>
	<u>\$ 767,954</u>	<u>\$ 1,314,803</u>

XXXIV. Significant Contingent Liabilities and Unrecognized Commitments

Except for those already mentioned in other notes, the Group's significant commitments as of the balance sheet date are as follows:

- (I) As of December 31, 2021 and 2020, the balance of unused letters of credit issued by the Group for imported raw materials and machinery and equipment was equivalent to NT\$7,410 thousand and NT\$17,849 thousand, respectively.

- (II) As of December 31, 2021, the total price of the uncompleted important equipment and engineering procurement contracts of the Group was equivalent to NT248,428 thousand; NT\$93,152 thousand had been paid, which was recognized in prepayments for equipment and unfinished construction, and the remaining NT\$155,276,000 had not been paid.

XXXV. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

Dec. 31, 2021

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency asset</u>			
<u>Monetary items</u>			
USD	\$ 28,661	27.68	\$ 793,336
CNY	81,080	4.34	352,212
JPY	2,547	0.24	613
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	1,013	27.68	28,040
CNY	3,980	4.34	17,289
JPY	617,421	0.24	148,489

Dec. 31, 2020

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency asset</u>			
<u>Monetary items</u>			
USD	\$ 43,374	28.48	\$ 1,235,291
CNY	104,419	4.38	457,042
JPY	3,413	0.28	943
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	1,218	28.48	34,688
CNY	2,415	4.38	10,570
JPY	469,577	0.28	129,744

The amount of foreign currency exchange losses of the Group in 2021 and 2020 was NT\$(6,783 thousand) and NT\$(36,006 thousand), respectively. Due to the wide

variety of foreign currency transactions and the functional currencies of the entities of the Group, it is impossible to disclose the foreign currency exchange gains and losses based on each foreign currency of significance.

XXXVI. Additional Disclosures

(I) Information on significant transactions and (II) investees:

1. Financing provided to others. (Table 1)
2. Marketable securities held (excluding investment in subsidiaries, associates, and joint venture equity): Table 2.
3. Marketable securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
4. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
5. Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: Table 3.
6. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
7. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
8. Trading in derivative instruments: None.
9. Other: Significant transactions between the parent company and its subsidiaries: Table 8.
10. Information on investees: Table 5.

(III) Information on investments in mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7.
 - (1) The amount and percentage of purchase.
 - (2) The amount and percentage of sales.

- (IV) Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 9.

XXXVII. Segments Information

Information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The Group's segments to be reported are as follows:

LED Operation Center

Si Component Operation Center

Solar Power Operation Center

- (I) Segment revenues and results

The following was an analysis of the Group's revenue and results by the reporting department:

	Segment Revenue		segment profit or loss	
	2021	2020	2021	2020
LED Operation Center	\$ 1,167,311	\$ 925,129	\$ 82,156	(\$ 40,655)
Si Component Operation Center	1,756,064	1,252,030		
Others	<u>240,000</u>	<u>251,457</u>	209,331	35,200
Total revenue of continuing operations	<u>\$ 3,163,375</u>	<u>\$ 2,428,616</u>	310,547	8,328
Share of losses on associates using the equity method			14,038	(12,387)
Interest income			5,489	9,120
Gains on disposal of investments accounted for using equity method			307	17,475
Net foreign exchange gains (losses)			(6,783)	(36,006)
Net gains on financial assets and liabilities at FVTPL			126,101	209,493
Financial costs			(20,531)	(24,163)
Gains on disposal of non-current assets held for sale			379,527	
Gains on disposal of right-of-use assets			-	174,980
Other income			<u>12,395</u>	<u>17,149</u>
Net income before tax			<u>\$ 821,090</u>	<u>\$ 363,989</u>

The segment revenue above is all generated from transactions with external customers. There were sales between segments in 2021 and 2020.

Segment gains refer to the profits earned by each segment, excluding the headquarters' administrative costs and directors' remuneration to be allocated, share

of profits and losses on associates using the equity method, gains or losses on disposal of investment using the equity method, net (gains) losses on foreign currency exchange, rental income, gains and losses on disposal of property, plant and equipment, gains and losses on valuation of financial instruments, financial costs, penalty losses, fire losses, disaster loss claim income, and income tax expenses. This is the measure reported to the chief operating decision-maker for resource allocation and assessment of segment performance.

