

**POWERTECH INDUSTRIAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of POWERTECH INDUSTRIAL CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, POWERTECH INDUSTRIAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: POWERTECH INDUSTRIAL CO., LTD.

Chairman: ZHOU YI XIONG

Date: March 14, 2022



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Independent Auditors' Report

To the Board of Directors of POWERTECH INDUSTRIAL CO., LTD.:

Opinion

We have audited the consolidated financial statements of POWERTECH INDUSTRIAL CO., LTD. (the "Company") and its subsidiaries together referred to as ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(l) for accounting policies of revenue recognition and Note 6(p) for the detailed information of revenue.

Explanation to key audit matter:

Operating revenue of the Group is the major objective which the management was to evaluate the Group's financial performance and is highly noticed by investors. Therefore, the revenue recognition was one of the key audit matters in our audit.

Our principal audit procedures included:

- (1) Understanding the Company's main sources of revenues, transaction models and contract provisions.
- (2) Assessing and testing the design, as well as the effectiveness of the operation on the control over revenue recognition.
- (3) Performing variance analysis on operating income from each top ten customer to assess the significant exceptions, and further identify and analyze the reasons if any.
- (4) Sampling sales transactions to assess the assertions of accuracy, as well as the appropriateness of recognition.
- (5) Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether sales income has been appropriately recognized.

2. Subsequent measurements of inventories

Please refer to Note 4(h) for accounting policies of inventories, Note 5(b) for the estimation and assumption uncertainty of the valuation of inventory and Note 6(e) for the detailed information of inventories.

Explanation to key audit matter:

Inventories of the Group are measured at the lower of the cost and net realizable value. Since technology changes rapidly, inventories may become obsolescent and its price may fluctuate. In addition, subsequent measurements of inventories are based on the evaluation made by the management of the Group through every internal and external evidence. Therefore, the subsequent measurements of inventories were one of the key audit matters in our audit.

Our principal audit procedures included:

- (1) Assessing whether appropriate provision policies for inventories are applied.
- (2) Performing analysis on changes in inventories from the last period to current period.
- (3) Sampling relevant documents to verify the accuracy of aging of inventories and calculation of net realizable value.
- (4) Assessing whether the disclosure of subsequent measurements of inventories is appropriate.

Other Matter

POWERTECH INDUSTRIAL CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yu-Feng Hsu and Tzu Hai Lee.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2022

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$	407,708	16	909,475	37	2100	Total short-term borrowings (note 6(j))	\$	153,040	6
1110	Current financial assets at fair value through profit or loss (note 6(b))		9,741	-	61,415	2	2120	Current financial liabilities at fair value through profit or loss (note 6(b))		472	-
1150	Notes receivable, net (notes 6(c) and 6(p))		1,421	-	1,079	-	2170	Accounts payable		466,351	18
1170	Trade receivables, net (notes 6(c) and 6(p))		672,962	26	703,626	29	2200	Other payables		183,722	7
1200	Other receivables, net (note 6(d))		54,156	2	8,704	-	2230	Current tax liabilities		11,285	-
130X	Inventories (note 6(e))		519,425	20	304,114	12	2130	Current contract liabilities (note 6(p))		49,970	2
1410	Prepayments (note 6(f))		126,408	5	118,294	6	2280	Current lease liabilities (note 6(k))		65,507	3
1476	Other current financial assets		2	-	562	-	2300	Other current liabilities		72,844	3
1479	Other current assets, others		4,921	-	4,818	-		Total current liabilities		1,003,191	39
	Total current assets		1,796,744	69	2,112,087	86		Non-Current liabilities:			
Non-current assets:											
1600	Property, plant and equipment (note 6(h))		273,212	11	183,277	7	2580	Non-current lease liabilities (note 6(k))		300,092	12
1755	Right-of-use assets (note 6(i))		360,136	14	87,635	4	2640	Net defined benefit liability, non-current (note 6(l))		15,411	-
1840	Deferred tax assets (note 6(m))		17,297	1	10,997	1		Total non current liabilities		315,503	12
1915	Prepayments on purchase of equipment		111,161	4	46,527	2		Total liabilities		1,318,694	51
1920	Guarantee deposits paid		25,891	1	9,174	-	3100	Equity attributable to owners of parent (note 6(n)):			
1930	Long-term receivables, net (note 13(a))		5,961	-	10,916	-	3200	Ordinary shares		967,244	37
1990	Other non-current assets, others		1,298	-	1,507	-	3200	Capital surplus		183,364	7
	Total non current assets		794,956	31	350,033	14	3310	Retained earnings:			
							3320	Legal reserve		327,198	13
							3320	Special reserve		80,747	3
							3350	Unappropriated retained earnings (accumulated deficit)		(158,864)	(6)
										249,081	10
								Other equity:			
							3410	Exchange differences on translation of foreign financial statements		(126,683)	(5)
								Total equity		1,273,006	49
Total assets		\$	2,591,700	100	2,462,120	100		Total liabilities and stockholders' equity	\$	2,591,700	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p))	\$ 3,194,154	100	2,511,738	100
5000	Operating costs (notes 6(e) and (l))	<u>2,908,372</u>	<u>91</u>	<u>2,107,509</u>	<u>84</u>
	Gross profit from operations	<u>285,782</u>	<u>9</u>	<u>404,229</u>	<u>16</u>
	Operating expenses (notes 6(c), (d), (k), (l) and (q)):				
6100	Selling expenses	103,010	3	67,011	3
6200	Administrative expenses	220,258	7	183,716	7
6300	Research and development expenses	119,862	4	112,823	4
6450	Impairment loss determined in accordance with IFRS9	<u>2,535</u>	<u>-</u>	<u>50</u>	<u>-</u>
	Total operating expenses	<u>445,665</u>	<u>14</u>	<u>363,600</u>	<u>14</u>
	Operating (loss) profit	<u>(159,883)</u>	<u>(5)</u>	<u>40,629</u>	<u>2</u>
	Non-operating income and expenses (notes 6(b), (d), (g), (r), (s) and 7):				
7100	Interest income	3,572	-	8,132	-
7010	Other income	616	-	51	-
7020	Other gains and losses, net	15,911	-	6,266	-
7050	Finance costs	(19,068)	(1)	(2,860)	-
7060	Share of loss of associates accounted for using equity method	-	-	(3,093)	-
7880	Impairment loss determined in accordance with IFRS 9	<u>(3,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total non-operating income and expenses	<u>(2,083)</u>	<u>(1)</u>	<u>8,496</u>	<u>-</u>
7900	(Loss) income before taxes	(161,966)	(6)	49,125	2
7950	Less: Income tax (benefit) expenses (notes 6(m))	<u>(3,713)</u>	<u>-</u>	<u>8,632</u>	<u>-</u>
8000	(Loss) profit from continuing operations before tax	<u>(158,253)</u>	<u>(6)</u>	<u>40,493</u>	<u>2</u>
8101	Loss from discontinued operations, net of tax (bite 12(c))	(63)	-	(18,018)	(1)
	Total profit (loss) from discontinued operations	<u>(63)</u>	<u>-</u>	<u>(18,018)</u>	<u>(1)</u>
8200	(Loss) profit	<u>(158,316)</u>	<u>(6)</u>	<u>22,475</u>	<u>1</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(l))				
8311	Gains on remeasurements of defined benefit plans	1,700	-	(224)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,700</u>	<u>-</u>	<u>(224)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(g) and (n))				
8361	Exchange differences on translation of foreign financial statements	(14,663)	-	21	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(14,663)</u>	<u>-</u>	<u>21</u>	<u>-</u>
8300	Other comprehensive income	<u>(12,963)</u>	<u>-</u>	<u>(203)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ (171,279)</u>	<u>(6)</u>	<u>22,272</u>	<u>1</u>
	Earnings per share (note 6(o))				
9750	Basic earnings per share (in New Taiwan Dollars)	<u>\$ (1.64)</u>		<u>0.23</u>	
9850	Diluted earnings per share (in New Taiwan Dollars)			<u>0.23</u>	
	Continuing operations				
9710	Basic earnings per share (in New Taiwan Dollars)	<u>\$ (1.64)</u>		<u>0.42</u>	
9810	Diluted earnings per share (in New Taiwan Dollars)			<u>0.42</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity		
						Exchange		
						differences on		
						translation of		
	Ordinary	Capital	Legal	Special	Unappropriated	Total	foreign	Total
	shares	surplus	reserve	reserve	retained	retained	financial	equity
					earnings	earnings	statements	
Balance at January 1, 2020	\$ 982,244	236,552	322,369	36,605	26,720	385,694	(112,041)	1,492,449
Profit	-	-	-	-	22,475	22,475	-	22,475
Other comprehensive income	-	-	-	-	(224)	(224)	21	(203)
Total comprehensive income	-	-	-	-	22,251	22,251	21	22,272
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	2,604	-	(2,604)	-	-	-
Special reserve appropriated	-	-	-	24,116	(24,116)	-	-	-
Cash dividends from capital surplus	-	(26,521)	-	-	-	-	-	(26,521)
Purchase of treasury share	-	-	-	-	-	-	(19,861)	(19,861)
Retirement of treasury share	(15,000)	(2,613)	-	-	(2,248)	(2,248)	19,861	-
Disposal of investments accounted for using equity method	-	(1,807)	-	-	-	-	-	(1,807)
Balance at December 31, 2020	967,244	205,611	324,973	60,721	20,003	405,697	(112,020)	1,466,532
Loss	-	-	-	-	(158,316)	(158,316)	-	(158,316)
Other comprehensive income	-	-	-	-	1,700	1,700	(14,663)	(12,963)
Total comprehensive income	-	-	-	-	(156,616)	(156,616)	(14,663)	(171,279)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	2,225	-	(2,225)	-	-	-
Special reserve appropriated	-	-	-	20,026	(20,026)	-	-	-
Cash dividends from capital surplus	-	(22,247)	-	-	-	-	-	(22,247)
Balance at December 31, 2021	<u>\$ 967,244</u>	<u>183,364</u>	<u>327,198</u>	<u>80,747</u>	<u>(158,864)</u>	<u>249,081</u>	<u>(126,683)</u>	<u>1,273,006</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit (loss) from continuing operations before tax	\$ (161,966)	49,125
Profit (loss) from discontinued operations before tax	(63)	(18,018)
Profit (loss) before tax	(162,029)	31,107
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	108,830	84,683
Amortization expense	392	1,410
Expected credit loss	5,649	50
Net gain on financial assets or liabilities at fair value through profit or loss	(200)	-
Interest expense	19,068	2,860
Interest income	(3,572)	(8,141)
Dividend income	(568)	-
Share of loss of associates and joint ventures accounted for using equity method	-	3,093
(Gain) loss on disposal of property, plant and equipment	(6,413)	607
Gain on disposal of investments	-	(1,225)
Impairment loss on financial assets	-	11,277
Impairment loss on non-financial assets	-	3,164
Unrealized foreign exchange loss	12,385	37,039
Loss on lease modification	1,052	-
Total adjustments to reconcile profit	136,623	134,817
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	1,189	(10,664)
Increase (decrease) in notes receivables	(342)	901
Decrease (increase) in trade receivables	10,176	(215,124)
Decrease in trade receivables due from related parties	-	657
Decrease (increase) in other receivable	2,438	(4,695)
Increase in inventories	(215,311)	(42,948)
Increase in prepayments	(8,114)	(48,507)
Decrease (increase) in other current assets	210	(1,816)
Total changes in operating assets	(209,754)	(322,196)
Increase in current financial liabilities at fair value through profit or loss	472	-
(Decrease) increase in contract liabilities	(976)	4,796
Increase in trade payables	12,537	132,541
Increase (decrease) in other payable	8,625	(12,867)
Increase (decrease) in other current liabilities	15,656	(3,315)
Decrease in net defined benefit liability	(1,427)	(1,331)
Total changes in operating liabilities	34,887	119,824
Total changes in operating assets and liabilities	(174,867)	(202,372)
Total adjustments	(38,244)	(67,555)
Cash outflow from operations	(200,273)	(36,448)
Interest received	4,132	8,056
Dividends received	568	-
Interest paid	(18,965)	(2,860)
Income taxes paid	(10,196)	(4,156)
Net cash flows used in operating activities	(224,734)	(35,408)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(145,338)	(11,253)
Proceeds from disposal of property, plant and equipment	19,750	2,859
Increase in guarantee deposits	(16,717)	(7,468)
Decrease (increase) in other receivables	2,733	(8,694)
Acquisition of right-of-use assets	-	(8,847)
(Increase) decrease in other non-current assets	(183)	906
Increase in prepayments on purchase of equipment	(64,414)	(38,272)
Net cash flows used in investing activities	(204,169)	(70,769)
Cash flows from (used in) financing activities:		
Increase in short-term loans	10,645	142,400
Payment of lease liabilities	(55,556)	(37,305)
Capital reduction payments to shareholders	(22,247)	(26,521)
Payments to acquire treasury shares	-	(19,861)
Net cash flows (used in) from financing activities	(67,158)	58,713
Effect of exchange rate changes on cash and cash equivalents	(5,706)	(3,672)
Net decrease in cash and cash equivalents	(501,767)	(51,136)
Cash and cash equivalents at beginning of period	909,475	960,611
Cash and cash equivalents at end of period	\$ 407,708	909,475

