Stock Code: 2495

Infortrend Technology Inc. and Its Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2021 and 2020

Company address: 8F., No. 102, Sec. 3, Zhongshan Rd., Zhonghe Dist., New Taipei City 235010, Taiwan (R.O.C.)

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Statement of Declaration

Companies required to be included in the consolidated financial statements of affiliates for the year 2021 (from January 1 to December 31, 2021) under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS 10 endorsed by the Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the aforementioned Consolidated Financial Statements of parent and subsidiary companies, thus the Company does not prepare separate consolidated financial statements of affiliates.

Hereby declare.

Company Name: Infortrend Technology Inc.

Chairman: Shih-Tung Lo

Date: March 10, 2022

Independent Auditors' Report

To the Board of Directors of Infortrend Technology Inc.,

Opinion

The Consolidated Balance Sheet as of December 31, 2021 and 2020, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flow the period from January 1 to December 31, 2021 and 2020, as well as the Notes to the Consolidated Financial Statements (including the Summary of Significant Accounting Policies) of Infortrend Technology Inc. and its subsidiaries, have been audited and attested by us.

In our opinion, the aforementioned Consolidated Financial Statements are prepared in all material respects in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and issued to take effect by the Financial Supervisory Commission (FSC), which properly present the consolidated financial position of Infortrend Technology Inc. and its subsidiaries as of December 31, 2021 and 2020, and the consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2021 and 2020.

Basis for Opinion

We performed the audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the Generally Accepted Auditing Standards. Our responsibility under those standards will be further described in the section titled "CPA's responsibility for the audit on the Consolidated Financial Statements." We are subject to the codes of independence of the accounting firm which we are affiliated with, have kept absolute independent relationship with Infortrend Technology Inc. and its subsidiaries in accordance with the CPA Code of Professional Ethics, and have performed other obligations under this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to those matters that, in our professional judgment, are of most significance for our audit on the Consolidated Financial Statements for 2021 of Infortrend Technology Inc. and its subsidiaries. These matters have been addressed in the course of Consolidated Financial Statements as a whole and in forming our opinion thereon. We do not express a separate opinion on such matters individually. In our judgment, the key audit matters to be communicated in the audit report are as follows:

1. **Valuation of the allowance for inventory loss from market price decline**

   Please refer to Note 4 (8) to the Consolidated Financial Statements for the accounting policy regarding the inventory valuation. Please refer to Note 5 (2) to the Consolidated Financial Statements for the uncertainties of accounting estimates and assumptions regarding the realizability of inventory assessment. Please refer to Note 6 (5) to the Consolidated Financial Statements for an explanation of the inventory assessment.

   Description of key audit matters:

Infortrend Technology Inc. and its subsidiaries offers a wide range of products for sale to its customers. Its inventory is measured by cost and the net realized value, whichever is lower. In order to improve the service quality, the Company has spared no effort to improve the product efficiency. The introduction of new products may lead to a drop in the price of old products, resulting in the uncertainty of inventory loss from market price decline and of loss on obsolete and slow-moving inventories.

How the matter was addressed in our audit:

Our main audit procedures regarding the aforementioned key audit matters included the following:

Understand the Company's provision policy for allowance for inventory loss from market price decline and for loss on obsolete and slow-moving inventories and evaluate the appropriateness of the policy; Obtain the evaluation form prepared by the Company to evaluate the performance of the Company, check and verify the data used, and evaluate the correctness of the source data used; Recalculate and evaluate the correctness of the calculation according to the evaluation data used by the Company; Obtain the disclosure information of the Company's financial statements on allowance for inventory, and assess whether the disclosure is appropriate.

2. Evaluation of impairment of trade receivables

Please refer to Note 4 (7) to the Consolidated Financial Statements for the accounting policy regarding the asset impairment evaluation. Please refer to Note 5 (1) to the Consolidated Financial Statements for the accounting estimates and assumptions regarding the evaluation of trade receivables. Please refer to Note 6 (3) to the Consolidated Financial Statements for an explanation of the evaluation of trade receivables.

Description of key audit matters:

As the overall industry is still in the downturn, some customers are affected by the economic climate, and their repayment is not as fast as expected. The provision of allowance for bad debts of trade receivables depends on the Company's policy and the evaluation of the management, which indirectly increases the uncertainty of the evaluation of trade receivables since the evaluation involves human subjective judgment.

How the matter was addressed in our audit:

Our main audit procedures regarding the aforementioned key audit matters included the following:

Understand the Company's evaluation policy for allowance for trade receivables and evaluate the appropriateness of the policy; Obtain the evaluation form prepared by the Company to evaluate the performance of the Company, check and verify the data used, and evaluate the correctness of the source data used; Recalculate and evaluate the correctness of the calculation according to the evaluation data used by the Company; Obtain the disclosure information of the Company's financial statements on allowances for trade receivables and impairment losses, and assess whether the disclosure is appropriate.

Other matters

Infortrend Technology Inc. has prepared its Parent Company Only Financial Statements for 2021 and 2020, with the audit report issued by our CPA without any unqualified opinion for future reference.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

It is the responsibility of management to prepare and fairly present the Consolidated Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and issued to take effect by the Financial Supervisory Commission (FSC), and to maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements to ensure that there are no material misrepresentations that are attributed to fraud or error therein.

In the preparation of the Consolidated Financial Statements, it is also the responsibility of management to assess the ability of Infortrend Technology Inc. and its subsidiaries to continue as a going concern, to disclose relevant matters, and to adopt the accounting basis for going concern, unless the management intends to liquidate Infortrend Technology Inc., Ltd. and its subsidiaries or discontinue operations, or has to do so without any other practical alternatives.

The governing body of Infortrend Technology Inc. and its subsidiaries (including the audit committee) has the responsibility to supervise the reporting process of financial statement.

CPA's responsibility for the audit on the Consolidated Financial Statements

Our audit on the Consolidated Financial Statements aims 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 audit report. Reasonable assurance refers to high level of assurance. However, our audit conducted in accordance with Generally Accepted Auditing Standards does not guarantee that material misrepresentations in the Consolidated Financial Statements will be detected. Misrepresentations may be attributable to fraud or error. A misrepresentation of an individual amount or amount in aggregate is considered as materiality if it is reasonably expected to affect the economic decisions made by users on the basis of the Consolidated Financial Statements.

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

1. Identified and assessed the risk of a material misrepresentation attributable to fraud or errors in the Consolidated Financial Statements; designed and carried out appropriate countermeasures for the assessed risks; and obtained sufficient and appropriate evidence as the basis for the audit opinion. As fraud may involve collusion, forgery, intentional omission, misrepresentation, or override of internal control, the risk of a material misrepresentation that is not attributable to fraud is higher than that which is attributable to error.

2. Obtained necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate for the circumstances. Nevertheless, the purpose of such understanding is not to express an opinion on the effectiveness of the internal controls of Infortrend Technology Inc. and its subsidiaries.

3. Assessed the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Concluded, based on the audit evidence available, on the appropriateness of management's adoption of the accounting basis for going concern and whether material uncertainties exist where events or circumstances that may cause material doubt on the ability of Infortrend Technology Inc. and its subsidiaries to continue as a going concern. If, in our opinion, there is material uncertainty about such events or circumstances, we are required to remind the user of the Consolidated Financial Statements of the relevant disclosure therein, or amend our audit opinion if such disclosure is inappropriate. Our conclusion is based on the audit evidence

acquired as of the date of the audit report. However, future events or circumstances may result in that Infortrend Technology Inc. and its subsidiaries may cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the Consolidated Financial Statements (including relevant notes), and whether the Consolidated Financial Statements present the relevant transactions and events fairly.

6. Obtained sufficient and appropriate audit evidence of the financial information of the entities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of and the formation of our audit opinion on the Group.

We communicated matters with the governing body, including the planned scope and timing of the audit, as well as the material audit findings (including material deficiencies in internal control identified during our audit).

We also provided the governing body the declaration of independence of the CPA subject to the codes of independence of the accounting firm which the CPA is affiliated with, that we have complied with the CPA Code of Professional Ethics concerning independence, and communicated with the governing body all the relationships and other matters that may be considered to affect our independence (including relevant preventive measures).

From the matters communicated with the governing body, we determined the key audit matters for the Consolidated Financial Statements for 2021 of Infortrend Technology Inc. and its subsidiaries. We have stated such matters in the audit report. Unless public disclosure of a particular matter is prohibited by law or, in very rare circumstances, we determined not to communicate such matter in the audit report where it can reasonably be expected that the negative impact of such communication will outweigh the public benefits.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2022

Infortrend Technology Inc. and Its Subsidiaries

Consolidated Balance Sheet
December 31, 2021 and 2020
Unit: NT$ Thousands

	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 392,520	7	288,988	6
1110	Financial assets at fair value through profit or loss - current (Note 6 (2) and 8)	3,761,155	67	3,494,414	68
1170	Net trade receivables (Note 6 (3))	225,490	4	162,074	3
1200	Other receivables (Note 6 (4))	19,006	1	96,295	2
1220	Current tax assets (Note 6 (13))	47	-	27,815	1
130X	Inventories (Note 6 (5))	383,480	7	349,691	7
1476	Other financial assets --current (Note 8)	121,691	2	-	-
1470	Other current assets	12,024	-	12,049	-
		4,915,413	88	4,431,326	87
	Non-current assets:				
1510	Financial assets at fair value through profit or loss - non-current (Note 6 (2))	27,534	-	27,547	1
1600	Property, plant, and equipment (Note 6 (6))	580,208	10	596,401	11
1755	Right-of-use assets (Note 6 (7))	28,622	1	17,091	-
1780	Intangible assets (Note 6 (8))	298	-	721	-
1840	Deferred tax assets	37,213	1	39,395	1
1980	Other financial assets - non-current (Note 8)	5,176	-	5,446	-
1990	Other non-current assets - others	669	-	1,224	-
		679,720	12	687,825	13
	Total assets	$ 5,595,133	100	5,119,151	100

	Liabilities and equity	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current liabilities:				
2100	Short-term loans (Note 6 (9) and 8)	$ 1,200,000	22	850,000	17
2120	Financial liabilities measured at fair value through profit or loss - current (Note 6 (2))	247	-	-	-
2130	Contract liabilities - current (Note 6 (17))	20,465	-	15,458	-
2170	Trade payables	73,283	1	50,783	1
2200	Other payables	157,364	3	135,237	3
2230	Current tax liabilities	2,753	-	481	-
2280	Lease liabilities - current (Note 6 (10))	11,301	-	9,579	-
2300	Other current liabilities	6,049	-	6,086	-
		1,471,462	26	1,067,624	21
	Non-current liabilities:				
2527	Contract liabilities - non-current (Note 6 (17))	37,669	1	35,112	1
2550	Provisions - non-current (Note 6 (11))	5,340	-	5,721	-
2570	Deferred tax liabilities (Note 6 (13))	260	-	16	-
2580	Lease liabilities - non-current (Note 6 (10))	17,450	-	7,664	-
2640	Net defined benefit liabilities - non-current (Note 6 (12))	29,324	1	29,940	1
2670	Other non-current liabilities - others	8,610	-	8,727	-
		98,653	2	87,180	2
	Total liabilities	1,570,115	28	1,154,804	23
	Equity attributable to owners of the parent company:				
3100	Common stock	2,735,515	49	2,735,515	53
3200	Capital surplus	88,804	2	88,802	2
	Unappropriated earnings (Note 6 (14))：				
3310	Legal reserve	1,052,617	19	1,172,751	23
3350	Unappropriated earnings	143,880	2	(38,069)	(1)
3400	Other equity	4,202	-	5,348	-
	Total equity	4,025,018	72	3,964,347	77
	Total liabilities and equity	$ 5,595,133	100	5,119,151	100

(Please refer the accompanying notes to financial statements)

Infortrend Technology Inc. and Its Subsidiaries

Consolidated Statement of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: NT$ Thousands

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6 (17))**	$ 1,189,488	100	1,130,547	100
5000	**Operating costs (Note 6 (5))**	669,051	56	638,393	56
	Gross operating profit	520,437	44	492,154	44
	Operating expenses (Note 6 (18)):				
6100	Selling and marketing expenses	46,561	4	53,649	5
6200	Administrative expenses	150,768	13	171,589	15
6300	Research and development expenses	297,675	25	299,039	26
6450	Gain on reversal of expected credit loss (Note 6 (3))	(580)	-	(1,972)	-
		494,424	42	522,305	46
	Net operating profit (loss)	26,013	2	(30,151)	(2)
	Non-operating income and expenses (Note 6 (19)):				
7100	Interest income	33,035	3	43,731	4
7010	Other income	116,539	10	82,155	7
7020	Other gains and losses	(5,783)	(1)	(148,453)	(13)
7050	Financial costs	(10,230)	(1)	(7,704)	(1)
		133,561	11	(30,271)	(3)
7900	**Net profit (net loss) before tax**	159,574	13	(60,422)	(5)
7950	**Less: income tax expense (Note 4 and 6 (13))**	13,546	1	4,997	-
8200	**Net profit (net loss) for the current period**	146,028	12	(65,419)	(5)
	Other comprehensive income:				
8310	**Items that are not reclassified into profit or loss**				
8311	Remeasurement of defined benefit plans	(2,685)	-	(6,698)	(1)
8349	Less: income tax relating to items that will not be reclassified subsequently	537	-	1,340	-
		(2,148)	-	(5,358)	(1)
8360	**Items that may be subsequently reclassified into profit or loss**				
8361	Exchange differences resulting from translating the financial statements of foreign operations	(1,146)	-	(2,238)	-
8399	Less: income tax relating to items that may be reclassified subsequently	-	-	-	-
		(1,146)	-	(2,238)	-
	Other comprehensive income in current period (net after tax)	(3,294)	-	(7,596)	(1)
8500	**Total comprehensive income for the current period**	**$ 142,734**	**12**	**(73,015)**	**(6)**
	Earnings per share (NT$) (Note 6 (16))				
9750	**Basic earnings (loss)**	**$**	**0.53**		**(0.24)**
9850	**Diluted earnings**	**$**	**0.53**		

(Please refer the accompanying notes to financial statements)

Infortrend Technology Inc. and Its Subsidiaries

Consolidated Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020
Unit: NT$ Thousands