(II) Segment assets and liabilities

Since the measured amount of assets and liabilities has not been provided to the operating decision makers, the undisclosed measured amount of assets and liabilities is zero.

(III) Income from main products and services

The income analysis of the main products and services of the Group is as follows:

	2021	2020
LED	\$ 1,167,311	\$ 925,129
SI components	1,756,064	1,252,030
Others	<u>240,000</u>	<u>251,457</u>
	<u>\$ 3,163,375</u>	<u>\$ 2,428,616</u>

(IV) Segment by geographical location

The Group mainly operates in two regions: Taiwan and China.

The information on the Group's revenue of continuing operations from external customers based on operating location and non-current assets based on asset location is listed below:

	Revenue from external customers		non-current assets	
	2021	2020	Dec. 31, 2021	Dec. 31, 2020
Taiwan	\$ 3,163,375	\$ 2,428,616	\$ 1,718,312	\$ 1,941,346
China	<u>-</u>	<u>-</u>	<u>172,429</u>	<u>152,071</u>
	<u>\$ 3,163,375</u>	<u>\$ 2,428,616</u>	<u>\$ 1,890,741</u>	<u>\$ 2,093,417</u>

Non-current assets do not include financial instruments, investments using the equity method, guarantee deposits paid, and deferred income tax assets.

(V) Information on major customers

Single customers contributing at least 10% of the Group's total income are as follows:

	2021	2020
Client A.	\$541,409	\$261,307
Client B.	496,892	411,112
Client C (Note)	201,599	218,817

Client C did not contribute at least 10% of the Group's total revenue in 2021.

TYNTEK Corporation and Its Subsidiaries
Financing provided to others
For the Year Ended December 31, 2021

Table 1 Unit: NTD thousands

Serial No.	Lender	Borrower	Financial Statement Account	Related Party Status	Maximum Balance for the Period	Ending balance	Transaction Amounts	Interest Rate Range (Note 3)	Category of Financing Provided	Business Transaction Amounts	Reasons for Necessity of Short-term Financing	Loss Allowance	Collateral		Limit of Financing to Individual Borrower (Note 1)	Total Limit of Financing Provided (Note 2)	Remarks
													Name	Value			
0	TYNTEK Corporation	Keeper Technology	Other receivables - related parties	Yes	\$ 20,000	\$ 10,000	\$ 8,000	Floating interest rate	Need for short-term financing	\$ -	Working capital and repayment of borrowings	\$	—	\$	\$ 445,790	\$ 891,579	

Note 1: TYNTEK Corporation's limit of financing to individual borrowers does not exceed 10% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 2: TYNTEK Corporation's total limit of financing to borrowers does not exceed 20% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 3: TYNTEK Corporation's interest rate ranges of financing to others are based on the borrowing interest rate of financial institutions plus 5%. The interest rate as of December 31, 2021, was 2.30%.

TYNTEK Corporation and Its Subsidiaries
Marketable Securities Held at the End of Year
Dec. 31, 2021

Table 2

Unit: In Thousands of New Taiwan Dollars/Thousand Units/Thousand Shares

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Remarks
				Number of Shares/Units	Carrying amount	Percentage of Ownership	Market price	
TYNTEK Corporation	Unity Opto/stock/common stock	None	Financial assets at FVTPL - Current	264	\$ -	-	\$ -	Note 1
	First Commercial Bank/gold passbook	None	Financial assets at FVTPL - Current	-	15	-	15	
	Fittech Co., Ltd./stock/common stock	Investee with 1.19% of shares held	Financial assets at FVTPL - Current	855	187,327	1.19	187,327	
	Fujian Zhaoyuan Photoelectric Co., Ltd.	Investee with 4.28% of shares held	Financial assets at FVTPL - Non-current	-	87,201	4.28	87,201	
	Unity Opto/stock/common stock	None	Financial assets at FVTOCI - current	836	-	-	-	Note 1
	Chipwell Tech Corporation/stock/common stock	Investee with 2.20% of shares held	Financial assets at FVTOCI - non-current	330	6,580	2.20	6,580	
	Brightek Optoelectronic Co., Ltd./stock/common stock	Investee with 1.69%% of shares held	Financial assets at FVTOCI - non-current	1,020	56,845	1.69	56,845	
	Hanpin Electron Co., Ltd./stock/common stock	None	Financial assets at FVTPL - Current	220	6,050	-	6,050	
	Elite Advanced Laser Corporation/stock/common stock	None	Financial assets at FVTPL - Current	70	3,976	-	3,976	
	Fittech Co., Ltd./stock/common stock	Investee with 2.44% of shares held	Financial assets at FVTPL - Current	1,760	385,452	2.44	385,452	
	Chipwell Tech Corporation/stock/common stock	Investee with 0.63% of shares held	Financial assets at FVTOCI - non-current	94	2,946	0.63	2,946	
	Chipstar Tech Corporation/stock/common stock	Investee with 10.95% of shares held	Financial assets at FVTOCI - non-current	698	7,860	10.95	7,860	
	Industrial Bank/wealth management products	None	Financial assets at FVTPL - Non-current	-	175,854	-	175,854	
Long Benefit Investment Co., Ltd.								
Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.								