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

POWERTECH INDUSTRIAL CO., LTD. (the Company) was incorporated on November 14, 2000, as a company limited by shares under the laws of the Republic of China (R.O.C). The registered address is 10F, No. 407, Sec. 2, Chung Shan Rd., Zhonghe District, New Taipei City, Taiwan, R.O.C. The Company and its subsidiaries (the Group) are primarily engaged in the manufacturing of electronic circuit power protection devices, smart home wireless remote control devices, wired and wireless communication equipment, and electronic modules and parts, and in international trade.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 14, 2022.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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 “Insurance Contracts”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated in note 3 the following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n).

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(i) List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company	DIGITAL WORLD INC. (DIGITAL)	Investing company	100 %	100 %	Note1
"	OPPORTUNIST INTL CO., LTD. (OPPORTUNIST)	Investing company	- %	100 %	Note1
"	HURRAY CLOUD TECHNOLOGY CO., LTD (HURRAY CLOUD TECHNOLOGY)	Trading and leasing company	100 %	100 %	Note4
"	DE YAN MANAGEMENT CONSULTING CO., LTD (DE YAN MANAGEMENT)	Management consulting	100 %	100 %	

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company	VIETNAM SHENGDA TRADING AND INVESTMENT COMPANY LIMITED (SHENGDA)	Trading company, management consulting, investing company	100 %	100 %	Note2
"	SHENG SHING (VIETNAM-HAIDUONG) TECHNOLOGY COMPANY LIMITED (SHENG SHING)	Manufacture and sales of power cord, wire, cable, and providing after-sales service	100 %	100 %	Note3
DIGITAL	BEST WISDOM LIMITED (BEST)	Investing company	100 %	100 %	
"	TREASURE LUCK INC. (TREASURE)	Trading company	100 %	100 %	
"	TOTAL PLUS INT'L LTD.(TOTAL)	Investing company	100 %	- %	Note1
BEST	SURGELION INTL LTD. (SURGELION)	Investing company	100 %	100 %	
SURGELION	DONGGUAN QUAN SHENG ELECTRIC CO., LTD. (DONGGUAN QUAN SHENG)	Manufacture and sales of power outlets, wire, cable and power cord, and providing after-sales service	100 %	100 %	
OPPORTUNIST	TOTAL PLUS INTL LTD. (TOTAL)	Investing company	- %	100 %	Note1
"	PERFECT SKY INTL CO., LTD. (PERFECT))	Trading company	- %	100 %	Note1
TOTAL	DONGGUAN FU JU ELECTRIC CO., LTD. (DONGGUAN FU JU)	Manufacture and sales of power cord, wire, plastic covers, circuit board modules, radios and power outlets	100 %	100 %	Note1
DONGGUAN QUAN SHENG	DONGGUAN KANGCHI TRADING LTD. (DONGGUAN KANGCHI)	Sales of electrical appliances, power outlets, wire, cable and computer peripherals	100 %	100 %	

Note 1: The amendment of the plan to adjust the investment structure and reduce capital was approved by the Board of Directors on March 15, 2021. According to the plan:

- (1) Due to operating concerns, "PERFECT", a trading company originally located in Mauritius, has terminated its operations on January 8, 2021. The company was liquidated and merged into its 100% owned parent company "OPPORTUNIST", which will continue its future operations.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(2) “ OPPORTUNIST” , an investment company established in Mauritius, and “DIGITAL”, an investment company established in Samoa, underwent a merger on January 18, 2021, with “DIGITAL” becoming the dominant company. “TOTAL”, an entity based in Mauritius, along with its subsidiaries, all went through the merger and are now controlled by “DIGITAL”.

(3) After the merger, “DIGITAL” reduced its capital investment by USD1,000,000- due to its overall operating concerns.

Note 2: Obtaining a business license on July 6, 2020.

Note 3: Obtaining a business License on August 25, 2020.

Note 4: Reducing investments on capital to make up for losses \$34,000 thousand and \$12,000 thousand on September 22, 2020 and November 18, 2021, respectively, and the related businesses are currently suspended.

(ii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

The Group shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes 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.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares 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).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

5) Derecognition of financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(h) Inventories

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. Variable manufacturing overheads are allocated based on the actual production. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Unallocated fixed manufacturing overheads resulting from low operating production should be recognized in operating costs. If actual production was larger than the normal operating capacity, fixed manufacturing overheads should be allocated by the actual production.

Inventories are measured at the lower of cost or net realizable value. Net realizable value of finished goods and work in progress is 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. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	3~50 years
Research and development equipment	2~10 years
Transportation equipment	5~10 years
Office equipment	1~ 5 years
Molding equipment	3~ 5 years
Machinery	3~10 years
Other equipment	3~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- payments or fines 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:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications.

When the lease liability is remeasured due to the abovementioned change, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including printing machine. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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i) Sale of goods

The Group is primarily engaged in the manufacturing of electronic circuit power protection devices, smart home wireless remote control devices, wired and wireless communication equipment, and electronic modules and parts and in the sales to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(m) Government grants and government assistance

The Group recognizes an unconditional government grant related to the wage subsidy and working capital subsidy as other income. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprise accrued employee bonuses and employee stock options.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(r) Discontinued operations

A discontinued operation is a component of the Group's business that either has been disposed, or is classified as held for sale, and

- (i) represents a separate major line of business or geographic area of operations;
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

(Continued)

POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(iii) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

The comparative statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements, in conformity with the IFRSs endorsed by the FSC, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There is no critical judgment in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value. The Group estimates the net realizable value of inventories for normal spoilages, obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(e) for further description on valuation of inventories.

The Group's accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts backtesting, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(s) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 649	875
Demand deposits	61,117	53,922
Time deposits	-	362,253
Foreign currency deposits	345,942	415,303
Cash equivalents — reverse repurchase agreement	-	77,122
	<u>\$ 407,708</u>	<u>909,475</u>

Please refer to note 6(s) for foreign exchange risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

- (i) Current financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Derivative instruments-forward exchange contracts	\$ 156	945
Derivative instruments-stock options	-	41,711
Stocks listed on foreign markets-TRICKLESTAR	9,585	18,559
Unlisted common shares of foreign company-ZERNET	-	200
	<u>\$ 9,741</u>	<u>61,415</u>

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) TRICKLESTAR LIMITED

In order to enhance the relationship between the Group and its clients, the Group purchased the stocks of one of its major sales clients, TRICKLESTAR LIMITED, from a non-related parties, CIRCLEBRIGHT LIMITED, on May 15, 2017. This investment included three stock options. The Group can demand CIRCLEBRIGHT LIMITED repurchase the stocks at initial price if one of the following agreements is not achieved: (1) EPS each year is lower than USD\$1.00. (2) Fail to pass the IPO in five years. (3) IPO price is lower than the 110% of the average subscription price.