	Equity attributable to owners of the parent company							
	Share capital		Retained earnings		Other equity items			
	Common stock	**Capital surplus**	**Legal reserve**	**Unappropriated earnings**	**Exchange differences on translation of foreign financial statements**	**Unpaid employee remuneration**	**Treasury stock**	**Total equity**
Balance as of January 1, 2020	$ 2,762,907	89,704	1,152,494	222,680	7,586	(597)	-	4,234,774
Net loss in current period	-	-	-	(65,419)	-	-	-	(65,419)
Other comprehensive income	-	-	-	(5,358)	(2,238)	-	-	(7,596)
Total comprehensive income	-	-	-	(70,777)	(2,238)	-	-	(73,015)
Appropriation and distribution of earnings:								
Legal reserve	-	-	20,257	(20,257)	-	-	-	-
Cash dividends	-	-	-	(165,773)	-	-	-	(165,773)
Repurchase of treasury stock	-	-	-	-	-	-	(32,183)	(32,183)
Cancellation of treasury stock	(27,360)	(881)	-	(3,942)	-	-	32,183	-
Share-based payment transaction	(32)	(21)	-	-	-	597	-	544
Balance as of December 31, 2020	2,735,515	88,802	1,172,751	(38,069)	5,348	-	-	3,964,347
Net profit in the current period	-	-	-	146,028	-	-	-	146,028
Other comprehensive income	-	-	-	(2,148)	(1,146)	-	-	(3,294)
Total comprehensive income	-	-	-	143,880	(1,146)	-	-	142,734
Appropriation and distribution of earnings:								
Cash dividends	-	-	(82,065)	-	-	-	-	(82,065)
Legal reserve used to cover accumulated deficits	-	-	(38,069)	38,069	-	-	-	-
Arising from gifts	-	2	-	-	-	-	-	2
Balance as of December 31, 2021	**$ 2,735,515**	**88,804**	**1,052,617**	**143,880**	**4,202**	**-**	**-**	**4,025,018**

(Please refer the accompanying notes to financial statements)

Infortrend Technology Inc. and Its Subsidiaries

Consolidated Statement of Cash Flow
From January 1 to December 31, 2021 and 2020
Unit: NT$ Thousands

		2021	2020
Cash flow from operating activities:			
Net profit (net loss) before tax for the current period	$	159,574	(60,422)
Reconciliation items:			
Income and expenses items			
Depreciation expenses		32,387	33,902
Amortization expenses		423	787
Gain on reversal of expected credit impairment loss		(580)	(1,972)
Interest expenses		10,230	7,704
Interest income		(33,035)	(43,731)
Dividend income		(99,391)	(64,030)
Remuneration costs of share-based payment		-	544
Net loss on financial assets and liabilities measured at fair value through profit or loss		4,462	134,054
Loss (gain) on disposal and retirement of property, plant and equipment		(64)	66
Others		-	(4)
Total income and expense items		(85,568)	67,320
Changes in assets/liabilities related to operating activities:			
Net changes in assets related to operating activities			
Trade receivables		(65,426)	80,128
Other receivables		(1,700)	3,210
Inventories		(34,100)	19,580
Other current assets		(326)	5,919
Other non-current assets - others		-	74
Total net changes in assets related to operating activities		(101,552)	108,911
Net change in liabilities related to operating activities:			
Contract liabilities		8,417	2,557
Trade payables		25,740	(25,213)
Other payables		9,111	(14,674)
Other current liabilities		31	3,277
Net defined benefit liabilities		(3,301)	(16)
Other non-current liabilities - others		227	(799)
Total net changes in liabilities related to operating activities		40,225	(34,868)
Total net changes in assets and liabilities related to operating activities		(61,327)	74,043
Total adjustments		(146,895)	141,363
Cash generated from operations		12,679	80,941
Interest received		32,347	55,687
Interest paid		(9,922)	(7,748)
Income taxes refund (paid)		19,457	(7,268)
Net cash inflow from operating activities		54,561	121,612
Cash flow from investing activities:			
Purchase of financial assets at fair value through profit or loss		(1,591,810)	(1,587,596)
Disposal of financial assets at fair value through profit or loss		1,413,202	1,472,295
Acquisition of property, plant and equipment		(4,559)	(4,328)
Disposal of property, plant and equipment		64	-
Other financial assets		(121,565)	518
Other non-current assets		(23)	264
Dividends received		99,391	64,030
Net cash outflow from investment activities		(205,300)	(54,817)
Cash flow from financing activities			
Increase in short-term loans		350,000	195,000
Repayment of leasing liabilities		(11,745)	(11,887)
Cash dividends paid		(82,065)	(165,773)
Repurchase of treasury stock		-	(32,183)
Receipt of overdue dividends		2	-
Net cash inflow (outflow) from financing activities		256,192	(14,843)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,921)	(2,187)
Increase in cash and cash equivalents		103,532	49,765
Balance of cash and cash equivalents at the beginning		288,988	239,223
Balance of cash and cash equivalents at the end	$	392,520	288,988

(Please refer the accompanying notes to financial statements)

1. Company Overview

Infortrend Technology Inc. (hereinafter referred to as "the Company") was established on January 19, 1993 with the approval of the Ministry of Economic Affairs at the registered address of 8F., No. 102, Sec. 3, Zhongshan Rd., Zhonghe Dist., New Taipei City 235010, Taiwan (R.O.C.). The Company and its subsidiaries (hereinafter referred to as the "Group") are mainly engaged in research and development, manufacturing and trading business of all kinds of computer peripherals (RAID storage system), etc. The Company's shares were officially listed on the Taiwan Stock Exchange Corporation (TWSE) on March 25, 2002.

2. Date and Procedures for the Adoption of the Consolidated Financial Statements

The Consolidated Financial Statements were approved and issued by the board of directors on March 10, 2022.

3. Application of New and Revised Standards and Interpretations

a. The impact of newly issued and revised standards and interpretations that have been adopted by the Company as endorsed by the Financial Supervisory Commission

The Group has adopted the following revised IFRS since January 1, 2021, without any material impact on the Consolidated Financial Statements.

- Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform-Phase 2

The Group has adopted the following revised IFRS since April 1, 2021, without any material impact on the Consolidated Financial Statements.

- Amendments to IFRS 16 - COVID-19-Related Rent Concessions after June 30, 2021

b. The impact of IFRS endorsed by the FSC but yet to be adopted by the Company

The Group has evaluated that the adoption of the following revised IFRSs, effective from January 1, 2022, will not have a material impact on the Consolidated Financial Statements.

- Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- Amendment to IAS 37 - Onerous Contracts—Cost of Fulfilling a Contract
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 - Updating a Reference to the Conceptual Framework

c. Newly issued and revised standards and interpretations yet to be endorsed by the FSC

The Group anticipates that the following newly issued and revised standards, which have not yet been endorsed by the FSC, will not have a material impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendment to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 - Disclosure Initiative-Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the Consolidated Financial Statements are summarized as follows. Unless otherwise stated, the following accounting policies have been consistently applied to all periods of presentation of the Consolidated Financial Statements.

a. Statement of compliance

The Consolidated Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" (hereinafter referred to as "Preparation Regulations"), as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and issued to take effect by the Financial Supervisory Commission (FSC) (hereinafter referred to as "IFRS as endorsed by the FSC").

b. Basis of preparation

1) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following important items in the balance sheet:

a) Financial assets measured at fair value through profit or loss are measured at fair value;

b) The net defined benefit liabilities are measured by deducting the present value of the defined benefit obligations and the cap impact as described in Note 4 (15) from the fair value of the pension plan assets.

2) Functional and Presentation Currency

Each individual entity of the Group adopts the currency of the major economic environment in which it operates as its functional currency. The Consolidated Financial Statements are presented in the New Taiwan dollar, the Company's functional currency. All financial information presented in New Taiwan Dollars is in NT$ Thousands.

c. Basis of consolidation

1) Principle of preparation for the Consolidated Financial Statements

Consolidated Financial Statements are prepared by the Company and the entities (i.e., subsidiaries) controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect those returns through its power over the entity.

The Company includes the Financial Statements of a subsidiary in the consolidated Financial Statements from the date of gaining control over the subsidiary until the date of loss of control. The transactions, balances and any unrealized income, expenses and losses within the Group has all been eliminated at the time of preparation of the consolidated Financial Statements. The total comprehensive income of subsidiaries is attributable to the owner of the Company.

The Financial Statements of subsidiaries have been adjusted to ensure that their accounting policies are consistent with those adopted by the Group.

If the change in the ownership interest of the Group in a subsidiary does not result in the loss of control over the subsidiary, it shall be treated as an equity transaction with the owner.

2) List of subsidiaries in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements include:

			Shareholding	
Name of investment company	**Subsidiary name**	**Business nature**	**2021.12.31**	**2020.12.31**
The Company	Infortrend Corporation	Transaction of computer peripherals	100.00%	100.00%
The Company	Infortrend Europe Limited	Transaction of computer peripherals	100.00%	100.00%
The Company	Infortrend Japan Inc.	Transaction of computer peripherals	100.00%	100.00%
The Company	Infortrend Limited	Investment	100.00%	100.00%
The Company	Prophet Technology Inc.	Transaction of computer peripherals	100.00%	100.00%
Infortrend Europe Limited	Infortrend Deutschland GmbH	Transaction of computer peripherals	100.00%	100.00%
Infortrend Limited	Infortrend Shanghai Limited	Transaction of computer peripherals	100.00%	100.00%
Prophet Technology Inc.	Surveon Technology Inc.	Transaction of computer peripherals	100.00%	100.00%

3) Subsidiaries not included in the Consolidated Financial Statements: None

d. Foreign currency

1) Foreign currency transactions

Transactions in foreign currency are translated into the functional currency at exchange rates prevailing at the transaction dates. Foreign currency monetary items are translated into functional currency at the end date of each subsequent reporting period (hereinafter referred to as the reporting date) at the exchange rate on that day. Foreign currency non-monetary items measured at fair value are translated into functional currency at the exchange rate on the date when their fair value is measured, while foreign currency non-monetary items measured at historical cost are translated at the exchange rate prevailing at the transaction date.

Exchange difference are generally recognized in profit or loss, except for the those differences relating to the following which are recognized in other comprehensive income:

a) An investment in equity securities designated as at fair value through other comprehensive income;

b) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedges is effective ; or

c) Qualifying cash flow hedges to the extent the hedges are effective.

2) Foreign operations

The assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rate at the reporting date; The income and expense of foreign operations are translated into New Taiwan dollars at the average exchange rate. Exchange differences are recognized in other comprehensive income.

In the event of loss of control, joint control or material impact as a result from the disposal of a foreign operation, the cumulative exchange difference related to the foreign operation is fully reclassified into profit or loss. In the case of partial disposal of a subsidiary with a foreign operation, the accumulated exchange difference is reclassified into non-controlling interest in proportion. In the case of partial disposal of investments in an affiliated enterprise or joint venture with a foreign operation, the accumulated exchange difference is reclassified into profit or loss in proportion.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

e. Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non current:

1) The asset is expected to be realized, or intended to be sold or consumed in the normal operating cycle;

2) The asset is held primarily for trading purposes;

3) The asset is expected to be realized within 12 months after the reporting period; or

4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to pay off a liability for at least 12 months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current:

1) The liability is expected to be paid off in the normal operation cycle;

2) The liability is held primarily for trading purposes;

3) The liability is expected to be paid off within 12 months after the reporting period; or

4) The liability of which the settlement term cannot be deferred unconditionally to at least 12 months after the date of the balance sheet. The terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

f. Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term investments with highly liquidity that can be converted into quota cash at any time with little risk of change in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

g. Financial instruments

Trade receivables are initially recognized at the time of generation. All other financial assets and financial liabilities are initially recognized when the Group became a party to the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than trade receivables that do not contain material financial components) or financial liabilities are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Trade receivables that do not contain material financial components are initially measured at transaction prices.

1) Financial assets

All regular way purchase or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition a financial asset is classified as measured: amortized cost and fair value through profit or loss. The Group will reclassify all the affected financial assets from the first day of the next reporting period only when changing its business model for managing financial assets.

a) Financial assets measured at amortized cost

Financial assets are measured at amortized cost when they meet all the following conditions and are not designated as measured at fair value through profit or loss:

- The financial asset is held under a business model for the purpose of collecting contract cash flows.
- The cash flow generated on a specific date from the contract terms of the financial asset is solely for the payment of principal and interest on outstanding principal.

Such assets are subsequently measured at the initially recognized amount plus or minus the accumulated amortization calculated by the effective interest method, and at the amortized cost after adjustments for any loss allowances. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit and loss. When derecognizing, the profit or loss is recognized in profit and loss.

b) Fair value through profit or loss (FVTPL)

Financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income are measured at FVTPL, including derivative financial assets. trade receivables, which the Group intends to sell immediately or in the near future, are measured at FVTPL but are included under trade receivables. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as a financial asset at FVTPL so as to eliminate or materially reduce improper accounting matching.

Such assets are subsequently measured at fair value, and their net benefits or losses (including any dividend and interest income) are recognized as profit and loss.

c) Financial assets held for trading and managed and evaluated on a fair value basis are measured at fair value through profit or loss.

d) Impairments of financial assets

The Group recognizes the expected credit loss of financial assets (including cash and cash equivalents, trade receivables, other receivables and other financial assets, etc.) at amortized cost as allowance for loss.

The allowance for losses of the following financial assets is measured by the amount of expected credit losses in 12 months, and the remaining are measured by the amount of expected credit losses in the duration:

- The credit risk of debt securities was determined to be low at the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default during the expected duration of the financial instrument) has not increased significantly since the initial recognition.

The allowance for losses on trade receivables is measured by the amount of expected credit losses in the duration.

In determining whether the credit risk of a financial asset has increased significantly since the initial recognition, the Group considers reasonable and verifiable information which is available without excessive cost or effort, including qualitative and quantitative information, as well as analysis based on the Group's historical experience, credit assessments and forward-looking information.

If the contract payment is more than 90 days overdue, the Group assumes that the credit risk of the financial assets has increased significantly.

If the contract payment is more than 120 days overdue or the borrower is unlikely to fulfill its credit obligation to pay the Group in full, the Group considers that default occurs on the financial asset.

Expected credit losses over the duration refer to the expected credit losses arising from all possible defaults during the expected duration of a financial instrument.

Expected credit losses in 12 months refer to the expected credit losses arising from the possible defaults of a financial instrument within 12 months (or shorter period, if the expected duration of the financial instrument is less than 12 months) after the reporting.

The maximum period over which expected credit losses are measured is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are the weighted estimates of the probability of credit losses over the expected duration of a financial instrument. The credit loss is measured by the present value of all cash shortfall, that is, the difference between the cash flows that the Group can collect under the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate on financial assets.

The Group evaluates whether there is a credit impairment of financial assets as measured at amortized cost on each reporting date. When one or more events that have an adverse effect on the estimated future cash flow of a financial asset have occurred, the financial asset has suffered a credit impairment. Evidence of a credit impairment of a financial asset includes the observable information for the following events:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 120 days;
- The Group makes concessions for the borrower that would not have been considered for economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is most likely to file for bankruptcy or conduct other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance for loss of a financial asset measured at amortized cost are deducted from the carrying amount of the asset.

When the Group cannot reasonably anticipate the recovery of financial assets in whole or in part, it directly reduces the total carrying amount of its financial assets. The Group analyzes the timing and amount of the write-off on the basis of whether it is reasonably expected to be recovered. The Group expects that the amount written off will not be materially reversed. However, the written-off financial assets may still be enforced to comply with the procedures for the Group to recover the overdue amount.

e) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights derived from the cash flows of the asset are terminated, or it has transferred a financial asset and virtually has transferred all the risks and rewards of the ownership of the asset to another enterprise, or virtually has neither transferred nor retained the ownership of all of the risks and rewards and nor retained the control of the financial asset.