Note 1: Because the public company Unity Opto Technology co., Ltd. (hereinafter referred to as Unity Opto) failed to publish its financial statements for 2019 within the specified time limit, it was sanctioned by the Taiwan Stock Exchange on April 1, 2020, and its stock was stopped to be traded starting from April 7, 2020. After prudent evaluation, the Group recognized all shares of Unity Opto held as financial asset valuation losses.

Note 2: Refer to Table 5 for the information on subsidiaries and associates.

TYNTEK Corporation and Its Subsidiaries
Disposal of individual property at costs of at least NT\$300 million or 20% of the paid-in capital
Year of 2021

Table 3

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company disposing of property	Property	Date of event	Date of initial acquisition	Carrying amount	Amount of transaction	Payment collection	Gain or loss on disposal	Transaction counterparty	Relations	Purpose of disposal	Basis for price determination	Other agreements
The Company	Land and buildings	2021.11.10	1998.07.30 1998.07.31	\$ 220,635	\$ 607,865	Collection as per the asset sales contract	\$ 379,527	Phison Electronics Corp.	None	It is investment property. The asset was sold after an increase in the value to increase working capital.	The price was determined with reference to the value of the appraisal report and the actual transaction prices of nearby properties registered.	None

Note 1: If the assets to be disposed of should be appraised according to regulations, the appraisal result should be indicated in the column "Basis for price determination".

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock is no-par value stock or the par value per share is not NT\$10, the requirement regarding transaction amount accounting for 20% of the paid-in capital shall be based on the 10% of equity attributable to the owner of the parent company on the balance sheet.

Note 3: The date of event refers to the date of signing the transaction contract, the date of payment, the date of making the transaction by an entrusted third party, the date of transfer of account, the date of resolution by the board of directors, or any other date that is sufficient to determine the transaction counterparty and transaction amount, whichever is earlier.

TYNTEK Corporation

Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital

Dec. 31, 2021

Table 4

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company under accounts receivable	Transaction counterparty	Relations	Balance of receivables from related parties (Note)	Turnover rate	Overdue receivables from related parties		Receivable recovered from related parties after the balance sheet date	Loss Allowance
					Amount	Handling method		
The Company	TEK Holding Co., Ltd.	Subsidiary	\$ 216,918	-	\$ -	—	\$ 216,918	\$ -

Note 1: It includes accounts receivable from related parties and other receivables.

Note 2: TEK Holding Co., Ltd. has returned a share payment of US\$7,800 thousand for the capital reduction on January 21, 2022.

TYNTEK Corporation and Its Subsidiaries
Information on Investees (excluding investees in mainland China)
For the Year Ended December 31, 2021