The Group amended the sell-back clause with CIRCLEBRIGHT LIMITED on April 25, 2019. CIRCLEBRIGHT LIMITED promised that the stock price for at least 90 trading days before the end of the year of 2021 would not be lower than the 110% of the Group's average subscription price per share of TRICKLESTAR LIMITED (the target price) and the aggregate trading volume of the stocks traded for the number of trading days that meet the target price shall not less than ten times the shares held by the Group. Otherwise, the Group may require CIRCLEBRIGHT LIMITED to purchase the Group's unsold shares of TRICKLESTAR LIMITED at the target price unless CIRCLEBRIGHT LIMITED has reminded the Group to sell the shares on the market, wherein the Group failed to do so due to other considerations.

The sell back clause entered into by the Group with CIRCLEBRIGHT LIMITED had expired on December 31, 2021, resulting in the Company to derecognize its financial asset, and recognize its other receivables instead, according to the contracts. Please refer to note 6(d).

The Group recognized loss on financial instruments at fair value through profit or loss of \$8,974 thousand for 2021.

The Group recognized the gain on stock options as FVTPL of \$10,980 thousand and the loss on financial assets of equity investment of \$10,980 thousand for 2020.

The Group recognized divided income of \$568 thousand for 2021.

2) ZERNET LIMITED

ZERNET LIMITED has approved the capital increase by cash based on the resolution made during its shareholders' meeting held in July 2020, wherein it issued ordinary shares amounting to USD600 thousand. However, the Group did not participate in the capital increase due to its overall operating considerations. Therefore, the shareholding ratio of the Group decreased to 15.4%, resulting the Group does not have a significant impact on the company. The accounting method of this investment has changed from the equity method to the fair value through profit or loss. The Group offsets the capital reserve of \$1,807 thousand for the conversion of the equity instruments and generates \$1,225 thousand benefit on the investment.

In 2021 and 2020, the Group recognizes loss on financial instruments at fair value through profit or loss of \$200 thousand and \$297 thousand, respectively.

Financial assets above are not pledged.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Current financial liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Derivative instrument-forward exchange contracts	\$ <u>472</u>	<u>-</u>

The Group uses derivative financial instruments to hedge foreign exchange risk and interest risk the Group is exposed to, arising from its operating, financing, and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as measured at fair value through profit or loss financial liabilities:

Forward exchange contracts:

December 31, 2021			
	Contract Amount (in thousands)	Currency	Maturity Period
Forward exchange sold	USD2,000/CNY12,809	USD to CNY	2022.1.21~2022.02.22
Forward exchange sold	USD2,000/ VND45,550,000	USD to VND	2022.05.17~2022.06.14

December 31, 2020			
	Contract Amount (in thousands)	Currency	Maturity Period
Forward exchange sold	USD8,000/CNY52,465	USD to CNY	2021.02.09~2021.06.12

For the years ended 2021 and 2020, the Group incurred the loss of \$4,761 thousand and \$19,574 thousand, respectively, which were recognized under other gains and losses, upon maturity its forward exchange contracts.

Please refer to note 6(s) for the aforementioned financial instruments' exposure to credit risk, foreign currency risk, and interest rate risk.

(c) Notes and trade receivables

	December 31, 2021	December 31, 2020
Notes receivables from operating activities	\$ 1,421	1,079
Trade receivables- at amortized cost	676,294	705,958
Less: Loss allowance	<u>(3,332)</u>	<u>(2,332)</u>
	\$ <u>674,383</u>	<u>704,705</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provisions were determined as follows:

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 483,967	0.01%	48
1 to 30 days past due	156,841	1.04%	1,635
31 to 60 days past due	34,469	1.14%	391
61 to 90 days past due	1,220	3.24%	40
More than 180 days past due	1,218	100.00%	1,218
	\$ 677,715		3,332

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 570,898	0.01%	6
1 to 30 days past due	102,581	1.01%	1,033
31 to 60 days past due	32,444	1.01%	329
61 to 90 days past due	44	1.13%	-
91 to 120 days past due	220	51.64%	114
More than 180 days past due	850	100%	850
	\$ 707,037		2,332

The movement in the allowance for notes and trade receivables were as follows:

	2021	2020
Balance at January 1	\$ 2,332	2,278
Impairment losses recognized	1,002	50
Foreign exchange (losses) gains	(2)	4
Balance at December 31	\$ 3,332	2,332

As of December 31, 2021 and 2020, the Group did not factor its receivables and pledge its receivables as collateral for its loans.

(d) Other receivables

	December 31, 2021	December 31, 2020
Other receivables—CIRCLEBRIGHT	\$ 48,151	-
Other receivables—other	10,652	8,704
Less: Loss allowance	(4,647)	-
	\$ 54,156	8,704

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The investment agreement entered into by the Group with CIRCLEBRIGHT LIMITED was secured for profit and included a sale back clause. According to the agreement, the expiration date of the stock options was December 31, 2021. Since the criteria of the sale back clause had not been achieved, the Group exercised its recovery of claims against CIRCLEBRIGHT LIMITED in accordance with the agreement. The Group estimated the possibility of recovery of other receivables on December 31, 2021, resulting in the recognition of an impairment loss of \$3,114 thousand, recorded as non-operating expense.

The movement in the loss allowance for other receivables were as follows:

	2021	2020
Balance at January 1	\$ -	-
Impairment losses recognized	4,647	-
Balance at December 31	<u><u>\$ 4,647</u></u>	<u><u>-</u></u>

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 266,420	121,942
Work in process	148,783	128,025
Finished goods	104,222	54,147
	<u><u>\$ 519,425</u></u>	<u><u>304,114</u></u>

As of December 31, 2021 and 2020, the Group did not pledge its inventories as collateral for its loans.

The details of operating costs were as follows:

	2021	2020
Inventory that has been sold	\$ 2,889,203	2,106,406
Losses on decline in market value	19,038	503
Scrapped inventories	401	799
Gains on physical count	(270)	(199)
Total	<u><u>\$ 2,908,372</u></u>	<u><u>2,107,509</u></u>

(f) Prepayment

	December 31, 2021	December 31, 2020
Prepayment for purchase	\$ 21,440	57,370
Input tax and offset against business tax payable	94,218	54,829
Other prepaid expense	10,750	6,095
	<u><u>\$ 126,408</u></u>	<u><u>118,294</u></u>

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>2021</u>	<u>2020</u>
Attributable to the Group:		
Loss from continuing operations	\$ -	(3,093)
Other comprehensive loss	-	-
Comprehensive loss	<u>\$ -</u>	<u>(3,093)</u>

The Group decided not to participate in the capital increase of ZERNET LIMITED and thus its share ratio decreased to 15.4%. With the loss of significant impact on ZERNET LIMITED, the Group no longer needs to account its investment using the equity method. For further details, please refer to note 6(b).

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Research and development equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Molding equipment</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost:									
Balance on January 1, 2021	\$ 85,701	49,626	55,659	5,001	82,175	567,467	195,578	42,672	1,083,879
Additions	-	677	10,288	2,257	12,110	44,752	74,862	392	145,338
Disposals	-	-	(867)	(38)	(42,468)	(33,094)	(1,531)	(125)	(78,123)
Reclassification	-	-	-	-	-	(3,056)	-	-	(3,056)
Effect of movements in exchange rates	-	(4)	(160)	(45)	(147)	(4,271)	(1,861)	(321)	(6,809)
Balance on December 31, 2021	<u>\$ 85,701</u>	<u>50,299</u>	<u>64,920</u>	<u>7,175</u>	<u>51,670</u>	<u>571,798</u>	<u>267,048</u>	<u>42,618</u>	<u>1,141,229</u>
Balance on January 1, 2020	\$ 85,701	49,714	58,434	5,585	80,599	581,533	228,122	44,106	1,133,794
Additions	-	543	2,655	-	4,506	3,428	121	-	11,253
Disposals	-	(631)	(5,682)	(657)	(3,168)	(38,325)	(35,685)	(2,119)	(86,267)
Reclassification	-	-	-	-	-	11,862	-	-	11,862
Effect of movements in exchange rates	-	-	252	73	238	8,969	3,020	685	13,237
Balance on December 31, 2020	<u>\$ 85,701</u>	<u>49,626</u>	<u>55,659</u>	<u>5,001</u>	<u>82,175</u>	<u>567,467</u>	<u>195,578</u>	<u>42,672</u>	<u>1,083,879</u>
Accumulated depreciation:									
Balance on January 1, 2021	\$ -	24,714	53,542	4,529	79,108	518,535	178,839	41,335	900,602
Depreciation	-	797	1,910	370	6,320	25,177	6,079	123	40,776
Disposals	-	-	(866)	(36)	(41,840)	(21,147)	(778)	(119)	(64,786)
Reclassification	-	-	-	-	-	(2,836)	-	-	(2,836)
Effect of movements in exchange rates	-	-	(114)	(31)	(106)	(3,824)	(1,355)	(309)	(5,739)
Balance on December 31, 2021	<u>\$ -</u>	<u>25,511</u>	<u>54,472</u>	<u>4,832</u>	<u>43,482</u>	<u>515,905</u>	<u>182,785</u>	<u>41,030</u>	<u>868,017</u>
Balance on January 1, 2020	\$ -	24,563	55,604	4,526	77,108	509,239	203,911	42,626	917,577
Depreciation	-	782	954	144	4,700	36,942	5,350	111	48,983
Discontinued operations depreciation	-	-	-	72	240	1,081	-	-	1,393
Discontinued operations impairment loss	-	-	2,423	-	-	-	741	-	3,164
Disposals	-	(631)	(5,676)	(279)	(3,155)	(37,060)	(33,934)	(2,066)	(82,801)
Effect of movements in exchange rates	-	-	237	66	215	8,333	2,771	664	12,286
Balance on December 31, 2020	<u>\$ -</u>	<u>24,714</u>	<u>53,542</u>	<u>4,529</u>	<u>79,108</u>	<u>518,535</u>	<u>178,839</u>	<u>41,335</u>	<u>900,602</u>
Carrying amounts:									
Balance on December 31, 2021	<u>\$ 85,701</u>	<u>24,788</u>	<u>10,448</u>	<u>2,343</u>	<u>8,188</u>	<u>55,893</u>	<u>84,263</u>	<u>1,588</u>	<u>273,212</u>
Balance on January 1, 2020	<u>\$ 85,701</u>	<u>25,151</u>	<u>2,830</u>	<u>1,059</u>	<u>3,491</u>	<u>72,294</u>	<u>24,211</u>	<u>1,480</u>	<u>216,217</u>
Balance on December 31, 2020	<u>\$ 85,701</u>	<u>24,912</u>	<u>2,117</u>	<u>472</u>	<u>3,067</u>	<u>48,932</u>	<u>16,739</u>	<u>1,337</u>	<u>183,277</u>