If all or substantially all of the risks and rewards associated with ownership of a transferred financial asset in transactions entered into by the Group are retained, the financial asset is constantly recognized on the balance sheet.

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

The debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

b) Equity instruments

Equity instruments refer to any contract that recognizes the residual equity in the Group's assets after the deduction of all its liabilities. The equity instruments issued by the Group are recognized as the amount of the proceeds obtained after deducting the direct cost of issuance.

c) Treasury stock

In the repurchase of the equity instruments recognized by the Group, the consideration paid, including direct attributed costs, is recognized as a reduction in equity. The repurchased shares are classified as treasury shares. When treasury stock are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liabilities, if held for trading, are derivatives or designated at the time of initial recognition, are classified as measured at fair value through profit or loss. Financial liabilities at FVTPL are measured at fair value and the related net gains and losses, including any interest expense, are recognized in profit and loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized as profit and loss. Any gain or loss on derecognition is also recognized in profit and loss.

e) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognize a financial liability when its terms are modified and cash flow of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized as profit and loss.

3) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are recognized initially at fair value. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are recognized in profit or loss.

h. Inventories

Inventories are measured at the lower of cost and net realized value, whichever is lower. Costs include costs and other costs for acquisition, manufacturing or processing incurred in bringing them to the place and condition where they are available for use, and are calculated by a weighted average method. The cost of inventory of finished goods and work in process includes manufacturing expenses apportioned to normal capacity in appropriate proportion.

New realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

i. Property, plant and equipment

1) Recognition and measurement

Property, plant, and equipment items are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

The material components of property, plant and equipment with different useful lives are treated as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of the property, plant, and equipment is recognized as profit and loss.

2) Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Group.

3) Depreciation

Depreciation is calculated at the cost of the asset minus the residual value and is recognized as profit and loss over the estimated useful lives of each component using a straight-line method.

No depreciation provision will be made for the land.

The estimated useful lives of the current period and the comparative period are as follows:

a)	Buildings and structures	5 ~ 50 years
b)	Machinery equipment	2 ~ 7 years
c)	Transportation equipment	5 ~ 10 years
d)	Office equipment	3 ~ 5 years
e)	Other equipment	2 ~ 8 years

The Group reviews the depreciation method, useful lives, and residual value on each reporting date, and makes appropriate adjustments as necessary.

j. Leases

The Group evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1) Lessee

The Group recognizes the right-of-use assets and lease liabilities on the commencement date of the lease, initially measures the right-of-use assets at cost, which includes the initial measured amount of the lease liabilities, adjusts any lease payments made on or before the commencement date of the lease, and adds the initial direct costs incurred and the estimated costs of dismantling and removing the underlying assets, and restoring the underlying assets and their locations, and deducts any leasing incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the expiration of the useful lives of the use right assets or the expiration of the lease term, whichever is earlier. In addition, the Group regularly evaluates whether there is any impairment of the right-of-use assets and treats with any impairment losses that have been incurred, and adjusts the right assets in the event of remeasurement of the lease liabilities.

The lease liability is measured at the present value of the outstanding lease payments at the commencement date of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate; if not, the Group's incremental borrowing rate is applied. In general, the Group adopts the incremental borrowing rate as the discount rate.

Lease payments included in the measure of lease liabilities include:

a) Fixed payments, including substantial fixed payments;

b) Variable lease payments subject to an index or rate are initially measured by the index or rate on the commencement date of the lease;

c) Residual value guaranteed amount expected to be paid, and;

d) Payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

a) Changes in future lease payments resulting from changes in the index or rate used to determine lease payments;

b) Changes in the residual value guaranteed amount expected to be paid;

c) Changes in the Group's evaluation of purchase options;

d) Changes in the estimate of whether or not to exercise the extension or termination option may alter the assessment of the lease term; or

e) There is any lease modifications to the assets, scope or other terms of the lease.

When the lease liabilities are remeasured as a result of the foregoing changes in the index or rate used to determine lease payments, changes in the residual value guaranteed amount, and changes in the estimate of the call option, extension or termination option, the carrying amount of the right-of-use assets are adjusted accordingly, and the remaining remeasured amount is recognized as profit and loss when the carrying amount of the right-of-use assets are reduced to zero.

For a lease modification that reduces the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the carrying amount and the remeasured amount of the lease liability is recognized as the profit and loss.

The Group presents the right-of-use assets and lease liabilities that do not meet the definition of investment properties respectively in the balance sheet as separate-line items.

If the agreement contains leasing and non-leasing components, the Group apportions the consideration in the agreement to the individual leasing components on a relatively separate price basis. However, in the case of leasing the land and the building, the Group chooses not to classify the non-leasing components and treat the leasing components and the non-leasing components as the single leasing components.

For short-term leases of warehouses, parking spaces and offices and leases of low-value underlying assets, the Group chooses not to recognize the right-of-use assets and lease liabilities, but recognizes the relevant lease payments as expenses on a straight line basis during the lease term in instead.

2) Lessor

For transactions in which the Group is the lessor, the lease contract is classified according to whether almost all risks and rewards attached to the ownership of the underlying asset are transferred on the commencement date of the lease. If so, it is classified as a financial lease; otherwise, it is classified as an operating lease. At the time of evaluation, the Group considers relevant specific indicators, including whether the lease term covers a major part of the economic life of the underlying asset.

k. Intangible assets

1) Recognition and measurement

Goodwill arising on the acquisition of a subsidiary is measured at cost, less accumulated impairment losses.

Expenditures related to research activities are recognized as profit and loss when incurred.

Development expenditures are only capitalized when they can be reliably measured, when the technical or commercial feasibility of the product or process has been achieved, when the future economic benefits are likely to flow into the Group, and when the Group intends and has sufficient resources to complete the development and to use or sell the asset. Other development expenditures are recognized as profit and loss as incurred. After the initial recognition, capitalized development expenditures are measured by the amount of their costs less accumulated amortization and accumulated impairment.

Other intangible assets with limited useful lives that are acquired by the Group are measured by the amount of cost less accumulated amortization and accumulated impairment.

2) Subsequent expenditures

Subsequent expenditures are capitalized only to the extent that they will increase the future economic benefits of the specific asset concerned. All other expenditures, including internally developed goodwill and brand, are recognized as profit and loss as incurred.

3) Amortization

Except goodwill, amortization is calculated on the basis of the cost of the asset less the estimated residual value and is recognized as profit and loss over the estimated useful lives of the intangible assets by the straight-line method from the time the assets reach the serviceable state.

The estimated useful lives of the current period and the comparative period are as follows:

a) Computer software 3 ~ 5 years

The Group reviews the amortization method, useful lives, and residual value of intangible assets on each reporting date and makes appropriate adjustments if necessary.

l. Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that the carrying amount of non-financial assets (other than inventory and deferred tax assets) may be impaired, and estimates the recoverable amount of the asset if any impairment indication.

For the purpose of the impairment test, the minimum identifiable group of assets is defined as one of the groups of cash inflows that are largely independent of other individual assets or asset groups. Goodwill derived from the business combination is apportioned to the CGUs or groups of CGUs that are expected to benefit from the overall benefits of the business combination.

The recoverable amount is the fair value of individual assets or CGUs less disposal costs, and its use value, whichever is higher. In assessing the use value, it is estimated that the future cash flows are translated to present value at the pre-tax discount rate, which shall reflect the current market's assessment of the time value of money and the specific risk of the asset or CGU.

If the recoverable amount of an individual asset or CGU is lower than the carrying amount, the impairment loss will be recognized.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Non-financial assets other than goodwill are reversed only to the extent not exceeding the carrying amount of the asset determined when the impairment loss has not been recognized in the previous year (less depreciation or amortization).

m. Provisions

The recognition of a provision for liabilities means that the Group has a present obligation arising from a past event, and it is likely that the Group will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of which can be reliably estimated.

1) Warranty

Provision for warranty liabilities is recognized at the time of sale of goods or services and is measured on a weighted basis according to its relative probability based on historical warranty information and all possible outcomes.

n. Recognition of income

1) Revenue from contracts with customers

Revenue is measured at the consideration to which it is expected to be entitled in transferring the goods or services. The Group recognizes revenue only when the control of goods or services is transferred to customers and the performance obligations are fulfilled. According to the main revenue items of the Group, it is described as follows:

a) Sales of goods - computer peripherals

The Group conducts research and development, manufacturing, and sales to the downstream manufacturers. The Group recognizes income only when the control of goods is transferred. The control transfer of the product means that the product has been delivered to the customer, the customer is fully in a position to determine the distribution channel and price of the product and there are no outstanding obligations which would affect the acceptance of the product by the customer. Delivery mainly occurs when the product is shipped from the point of departure, the risk of obsolescence and loss has been transferred to the customer, the customer has accepted the product in accordance with the sales contract, the acceptance terms have lapsed, or the Group considers that all the acceptance conditions have been met with objective evidence.

The Group provides standard warranty for computer peripherals and therefore assures a refund obligation for defects, and has recognized the provision for warranty liabilities in respect of this obligation. Please refer to Note 6 (11) for details.

The Group recognizes the trade receivables at the time of delivery of goods, since the Group reserves the right to collect consideration unconditionally at that time.

b) Rendering of services

The Group provides software updates and product maintenance services for enterprises, and recognizes the relevant income during the financial statement period for the rendering of services. For fixed-price contracts, income is recognized on the basis of the percentage of services actually rendered to total services as of the reporting date, as determined by the percentage of costs incurred to the estimated total costs of the transaction.

Under a fixed price contract, the customer pays a fixed amount at the agreed time.

Contract assets are recognized when the value of services rendered exceeds the payments, while contract liabilities are recognized when payments exceed the value of services rendered.

c) Financial component

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment for such goods or services by the customer is not exceed one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

o. Employee benefits

1) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2) Defined benefit plans

The Group calculates the net obligation for the defined benefit plans by converting the amount of future benefits earned by the employee' service in the current or previous periods to the present value for each benefit plan separately and deducting the fair value of any plan assets.

Defined benefit obligations are calculated on an actuarial and annual basis by a qualified actuary using the estimated unit benefit method. Where the calculation is likely to be favorable to the Group, the recognized assets are limited to the present value of any economic benefit available in the form of a refund of contributions from the plan or a reduction in future contributions to the plan. The present value of economic benefits is calculated by taking into account any minimum capital contributions.

Remeasurement of the net defined benefit liabilities, including actuarial gains and losses, returns on planned assets (excluding interest), and any changes in the cap impact of the asset (excluding interest), is immediately recognized as other comprehensive income and accumulated in retained earnings. The Group determines the net interest expense (income) of the net defined benefit liabilities by using the net defined benefit liabilities and the discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the net defined benefit plan are recognized as profit and loss.

Changes in benefits related to the service costs or reduction of benefits or losses in previous period arising from a plan modification or reduction are immediately recognized as profit and loss. The Group recognizes the settlement gains and losses of the defined benefit plan at the time of settlement.

3) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. If the Group has a present statutory or constructive payment obligation arising out of the services rendered by an employee in the past and such obligation can be reliably estimated, the amount will be recognized as a liability.

p. Share-based payment transaction

For the share-based payment agreement for the equity delivery, the expenses are recognized at fair value at the grant date and the relative equity is increased within the vesting period of the award. The recognized expenses are adjusted according to the amount of awards expected to meet the service conditions and non-market vesting conditions, and the final recognized amount is measured on the basis of the amount of awards that meet the service conditions and non-market vesting conditions on the vesting day.

Non-vesting conditions relating to share-based awards are reflected in the fair value measurement of the share-based payments on the grant date, and the difference between the expected and actual results is not subject to verification and adjustment.

The fair value of the share appreciation right in cash delivery to be paid to the employee is recognized as expenses and increased to relative liabilities during the period in which the employee is entitled to unconditionally receive remuneration. The liability is remeasured at the fair value of the share appreciation right at each reporting date and closing date and any change is recognized as profit and loss.

The date on which the share-based payment is made is the date approved by the board of directors.

q. Income tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax are recognized as profit and loss, except for those related to business combination and items directly recognized as equity or other comprehensive income.

The Group determines that any interest or penalty (including uncertain tax treatment) related to income tax does not meet the definition of income tax and is therefore subject to the accounting treatment of IAS 37.

Current income tax includes the estimated income tax payable or tax refunds receivable based on tax gains (losses) for the current year and any adjustments to income taxes payable or tax refunds receivable for previous years. The amount of current income tax is the best estimate of the amount expected to be paid or received as measured by the statutory or substantive legislative tax rates at the reporting date.

Deferred income tax is measured and recognized at the temporary difference between the carrying amount and the tax basis of assets and liabilities on the financial statement date. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

1) Temporary differences arising from the initial recognition of assets or liabilities other than in the transaction of a business combination which do not affect accounting profits and tax gains (losses) at the time of the transaction;

2) Temporary differences arising from investment in subsidiaries, affiliates and joint venture equity, of which the Group can control the timing and which are unlikely to reverse in the foreseeable future; and

3) Taxable temporary differences arising from the initial recognition of goodwill.

Unused tax losses, unused income tax credits transferred in later period and deductible temporary differences are recognized as deferred tax assets to the extent that future tax income is likely to be available, are reassessed at each reporting date and reduced to the extent that the relevant income tax benefit is not likely to be realized, or reversed on the amount originally reduced to the extent that there is likely to be sufficient taxable income.

Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences based on the statutory or substantive legislative tax rate at the reporting date.

The Group will offset deferred tax assets and deferred tax liabilities against each other only if all of the following conditions are satisfied:

1) Has the legal executive power to offset the current income tax assets and current income tax liabilities; and
2) Deferred tax assets and deferred tax liabilities are related to one of the following taxpayers of income tax levied by the same tax authority:
    a) The same taxpayer; or
    b) Different taxpayers, but each taxpayer intends to pay off the current income tax liabilities and assets on a net basis or realize the assets and settle the liabilities at the same time during each future period when the deferred tax assets of a significant amount are expected to be recovered and the deferred tax liabilities are expected to be paid off.

r. Earnings per share

The Group presents the basic and diluted earnings per share attributable to the ordinary equity holders of the Group. The basic earnings per share of the Group is calculated by dividing the profit and loss attributable to the ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the current period. Diluted earnings per share calculated by adjusting the profit and loss attributable to the ordinary equity holders of the Group and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Group include new restricted employee shares granted to employees.

s. Segment information

The operating segments are an integral part of the Group and engage in operating activities that may generate revenue and incur expenses (including income and expenses related to transactions between other segments of the Group). The operating results of all operating segments are periodically reviewed by the Group's key operating decision makers to determine the allocation of resources to the segments and to measure their performance. Each operating segment has its separate financial information.

5. Major Sources of Uncertainty in Material Accounting Judgments, Estimates and Assumptions

When preparing the Consolidated Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," as well as the International Financial Reporting Standards (IFRS) as endorsed by the FSC, the management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, earnings and expenses. Actual results may differ from estimates.

Management continually reviews estimates and underlying assumptions, and recognizes the changes in accounting estimates in the period of change and in the affected future periods.