Table 5

Unit: In Thousands of New Taiwan Dollars/Thousand Shares

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Gains (losses) on investee	Gains (losses) on investment recognized by the Company	Remarks
				March 31, 2020	March 31, 2019	Shares	Percentage (%)	Carrying amount			
TYNTEK Corporation	TEK Holding Co., Ltd.	3RD FLOOR, YAMRAJ BUILDING, MARKET SQUARE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS.	Investment in various overseas businesses	\$ 258,290	\$ 475,208	6,700	100.00	\$ 269,718	\$ 20,834	\$ 20,834	Note 1
	Long Benefit Investment Co., Ltd.	No. 15, Kezhong Road, Dingpu Village, Zhunan Township, Miaoli County	General investment	185,000	185,000	37,184	100.00	543,659	115,572	115,572	
	Hsinjing Holding Co., Ltd.	3F-1, No. 193, Fuxing 2nd Road, Zhubei City, Hsinchu County	General investment	591,378	591,378	17,794	22.79	149,194	32,729	7,459	
	Coretech Optical Co., Ltd.	7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County	Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing	5,000	5,000	200	2.08	2,412	30,349	631	
	Keeper Technology	No. 29, Wuquan 7th Road, Wugu District, New Taipei City	Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery.	30,000	30,000	3,000	21.43	21,755	3,401	729	
	Xu Qi Co., Ltd.	No. 1387, Renai Road, Zhunan Township, Miaoli County	Manufacturing of lighting equipment	8,500	8,500	850	94.44	3,186	(49)	(46)	
TEK Holding Co., Ltd.	Keyway International L.L.C.	3500 South Dupont Highway, Dover, Delaware 19901,U.S.A.	Investment in various overseas businesses	258,768	475,686	-	100.00	266,850	20,844	20,844	
Long Benefit Investment Co., Ltd.	Coretech Optical Co., Ltd.	7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County	Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing	25,228	25,228	2,000	20.81	24,132	30,349	6,316	
	Keeper Technology	No. 29, Wuquan 7th Road, Wugu District, New Taipei City	Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery.	48,977	48,977	5,711	40.79	41,408	3,401	1,387	
	BLACKSTONE GREEN ENERGY SDN. BHD	1, Lorong Jermal Indah, Taman Jermal Indah, 12300, Butterworth, Penang, Malaysia	Renewable energy	-	33,765	-	-	-	-	-	Note 2
	Heng Huei Energy Consulting Co., Ltd.	3F, No. 41, Lane 57, Dachang Road, Pingzhen District, Taoyuan City	Self-usage power generation equipment utilizing renewable energy industry	-	5,000	-	-	-	-	-	Note 3

(Continued on next page)

(Continued from previous page)

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Gains (losses) on investee	Gains (losses) on investment recognized by the Company	Remarks
				March 31, 2020	March 31, 2019	Shares	Percentage (%)	Carrying amount			
Long Benefit Investment Co., Ltd.	Uni Top Optical Corporation	11F, No. 6, Jiankang Road, Zhonghe District, New Taipei City	Optical instrument and general instrument manufacturing	\$ -	\$ 5,000	-	-	\$ -	(\$ 1,146)	(\$ 311)	Note 4
	Shih Kwang Lighting & Electric Co., Ltd.	6F-11, No. 18, Taiyuan Street, Chubei Vil., Chubei City, Hsinchu County	Self-usage power generation equipment utilizing renewable energy industry	-	2,450	-	-	-	(285)	(140)	Note 5
Keeper Technology	Global Unity Int'l Co., Ltd.	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Investment in various overseas businesses	32,376	32,376	1,000	100.00	8,967	(308)	(308)	
Global Unity Int'l Co., Ltd.	Greation New Technology Inc.	Vistra Corporate Services Centre, Ground Floor NPE Building, Beach Road. Apia Samoa	Investment in various overseas businesses	32,376	32,376	1,000	100.00	8,967	(308)	(308)	

Note 1: TEK Holding Co., Ltd. has reduced its capital and returned a share payment of US\$7,800,000 on December 23, 2021, and completed the payment on January 21, 2022.

Note 2: Long Benefit Investment Co., Ltd. has disposed of all equity of BLACKSTONE GREEN ENERGY SDN. BHD on March 9, 2021.

Note 3: Long Benefit Investment Co., Ltd. has disposed of all equity of Heng Huei Energy Consulting Co., Ltd. on March 30, 2021.

Note 4: Uni Top Optical Corporation was dissolved and liquidated on September 30, 2021, and the remaining share payment was returned on October 15, 2021.

Note 5: Long Benefit Investment Co., Ltd. has disposed of all equity of Shih Kwang Lighting & Electric Co., Ltd. on November 30, 2021.