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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HURRAY CLOUD TECHNOLOGY temporarily terminates its operations, and the Group assessed that the recoverable amount was lower than the book value based on market sale experience. Therefore, the Group recognized the impairment loss of \$3,164 thousand on December 31, 2020.

As of December 31, 2021 and 2020, the previously mentioned property, plant and equipment were not pledged as collateral. Please refer to note 6(r) for the information on losses from disposal.

(i) Right-of-use assets

The Group leases buildings and constructions for its factory facilities and office space. The leases of factory facilities typically run for a period of 5 to 10 years, and of office space for 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Information about leases for which the Group as a lessee was presented below:

	<u>Building and construction</u>
Cost:	
Balance at January 1, 2021	\$ 152,726
Additions	343,327
Write-off	(4,973)
Effect of movements in exchange	<u>855</u>
Balance at December 31, 2021	<u>\$ 491,935</u>
Balance at January 1, 2020	\$ 80,341
Additions	76,816
Write-off	(3,415)
Effect of movements in exchange	<u>(1,016)</u>
Balance at December 31, 2020	<u>\$ 152,726</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 65,091
Depreciation	68,054
Write-off	(763)
Effect of movements in exchange rates	<u>(583)</u>
Balance at December 31, 2021	<u>\$ 131,799</u>
Balance at January 1, 2020	\$ 32,071
Depreciation	34,307
Write-off	(2,408)
Effect of movements in exchange rates	<u>1,121</u>
Balance at December 31, 2020	<u>\$ 65,091</u>
Carrying amount:	
Balance at December 31, 2021	<u>\$ 360,136</u>
Balance at January 1, 2020	<u>\$ 48,270</u>
Balance at December 31, 2020	<u>\$ 87,635</u>

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The Chinese subsidiaries of the Group, DONGGUAN QUAN SHENG and DONGGUAN FU JU, had signed a 6-year lease agreement with Houjie Joint Stock Economic Union on May 28, 2021, resulting in an additional right of use assets of \$311,722 thousand in 2021.

The Vietnam subsidiary of the Group, SHENG SHING, had signed a 5-year lease agreement on September 22, 2020, resulting in an addition of right-of-use assets of \$67,136 thousand in 2020.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ <u>153,040</u>	<u>142,400</u>
Unused short-term credit line	\$ <u>346,960</u>	<u>468,040</u>
Range of interest rates	<u>1.25%~1.34%</u>	<u>1.25%</u>

If the bank loan of the Group exceeds 200 million, the entire deposit certificate shall be provided for collateral for the excess amount. As of December 31, 2021 and 2020, the bank loans borrowed from the bank had not exceeded 200 million.

(k) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>65,507</u>	<u>22,956</u>
Non-current	\$ <u>300,902</u>	<u>55,239</u>

Please refer to note 6(s) and note 6(i) for maturity analysis and explanation on the increase in lease liabilities, respectively.

The amounts recognized in profit or loss was as follows:

	2021	2020
Interest on lease liabilities	\$ <u>16,294</u>	<u>2,616</u>
Expense relating to short-term	\$ <u>99</u>	<u>389</u>
Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets	\$ <u>1,447</u>	<u>1,106</u>

The amounts recognized in the statement of cash flows for the Group:

	2021	2020
Total cash outflow for leases	\$ <u>73,396</u>	<u>50,479</u>

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 34,448	35,797
Fair value of plan assets	(19,037)	(17,259)
Recognized liabilities for defined benefit obligations	<u><u>\$ 15,411</u></u>	<u><u>18,538</u></u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$19,037 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of the defined benefit obligations for the Group, for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Defined benefit obligations at January 1	\$ 35,797	34,834
Current service costs and interest	97	223
Remeasurement losses (gains)		
— Return on plan assets excluding interest income	(356)	(112)
— Actuarial loss arising from changes in demographic assumptions	(103)	-
— Actuarial gain arising from changes in financial assumptions	(987)	852
Defined benefit obligation at December 31	<u><u>\$ 34,448</u></u>	<u><u>35,797</u></u>

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group, for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets, January 1	\$ 17,259	15,189
Interest income	47	97
Remeasurement losses (gains):		
— Return on plan assets excluding interest income	254	517
Contributions paid by the employer	<u>1,477</u>	<u>1,456</u>
Fair value of plan assets, December 31	<u>\$ 19,037</u>	<u>17,259</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group, for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Net interest of net liabilities for defined benefit obligations	\$ <u>50</u>	<u>126</u>

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ (1,704)	(1,480)
Recognized during the period	<u>1,700</u>	<u>(224)</u>
Accumulated amount at December 31	<u>\$ (4)</u>	<u>(1,704)</u>

6) Actuarial assumptions

The following are the key actuarial assumptions at the reporting date:

	<u>2021</u>	<u>2020</u>
Discount rate at December 31,	0.64 %	0.27 %
Future salary increasing rate	1.00 %	1.00 %

The Group expects to make contributions of \$1,477 to the defined benefit plans for the one-year periods after the reporting date of 2021.

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The weighted-average duration of the defined benefit plan is 6 years.

7) Sensitivity analysis for actuarial assumption

As of December 31, 2021 and 2020, if the actuarial assumptions had change, the impacts on the present value of the defined benefit obligation of the Group shall be as follows:

	The effect of defined benefit obligation	
	Increased 0.50%	Decreased 0.50%
December 31, 2021		
Discount rate	\$ (838)	1,356
Future salary increasing rate	1,343	(839)
December 31, 2020		
Discount rate	(1,100)	1,753
Future salary increasing rate	1,731	(1,098)

The sensitivity analysis assumes all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated. The model used in the sensitivity analysis is the same as that used for the defined benefit obligation liability.

The sensitivity analysis is performed on the same basis as in the prior period.

(ii) Defined contribution plans

Subsidiaries in Taiwan allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

Subsidiaries in China have made monthly contributions equal to 13% of each employee's monthly wages to China Pension Insurance in accordance with the provisions of the Endowment Insurance of the People's Republic of China. The contribution is deposited into each employee's independent account. Each employee's pension is managed and arranged by the government. The above mentioned companies have no further obligation beyond the monthly contributions.

The Group's pension costs under the defined contribution method were \$44,691 thousand and \$28,293 thousand for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of overseas subsidiaries of the Group.

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(m) Income tax

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Currently incurred	\$ 99	12,364
Adjustment for prior periods	<u>2,488</u>	<u>(2,083)</u>
Subtotal	<u>2,587</u>	<u>10,281</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>(6,300)</u>	<u>(1,649)</u>
Income tax expense from continuing operations	<u><u>\$ (3,713)</u></u>	<u><u>8,632</u></u>

Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Profit (loss) before income tax	<u>\$ (161,966)</u>	<u>49,125</u>
Income tax using the Company's domestic tax rate	\$ (32,393)	9,825
Effects of tax rate in foreign jurisdiction	(2,402)	(2,634)
Investment loss accounted for using equity method	29,190	12,328
Tax-exempt income	-	(1,820)
Underestimation (overestimation) of prior years' income tax	2,488	(2,083)
Domestic subsidiaries' capital reduction to cover losses	(2,440)	(6,800)
Others	<u>1,844</u>	<u>(184)</u>
Total	<u><u>\$ (3,713)</u></u>	<u><u>8,632</u></u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

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	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 752,092</u>	<u>780,564</u>
Unrecognized deferred tax liabilities	<u>\$ 150,418</u>	<u>156,113</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
The carryforward of unused tax losses	<u>\$ 12,223</u>	<u>12,210</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

	<u>Unused tax loss</u> HURRAY CLOND TECHNOLOGY	<u>Expiry date</u>
Years of loss		
2018 (assessed)	\$ 21,880	2028
2019 (assessed)	21,152	2029
2020 (filed)	18,018	2030
2021 (estimated)	63	2031
	<u>\$ 61,113</u>	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets for the years ended 2021 and 2020, were as follows:

	Impairment of doubtful accounts	Loss carryforward	Others	Total
Balance, January 1, 2021	\$ 5,174	-	5,823	10,997
(Debit) credit to income statement	-	468	5,832	6,300
Balance, December 31, 2021	<u>\$ 5,174</u>	<u>468</u>	<u>11,655</u>	<u>17,297</u>
Balance, January 1, 2020	\$ 5,313	-	4,035	9,348
(Debit) credit to income statement	(139)	-	1,788	1,649
Balance, December 31, 2020	<u>\$ 5,174</u>	<u>-</u>	<u>5,823</u>	<u>10,997</u>

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As of December 31, 2021, the information of the Group's unused tax losses for which deferred tax assets were recognized are as follows:

<u>Years of loss</u>	<u>Unused tax loss</u> <u>POWER TECH</u>	<u>Expiry date</u>
2021 (estimated)	\$ <u><u>2,340</u></u>	2031

(iii) Examination and assessment of tax return

The tax returns of the Company and HURRAY CLOUD TECHNOLOGY have been examined and assessed through 2019 by the ROC tax authority.