The Group has no accounting policies that involve material judgments and have material impact on the amounts recognized in the Consolidated Financial Statements.

For the uncertainties in the assumptions and estimates, the information related to the material risk that will result in a material adjustment in the next fiscal period is as follows:

a. Evaluation of impairment of trade receivables

The Group's allowance for losses on trade receivables is estimated based on the assumption of default risk and expected loss ratio. The Group considers historical experience, current market conditions and forward-looking estimates for each reporting date to determine the assumptions to be adopted and the input values to be selected in calculating the impairment. Please refer to Note 6 (3) for details of the relevant assumptions and input values.

b. Valuation of inventory

Since inventory must be measured at the lower of cost and net realized value, the Group evaluates the amount of inventory for normal wear and wear, obsolescence, or without market value on the reporting date and deducts the cost of inventory to net realized value. This inventory valuation is based on product demand during a specific period in the future and may be subject to change due to rapid industrial changes. Please refer to Note 6 (5) for details of inventory valuation.

6. Descriptions of Material Accounting Subjects

a. Cash and cash equivalents

	2021.12.31	2020.12.31
Cash	$ 170	165
Demand and check deposit	118,973	137,844
Foreign currency deposit	235,576	125,389
Time deposits	37,801	25,590
Cash and cash equivalents presented in the Statement of Cash Flow	**$ 392,520**	**288,988**

Please refer to Note 6 (20) for the disclosure of sensitivity analysis of financial assets of the Group.

b. Financial assets (liabilities) at fair value through profit or loss

	2021.12.31	2020.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate - fund	$ 381,384	749,872
Investment on bonds	725,841	659,967
Preferred shares	2,653,882	2,072,879
Ordinary shares	48	11,696
Non-hedging derivative instruments		
Perpetual bonds	27,534	27,547
Subtotal	3,788,689	3,521,961
Financial liabilities held for trading:		
Non-hedging derivative instruments		
Swap contracts	(247)	-
Total	$ 3,788,442	3,521,961
Current	$ 3,760,908	3,494,414
Non-current	27,534	27,547
Total	**$ 3,788,442**	**3,521,961**

1) Preferred shares

The Group holds preferred shares issued by domestic listed companies, all of which are non-cumulative preferred shares, and the dividends are paid at the agreed annual rate, which is adjusted and reset periodically in accordance with the agreed period. None of the shares has a maturity date, but the issuing company may recover all or part of the issued preferred shares at the original issue price upon the expiration of the agreed term, and its rights and obligations shall continue under the original terms and conditions of issuance if the shares are not recovered. The preferred shares held by the Group are non-voting and non-convertible preference shares, except for the Non-cumulative Convertible Class A preferred shares issued by O-Bank which are convertible into ordinary shares commencing on the day following the one-year expiry of the issue.

2) Perpetual bonds

On July 14, 2017, the Group purchased the perpetual bonds issued by SoftBank Group Corp.(SOFTBK) on July 12, 2017 through Yuanta Asset Management (H.K.) Limited for a transaction amount of NT$30,749 thousand, at the initial distribution ratio of 6.000%, which will expire on December 29, 2049. The issuer is entitled to the first right of redemption on July 19, 2023, and will be charged additional interest at 4.226% if it fails to repurchase by the expiration date.

On August 2, 2017, the Group purchased the perpetual bonds issued by Radiant Access Ltd. on May 11, 2017 through Yuanta Asset Management (H.K.) Limited for a transaction amount of NT$44,572 thousand, at the initial distribution ratio of 4.600%, which will expire on December 29, 2049. The issuer has repurchased the perpetual bonds on November 19, 2020 for a transaction amount of NT$43,058 thousand.

3) Swap contracts

Engaging in derivative financial instruments aims to avoid exchange rate risks arising from operating activities. The details of the derivatives presented as financial liabilities measured at fair value through profit or loss due to the fact that the Group does not apply hedging accounting are as follows:

2021.12.31	Contract amount (NT$ Thousands)		Currency	Maturity period
Swap	USD	5,000	NTD to USD	2022/3/7~2022/6/7

The Group has disclosed the exposure to risks of credit, currency and interest rate associated with financial instruments in Note 6 (20).

On December 31, 2021, the Group mortgaged 5,333 thousand Class A preferred shares issued by Fubon Financial Holding, 3,493 thousand Class A preferred shares issued by Cathay Financial Holdings, 5,551 thousand Class A preferred shares issued by Union Bank, 7,729 thousand Class E Registered preferred shares issued by Taishin Holdings and 5,400 thousand Class A preferred shares of Shin Kong Financial Holding as the guarantee for short-term loans and financing amount. On December 31, 2020, the Group mortgaged 3,333 thousand Class A preferred shares issued by Fubon Financial Holding, 2,493 thousand Class A preferred shares issued by Cathay Financial Holdings, 5,551 thousand Class A preferred shares issued by Union Bank, 7,729 thousand Class E Registered preferred shares issued by Taishin Holdings and 5,400 thousand Class A preferred shares of Shin Kong Financial Holding as the guarantee for short-term loans and financing amount. Please refer to Note 8 for the disclosure of collateral mortgage.

c. Trade receivables

		2021.12.31	2020.12.31
Trade receivables	$	229,688	170,776
Less: allowance for losses		(4,198)	(8,702)
	$	225,490	162,074

The Group estimates the expected credit losses for all trade receivables using a simplified approach, that is, measures by the expected credit losses over the duration. For the measurement, such trade receivables are grouped according to the common credit risk characteristics represent the ability of customers to pay all amounts due under the contract terms and have been included in the forward-looking information. The analysis of expected credit loss of the Group's trade receivables from Taiwan is as follows:

Notes to the Consolidated Financial Statements of Infortrend Technology Inc. and Its Subsidiaries (Continued)

	2021.12.31		
	Carrying amount of trade receivables	**Weighted average expected credit loss rate**	**Allowance for expected credit losses over the duration**
Not overdue	$ 110,787	0.00%	-
Overdue for less than 30 days	1,235	0.00%	-
Overdue for more than 121 days	1,691	100.00%	450
	$ 113,713		**450**

	2020.12.31		
	Carrying amount of trade receivables	**Weighted average expected credit loss rate**	**Allowance for expected credit losses over the duration**
Not overdue	$ 106,800	0.00%	-
Overdue for 61 to 90 days	1,293	0.00%	-
Overdue for 91 to 120 days	398	0.00%~42.11%	86
Overdue for more than 121 days	3,734	100.00%	3,734
	$ 112,225		**3,820**

The analysis of expected credit loss of the Group's trade receivables from other regions is as follows:

	2021.12.31		
	Carrying amount of trade receivables	**Weighted average expected credit loss rate**	**Allowance for expected credit losses over the duration**
Not overdue	$ 94,199	0.00%~3.70%	1,145
Overdue for less than 30 days	17,739	0.00%~8.87%	958
Overdue for 31 to 60 days	3,196	0.00%~28.55%	945
Overdue for 61 to 90 days	186	0.00%~46.09%	88
Overdue for 91 to 120 days	279	0.00%~83.51%	236
Overdue for more than 121 days	376	100.00%	376
	$ 115,975		**3,748**

	2020.12.31		
	Carrying amount of trade receivables	**Weighted average expected credit loss rate**	**Allowance for expected credit losses over the duration**
Not overdue	$ 48,399	0.00%~0.33%	3,858
Overdue for less than 30 days	9,938	0.00%~0.64%	810
Overdue for more than 121 days	214	100.00%	214
	$ 58,551		4,882

The changes in the allowance for losses on the trade receivables of the Group are as follows:

	2021	2020
Beginning balance	$ 8,702	10,592
Reversal of impairment loss	(580)	(1,972)
Payments written off as a result of being unrecoverable	(3,945)	(8)
Amount of bad debts recovered at the current period which has been written off	-	215
Translation profit and loss of foreign exchange	21	(125)
Ending balance	$ 4,198	8,702

The above financial assets are not provided as guarantee for borrowing and financing amount.

Allowance for losses on trade receivables is used to record expected credit losses, but if and when the Group believes that the relevant amount may not be recoverable, it will be directly credited to financial assets.

d. Other receivables

	2021.12.31	2020.12.31
Other receivables	$ 19,006	96,295

As other receivables as of December 31, 2021 and 2020 are not overdue, there is no risk of impairment.

Please refer to Note 6 (20) for further information on the remaining credit risks.

e. Inventories

	2021.12.31	2020.12.31
Raw materials and consumables	$ 291,819	243,265
Work in process	30,589	36,611
Finished products	61,072	69,815
	$ 383,480	349,691

The composition of the cost of goods sold of the Group is as follows:

	2021	2020
Cost of goods sold	$ 648,059	621,749
Inventories loss	112	642
Inventory scrap loss	12,361	9,996
Inventory loss from market price decline and loss on obsolete and slow-moving inventories	8,519	6,006
Total	**$ 669,051**	**638,393**

As of December 31, 2021 and 2020, the Group's inventory has not been pledged as collateral.

f. Property, plant and equipment

The breakdown of changes in cost and depreciation of the Group's property, plant and equipment for 2021 and 2020 is as follows:

	Land	Buildings and structures	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost or deemed cost:							
Balance as of January 1, 2021	$ 398,945	345,590	78,503	7,833	25,586	150,279	1,006,736
Additions	-	-	88	2,273	47	2,151	4,559
Disposal and retirement	-	-	(1,394)	(729)	-	(6,754)	(8,877)
Effect of changes in exchange rate	-	-	-	-	(355)	(76)	(431)
Balance as of December 31, 2021	$ 398,945	345,590	77,197	9,377	25,278	145,600	1,001,987
Balance as of January 1, 2020	$ 398,945	344,331	78,566	7,833	27,991	155,887	1,013,553
Additions	-	794	98	-	530	2,906	4,328
Transfer in	-	465	-	-	-	-	465
Disposal and retirement	-	-	(161)	-	(1,657)	(8,091)	(9,909)
Effect of changes in exchange rate	-	-	-	-	(1,278)	(423)	(1,701)
Balance as of December 31, 2020	$ 398,945	345,590	78,503	7,833	25,586	150,279	1,006,736
Depreciation and impairment losses:							
Balance as of January 1, 2021	$ -	167,166	78,286	7,508	21,218	136,157	410,335
Depreciation in current year	-	10,969	75	672	2,183	6,823	20,722
Disposal and retirement	-	-	(1,394)	(729)	-	(6,754)	(8,877)
Effect of changes in exchange rate	-	-	-	-	(334)	(67)	(401)
Balance as of December 31, 2021	$ -	178,135	76,967	7,451	23,067	136,159	421,779
Balance as of January 1, 2020	$ -	155,917	78,089	7,021	21,629	136,904	399,560
Depreciation in current year	-	11,236	358	487	2,193	7,705	21,979
Transfer in	-	13	-	-	-	-	13
Disposal and retirement	-	-	(161)	-	(1,591)	(8,091)	(9,843)
Effect of changes in exchange rate	-	-	-	-	(1,013)	(361)	(1,374)
Balance as of December 31, 2020	$ -	167,166	78,286	7,508	21,218	136,157	410,335
Carrying value:							
December 31, 2021	$ 398,945	167,455	230	1,926	2,211	9,441	580,208
January 1, 2020	$ 398,945	188,414	477	812	6,362	18,983	613,993
December 31, 2020	$ 398,945	178,424	217	325	4,368	14,122	596,401

Notes to the Consolidated Financial Statements of Infortrend Technology Inc. and Its Subsidiaries (Continued)

As of December 31, 2021 and 2020, they are not provided as guarantee for borrowing and financing amount.

g. Right-of-use assets

	Buildings and structures
Cost of right-of-use assets:	
Balance as of January 1, 2021	$ 37,613
Additions	23,216
Decrease	(19,838)
Effect of changes in exchange rate	9
Balance as of December 31, 2021	**$ 41,000**
Balance as of January 1, 2020	$ 37,542
Additions	863
Decrease	(737)
Effect of changes in exchange rate	(55)
Balance as of December 31, 2020	**$ 37,613**
Depreciation of right-of-use assets:	
Balance as of January 1, 2021	$ 20,522
Provision for depreciation	11,665
Decrease	(19,838)
Effect of changes in exchange rate	29
Balance as of December 31, 2021	**$ 12,378**
Balance as of January 1, 2020	$ 8,888
Provision for depreciation	11,923
Decrease	(316)
Effect of changes in exchange rate	27
Balance as of December 31, 2020	**$ 20,522**
Carrying value:	
December 31, 2021	**$ 28,622**
January 1, 2020	**$ 28,654**
December 31, 2020	**$ 17,091**

h. Intangible assets

Intangible assets refer to the acquisition costs of computer software. The cost and amortization of the Group's intangible assets for 2021 and 2020 are as follows:

		Cost of computer software
Cost:		
Balance as of January 1, 2021	$	36,170
Disposal and retirement		(334)
Balance as of December 31, 2021	**$**	**35,836**
Balance as of January 1, 2020	$	36,247
Disposal and retirement		(76)
Impact of changes in exchange rate		(1)
Balance as of December 31, 2020	**$**	**36,170**
Amortization and impairment loss:		
Balance as of January 1, 2021	$	35,449
Current amortization		423
Disposal and retirement		(334)
Balance as of December 31, 2021	**$**	**35,538**
Balance as of January 1, 2020	$	34,739
Current amortization		787
Disposal and retirement		(76)
Impact of changes in exchange rate		(1)
Balance as of December 31, 2020	**$**	**35,449**
Carrying value:		
December 31, 2021	**$**	**298**
January 1, 2020	**$**	**1,508**
December 31, 2020	**$**	**721**

The amortization expenses of intangible assets for 2021 and 2020 are presented in the Consolidated Statement of Comprehensive Income under the following items:

		2021	2020
Operating expenses	**$**	**423**	**787**

i. Short-term loans

The details, terms and conditions of the short-term loans of the Group are as follows:

	2021.12.31			
	Currency	**Range of interest rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	1.00%~1.08%	111	$ 516,250
Secured bank loans	TWD	0.90%~1.05%	111	683,750
Total				**$ 1,200,000**
Unused credit line				**$ 250,000**

	2020.12.31			
	Currency	**Range of interest rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	1.00%~1.08%	110	$ 357,500
Secured bank loans	TWD	1.00%~1.05%	110	492,500
Total				**$ 850,000**
Unused credit line				**$ 450,000**

Please refer to Note 6 (20) for further information on the liquidity risk exposure of the Group.

Please refer to Notes 6 (2) and 8 for the mortgage of the Group's assets as collateral for bank loans.

j. Lease liabilities

The carrying amount of the Group's leasing liabilities is as follows:

	2021.12.31	**2020.12.31**
Current	**$ 11,301**	**9,579**
Non-current	**$ 17,450**	**7,664**

Please refer to Note 6 (20) Financial instruments for details of maturity analysis.

The amount of lease recognized in profit and loss is as follows:

	2021	**2020**
Interest expense on lease liabilities	**$ 196**	**291**
Expenses for short-term leases	**$ 3,622**	**4,035**

The amount of lease recognized in the Statement of Cash Flow is as follows:

	2021	**2020**
Total cash outflow from leases	**$ 15,563**	**16,213**

1) Lease of buildings and structures

The Group leases buildings and structures as offices and warehouses for a period of 2~6 years.