TYNTEK Corporation and Its Subsidiaries
Information on investments in mainland China
For the Year Ended December 31, 2021

Table 6

Unite: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

I. Information on investments in mainland China:

- (I) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, gains or losses on investment, carrying amount of the investment, and repatriations of investment income:

Name of Investee	Main Businesses and Products	Paid-in Capital	Method of Investments	Accumulated Investment Amount from Taiwan at Beginning of Period	Investment Flows		Accumulated Investment Amount from Taiwan at End of Period	% Ownership of Direct or Indirect Investment	Gains (losses) on Investment	Carrying Amount of Investments at End of Period	The Repatriated Proceeds of Investments as of This Period
					Outward	Inward					
Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.	Other light-emitting diode production and sales business	\$ 258,290 (US\$ 6,700,000)	Investment in China via a company set up in a third region	\$ 475,208 (US\$ \$14,500,000)	\$ -	\$ -	\$ 475,208 (US\$ \$14,500,000)	100%	\$ 20,844	\$ 266,833	\$ -
Fujian Zhaoyuan Photoelectric Co., Ltd.	Other light-emitting diode production and sales business	6,692,823 (CNY \$1,437,000,000)	Direct investment in companies in China	468,652 (US\$ 8,565,000 and CNY 45,890,000)	-	-	468,652 (US\$ 8,565,000 and CNY 45,890,000)	4.28% (Note)	-	87,201	-
Kaishin Technology (Wuhan) Corporation	R&D and manufacturing of LED lighting equipment products, electronic parts manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing	32,376 (US\$ \$1,000,000)	Investment in China via a company set up in a third region	32,376 (US\$ \$1,000,000)	-	-	32,376 (US\$ \$1,000,000)	62.22%	(192)	5,579	-

Note: The Group failed to subscribe to shares arising from capital increase in the proportion of the ownership and disposed of a portion of its investment equity in the company in June 2018, and thus lost significant influence. Therefore, it was reclassified as financial assets measured at FVTPL.

- (II) Limit on investment amount in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
\$959,242 (US\$23,549 thousand and CNY 45,890 thousand)	\$959,288 (US\$30,842 thousand)	\$2,674,738

TYNTEK Corporation and Its Subsidiaries

Significant Transactions with Investee Companies in Mainland China, Either Directly or Indirectly Through a Third Party, and Their Prices, Payment Terms, Unrealized Gains Or Losses, and Relevant Information

For the Year Ended December 31, 2021

Table 7

Unite: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Name of Investee	Transaction Type	Amount	Transaction Terms			Accounts Receivable (Payable)		Unrealized Gains or Losses
			Price	Payment Term	Comparison with General Transaction	Balance	Percentage	
Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.	Contract processing	\$ 184,506 (Processing expenses)	By negotiation	T/T	O/A with net 120 days	Processing expense payable \$ 18,007	7.15%	\$ -

TYNTEK Corporation and Its Subsidiaries
Significant Transactions Between the Parent Company and Its Subsidiaries
For the Year Ended December 31, 2021

Table 8

Unit: NTD thousands

Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with Counterparty (Note 2)	Transaction			
				Account	Amount (Note 4)	Transaction Terms	Percentage in Consolidated Total Revenue or Total Assets (Note 3)
0	TYNTEK Corporation	Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.	1	Processing expense	\$ 184,506	The Company's selling prices to related parties are equivalent to those to general customers	5.83%
				Expenses payable	18,007	Same as general payment terms	0.29%
				Sale	14,816	The Company's selling prices to related parties are equivalent to those to general customers	0.47%
		TEK Holding Co., Ltd.	1	Trade receivable	4,825	Same as general payment collection terms	0.08%
				Other receivables	216,918	—	3.44%
		Long Benefit Investment Co., Ltd.	1	Rent income	34	—	-
				Other receivables	8,016	—	0.13%
		Keeper Technology	1	Interest income	179	—	-

Note 1: The types of business transactions are indicated by the following numbers shown in the No. column:

1. 0 - ITEQ (parent company).
2. The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2: The transaction relationships are as follows. Please indicate the type:

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

Note 3: For the calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset-liability account, it is calculated based on the ending balance as a percentage of the consolidated total assets; if it is a profit-loss account, it is calculated based on the accumulated amount throughout the year as a percentage of the consolidated total revenue.

Note 4: The transactions between the parent and subsidiaries have been eliminated when the consolidated financial statements are prepared.

TYNTEK Corporation
Information on main investors
Dec. 31, 2021

Table 9

Name of major shareholder	Shares	
	Shares held (shares)	Shares Ratio
Ennostar Inc.	23,799,000	7.91%

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter when the shareholders as a whole hold at least 5% of the ordinary shares and preference shares with the dematerialized registration and delivery (including treasury shares) completed. The share capital in the Company's consolidated financial statements and the actual number of shares with the dematerialized registration and delivery completed may differ due to different calculation bases.