The tax returns of DE YAN MANAGEMENT have been examined and assessed through 2020 by the ROC tax authority.

(n) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the number of authorized shares of the Company were \$1,500,000 thousand, consisting of 150,000 thousand shares, with par value of NTD10 per share. The Company repurchased 1,500 thousand shares as treasury shares, which was approved and authorized by the Board of Directors on March 17, 2020. As of September 11, 2020, a total number of 1,500 thousand shares were cancelled. The total equity includes ordinary shares. On December 31, 2021 and 2020, issued shares were both 96,724 thousand ordinary shares. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

Movements in the number of shares outstanding for the years ended December 31, 2021 and 2020, were as follows:

	(thousand shares)	
	<u>Ordinary shares</u>	
	<u>2021</u>	<u>2020</u>
Balance on January 1	96,724	98,224
Acquisition of treasury shares	-	(1,500)
Balance on December 31	<u><u>96,724</u></u>	<u><u>96,724</u></u>

(ii) Capital surplus

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to issue new stocks or be distributed as cash dividends to stockholders in proportion to their share ownership. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

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The distribution of cash from capital surplus of \$22,247 thousand, 0.23% per share, and \$26,521 thousand, 0.27% per share, were approved in the stockholders' meeting on July 22, 2021, and June 10, 2020. The distribution were finished on September 2, 2021, and July 16, 2020, respectively.

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 151,821	174,068
Employee share options — acquisition of treasury shares	<u>31,543</u>	<u>31,543</u>
	<u>\$ 183,364</u>	<u>205,611</u>

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve.

After the abovementioned appropriations, the remaining profit shall collectively, with any undistributed surplus earnings from previous years, be included in surplus earnings distribution plan submitted by the Board of Directors for approval at a shareholders' meeting.

According to the dividend policy of the Company, the Company shall first take into consideration its industry developments and fund demand in order to meet its capital expenditure budget and long-term financial goals. The cash dividends shall not be more than 20% of total dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, the increase in retained earnings amounted to \$18,643 thousand. In accordance with the rules issued by the FSC, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2021 and 2020, the carrying amount of special earnings reserve were both \$18,643 thousand.

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In accordance with the requirement of Financial Supervisory Commission, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. When earnings of 2019 were distributed in 2020, the special earnings reserve was distributed from the current profit and loss and undistributed earnings of prior period. When earnings of 2020 were distributed in 2021, the special earnings reserve was distributed from the current undistributed earnings, which was income after income tax plus other items, and undistributed earnings of prior period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

According to the decision made by the Shareholders meeting on July 22, 2021, and June 10, 2020, there were no earning distribution in 2020 and 2019.

Related information will be posted on the "Market Observation Post System" of the TSEC after the convening of the meeting of the shareholders.

4) Treasury stock

On March 17, 2020, the Company planned to repurchase 1,500 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. This was approved by the Board of Directors, which the expected repurchase price range was \$8.60 to \$21.00 dollars per share. The Company actually repurchased 1,500 thousand shares for \$19,861 thousand between March 19 to April 17, 2020. As of September 11, 2020, a total of 1,500 thousand shares were cancelled.

In accordance with the requirements of Securities and Exchange Act, treasury shares acquired by the Company should not exceed 10% of the shares outstanding. The total amount of the purchased shares shall not exceed the amount of the company's retained earnings plus the premium on the issuance of shares to realize the capital reserve. As of December 31, 2020, the treasury shares were compliance with the requirements of Securities and Exchange Act.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

5) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2021	\$ (112,020)
Exchange differences on translation of net assets of foreign operations	(14,663)
Balance at December 31, 2021	<u><u>\$ (126,683)</u></u>
	(Continued)

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	Exchange differences on translation of foreign financial statements
Balance at January 1, 2020	\$ (112,041)
Exchange differences on translation of net assets of foreign operations	21
Balance at December 31, 2020	<u><u>\$ (112,020)</u></u>

(o) Earnings per share

The calculation of basic and diluted earnings per share was as follows:

(i) Basic earnings per share

	2021	2020
(Loss) profit of the Company for the year (continuing operations)	\$ (158,253)	40,493
Loss of the Company for the year (discontinued operations)	(63)	(18,018)
(Loss) profit attributable to ordinary shareholders of the Company	<u><u>\$ (158,316)</u></u>	<u><u>22,475</u></u>
Weighted-average unnumber of common shares outstanding (thousand shares)	<u><u>96,724</u></u>	<u><u>97,109</u></u>
Basic earnings per share from continuing operations	\$ (1.64)	0.42
Basic earnings per share from discontinued operations	-	(0.19)
Basic earnings per share (New Taiwan dollars)	<u><u>\$ (1.64)</u></u>	<u><u>0.23</u></u>

(ii) Diluted earnings per share

	2020
Profit of the Company for the year (continuing operations)	\$ 40,493
Loss of the Company for the year (discontinued operations)	(18,018)
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 22,475</u></u>
Weighted-average number of common shares outstanding-diluted (thousand shares)	97,109
Effect of employee share bonus	122
Weighted-average number of common shares outstanding-diluted (thousand shares)	<u><u>97,231</u></u>
Diluted earnings per share from continuing operations	\$ 0.42
Diluted earnings per share from discontinued operations	(0.19)
Diluted earnings per share (New Taiwan dollars)	<u><u>\$ 0.23</u></u>

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Due to the losses incurred by the Company in 2021, no diluted earnings per share was calculated for the year.

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2021</u>
Primary geographical markets		
United States	\$ 2,683,141	1,975,583
Asia	320,152	360,784
Europe	180,898	159,677
Australia	9,630	15,485
Others	<u>333</u>	<u>209</u>
	<u>\$ 3,194,154</u>	<u>2,511,738</u>
Major products/services lines		
Surge Protector for IT Peripherals	\$ 2,721,460	2,007,049
Power Noise Filter for Audio and Video Devices	273,935	250,529
IoT and Smart Home Power Safety System	144,224	200,866
Others	<u>54,535</u>	<u>53,294</u>
	<u>\$ 3,194,154</u>	<u>2,511,738</u>

(ii) Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes and trade receivables	\$ 677,715	707,037
Less: Loss allowance	<u>(3,332)</u>	<u>(2,332)</u>
Total	<u>\$ 674,383</u>	<u>704,705</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities-molding equipment	\$ 29,915	26,445
Contract liabilities-purchases	<u>20,055</u>	<u>24,501</u>
Total	<u>\$ 49,970</u>	<u>50,946</u>

For details on notes and trade receivables and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the year ended December 31, 2021 and 2020, that was included in the contract liability balance at the beginning of the period were \$28,458 thousand and \$11,151 thousand, respectively.

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The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(q) Employee compensation and remuneration for directors and supervisors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, 2%~15% will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

The Company had not recognized the employee remuneration in 2021 due to the net loss before tax.

The Company accrued and recognized its remuneration to employee for the year ended December 31, 2020, amounting to \$1,600 thousand, and to directors and supervisors amounting to \$450 thousand. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to employees, directors and supervisors, multiplied by the distribution ratio of remuneration to the employees, directors and supervisors under the Company's articles of association, and expensed under operating costs or operating expenses.

The related information can be accessed from Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2021	2020
Interest income from bank deposits	\$ <u><u>3,572</u></u>	<u><u>8,132</u></u>

(ii) Other income

The details of other income were as follows:

	2021	2020
Dividend income	\$ 568	-
Fee income	<u>48</u>	<u>51</u>
Total	\$ <u><u>616</u></u>	<u><u>51</u></u>

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(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Gains (losses) on disposal of property, plant and equipment	\$ 6,413	(587)
Foreign exchange losses, net	(23,677)	(42,827)
Gains on financial instruments at fair value through profit or loss	4,239	20,237
(Losses) gains on disposal of investment	(1,168)	1,225
Government grants	256	9,118
Others	<u>29,848</u>	<u>19,100</u>
Total other gains and losses	<u><u>\$ 15,911</u></u>	<u><u>6,266</u></u>

The Group applied to the Industrial Bureau of the Ministry of Economic Affairs for a case of salary and working capital subsidies for businesses affected by severe and special infectious pneumonia in the manufacturing and technical service industries on May 7, 2020. The Group has received in 2020 amounting to \$9,200 thousand (reported as other income), which was related to the wage subsidy and working capital subsidy under a relief measure provided by the R.O.C. government in response to COVID-19 pandemic. Due to the employee resignation, the grant was decreased by \$82 thousand and had received the full amount in September 30, 2020.