2) Other leases

The Group leases some warehouses, parking spaces and offices for a period of less than one year, which belong to short-term leases. The Group chooses to apply the exemption from recognition and does not recognize its relevant right-of-use assets and lease liabilities.

k. Provisions

		Warranty
Balance as of January 1, 2021	$	5,721
Provisions reversed in current period		(335)
Impact of changes in exchange rate		(46)
Balance as of December 31, 2021	**$**	**5,340**
Balance as of January 1, 2020	$	6,735
Provisions reversed in current period		(796)
Impact of changes in exchange rate		(218)
Balance as of December 31, 2020	**$**	**5,721**

The Group's provision for warranty liabilities in 2021 and 2020 is primarily related to the sale of products, and is estimated on the basis of historical warranty information for similar goods and services.

l. Employee benefits

1) Defined benefit plans

The adjustment between the present value of defined benefit obligations and the fair value of the plan assets of the Company is as follows:

		2021.12.31	**2020.12.31**
Present value of defined benefit obligations	$	61,842	59,724
Fair value of plan assets		(32,518)	(29,784)
Net defined benefit liabilities	**$**	**29,324**	**29,940**

The Company's defined benefit plan is allocated to the labor retirement reserve fund account established in the Bank of Taiwan. The retirement pension payment of each employee who applies the Labor Standards Act is calculated according to the base from years of service and the average salary for the six months prior to retirement.

a) Composition of plan assets

The pension fund allocated by the Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," for the utilization of the fund, the minimum return distributed in the final accounts each year shall not be lower than the return calculated at the interest rate for two-year fixed deposits at local banks.

As of the reporting date, the balance of the Company's labor retirement reserve fund account established in the Bank of Taiwan is NT$32,518 thousand. Information on the utilization of labor retirement fund assets includes return on funds and fund asset allocation. Please refer to the information published on the website of the Bureau of Labor Funds, Ministry of Labor for more details.

b) Changes in the present value of defined benefit obligations

The changes in the present value of the defined benefit obligations of the Company 2021 and 2020 follows:

		2021	2020
Defined benefit obligations as of January 1	$	59,724	51,374
Current service cost and interest		444	773
Remeasurement of the net defined benefit liabilities			
— Actuarial gains and losses arising from changes in demographic assumptions		2,993	491
— Actuarial gains and losses arising from changes in financial assumptions		(2,297)	2,455
— Experience adjustments		2,418	4,631
Plan benefits paid		(1,440)	-
Defined benefit obligations as of December 31	**$**	**61,842**	**59,724**

c) Changes in the fair value of plan assets

The changes in the fair value of the defined benefit plan assets of the Company 2021 and 2020 are as follows:

		2021	2020
Fair value of plan assets as of January 1	$	29,784	28,116
Interest income		105	228
Remeasurement of the net defined benefit liabilities			
- Return on plan assets (excluding current interest)		430	895
Amount allocated to the plan		3,639	545
Plan benefits paid		(1,440)	-
Fair value of plan assets as of December 31	**$**	**32,518**	**29,784**

d) Expenses recognized in profit or loss

The expenses recognized as profit and loss in 2021 and 2020 are as follows:

	2021	2020
Current service cost	$ 235	362
Interest on defined benefit liabilities	104	183
	$ 339	**545**
Administrative expenses	**$ 339**	**545**

e) Actuarial assumption

The material actuarial assumptions used by the Company to determine the present value of the defined benefit obligations on the closing date of financial statement are as follows:

	2021.12.31	2020.12.31
Discount rate	0.750%	0.350%
Increase in future salary	2.625%	2.625%

The Company expects to make an allocation of NT$454 thousand to the defined benefit plan within one year after the reporting date of 2021.

The weighted average duration of the defined benefit plan is 13 years.

f) Sensitivity analysis

The impact of the changes in the major actuarial assumptions adopted on the present value of defined benefit obligations as of December 31, 2021 and 2020 is as follows:

	Impact on the defined benefit obligations	
	Increase	**Decrease**
December 31, 2021		
Discount rate (change by 0.25%)	$ (1,458)	1,511
Future salary increase (change by 0.25%)	1,449	(1,407)
December 31, 2020		
Discount rate (change by 0.25%)	$ (1,383)	1,436
Future salary increase (change by 0.25%)	1,369	(1,326)

The above sensitivity analysis refers to the analysis of the impact of changes in a single assumption under the premise that other assumptions remain unchanged. In practice, many changes in assumptions may be linked. The methods used for sensitivity analysis is consistent with that used to calculate the net defined benefit liabilities of the balance sheet.

The methods and assumptions used for sensitivity analysis in current period are the same as those used in previous periods.

2) Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Group's defined contribution plan is allocated to the individual labor pension account at the Bureau of Labor Insurance, Ministry of Labor (the Bureau of Labor Insurance) at a contribution rate of 6% of the worker's monthly wages. There is no statutory or constructive obligation on the Group to pay any additional amount after the Group has made a fixed contribution to the Bureau of Labor Insurance under the such plan.

The pension expenses allocated by the Group under its defined pension contribution plan in 2021 and 2020 were NT$16,161 thousand and NT$16,386 thousand respectively (after deducting the ending payable expenses of NT$2,653 thousand and NT$2,685 thousand), which has been allocated to the Bureau of Labor Insurance.

In addition, the pension expenses recognized by foreign subsidiaries in accordance with relevant local laws and regulations in 2021 and 2020 are NT$1,684 thousand and NT$810 thousand respectively.

m. Income tax

1) Income tax expenses (benefits)

The expenses recognized as profit and loss in 2021 and 2020 are as follows:

		2021	2020
Current income tax expenses			
Incurred in the current period	$	10,152	4,757
Adjustment of current income tax in the previous period		465	(485)
		10,617	4,272
Deferred income tax expenses			
Occurrence and reversal of temporary differences		2,929	725
Income tax expenses of continuing operations	**$**	**13,546**	**4,997**

There is no income tax directly recognized as equity for 2021 and 2020 of the Group.

The income tax profits recognized under other comprehensive income of the Group for 2021 and 2020 were as follows:

		2021	2020
Actuarial gains (loss) from defined benefit plans	**$**	**537**	**1,340**

The reconciliation of income tax benefit and profit (loss) before tax for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Net profit (loss) before tax	$ 159,574	(60,422)
Income tax calculated according to the domestic tax rate at the place where the Group is located	38,078	(11,306)
Permanent differences	(21,702)	16,478
Recognition of tax losses unrecognized in previous period	-	(669)
Changes in temporary difference unrecognized	(4,452)	(1,208)
Current tax loss of items unrecognized as deferred tax assets:	-	1,672
Overestimate/underestimate for previous period	465	(485)
Income basic tax	1,642	24
Overestimate/underestimate of temporary differences	(485)	491
Total	**$ 13,546**	**4,997**

2) Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Items not recognized as deferred tax assets by the Group are as follows:

	2021.12.31	2020.12.31
Deductible temporary differences	$ 40,121	45,124
Unused tax loss carryforwards	63,725	70,547
Tax incentives	18,243	31,358
	$ 122,089	**147,029**

As of December 31, 2021 and 2020, the Group estimated that some of the temporary differences were unlikely to be realized in the foreseeable future. Therefore, the Group did not recognize any deferred tax assets.

b) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for 2021 and 2020 are as follows:

	Defined benefit plans	Others	Total
Deferred tax liabilities:			
Balance as of January 1, 2021	$ -	16	16
Debit (credit) profit and loss	-	244	244
Balance as of December 31, 2021	**$ -**	**260**	**260**
Balance as of January 1, 2020	$ -	582	582
Debit (credit) profit and loss	-	(566)	(566)
Balance as of December 31, 2020	**$ -**	**16**	**16**
Deferred tax assets:			
Balance as of January 1, 2021	$ 4,705	34,690	39,395
(Debit) credit profit and loss	-	(2,685)	(2,685)
(Debit) credit other comprehensive income	537	-	537
Impact of changes in exchange rate	-	(34)	(34)
Balance as of December 31, 2021	**$ 5,242**	**31,971**	**37,213**
Balance as of January 1, 2020	$ 3,365	36,285	39,650
(Debit) credit profit and loss	-	(1,291)	(1,291)
(Debit) credit other comprehensive income	1,340	-	1,340
Impact of changes in exchange rate	-	(304)	(304)
Balance as of December 31, 2020	**$ 4,705**	**34,690**	**39,395**

3) As of December 31, 2021, the Group's unrecognized deferred tax assets resulted from loss carryforwards and expiry year were as follows:

Loss year	Losses not yet deducted	Expiry year
2012	$ 34,458	2022
2013	24,087	2023
2014	24,389	2024
2015	17,719	2025
2016	8,438	2026
2017	150,048	2027
2018	10	2028
2019	10	2029
2020	18	2030
2021	109	2031
	$ 259,286	

In addition to those presented in the above table, the subsidiary Infortrend Corporation has a loss not yet deducted of NT$11,881 thousand and has recognized deferred tax assets of NT$2,054 thousand; and the subsidiary Infortrend Europe Limited has a loss not yet deducted of NT$62,463 thousand, which has not been recognized as a deferred income tax asset of NT$11,868 as the estimate that the temporary difference is unlikely to be realized in the foreseeable future.

4) Assessment of income tax

The Company's tax returns till 2019 were examined and approved by the Taiwan National Tax Administration.

n. Capital and other equity

Both the total authorized ordinary share capital of the Company as of December 31, 2021 and 2020 is NT$3,120,000 thousand for 312,000 thousand shares with a par value per share of NT$10. The number of ordinary shares outstanding was 273,552 thousand, and share capital of shares outstanding has been collected.

Below is the reconciliation statement for the number of outstanding shares of the Company for 2021 and 2020:

(presented in thousands of shares)

	Ordinary shares	
	2021	2020
Beginning balance as of January 1	273,552	276,076
Repurchase the shares of the Company	-	(2,736)
New restricted employee shares	-	212
Ending balance as of December 31	273,552	273,552

1) Issuance of ordinary shares

In accordance with the new restricted employee share plan adopted by the shareholders' meeting on June 10, 2013, June 13, 2014, June 8, 2016 and June 13, 2017, the Company issued 913 thousand, 987 thousand, 1,019 thousand and 301 thousand ordinary shares at face values for aggregate amounts of NT$9,129 thousand, NT$9,874 thousand, NT$10,189 thousand and NT$3,010 thousand, respectively, by resolution of the board of directors on March 16, 2015, March 15, 2016, March 13, 2017 and March 12, 2018. Among them, 17 thousand, 21 thousand, 283 thousand, 47 thousand, 64 thousand, 311 thousand, 133 thousand, 301 thousand, 35 thousand, 301 thousand, 23 thousand and 3 thousand shares, due to employee turnover and performance ratings not up to standard, were canceled on August 10, 2015, November 10, 2015, March 17, 2016, August 10, 2016, November 8, 2016, March 17, 2017, August 10, 2017, March 17, 2018, August 10, 2018, March 17, 2019, December 31, 2019 and May 9, 2020, respectively, and their registration of change were completed on September 2, 2015, November 27, 2015, April 6, 2016, August 23, 2016, November 22, 2016, April 6, 2017, August 28, 2017, April 3, 2018, August 28, 2018, April 1, 2019, January 15, 2020 and May 26, 2020. Please refer to Note 6 (15) for details.

2) Capital surplus

Balance of the Company's capital surplus is as follows:

		2021.12.31	2020.12.31
Share premium	$	88,085	88,085
Income from endowments received by the Company		719	717
Total	$	88,804	88,802

In accordance with the provisions of the Company Act, only after covering losses by capital surplus, the Company may distribute new shares or cash from realized capital surplus according to the proportion of the shareholders' original shares. The term "realized capital surplus" referred to in the preceding paragraph includes the income derived from the issuance of new shares at a premium and income from endowments received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Issuers, when capital surplus is capitalized, the combined amount capitalized in any 1 year may not exceed 10 percent of paid-in capital.

3) Retained earnings

In accordance with the Articles of Incorporation of the Company, any earnings after the Company's annual closing of the books, it shall be first used to pay all taxes and dues and cover accumulated losses, then 10 percent of the earnings shall be reserved as the legal reserve; provided that this restriction shall not apply to the circumstances that the legal reserve has reached the paid-in capital of the Company. Provision (reversal) for special reserve shall be made from the remaining earnings as required by the Company's operation or by law. If there is still a balance, the board of directors shall draw up an earnings distribution plan for the balance and the unappropriated earnings at the beginning of period, and submit it to the board of shareholders for a resolution on distribution.

The Company will, considering the Company's environment and growth stage, taking into account its future capital needs and long-term financial planning, satisfying the needs of shareholders for cash inflows, distribute shareholders' dividends in the form of both stock dividends and cash dividends, in which the proportion of cash dividends shall not be less than 10 percent of the total dividend of shareholders.

a) Legal reserve

If there is no loss, the Company may, by resolution of the shareholders' meeting, distribute new shares or cash from legal reserves, but only the portion of the reserve exceeding 25 percent of the paid-in capital shall be distributed.

b) Special reserve

Pursuant to Financial-Supervisory-Securities-Corporate-1010012865 issued on April 6, 2012, The Company shall allocate a special reserve of the same amount from the after-tax earnings for the current year and the unappropriated earnings in the previous period for the net deduction of shareholders' equity incurred for the current year. For the deduction of accumulated shareholders' equity for the preceding period, the special reserve of the same amount that should be allocated from the unappropriated earnings in the previous period shall not be distributed. In the event of a subsequent reversal of the amount of the reduction in shareholders' equity, the earnings may be distributed from such reversal.

c) Earning distribution

The Company's deficit appropriation and earnings distribution plans for 2020 were resolved at the regular shareholders' meeting on July 19, 2021 and the earnings distribution plans for 2019 were resolved at the regular shareholders' meeting on June 10, 2020 respectively. The payout ratio and amount of dividends distributed to owners are as follows:

	2020		2019	
	Payout ratio (NT$)	**Amount**	**Payout ratio (NT$)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.30	82,065	0.60	165,773

The earnings distribution plan for 2020 was distributed after offsetting a loss of 38,069 thousand from legal reserve.

The Company's earnings distribution plan for 2021 was resolved by the board of directors on March 10, 2022. The payout ratio and amount of dividends distributed to owners are as follows:

	2021	
	Payout ratio (NT$)	**Amount**
Dividends distributed to owners of ordinary shares:		
Cash	$ 0.40	109,421

4) Treasury shares

In 2020, the Company repurchased a total of 2,736 thousand treasury shares as necessary to protect the Company's credit and shareholders' equity in accordance with Article 28-2 of the Securities and Exchange Act. All the said treasury shares repurchased have been canceled in 2020.

The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and no shareholders' right shall be enjoyed until they are transferred.

5) Other equity (net after tax)

	Exchange differences on translation of foreign financial statements	Unpaid employee remuneration	Total
Balance as of January 1, 2021	$ 5,348	-	5,348
Exchange differences resulting from translating the net assets of foreign operations	(1,146)	-	(1,146)
Balance as of December 31, 2021	**$ 4,202**	**-**	**4,202**
Balance as of January 1, 2020	$ 7,586	(597)	6,989
Exchange differences resulting from translating the net assets of foreign operations	(2,238)	-	(2,238)
Unpaid employee remuneration	-	597	597
Balance as of December 31, 2020	**$ 5,348**	**-**	**5,348**

o. Share-based payment

On June 11, 2018, the Company issued 800 thousand new restricted employee shares by the resolution of shareholders' meeting, which were granted to only full-time employees of the Company who meet certain conditions and have been filed for effective registration with the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.

On June 13, 2017, June 8, 2016, June 13, 2014, and June 10, 2013, respectively, the Company issued 1,300 thousand, 1,500 thousand, 1,000 thousand and 2,500 thousand new restricted employee shares by the resolution of shareholders' meeting, which were granted to only full-time employees of the Company who meet certain conditions and have been filed for effective registration with the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C. And on March 12, 2018, March 13, 2017, March 15, 2016 and March 16, 2015, respectively, the Company issued 301 thousand, 1,019 thousand, 987 thousand and 913 thousand shares by resolutions of the board of directors.

Employees who are allotted the aforesaid new restricted employee shares may obtain 30%, 30% and 40% of the allotted shares under vesting conditions respectively if they have been in service for the first, second and third years after the date of allotment of shares and have met the performance criteria required by the Company.

After subscribing for the new shares, employees shall not sell, pledge, transfer, grant, or otherwise dispose of the new shares, nor shall they enjoy the allotment rights on dividends and reserves, nor the stock options to increase cash capital until the vesting conditions are met. From 15 business days prior to the book closure date of bonus shares and the book closure date of cash dividends to the base date of right distribution, the employees who have reached the vesting conditions during this period still do not be entitled to the right of earnings distribution on their shares which have been removed from the restriction.

Upon allotment of the new shares, employees shall, until the vesting conditions are met, deliver the shares in full to the trust institution designated by the Company for custody. During the trust custody period, the voting rights of the shareholders' meeting of the shares shall be exercised by the trust custody institution in accordance with the relevant laws and regulations. If any employee fails to meet the vesting conditions after being allotted the new shares, the Company will recover the shares without compensation and perform the cancellation of the shares according to law.

Relevant information on new restricted employee shares of the Company is as follows:

	2020
Number of shares outstanding as of January 1 (thousand shares)	215
Current vesting amount (thousand shares)	(212)
Current lost amount (thousand shares)	(3)
Number of shares outstanding as of December 31 (thousand shares)	-

1) Measurement parameters of fair value on the grant date

The Company adopts the Black-Scholes option pricing model to estimate the fair value of share-based payment at the grant date. The input value of this model is as follows:

	New restricted employee shares			
	Second grant	**Third grant**	**Fourth grant**	**Fifth grant**
Offering date	104.3.16	105.3.15	106.3.13	107.3.12
Fair value on the grant date	$ 1	17.40	16.65	13.35
Share price on the grant date	17.05	17.40	16.65	13.35
Strike price	-	-	-	-
Expected volatility (%)	24.089%~26.433%	30.490%~32.957%	27.786%~31.762%	26.333%~35.314%
Duration (years)	3	3	3	3
Expected rate of dividend (%)	3.52%	5.17%	5.41%	3.00%
Risk-free interest rate (%)	1.345%~1.395%	1.230%~1.305%	1.065%~1.115%	1.065%~1.115%

The Company's expected volatility is based on historical volatility. The duration is governed by the Company's issuance rules. The expected dividends are calculated based on cash dividends distributed by the Company in 2017, 2016, 2015 and 2014, respectively. The risk-free interest rate refers to the interest rate for one to three-year fixed deposits of the Bank of Taiwan. The determination of fair value does not take into account the services and non-market performance in the transaction.

2) Employee expenses and liabilities

The expenses incurred from share-based payments by the Company for 2020 are as follows:

	2020
Expenses incurred by new restricted employee shares	544

p. Earnings per share

1) Basic earnings per share

The basic earnings per share of the Group for 2021 and 2020 is calculated on the basis of the net profit attributable to the ordinary equity holders of the Group and the weighted average number of ordinary shares outstanding as follows:

a) Net profit (loss) attributable to the ordinary equity holders of the Company

	2021	2020
Net profit (loss) attributable to the ordinary equity holders of the Company	$ 146,028	(65,419)

b) Weighted average number of ordinary shares outstanding

	2021	2020
Ordinary shares outstanding as of January 1	273,552	276,076
Impact of new restricted employee shares	-	169
Impact of treasury shares	-	(1,696)
Weighted average number of ordinary shares outstanding as of December 31	273,552	274,549

2) Diluted earnings per share

The basic earnings per share of the Company for 2021 is calculated on the basis of the net profit attributable to the ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding after adjusting for the dilution effect of all potential ordinary shares as follows:

a) Net profit attributable to the ordinary equity holders of the Company (diluted)

	2021
Net profit attributable to the ordinary equity holders of the Company (diluted)	$ 146,028

b) Weighted average number of ordinary shares outstanding (diluted)

	2021
Weighted average number of ordinary shares outstanding (basic)	274,549
Impact of employee stock remuneration	1,842
Balance as of December 31 - weighted average number of ordinary shares outstanding (diluted)	276,391

Since it is a net loss for 2020 for the Company, there is no dilution effect. Therefore, the disclosure of diluted earnings per share (loss) is not required.

q. Revenue from contracts with customers

1) Disaggregation of income

	2021					
	Head Office	**Subsidiary in the USA**	**Subsidiary in the UK**	**Subsidiary in China**	**Other segments**	**Total**
Primary geographical markets:						
USA	$ -	126,595	-	-	-	126,595
Europe	88,070	-	109,173	-	-	197,243
Taiwan	38,503	-	-	-	2	38,505
China	13,638	-	-	162,867	-	176,505
Japan	349,408	-	-	-	89,002	438,410
Germany	48,314	-	8,271	-	-	56,585
Other countries	155,124	514	-	-	7	155,645
	$ 693,057	127,109	117,444	162,867	89,011	1,189,488
Major products:						
Computer peripherals	$ 680,475	119,620	104,703	159,457	84,274	1,148,529
Rendering of services	12,582	7,489	12,741	3,410	4,737	40,959
	$ 693,057	127,109	117,444	162,867	89,011	1,189,488

	2020					
	Head Office	**Subsidiary in the USA**	**Subsidiary in the UK**	**Subsidiary in China**	**Other segments**	**Total**
Primary geographical markets:						
USA	$ -	127,667	-	-	-	127,667
Europe	96,217	-	84,565	-	1,065	181,847
Taiwan	59,262	-	-	-	118	59,380
China	611	-	-	166,669	18	167,298
Japan	276,744	-	-	-	54,818	331,562
Germany	117,567	-	12,446	-	-	130,013
Other countries	130,101	-	-	-	2,679	132,780
	$ 680,502	127,667	97,011	166,669	58,698	1,130,547
Major products:						
Computer peripherals	$ 653,799	120,004	86,129	162,323	53,341	1,075,596
Rendering of services	26,703	7,663	10,882	4,346	5,357	54,951
	$ 680,502	127,667	97,011	166,669	58,698	1,130,547

2) Contract balance

		2021.12.31	2020.12.31	2020.1.1
Trade receivables	$	229,688	170,776	252,560
Less: allowance for losses		(4,198)	(8,702)	(10,592)
Total	$	225,490	162,074	241,968
Contract liabilities	$	58,134	50,570	49,045

Please refer to Note 6 (3) for details of disclosure of trade receivables and their impairment.

The beginning balance of contract liabilities as of January 1, 2021 and 2020 was recognized as income of NT$13,999 thousand and NT$15,348 thousand in 2021 and 2020, respectively.

The changes in the contract liabilities are mainly from the difference between the time point at which the performance obligation is met and the time point at which the customer pays.

r. Remuneration to employees and directors

In accordance with the Articles of Incorporation of the Company, if the Company has gained profits within a fiscal year, at least 1 percent of the profits shall be allocated as the employees' compensation, and less than 0.5 percent as the director's remuneration. However, in case of the accumulated losses, certain profits shall first be reserved to cover them. Profits refer to pre-tax benefits before deducting remuneration to employees and directors. The remuneration to employees referred to in the preceding paragraph may be distributed by shares or cash to employees of subsidiaries.

The Company's remuneration for employees in 2021 is accrued at NT$35,000 thousand, and the compensation for directors is accrued at NT$940 thousand, which are based on the amount of the Company's net pre-tax income before deducting the remuneration to employees and directors for the period multiplied by the distribution percentage of remuneration to employees and directors as stipulated in the Articles of Incorporation, and presented as operating costs or operating expenses for the period. If the actual distribution amount differs from the estimated amount in the following year, the discrepancies are treated as a change in accounting estimate and recognized as profit or loss in the following year.

It is a pre-tax loss for 2020 thus no provision has been made for the expenses related to the remuneration to employees and directors.

s. Non-operating income and expenses

1) Interest income

The interest income of the Group in 2021 and 2020 are as follows:

		2021	2020
Interest income			
Financial assets measured at fair value through profit or loss	$	31,571	42,926
Interest on bank deposits		1,456	795
Others		8	10

Total interest income	**$**	**33,035**	**43,731**

2) Other income

Other income of the Group in 2021 and 2020 is as follows:

		2021	2020
Rental income	$	17,148	18,125
Dividend income		99,391	64,030
	$	**116,539**	**82,155**

3) Other gains and losses

Other gains and losses of the Group in 2021 and 2020 are as follows:

		2021	2020
Net loss of foreign exchange	$	(10,588)	(19,855)
Net loss of financial assets (liabilities) measured at fair value through profit or loss		(4,462)	(134,054)
Gain (loss) on disposal and retirement of property, plant and equipment		64	(66)
Others		9,203	5,522
	$	**(5,783)**	**(148,453)**

4) Financial costs

The financial costs of the Group in 2021 and 2020 are as follows:

		2021	2020
Interest expenses	**$**	**10,230**	**7,704**

t. Financial instruments

1) Credit risk

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure amount.

b) Concentration of credit risk

The Group's credit risk exposure is mainly affected by the individual circumstance of each customer. However, management also takes into account the statistics of the Group's customer base, including the default risk of the customer's industry and country, as these factors may affect credit risk. As of December 31, 2021 and 2020, 33.73% and 41.84% of the net trade receivables of the Group are derived from a single customer, as a result, there is a significant concentration of credit risk in the Group. In order to reduce the credit risk of trade receivables, the Group continuously assesses the financial position of its customers, periodically evaluates the possibility of collection of trade receivables and makes provision for bad debts.

c) Credit risk of receivables

Please refer to Note 6 (3) for information on the credit risk exposure of trade receivables. Other financial assets measured at amortized cost include other receivables and certificates of deposit. Please refer to Note 6 (4) for relevant information and provision for impairment allowance.

The foregoing items are financial assets with low credit risk, so the allowance for losses for the period are measured by the amount of the expected 12-month credit losses (Please refer to Note 4 (7) for instructions on how the Group determines the low credit risk). Time deposits held by the Group are traded with and performed by financial institutions of investment grade or above, and therefore are deemed to have low credit risk.

2) Liquidity risk

The table below shows the expiration dates of contract on financial liabilities, including the estimated interest but excluding the impact of netting agreement:

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2021							
Non-derivative financial liabilities							
Secured bank loans	$ 683,750	684,565	684,565	-	-	-	-
Unsecured bank loans	516,250	516,700	516,700	-	-	-	-
Trade payables	73,283	73,283	73,283	-	-	-	-
Other payables	157,364	157,364	157,364	-	-	-	-
Lease liabilities	28,751	29,148	5,823	5,658	9,121	8,546	-
Derivative financial liabilities							
Swap contracts for non-hedging purposes:							
Inflow	$ -	(138,419)	(138,419)	-	-	-	-
Outflow	247	138,666	138,666	-	-	-	-
	$ 1,459,645	1,461,307	1,437,982	5,658	9,121	8,546	-
December 31, 2020							
Non-derivative financial liabilities							
Secured bank loans	$ 492,500	493,781	493,781	-	-	-	-
Unsecured bank loans	357,500	357,996	357,996	-	-	-	-
Trade payables	50,783	50,783	50,783	-	-	-	-
Other payables	135,237	135,237	135,237	-	-	-	-
Lease liabilities	17,243	17,538	6,166	3,617	4,239	3,516	-
	$ 1,053,263	1,055,335	1,043,963	3,617	4,239	3,516	-

The Group does not expect that the cash flow for the due date analysis will occur significantly earlier or that the actual amount may vary significantly.

3) Exchange rate risk

a) Exposure to exchange rate risk

The Group's financial assets and liabilities that are exposed to significant foreign exchange risk are as follows:

	2021.12.31		
	Foreign currency (thousand dollars)	**Exchange rate**	**NTD**
Financial assets			
Monetary items			
USD	$ 45,498.24	USD:NTD 27.6650	1,258,709
	1,438.39	USD:JPY 115.1269	39,793
EUR	100.37	EUR:NTD 32.3300	3,245
RMB	191,194.67	RMB:NTD 4.3460	830,932
ZAR	83,048.85	ZAR:NTD 1.7300	143,675
HKD	11,770.70	HKD:NTD 3.5500	41,786
Financial liabilities			
Monetary items			
USD	304.67	USD:NTD 27.6650	8,429
	2,504.04	USD:RMB 6.3656	69,274
	1,641.64	USD:JPY 115.1269	45,416

	2020.12.31		
	Foreign currency (thousand dollars)	**Exchange rate**	**NTD**
Financial assets			
Monetary items			
USD	$ 38,515.95	USD:NTD 28.1100	1,082,683
	208.92	USD:JPY 103.1181	5,873
EUR	96.84	EUR:NTD 34.5500	3,346
RMB	101,300.44	RMB:NTD 4.3200	437,618
ZAR	34,354.50	ZAR:NTD 1.9200	65,961
INR	111,197.58	INR:NTD 0.3847	42,781
Financial liabilities			
Monetary items			
USD	108.33	USD:NTD 28.1100	3,045
	2,826.42	USD:RMB 6.5069	79,451
	343.94	USD:JPY 103.1181	9,668

b) Sensitivity analysis

The exchange rate risk of the Group's monetary items mainly derives from the foreign currency exchange gains and losses generated at the time of translation of foreign-currency-denominated cash and cash equivalents, trade receivables and other receivables, financial assets and liabilities at fair value through profit or loss, trade payables and other payables etc. As of December 31, 2021 and 2020, when the functional currency depreciates or appreciates by 0.5% relative to the non-functional currency, with all other factors remain unchanged, the net profit after tax as of December 31, 2021 and 2020 will increase by NT$8,780 thousand and NT$6,184 thousand respectively.