(iv) Finance costs

Details of other gains and losses for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Interest of loan	\$ (2,774)	(244)
Interest of lease liabilities	<u>(16,294)</u>	<u>(2,616)</u>
Finance costs	<u><u>\$ (19,068)</u></u>	<u><u>(2,860)</u></u>

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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2) Concentration of credit risk

The majority of the Group's customers are in energy saving and power protection industries. To reduce the credit risk of trade receivables, the Group continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Group regularly evaluates the possibility of recovery of trade receivables and estimates the doubtful accounts. The loss is always within expectations. As of December 31, 2021 and 2020, the top 10 customers accounted for 86% and 90% of the Group's total accounts receivable, respectively. Accordingly, concentration of credit risk existed.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual 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							
Short-term borrowings	\$ 153,040	153,040	153,040	-	-	-	-
Trade payables	466,351	466,351	466,351	-	-	-	-
Other payables	183,722	183,722	183,722	-	-	-	-
Lease liabilities	365,599	420,665	42,377	42,812	86,597	222,577	26,302
Derivative financial liabilities							
Forward exchange contract-outflow	472	472	472	-	-	-	-
	<u>\$ 1,169,184</u>	<u>1,224,250</u>	<u>845,962</u>	<u>42,812</u>	<u>86,597</u>	<u>222,577</u>	<u>26,302</u>
December 31, 2020							
Non derivative financial liabilities							
Short-term borrowings	\$ 142,400	142,400	142,400	-	-	-	-
Trade payables	454,319	454,319	454,319	-	-	-	-
Other payables	175,331	175,331	175,331	-	-	-	-
Lease liabilities	78,195	94,013	11,686	15,843	19,894	46,590	-
	<u>\$ 850,245</u>	<u>866,063</u>	<u>783,736</u>	<u>15,843</u>	<u>19,894</u>	<u>46,590</u>	<u>-</u>

The Group does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

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(iii) Foreign currency risk

1) Foreign currency risks exposure

The Group's significant exposure to foreign currency risk were as follows:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2021			
<u>Financial assets:</u>			
<u>Monetary items:</u>			
USD	\$ 57,111	27.680	1,580,832
CNY	9,090	4.344	39,487
HKD	455	3.549	1,615
EUR	10	31.320	313
SGD	28	20.460	573
<u>Financial liabilities:</u>			
<u>Monetary items:</u>			
USD	37,668	27.680	1,042,650
CNY	154,737	4.344	672,178
HKD	1,472	3.549	5,224
EUR	32	31.320	1,002
December 31, 2020			
<u>Financial assets</u>			
<u>Monetary items:</u>			
USD	\$ 41,442	28.480	1,180,268
CNY	74,495	4.377	328,034
VND	648,200	0.0012	778
HKD	259	3.673	951
EUR	24	35.020	840
<u>Financial liabilities:</u>			
<u>Monetary items:</u>			
USD	35,277	28.480	1,004,689
CNY	164,031	4.377	717,964
HKD	2,092	3.673	7,684

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, other receivables, trade payables, and other payables. The management adopted 100 basis points as a reasonable change in interest rates, and therefore, it evaluated the impacts of 100 basis point changes in interest rates. If the interest rates on borrowings had increased or decreased by 100 basis points with all the other variables held constant, profit before tax for the years ended December 31, 2021 and 2020, would have increased or decreased by \$(982) thousand and \$(2,195) thousand, respectively, mainly as a result of liabilities bearing floating interest rates.

3) Foreign exchange gains and losses of monetary items

The Group discloses the information on foreign currency exchange gains and losses in summary because the consolidated entities have various functional currencies. For the years ended December 31, 2021 and 2020, the foreign currency exchange losses (including realized and unrealized gains and losses) of the Group were \$23,677 thousand and \$42,827 thousand, respectively.

(iv) Interest rate analysis

The Group's significant financial assets are time deposits. However, the interest rates are fixed; significant cash flow risk arising from a change in the interest rate is unlikely to occur.

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The Group has no financial liabilities with floated rate at December 31, 2021 and 2020.

(v) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value for which the carrying amount is a reasonable approximation of the fair value, and does not include the investments in equity instruments which do not have any quoted price in an active market.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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December 31, 2021					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Forward exchange contracts	\$ 156	-	156	-	156
Stocks listed on foreign markets- TRICKLESTAR	9,585	-	-	9,585	9,585
Total	<u>\$ 9,741</u>	<u>-</u>	<u>156</u>	<u>9,585</u>	<u>9,741</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities-Forward exchange	<u>\$ 472</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>472</u>
December 31, 2020					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Derivative financial liabilities					
— Forward exchange	\$ 945		945		945
Derivative financial liabilities					
— Stock options	41,711	-	-	41,711	41,711
Stocks listed on foreign markets					
— TRICKLESTAR	18,559	-	-	18,559	18,559
Unlisted common stocks of foreign company					
— ZERNET	200	-	-	200	200
Subtotal	<u>61,415</u>	<u>-</u>	<u>945</u>	<u>60,470</u>	<u>61,415</u>
Total	<u>\$ 61,415</u>	<u>-</u>	<u>945</u>	<u>60,470</u>	<u>61,415</u>

2) Valuation techniques for financial instruments measured at fair value

Measurements of fair value of financial instruments without an active market (the Guideline Public Company method): The measurement was based on the investee's earnings before interest and tax; and the enterprise value multiples derived from the market price of comparable listed companies. The estimates have adjusted the discount of the lack of market liquidity on equity securities.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Unquoted equity instruments: The measurement was based on the investee's book value and the price multiples derived from the market price of comparable listed companies. The estimates have adjusted the discount of the lack of market liquidity on equity securities.

Measurement of the fair value of stock options is based on the valuation techniques generally accepted by market participants such as Black-Scholes Model. Fair value of forward foreign currency contracts is determined by using the forward currency exchange rate.

- 3) The Group's financial assets measured at fair value and classified as level 3 only have one significant unobservable input. Quantified information of the significant unobservable inputs are as follows:

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial assets measured at FVTPL- Derivatives-Stock options.	Options pricing models- Black-Scholes Model	·Volatility (2020.12.31: 31.02%)	·The estimated fair value would increase if: volatility were higher
Financial assets measured at FVTPL- Stocks listed on foreign markets - TRICKLESTAR	The guideline public company method	·Liquidity discount (2021.12.31 and 2020.12.30: 17% and 57%) ·EV/EBIT ratio (2020.12.31: 13.91) ·P/B ratio (2021.12.31: 1.24)	·The estimated fair value would decrease if: liquidity discount was higher ·The estimated fair value would increase if: EV/EBIT ratio were higher ·The estimated fair value would increase if: P/B ratio were higher
Financial assets measured at FVTPL- Unlisted common stocks of foreign company - Zernet	The guideline public company method	·Liquidity discount (2021.12.31 and 2020.12.31: 100% and 90%) ·P/B ratio (2021.12.31 and 2020.12.31: 0 and 1.65)	·The estimated fair value would decrease if: liquidity discount was higher ·The estimated fair value would increase if: P/B ratio were higher

(Continued)

POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- 4) The movement of instrument in level 3.

	Financial assets measured at fair value through profit or loss		
	Derivatives- Stock options	Stocks listed on foreign markets and unlisted common stocks of foreign company	Total
January 1,2021	\$ 41,711	18,759	60,470
Recognized as profit (loss)	-	(9,174)	(9,174)
Reclassified	(41,711)	-	(41,711)
December 31, 2021	<u>\$ -</u>	<u>9,585</u>	<u>9,585</u>
January 1,2020	\$ 30,731	29,539	60,270
Total gains or losses			
Recognized as profit (loss)	10,980	(11,277)	(297)
Reclassified	-	497	497
December 31, 2020	<u>\$ 41,711</u>	<u>18,759</u>	<u>60,470</u>

- 5) Fair value measurements in Level 3– sensitivity analysis of reasonably possible alternative assumptions.

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

			Upward or downward movement	Profit or loss	
				Favorable	Unfavorable
December 31,2021					
Financial assets measured at fair value through profit or loss.					
Stocks listed on foreign markets	P/B ratio	5%	\$	538	(426)
Stocks listed on foreign markets	Liquidity discount	5%	\$	579	(580)
December 31,2020					
Financial assets measured at fair value through profit or loss.					
Stocks listed on foreign markets	EV/EBIT ratio	5%	\$	918	(735)
Stocks listed on foreign markets	P/B ratio	5%	\$	10	(10)
Stocks listed on foreign markets	Liquidity discount	5%	\$	2,263	(2,263)
Derivative-stock options and stocks listed on foreign markets	Risk free rate	0.1%	\$	168	(168)
Derivative-stock options and stocks listed on foreign markets	Common stock price	7%	\$	53	(40)
Derivative-stock options and stocks listed on foreign markets	Volatility	1%	\$	27	(23)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and securities investment.

1) Trade receivables and other receivables

According to the credit policy, the Group has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Group reviews credit limits periodically.

The Group monitors the credit risk of the customer based on the aging of the receivables, the due date, and other financial information.

The Group sets the allowance for bad debt to reflect the estimated losses for notes receivable and trade receivables for customers that are rated at high risk. The allowance for bad debt consists of specific losses relating to individually significant exposure.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks, financial institutions, corporate organizations, and government agencies with good credit, there are no compliance issues, and therefore, there is no significant credit risk.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantee

The Group did not provide any guarantee as of December 31, 2021 and 2020.

(iv) Liquidity risk

Liquidity risk is the risk the Group will lack sufficient cash or other financial instruments to settle its financial liabilities or to meet its contractual obligations. Since the current assets of the Group exceed the current liabilities, the working capital is sufficient for future cash needs. Thus, the Group does not have the liquidity risk to fulfill contractual obligations.

Moreover, as of December 31, 2021 and 2020, the Group had unused short-term credit facilities of \$346,960 thousand and \$468,040 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(u) Capital management

The purpose of the capital management is to guarantee the ability to continue the business in order to provide shareholders compensation and other benefits. And manage maintain an optimal capital structure to reduce capital costs.