Due to the wide variety of functional currencies adopted, the Group discloses the exchange gains and losses of monetary items in a consolidated manner. The gains and losses (realized and unrealized) on foreign currency exchange in 2021 and 2020 were a loss of NT$10,588 thousand and a loss of NT$19,855 thousand.

c) Interest rate risk

The interest rate exposure of the Group's financial assets and financial liabilities is described in the liquidity risk management section of this Note. The following sensitivity analysis is based on the interest rate exposure of both derivative and non-derivative instruments as at the reporting date. For floating rate liabilities, the analysis assumes that the amount of liabilities outstanding on the reporting date is outstanding for the entire year. The rate of change used internally to report interest rates to key management is a 1% increase or decrease in interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increases or decreases by 1%, with all other variables remain unchanged, the net profit of the Group in 2021 and 2020 will decrease or increase by $9,600 thousand and $6,800 thousand, mainly resulting from the Group's borrowings at variable interest rates.

d) Other price risks

If the price of equity securities had changed at the reporting date (the same basis was used for both periods of analysis and other changes were assumed to be constant), the effect on the items in the comprehensive income would have been as follows:

	2021		2020	
Price on the reporting date	**Other comprehensive income after tax**	**Profit or loss after tax**	**Other comprehensive income after tax**	**Profit or loss after tax**
Stocks - up by 1%	$ -	26,539	-	20,846
Stocks - down by 1%	$ -	(26,539)	-	(20,846)
Beneficiary certificate - up by 1%	$ -	3,814	-	7,499
Beneficiary certificate - down by 1%	$ -	(3,814)	-	(7,499)

ETF - up by 1%	$ -	275	-	275
ETF - down by 1%	$ -	(275)	-	(275)

4) Fair value information

a) Type of financial instruments and fair value

The financial assets and liabilities measured at fair value through profit or loss of the Group are measured at fair value on a repeatability basis. The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value classification information, but the carrying amounts of financial instruments not measured at fair value which are a reasonable approximation of the fair value, and the lease liabilities are not required to disclose the fair value information) are presented as follows:

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Derivative financial assets	$ 27,534	27,534	-	-	27,534
Non-derivative financial assets mandatorily measured at fair value through profit or loss	3,761,155	3,761,155	-	-	3,761,155
Subtotal	3,788,689	3,788,689	-	-	3,788,689
Financial assets measured at amortized cost					
Cash and cash equivalents	392,520	-	-	-	-
Trade receivables and other receivables	244,496	-	-	-	-
Other financial assets	126,867	-	-	-	-
Subtotal	763,883	-	-	-	-
Total	$ 4,552,572	3,788,689	-	-	3,788,689
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 247	-	247	-	247
Financial assets at amortized cost					
Short-term loans	1,200,000	-	-	-	-
Trade payables	73,283	-	-	-	-
Other payables	157,364	-	-	-	-
Lease liabilities	28,751	-	-	-	-
Total	$ 1,459,645	-	247	-	247

	2020.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Derivative financial assets	$ 27,547	27,547	-	-	27,547
Non-derivative financial assets mandatorily measured at fair value through profit or loss	3,494,414	3,494,414	-	-	3,494,414
Subtotal	3,521,961	3,521,961	-	-	3,521,961
Financial assets measured at amortized cost					
Cash and cash equivalents	288,988	-	-	-	-
Trade receivables and other receivables	258,369	-	-	-	-
Other financial assets	5,446	-	-	-	-
Subtotal	552,803	-	-	-	-
Total	$ 4,074,764	3,521,961	-	-	3,521,961
Financial assets at amortized cost					
Short-term loans	$ 850,000	-	-	-	-
Trade payables	50,783	-	-	-	-
Other payables	135,237	-	-	-	-
Lease liabilities	17,243	-	-	-	-
Total	$ 1,053,263	-	-	-	-

b) Each fair value hierarchy is defined as follows:

i. Level 1: The publicly quoted prices (unadjusted) in active markets for identical assets or liabilities.

ii. Level 2: The input parameters other than publicly quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. price) or indirectly (and derived from price).

iii. Level 3: The inputs for assets or liabilities that are not based on observable market prices and counterparty quoted prices (non-observable parameters).

c) Valuation technique of fair value of financial instruments measured at fair value

The Group presents the fair value of financial assets and financial liabilities by class and attribute as follows:

i. Redeemable corporate bonds and open-end funds listed (OTC) are financial assets that are subject to standard terms and conditions and are traded in an active market, and their fair value is based on the publicly quoted prices in active markets.

ii. Forward contracts and exchange rates for derivative financial instruments are usually valued according to valuation models accepted widely by market users at current forward exchange rates. The fair value for structured derivative instruments is calculated by the cash flow discount analysis using the yield curve applied to the duration of derivative commodities.

d) Transfer between Level 1 and Level 2

There is no transfer in 2021 and 2020.

u. Financial risk management

1) Summary

The Group is exposed to the following risks as a result of the use of financial instruments:

a) Credit risk

b) Liquidity risk

c) Market risk

This Note presents the information on the Group's exposure to the above risks and the Group's objectives, policies and procedures for measuring and managing risk. Please refer to relevant notes to the Consolidated Financial Statements for details of further quantitative disclosure.

2) Risk management framework

The board of directors shall fully take the responsibilities for establishment and supervision of the risk management framework of the Group.

The risk management policy of the Group is established to identify and analyze risks encountered by the Group, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Group's operations. The Group develops a disciplined and constructive control environment through training, management guidelines and procedures to enable all employees to understand their roles and obligations.

The audit committee of the Group supervises the compliance of the Group's risk management policies and procedures, and reviews the appropriateness of the Group's relevant management framework for the risks encountered. The internal auditors assist the audit committee of the Group in its supervisory role by conducting periodic and exceptional reviews on risk management controls and procedures and reporting the review results to the audit committee.

3) Credit risk

Credit risk refers to the risk of the Group's financial loss arising from the failure of a customer or a counterparty to a financial instrument to fulfill its contractual obligations, which is mainly derived from the Group's trade receivables from customers, bank deposits and securities investments.

a) Trade receivables and other receivables

The Group has developed a credit policy for a wide range of customers, under which the Group shall analyze the credit rating of each new customer on an individual basis. To reduce credit risk, the Group regularly and continuously evaluates the financial position of its customers, but does not normally require customers to provide collateral.

b) Investments

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by our management and finance department. Since the parties which the Group trades with and the investments performed by are all banks of good credit and financial institutions and corporate organizations with investment grade or above, there is no significant doubts on performance, thus there is no material credit risk.

4) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to deliver cash or other financial assets to pay off its financial liabilities and fail to meet its obligations. The Group manages its liquidity in such a way as to ensure, to the extent possible, that the Group has adequate liquidity under normal and stressful circumstances to meet its liabilities when they come due without the risk of unacceptable loss or damage to the Group's reputation.

5) Market risk

Market risk refers to the risk that the Group's earnings or the value of financial instruments held by the Group may be affected by changes in market prices, such as changes in exchange rates, interest rates, or prices of equity instruments. Market risk management aims to control the exposure of market risk to a tolerable extent and to maximize the return on investment.

The Group engages in derivatives transaction to manage market risk. All transactions are conducted in accordance with the Group's Derivative Commodity Handling Procedures.

a) Exchange rate risk

The Group is exposed to exchange rate risks arising from sales, procurements and borrowing transactions that are not denominated in the functional currencies of each of the Group's enterprises. The functional currencies of the Group's enterprises are mainly New Taiwan dollar, as well as US dollar, RMB and Japanese yen, while the main currencies used for transactions are New Taiwan dollar, Euro, US dollar, British pound and Japanese yen.

In addition to the natural hedging by trade receivables and trade payables, the Group also adopts one-year forward foreign exchange contracts or other financial instruments to hedge foreign exchange risks.

b) Interest rate risk

The Group's investments in financial bonds and borrowings may affect interest income, expenses or fair value as market interest rates change, but slightly affect the working capital of the Group.

c) Other market price risks

The Group is exposed to equity prices risk derived from listed (OTC) equity securities investments. The equity investments are not held for trading but are for strategic investments. The Group does not actively trade such investments, and the Group's management personnel manage risk by holding different risk investment portfolios. The Group's equity price risk is mainly concentrated in equity instruments issued by financial enterprises on the Taiwan Stock Exchange. In addition, the Group assigns a specific team to monitor the price risk and to assess when it is necessary to increase the hedging position of the risk to be avoided.

v. Capital management

The capital management the Group aims to ensure the ability as a going concern, so as to provide shareholder returns and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, reduce capital to refund shareholders, issue new shares or sell assets to pay off liabilities.

In line with its peers, the Group manages capital on the basis of its debt-to-capital ratio, which is calculated by dividing net liabilities by total capital. Net liabilities are the total liabilities presented in the balance sheet minus cash and cash equivalents. Total capital is the total component of equity (i.e., share capital, capital surplus, retained earnings, treasury shares and other equity).

		2021.12.31	2020.12.31
Total liabilities	$	1,570,115	1,154,804
Less: Cash and cash equivalents		(392,520)	(288,988)
Net liabilities	**$**	**1,177,595**	**865,816**
Total equity	**$**	**4,025,018**	**3,964,347**
Debt-to-capital ratio		**29.26%**	**21.84%**

As of December 31, 2021, the Group's approach to capital management remained unchanged.

w. Investment and financing activities involved in non-cash transactions

The Group's investment activities in 2021 and 2020 are not involved in non-cash transactions. Financing activities involved in non-cash transactions refer to acquisition of right-of-use assets by lease. Please refer to Note 6 (7) for details.

The Company’s financing activities that did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

	2021.1.1	Cash flow	Non-cash changes	2021.12.31
Lease liabilities	$ 17,243	(11,745)	23,253	28,751
Total liabilities generated from the financing activities	**$ 17,243**	**(11,745)**	**23,253**	**28,751**

	2020.1.1	Cash flow	Non-cash changes	2020.12.31
Lease liabilities	$ 28,773	(11,887)	357	17,243
Total liabilities generated from the financing activities	**$ 28,773**	**(11,887)**	**357**	**17,243**

7. Related-Party Transactions

Transactions of key management personnel

Remuneration of key management personnel includes:

	2021	2020
Short-term employee benefits	$ 16,834	20,650
Post-employment benefits	281	3,192
	$ 17,115	**23,842**

8. Pledged Assets

The carrying value of the assets pledged as guarantee by the Group is as follows:

Pledged assets	Object of pledge guarantee	2021.12.31	2020.12.31
Financial assets at fair value through profit or loss - current	Short-term loans and financing amount	$ 1,491,408	1,292,051
Other financial assets - current	Short-term loans and financing amount	121,691	-
Other financial assets - non-current	Guarantee for customs duties	2,600	2,600
Other financial assets - non-current	Guarantee for national defense service and deposit for housing and parking space	2,576	2,846
		$ 1,618,275	**1,297,497**

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

a. Significant unrecognized contractual commitments:

1) The refundable deposit notes issued by the Group for the loan limit are as follows:

	2021.12.31	2020.12.31
NTD	$ 800,000	800,000

10. Losses due to Major Disasters: None.

11. Significant Events after the Balance Sheet Date: None.

12. Others

a. The summary of employee benefits, depreciation, depletion and amortization expenses by function is as follows:

Function / Nature	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	105,233	314,861	420,094	102,389	332,192	434,581
Labor and health insurance expenses	10,529	23,523	34,052	9,858	24,679	34,537
Pension expenses	4,932	13,252	18,184	4,903	12,838	17,741
Other employee benefits expenses	5,346	10,517	15,863	5,376	11,052	16,428
Depreciation expenses	9,993	22,394	32,387	9,995	23,907	33,902
Amortization expenses	-	423	423	-	787	787

b. Influences of COVID-19:

The COVID-19 outbreak in early 2020 has affected the sales of the Group, including orders decreased and deliveries delayed, but the revenue has gradually recovered. The Group will continue to closely monitor the development of events for immediate assessment, and take relevant measures to for the pandemic.

13. Supplementary Disclosures

a. Information on significant transactions

In accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," the Group discloses the information concerning significant transactions in 2021 as follows:

1) Financings provided: None.

2) Guarantee and endorsement provided: None.

3) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures):

Notes to the Consolidated Financial Statements of Infortrend Technology Inc. and Its Subsidiaries (Continued)

Unit: NT$ Thousands

Holding company	Type and name of securities	Relationship with the issuer of securities	Accounting subject	End of the period				Interim highest share holdings or capital contributions	Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value		
Infortrend Technology Inc.	SoftBank Perpetual Bonds	-	Derivatives measured at fair value through profit or loss - non-current	-	27,534	- %	27,534	- %	
〃	UPAMC James Bond Money Market Fund	-	Debt instruments measured at fair value through profit or loss - current	249,822.94	4,215	- %	4,215	- %	
〃	Nomura Global Financial Bond Fund Dis - USD	-	〃	84,161.62	27,162	- %	27,162	- %	
〃	Nomura Fallen Angel High Yield Bond Fund-USD	-	〃	118,389.31	33,196	- %	33,196	- %	
〃	Nomura Fallen Angel High Yield Bond Fund-RMB	-	〃	1,401,951.33	62,539	- %	62,539	- %	
〃	Cathay Senior Secured High Yield Bond Fund - USD	-	〃	13,106,492.50	135,319	- %	135,319	- %	
〃	Cathay Asian High Yield Bond Fund - USD	-	〃	99,975.88	21,842	- %	21,842	- %	
〃	Cathay High Income Fund of Funds - USD	-	〃	1,129,567.60	14,284	- %	14,284	- %	
〃	Taishin Strategy Senior Total Return High Yield Bond Fund-USD	-	〃	590,056.98	26,895	- %	26,895	- %	
〃	PGIM Broad Market U.S. High Yield Bond Fund-USD	-	〃	19,598.92	55,932	- %	55,932	- %	
〃	Swiss Bank USD Bonds	-	〃	-	88,972	- %	88,972	- %	
〃	Barclays Bank USD Bonds	-	〃	-	59,100	- %	59,100	- %	
〃	Fortis Insurance USD Bonds	-	〃	-	42,531	- %	42,531	- %	
〃	Westpac Bank RMB Bonds	-	〃	-	40,369	- %	40,369	- %	
〃	CDB Leasing USD Bonds	-	〃	-	41,669	- %	41,669	- %	
〃	Standard Charter Group USD Bonds	-	〃	-	41,627	- %	41,627	- %	
〃	Agricultural Development Bank of China RMB Bonds	-	〃	-	4,369	- %	4,369	- %	
〃	The Hong Kong Mortgage Corporation Limited RMB Bonds	-	〃	-	85,928	- %	85,928	- %	
〃	Far East Horizon Ltd. RMB Bonds	-	〃	-	21,583	- %	21,583	- %	
〃	KEXIM RMB Bonds	-	〃	-	34,658	- %	34,658	- %	
〃	KEXIM Bank INR Bonds	-	〃	-	15,162	- %	15,162	- %	
Infortrend Technology Inc.	International Bank for Reconstruction and Development ZAR Bonds	-	Debt instruments measured at fair value through profit or loss - current	-	35,540	- %	35,540	- %	
〃	China Construction Bank RMB Bonds	-	〃	-	73,895	- %	73,895	- %	
〃	Asian Infrastructure	-	〃	-	19,614	- %	19,614	- %	