The Group manages capital to safeguard the capacity to continue to operate and to safeguard the certainty and stability of its financial resources. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's debt-to-equity ratio at the reporting date was as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 1,318,694	995,588
Less: cash and cash equivalents	<u>407,708</u>	<u>909,475</u>
Net debt	<u>\$ 910,986</u>	<u>86,113</u>
Total equity	<u>\$ 1,273,006</u>	<u>1,466,532</u>
Debt-to-equity ratio	<u>71.56 %</u>	<u>5.87 %</u>

The increase in debt to equity ratio in 2021 was mainly due to the Group's investment in its newly established factory in Vietnam, which would initially cost a large outflow of funds. The rate will gradually return to the ideal state when the production of the subsidiary in Vietnam increases.

As of December 31, 2021, the Group's capital management strategy was consistent with the prior years.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and December 31, 2020, were as follows:

- (i) The Group acquired the right-of-use assets by leasing, please refer to note 6(i).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flow	Non-cash changes Foreign exchange movement	Change in lease payments	December 31, 2021
Short-term borrowings	\$ 142,400	10,645	(5)	-	153,040
Lease liabilities	78,195	(55,556)	2,791	340,169	365,599
Total liabilities from financing activities	<u>\$ 220,595</u>	<u>(44,911)</u>	<u>2,786</u>	<u>340,169</u>	<u>518,639</u>

	January 1, 2020	Cash flow	Non-cash changes Foreign exchange movement	Change in lease payments	December 31, 2020
Short-term borrowings	\$ -	142,400	-	-	142,400
Lease liabilities	48,851	(37,305)	(313)	66,962	78,195
Total liabilities from financing activities	<u>\$ 48,851</u>	<u>105,095</u>	<u>(313)</u>	<u>66,962</u>	<u>220,595</u>

(7) Related-party transactions:

- (a) The parent and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (b) Names and relationship with related parties

Name of related party	Relationship with the Group
ZERNET LIMITED	Associates

The Group did not participate in the capital increase due to its overall operating considerations.

Therefore, the shareholding ratio of the Group decreased to 15.4%. The investment instruments of ZERNET LIMITED was no longer measured by the equity method, for further description please refers to note 6(b), (g).

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	<u>2021</u>	<u>2020</u>
Associates-ZERNET	\$ <u>-</u>	<u>421</u>

The terms and pricing of sales with associates were not significantly different from general sales prices. The payment term were 75 days.

(ii) Other income

The amount of other income from product design and mold-manufacturing by the Group to related parties were as follows:

	<u>2021</u>	<u>2020</u>
Associates-ZERNET	\$ <u>-</u>	<u>1,425</u>

(d) Key management personnel compensation

The relevant information of the total salary of the main management personnel such as directors, supervisors, general managers of the Group was as follows:

	<u>2021</u>	<u>2020</u>
Short term employee benefits	\$ 10,125	11,037
Post employment benefits	<u>689</u>	<u>689</u>
	<u>\$ 10,814</u>	<u>11,726</u>

(8) Pledged assets:None

(9) Significant commitments and contingencies:

On December 18, 2020, the Group signed a lease contract with Vietnam ANDES Construction Co., Ltd. for \$29,743 thousand., wherein ANDES was entrusted to provide plant decoration works for the Group. As of December 31, 2021, the Group had unpaid the amount of \$1,487 thousand.

On May 27, 2021, the Group signed a lease contract with Vietnam ALPHACOHN Construction Co., Ltd. for \$22,675 thousand, wherein ALPHACOHN was entrusted to provide plant decoration works for the Group. As of December 31, 2021, the Group had unpaid the amount of \$3,209 thousand.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses due to major disasters:None

(11) Subsequent Events:

Due to the COVID 19 pandemic, the supplier of the Group, Hongyang Global Technology Co., LTD (Hongyang), intends to suspend the operation of its subsidiary, HONG FU ELECTRIC CO., LTD. (HUNG FU). The materials supplied by HUNG FU were key elements of the Group's products. In order to master the key technologies and maintain the quality of the products, the Group decided to acquire the related patents from Hongyang's parent company, BuoYuan Technology Co., Ltd. (BuoYuan), and HUNG FU.

On December 1, 2021, the Group had completed the negotiation with BuoYuan and its subsidiaries, with the acquisition date set on January 1, 2022. The transfer of the patent and shares are expected to be completed by the end of the second quarter of 2022 at the price of \$17,376 thousand (approximately CNY 4 million), of which approximately \$653 thousand was for the patent and \$16,723 thousand for the shares of HUNG FU. As of December 31, 2021, the Group had prepaid the amount of \$522 thousand.

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	381,764	191,113	572,877	314,018	170,174	484,192
Labor and health insurance	-	11,475	11,475	-	11,060	11,060
Pension (note)	29,040	15,701	44,741	19,034	9,385	28,419
Others	13,737	13,577	27,314	9,148	10,996	20,144
Depreciation	59,778	49,052	108,830	46,591	36,699	83,290
Amortization	359	33	392	370	1,040	1,410

Note: The Government provides a tax reduction policy in response to the impact of COVID-19. Base on the size of the company, the social insurance rates for pension, unemployment and work-related injury insurance are halved or waived. Medical insurance is decrease by 30% of the standard rate. The Group has applied for it in accordance with the regulations.

(b) Discontinued operations

The overall economic environment downturn due to the COVID-19 pandemic, causing that the HURRAY CLOUD TECHNOLOGY temporarily terminates its operations and laid off its employees, which is approved and authorized by the Board of Directors in July 2020. The Group regards HURRAY CLOUD TECHNOLOGY as an individual cash generating unit, so it was reclassified to discontinued operations.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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Please refer to note 6(o) for the amount of income incurred from continuing operations and discontinued operations attributable to ordinary shareholders of the Company. Profit and loss, and cash flows from (used in) discontinued operations are summarized as follows:

	<u>2021</u>	<u>2020</u>
Results from discontinued operations		
Operating revenue	\$ 67	659
Operating cost	<u>110</u>	<u>3,427</u>
Gross loss	(43)	(2,768)
Operating expense	<u>30</u>	<u>12,930</u>
Operating loss	(73)	(15,698)
Other income (loss)	<u>10</u>	<u>(2,320)</u>
Loss before income tax	(63)	(18,018)
Income tax expense	<u>-</u>	<u>-</u>
Operating loss net of tax	<u>\$ (63)</u>	<u>(18,018)</u>
Basic earnings per share (NT dollars)	<u>\$ -</u>	<u>(0.19)</u>
Diluted earning per share (NT dollars)	<u>\$ -</u>	<u>(0.19)</u>
Cash flows from (used in) discontinued operation:		
Net cash from (used in) operating activities	\$ 13,366	(11,684)
Net cash from (used in) investing activities	5,684	(854)
Net cash used in financing activities	<u>(18,300)</u>	<u>-</u>
Net cash inflow (outflow)	<u>\$ 750</u>	<u>(12,538)</u>

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POWERTECH INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	SHENG SHING	Other receivables-related parties	Yes	256,815	249,120	193,760 (note 4)	2%	1	563,636	-	-	-	-	249,120	509,202
0	The Company	OOKAWA TECHNOLOGY CO., LTD.	Other receivables	No	10,322	9,688	5,961	1.21438%	1	195,545	-	-	-	-	9,688	509,202
1	DONGGUAN SHENF	DONGGUAN KANGCHI	Interim payment	Yes	21,800	21,720	21,152 (note 4)	0.9%	2	-	Operating turnover	-	-	-	21,720	181,562

Note 1: 1 represent companies with business transactions

2 represent companies with short-term financing

Note 2: According to the Group's regulations, "Procedures for Lending Funds to Other parties", companies that have business transactions with the Group, the total amount of the loans should not exceed 40% of the total equity of the company. For foreign companies, where the company directly or indirectly holds 100% of the voting shares, due to the need for short-term financing, if it is engaged in capital loans, the total amount of capital loans shall not exceed 20% of the net value of the loans and enterprises.

Note 3: Companies that have business transactions with the Group, the maximum amount of the loans for individual objects is the amount of business transactions between two parties. For foreign companies where the company directly or indirectly holds 100% of the voting shares, due to the need for short-term financing, if it is engaged in capital loans. The amount of the monetary loan for individual should not exceed the limit approved by the board of directors of the company.

Note 4: Has been reversed in the preparation of the consolidated statements.

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	TRICKLESTAR LIMITED-Stocks listed on foreign markets	-	Current financial assets at FVTPL	3,375	9,585	4.08 %	9,585	4.13 %	Unpledged
The Company	ZERNET-unlisted common stocks of foreign company	-	"	3,100	-	15.40 %	-	- %	"

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of paid-in capital:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of paid-in capital:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of paid-in capital:None

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POWERTECH INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES
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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
The Company	DONGGUAN QUAN SHENG	Subsidiary	Purchase	1,546,992	51 %	90 days	-	-	(640,984)	(71)%	-
"	TREASURE	Subsidiary	Purchase	1,007,986	33 %	90 days	-	-	(225,330)	(25)%	-
TREASURE	DONGGUAN QUAN SHENG	Related	Purchase	883,443	87 %	90 days	-	-	(56,885)	(100)%	-

Note 1: The purchase price is adjusted for tax planning and transfer pricing.

Note 2: The adjustment depends on capital movement.

Note 3: Transactions above had been reversed while making consolidated report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
TREASURE	The Company	Subsidiary	225,330	2.96	-	-	78,997	-
DONGGUAN QUAN SHENG	"	"	640,984	2.60	-	-	156,813	-
"	TREASURE	Related	56,885	4.25	-	-	56,885	-
The Company	Sheng Shing	Subsidiary	197,445	-	-	-	-	-

Note 1: As of March 10, 2022.

Note 2: Transactions above had been reversed while making consolidated report.