Holding company	Type and name of securities	Relationship with the issuer of securities	Accounting subject	End of the period				Interim highest share holdings or capital contributions	Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value		
	Investment Bank ZAR Bonds								
〃	Evergrande Group USD Bonds	-	〃	-	2,183	- %	2,183	- %	
〃	Industrial and Commercial Bank of China Macau Branch RMB Deposits	-	〃	-	21,748	- %	21,748	- %	
〃	European Bank for Reconstruction and Development INR Bonds	-	〃	-	22,335	- %	22,335	- %	
〃	International Finance Corporation INR Bonds	-	〃	-	22,892	- %	22,892	- %	
〃	Bank of China, Macau Branch RMB Bonds	-	〃	-	21,671	- %	21,671	- %	
〃	Inter-American Development Bank INR Bonds	-	〃	-	29,995	- %	29,995	- %	
〃	Class A Preferred Shares issued by Fubon Financial Holding	-	Equity instruments measured at fair value through profit or loss - current	7,339,000.00	463,825	- %	463,825	- %	Note
〃	Class B Preferred Shares issued by Fubon Financial Holding	-	〃	2,898,000.00	182,864	- %	182,864	- %	
〃	Class A Preferred Shares issued by Cathay Financial Holdings	-	〃	4,059,000.00	255,311	- %	255,311	- %	Note
〃	Class E Registered Preferred Shares issued by Taishin Holdings	-	〃	8,383,000.00	445,137	- %	445,137	- %	Note
〃	Class A Preferred Shares issued by Union Bank	-	〃	10,251,000.00	543,303	- %	543,303	- %	Note
〃	Class A Preferred Shares issued by WPG Holdings	-	〃	5,901,000.00	292,394	- %	292,394	- %	
〃	Class A Preferred Shares issued by Shin Kong Financial Holding	-	〃	5,821,000.00	247,975	- %	247,975	- %	Note
〃	Class B Preferred Shares issued by Shin Kong Financial Holding	-	〃	4,285,000.00	183,612	- %	183,612	- %	
〃	Non-cumulative Convertible Class A Preferred Shares issued by O-Bank	-	〃	3,907,000.00	39,461	- %	39,461	- %	
〃	Ordinary shares of Cathay Financial Holdings Co., Ltd.	-	〃	465.00	29	- %	29	- %	
〃	Ordinary shares of Fubon Financial Holding Co., Ltd.	-	〃	243.00	19	- %	19	- %	

Note: Please refer to Notes 6 (2) and 8 for details about stock pledge.

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None.

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

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

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

8) Trade receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more: None.

9) Trading in derivative instruments: Please refer to Note 6 (2) and 6 (20).

10) The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances of any significant transactions between them:

Number	Name of trader	Trading partner	Relationships with trader	Business transaction			
				Subject	Amount	Terms of the transaction	As a proportion of total consolidated operating revenue or total assets
0	Infortrend Technology Inc.	Infortrend Corporation	1	Sales income	89,906	10~20 % lower than the general trading price	7.56%
0	Infortrend Technology Inc.	Infortrend Europe Limited	1	Sales income	82,288	10~20 % lower than the general trading price	6.92%
0	Infortrend Technology Inc.	Infortrend Japan Inc.	1	Sales income	78,382	10~20 % lower than the general trading price	6.59%
0	Infortrend Technology Inc.	Infortrend Shanghai Limited	1	Sales income	99,842	10~20 % lower than the general trading price	8.39%
0	Infortrend Technology Inc.	Infortrend Corporation	1	Trade receivables	5,562	1-1.5 months more than the general conditions of credit.	0.10%
0	Infortrend Technology Inc.	Infortrend Europe Limited	1	Trade receivables	13,473	1-1.5 months more than the general conditions of credit.	0.24%
0	Infortrend Technology Inc.	Infortrend Japan Inc.	1	Trade receivables	45,416	1-1.5 months more than the general conditions of credit.	0.81%
0	Infortrend Technology Inc.	Infortrend Shanghai Limited	1	Trade receivables	69,274	1-1.5 months more than the general conditions of credit.	1.24%
1	Infortrend Corporation	Infortrend Technology Inc.	2	Purchase of goods	89,906	10~20 % lower than the general trading price	7.56%
2	Infortrend Europe Limited	Infortrend Technology Inc.	2	Purchase of goods	82,288	10~20 % lower than the general trading price	6.92%
3	Infortrend Japan Inc.	Infortrend Technology Inc.	2	Purchase of goods	78,382	10~20 % lower than the general trading price	6.59%
4	Infortrend Shanghai Limited	Infortrend Technology Inc.	2	Purchase of goods	99,842	10~20 % lower than the general trading price	8.39%
1	Infortrend Corporation	Infortrend Technology Inc.	2	Trade payables	5,562	1-1.5 months more than the general conditions of credit.	0.10%
2	Infortrend Europe Limited	Infortrend Technology Inc.	2	Trade payables	13,473	1-1.5 months more than the general conditions of credit.	0.24%
3	Infortrend Japan Inc.	Infortrend Technology Inc.	2	Trade payables	45,416	1-1.5 months more than the general conditions of credit.	0.81%
4	Infortrend Shanghai Limited	Infortrend Technology Inc.	2	Trade payables	69,274	1-1.5 months more than the general conditions of credit.	1.24%

Note 1. The number shall be filled in as follows:

1. 0 represents the parent company.
2. Subsidiaries are numbered sequentially starting with the Arabic numeral 1 by company.

Note 2. The types of relationships with traders are indicated as follows:

1. Parent company's transaction with subsidiary.
2. Subsidiary's transaction with its parent company.
3. Transaction between subsidiaries.

Note 3. Transactions whose amount do not exceed 1% of the total operating revenue will not be disclosed.

b. Information on investments in other companies:

The information on the Group's investments in other companies in 2021 is as follows (excluding the investee companies in the Mainland China):

Notes to the Consolidated Financial Statements of Infortrend Technology Inc. and Its Subsidiaries (Continued)

Unit: NT$ Thousands

Name of investment company	Name of investee	Region	Principal business	Original investment amount (Note (2))		Shareholding at the end of the period			Interim highest share holdings or capital contributions	Current profit or loss of investee	Investment profit or loss recognized in the current period	Remarks
				End of current period	End of last year	Number of shares	Ratio	Carrying amount				
Infortrend Technology Inc.	Infortrend Corporation	USA	Transaction of computer peripherals	65,628	65,628	153,824	100.00%	33,037	- %	17,506	15,474	Subsidiary
Infortrend Technology Inc.	Infortrend Europe Limited	United Kingdom	Transaction of computer peripherals	89,174	89,174	2,200,000	100.00%	18,380	- %	2,966	2,966	〃
Infortrend Technology Inc.	Infortrend Japan Inc.	Japan	Transaction of computer peripherals	930	930	60	100.00%	147	- %	785	785	〃
Infortrend Technology Inc.	Prophet Technology Inc.	Taiwan	Transaction of computer peripherals	15,000	15,000	1,500,000	100.00%	15,188	- %	(403)	(403)	〃
Infortrend Technology Inc.	Infortrend Limited	Mauritius	Investment	120,270	120,270	-	100.00%	(2,926)	- %	1,378	1,378	〃
Infortrend Europe Limited	Infortrend Deutschland GmbH	Germany	Transaction of computer peripherals	1,015	1,015	-	100.00%	3,863	- %	17	17	Sub-subsidiary
Prophet Technology Inc.	Surveon Technology Inc.	Taiwan	Transaction of computer peripherals	10,000	10,000	1,000,000	100.00%	10,200	- %	(404)	(404)	〃

Note 1. The above transactions were written off at the time of preparation of the consolidated financial statements.

Note 2. The exchange rate is the historical exchange rate at the time of each investment.

c. Information on investments in mainland China:

1) Information on investments in Mainland China:

Unit: NT$ Thousands

Name of investee in Mainland China	Principal business	Paid-in capital (Note 3)	Method of investment	Accumulated outward remittance of investment from Taiwan at the beginning of the current period (Note 3)	Outward remittance or recovery of investment in the current period (Note 3)		Accumulated outward remittance of investment from Taiwan at the end of the current period (Note 3)	Current profit or loss of investee	Shareholding ratio of the Company's direct or indirect investments	Interim highest share holdings or capital contributions	Investment profit or loss recognized in the current period	Ending book value of investment	Repatriated investment income as of the end of current period
					Remittance	Recovery							
Infortrend Shanghai Limited	Transaction of computer peripherals	68,121	(2)	68,121	-	-	68,121	1,376	100.00%	- %	1,376	(9,229)	-

2) Limit on the amount of investments in Mainland China:

Accumulated outward remittance of investment to Mainland China from Taiwan at the end of the current period (Note 3)	Investment amount approved by the Investment Commission, MOEA (MOEAIC) (Note 3)	Limit on the amount of investments in Mainland China authorized by MOEAIC (Note 4)
68,121	68,121	2,415,011

Note 3. Invest in mainland companies through remittance from the third region.
2. Reinvest in the mainland companies by establishing a company through investment in the third region.
3. Reinvest in a mainland company by reinvesting in an existing company in the third region.
4. Invest directly in mainland companies.
5. Other methods.

Note 4. It is presented according to the financial statements of the investee company.

Note 5. The exchange rate is the historical exchange rate at the time of each investment.

Note 6. The limit for other enterprises is 60% of net worth.

Note 7. The above transactions were written off at the time of preparation of the consolidated financial statements.

3) Significant transactions:

Please refer to the section titled "Information on significant transactions" for details of significant transactions, direct or indirect, between the Group and its investee companies in Mainland China in 2021, which have been written off at the time of preparation of the consolidated reports.

d. Information on major shareholders:

Unit: Shares

Share / Name of major shareholders	Number of shares held	Shareholding ratio
Shih-Tung Lo	38,948,816	14.23%
Special investment account of Beevest Securities Limited entrusted for custody by Chinatrust Commercial Bank	25,405,815	9.28%
Tung Yu Investment Co., Ltd	21,075,300	7.70%

Note 1. The information of major shareholders in this table refers to the information calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter on the total number of ordinary shares and preferred shares (including treasury shares) of the Company held by shareholders which have been delivered with book-entry registration at least 5 percent in total. The capital stock recorded in the financial statements of the Company and the number of shares actually delivered with book-entry registration may vary depending on the calculation basis of preparation.

Note 2. If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10 percent of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to the Market Observation Post System for information on insider equity registration.

14. Segment information

The Group has five reporting segments: the head office, the subsidiary in China, the subsidiary in the USA, the subsidiary in the UK and other segments, in which the head office is engaged in the research, development, manufacturing and trading business of RAID storage, etc. The subsidiary in China, the subsidiary in the USA, the subsidiary in the UK and other segments are sales bases located around the world by the head office, mainly selling products developed and manufactured by the head office.

The accounting policies of the operating segments are the same as the summarized important accounting policies stated in Note 4. The profit and loss of the Group's operating segments are measured by the after-tax operating profit and loss and are used as the basis for performance evaluation.

Information and adjustments of the Group's operating segments are as follows:

2021	Head Office	Subsidiary in China	Subsidiary in the USA	Subsidiary in the UK	Other segments	Adjustment and elimination	Total
Income:							
Income from external customers	$ 693,057	162,867	127,109	117,444	89,011	-	1,189,488
Inter-segment income	350,425	-	-	1,281	-	(351,706)	-
Total income	**$ 1,043,482**	**162,867**	**127,109**	**118,725**	**89,011**	**(351,706)**	**1,189,488**
Depreciation and amortization	$ 24,875	4,726	16,479	966	-	(14,236)	32,810
Share of the profit or loss of associates and joint ventures accounted for using the equity method	20,200	-	-	-	-	(20,200)	-
Profit and loss of reporting segments	**$ 146,028**	**1,378**	**17,506**	**2,966**	**382**	**(22,232)**	**146,028**
Assets:							
Investments accounted for using equity method	$ 66,752	-	-	-	-	(66,752)	-
Liabilities:							
Investment credit balance accounted for using equity method	$ 2,926	-	-	-	-	(2,926)	-
Assets of reporting segments	**$ 5,540,466**	**88,069**	**73,104**	**58,755**	**65,572**	**(230,833)**	**5,595,133**
Liabilities of reporting segments	**$ 1,515,448**	**86,310**	**35,532**	**38,794**	**48,987**	**(154,956)**	**1,570,115**

2020	Head Office	Subsidiary in China	Subsidiary in the USA	Subsidiary in the UK	Other segments	Adjustment and elimination	Total
Income:							
Income from external customers	$ 680,502	166,669	127,667	97,011	58,698	-	1,130,547
Inter-segment income	285,881	-	-	4,032	-	(289,913)	-
Total income	**$ 966,383**	**166,669**	**127,667**	**101,043**	**58,698**	**(289,913)**	**1,130,547**
Depreciation and amortization	$ 26,455	4,920	17,423	937	1	(15,047)	34,689
Share of the profit or loss of associates and joint ventures accounted for using the equity method	7,032	-	-	-	-	(7,032)	-
Profit and loss of reporting segments	**$ (65,419)**	**10,141**	**6,678**	**(8,929)**	**(777)**	**(7,113)**	**(65,419)**
Assets:							
Investments accounted for using equity method	$ 50,075	-	-	-	-	(50,075)	-
Liabilities:							
Investment credit balance accounted for using equity method	$ 9,835	-	-	-	-	(9,835)	-
Assets of reporting segments	**$ 5,081,633**	**87,145**	**71,087**	**51,936**	**31,623**	**(204,273)**	**5,119,151**
Liabilities of reporting segments	**$ 1,117,286**	**86,717**	**50,514**	**34,451**	**14,807**	**(148,971)**	**1,154,804**

The description of major adjustment items of the above information on the reporting segments are as follows:

The inter-segment income of NT$351,706 thousand and NT$289,913 thousand shall be written off from the total income of reporting segments 2021 and 2020, respectively.

a. Information on products and services

The information on the income from external customers of the Group is as follows:

Name of products and services	2021	2020
RAID controllers	$ 1,148,529	1,075,596
Others	40,959	54,951
Total	**$ 1,189,488**	**1,130,547**

b. Region information:

The region information of the Group is as follows, in which the income is classified based on the geographical location of customers, while the non-current assets are classified based on the geographical location of the assets.

Region		2021	2020
Income from external customers:			
USA	$	126,595	127,667
Europe		197,243	181,847
Taiwan		38,505	59,380
China		176,505	167,298
Japan		438,410	331,562
Germany		56,585	130,013
Other countries		155,645	132,780
Total	$	1,189,488	1,130,547

Region		110.12.31	109.12.31
Non-current assets:			
Taiwan	$	599,236	608,625
Other countries		15,737	12,258
Total	$	614,973	620,883

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, other financial assets and other non-current assets, but do not include non-current assets of financial instruments and deferred tax assets.

c. Information on key customers whose transaction amount amounts to 10% of the total operating revenue.

		2021	2020
Customer A	$	346,271	275,746