- (ix) Trading in derivative instruments: Please refer to notes 6(b)
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	TREASURE	1	Purchases	1,007,986 (USD36,000 thousand)	No significant differences	32%
0	"	TREASURE	1	Trade payables	225,330 (USD8,141 thousand)	Note 1	9%
0	The Company	DONGGUAN QUAN SHENG	1	Purchases	1,546,992 (USD55,250 thousand)	No significant differences	48%
0	"	DONGGUAN QUAN SHENG	1	Trade payables	640,984 (USD23,157 thousand)	Note 1	25%
0	The Company	Sheng Shing	1	Prepayment	66,182	Note 1	3%
0	"	Sheng Shing	1	Other receivables-related parties	197,445	Note 1	8%
2	TREASURE	DONGGUAN QUAN SHENG	3	Purchases	(USD 31,566 thousand)	No significant differences	28%
2	"	DONGGUAN QUAN SHENG	3	Trade payables	(USD 2,055 thousand)	Note 1	2%
2	DONGGUAN QUAN SHENG	The Company	2	Purchases	(USD641 thousand)	No significant differences	1%
2	Sheng Shing	TREASURE	3	Purchase	(USD4,667 thousand)	No significant differences	4%

Note 1: The receivables are adjusted according to capital management of the subsidiary and offset with its sales receivables.

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.

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POWERTECH INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) 2 represents upstream transactions.

(3) 3 represents side stream transactions.

Note 3: Transactions above had been reversed while making consolidated report.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	DIGITAL	Samoa	Investing business	424,847	405,983	14,205	100 %	1,223,245	100 %	(28,472)	(28,472)	Subsidiary
"	OPPORTUNIST	Mauritius	Investing business	-	124,801	-	100 %	-	100 %	-	-	Subsidiary
"	HURRY CLOUD TECHNOLOGY	Taiwan	Trading and lease of electronic devices.	65,000	65,000	5	100 %	3,887	100 %	(63)	(63)	Subsidiary
"	DE YAN MANAGEMENT	Taiwan	Business management consulting	2,000	2,000	200	100 %	2,326	100 %	(2,178)	(2,178)	Subsidiary
"	Sheng Da	Vietnam	Wholesale business, business management consulting, investing business	USD 10	USD 10	-	100 %	180	- %	363	363	Subsidiary
"	Sheng Shing	Vietnam	Investing business	USD 3,000	USD 3,000	-	100 %	(34,720)	- %	(115,602)	(115,602)	Subsidiary
DIGITAL	BEST	Samoa	Investing business	USD 12,264	USD 12,264	12,264	100 %	912,511	100 %	(22,377)	(22,377)	Subsidiary
"	TREASURE	Samoa	Wholesale business	USD 10	USD 10	10	100 %	256,079	100 %	(2,928)	(2,928)	Subsidiary
"	TOTAL	Mauritius	Investing business	USD 3,855	USD -	-	100 %	53,039	100 %	(3,155)	(3,155)	Subsidiary
BEST	SURGELION	Hong Kong	Investing business	USD 12,363 (Note 1)	USD 12,363 (Note 1)	-	100 %	901,133	100 %	(22,367)	(22,367)	Subsidiary
OPPORTUNIST	TOTAL	Mauritius	Investing business	-	USD 3,855	-	- %	-	100 %	-	-	Subsidiary
"	PEREFACT	Mauritius	Wholesale business	-	USD 10	-	- %	-	- %	-	-	Subsidiary

Note 1: The original investment includes prepaid long-term investment.

Note 2: Transactions above had been reversed while making consolidated report.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Maximum Investment	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
DONGGUAN QUAN SHENG	Manufacture and sales of power outlet, wire, cable and power cord, and provide after-sale service	341,258 (HK29,994; US\$8,483)	(2)(a).	341,258 (HK29,994; US\$8,483)	-	-	341,258 (HK29,994; US\$8,483)	(22,358)	100 %	100 %	(22,358)	907,811	-
DONGGUAN FU JU	Items include power cord, wire, plastic cover, circuit board modules, radio and power outlet	106,153 (US\$3,835)	(2)(b).	103,136 (US\$3,726)	-	-	103,136 (US\$3,726)	(2,956)	100 %	100 %	(2,956)	52,877	-
DONGGUAN KANGCHI	Sales of electrical appliances, power outlet, wire, cable and computer peripherals	4,344 (RMB1,000)	(2)(c).	-	-	-	-	(373)	100 %	100 %	(373)	12,884	-

Note 1: The financial statements of the investee are audited by the auditors of the parent company and accounted for by the equity method.

Note 2: The method of investment is divided into the following three categories:

(1) Directly invest in Mainland China.

(2) Through the establishment of third region companies then investing in Mainland China.

(a) The investment amounts are the remittances from SURGELION INT'L LTD to DONGGUAN QUAN SHENG by the Company.

(b) The investment amounts are the remittances from TOTAL PLUS INT'S LTD to DONGGUAN FU JU by the Company.

(c) The investment amounts are directly invested by DONGGUAN QUAN SHENG in DONGGUAN KANGCHI.

(3) Other methods

Note 3: The aforementioned TWD are in accordance with the exchange rate on December 31, 2021.

Note 4: Transactions above had been reversed while making consolidated report.

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
444,394 (USD 12,209 thousand; HKD 29,994 thousand)	522,820 (USD 18,888 thousand)	763,804 (Note)

Note: 60% of the total equity from the Company.

(iii) Significant transactions:

Please refer to 13(a) for further information.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
CHING QUAN KUO		7,573,388	7.82 %
YI HSIUNG CHOU		7,100,455	7.34 %
JINGHONG INVESTMENT CO., LTD.		7,079,048	7.31 %
LI LING YEH		5,146,989	5.32 %
PING JUN CHOU		4,911,832	5.07 %

Note: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

(14) Segment information:

The Group's operating segment information and reconciliation are as follows:

(a) General information

The Group has recognized the reportable departments by the reporting information that is used to make decisions according to the management.

The management of the Group runs the business based on functionality. By functionality, the Group is currently divided into an operating center, a manufacturing center and discontinued operations. The operating center mainly includes the research and development unit, business unit, and other management units of the Company. The manufacturing center mainly includes the production unit, production-related supporting unit, Mainland China domestic unit, and vietnam factory.

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POWERTECH INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (b) Profit or loss data of the reporting segments (including specific revenues and expenses), assets and liabilities of the segments, the basis of measurement, and the related adjustment or eliminations

The Group's operating segment information and reconciliation are as follows:

2021						
	Operating	Manufacturing in China	Manufacturing in vietnam	Other (discontinued operations)	Reconciliation and elimination	Total
Revenue:						
Revenue from external customers	\$ 3,194,154	-	-	67	-	3,194,221
Inter segment revenues	17,906	2,554,978	791	-	(2,573,675)	-
Interest revenue	2,668	890	14	-	-	3,572
Total revenue	<u>\$ 3,214,728</u>	<u>2,555,868</u>	<u>805</u>	<u>67</u>	<u>(2,573,675)</u>	<u>3,197,793</u>
Reportable segment profit or loss	<u>\$ (14,543)</u>	<u>(28,471)</u>	<u>(115,239)</u>	<u>(63)</u>	<u>-</u>	<u>(158,316)</u>
Reportable segment assets	<u>\$ 2,495,525</u>	<u>2,209,530</u>	<u>553,655</u>	<u>3,905</u>	<u>(2,670,915)</u>	<u>2,591,700</u>
Reportable segment liabilities	<u>\$ 1,220,194</u>	<u>986,285</u>	<u>588,195</u>	<u>18</u>	<u>(1,475,998)</u>	<u>1,318,694</u>
2020						
	Operating	Manufacturing in China	Manufacturing in vietnam	Other (discontinued operations)	Reconciliation and elimination	Total
Revenue:						
Revenue from external customers	\$ 2,511,738	-	-	659	-	2,512,397
Inter segment revenues	18,459	2,001,772	2,707	13	(2,022,951)	-
Interest revenue	3,414	4,712	5	9	-	8,140
Total revenue	<u>\$ 2,533,611</u>	<u>2,006,484</u>	<u>2,712</u>	<u>681</u>	<u>(2,022,951)</u>	<u>2,520,537</u>
Reportable segment profit or loss	<u>\$ 83,686</u>	<u>(38,288)</u>	<u>(4,905)</u>	<u>(18,018)</u>	<u>-</u>	<u>22,475</u>
Reportable segment assets	<u>\$ 2,775,008</u>	<u>2,311,981</u>	<u>145,304</u>	<u>3,980</u>	<u>(2,774,153)</u>	<u>2,462,120</u>
Reportable segment liabilities	<u>\$ 1,304,194</u>	<u>1,016,724</u>	<u>63,962</u>	<u>30</u>	<u>(1,389,322)</u>	<u>995,588</u>

- (c) Product and service information

Revenue from the external customers of the Group was as follows:

Products and services	2021	2020
Surge Protector for IT Peripherals	\$ 2,721,460	2,007,049
Power Noise Filter for Audio and Video Devices	273,935	250,529
IoT and Smart Home Power Safety System	144,224	200,866
Others	54,535	53,294
Total	<u>\$ 3,194,154</u>	<u>2,511,738</u>

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(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographic information	2021	2020
Revenue from external customers:		
United States	\$ 2,683,141	1,975,583
Asia	320,152	360,784
Europe	180,898	159,677
Australia	9,630	15,485
Other countries	333	209
Total	<u><u>\$ 3,194,154</u></u>	<u><u>2,511,738</u></u>
Non-current assets:		
Taiwan	\$ 115,954	118,653
Vietnam	189,463	21,702
China	80,254	93,177
Total	<u><u>\$ 385,671</u></u>	<u><u>233,532</u></u>

Non-current assets include property, plant and equipment, and other assets, not including deferred income tax assets.

(e) Major customers

For the years ended December 31, 2021 and 2020, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

	2021	2020
Customer A	\$ 760,342	323,288
Customer B	472,652	387,090
Customer C	406,785	415,637
Total	<u><u>\$ 1,639,779</u></u>	<u><u>1,126,015</u></u>