

Lotes Co., Ltd.

**Parent Company Only Financial Statement
and Accountant's Audit Report**

2021 & 2020

Notice to Readers

For the convenience of readers, the Parent Company Only Financial Statement and Accountant's Audit Report have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

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Independent Auditor's Report

To the Board of Directors of Lotes Co., Ltd.:

Audit opinion

We have audited the Balance Sheet of Lotes Co., Ltd. (hereinafter referred to as Lotes) as of December 31, 2021 and 2020, the Statement of Comprehensive Income as of January 1 to December 31, 2021 and 2020 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual financial statements present fairly, in all material respects, of the financial status of December 31, 2021 and 2020 in Lotes and the financial performance and consolidated cash flow of January 1 to December 31, 2021 and 2020 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of the audit opinions

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the parent company only financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes's parent company only financial statements of fiscal year 2021 based on the professional judgment of our accountants. The matters have been responded on the whole audited parent company only financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note IV (15) to the parent company only financial statements for the accounting policy in terms of income recognition. Please refer to Note VI (13) to the parent company only financial statements for the refund liability. Please refer to Note VI (21) to the parent company only financial statements for details about income.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational

performance of Lotes Co., Ltd. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on the agreements with the customers, the management would estimate the refund liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedures:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in the estimation of refund liabilities in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers. The adequacy of the refund liability estimate was analyzed with the actual situation afterward.

II. Evaluation of inventory

Please refer to Note IV (7) for the accounting policy of inventory evaluation. Please refer to Note V in the parent company only financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note VI (4) in the parent company only financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the adequacy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Responsibility from management level and governing unit towards the parent company only

financial statements

Management level's responsibility is to prepare the parent company only financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the parent company only financial statements, the responsibility of management level also includes evaluating Lotes's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including the audit committee) at Lotes is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the parent company only financial statements

The purpose of the parent company only financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole parent company only financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the parent company only financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the parent company only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty

on events or situations with major concerns affecting Lotes's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of parent company only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes not capable in continuous operation.

5. Evaluating the overall expression, structure and content of the parent company only financial statements (including relevant notes) as well as whether the parent company only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the parent company only financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the parent company only financial statements of Lotes.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes's parent company only financial statements for fiscal year 2021 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of Securities
Approval Certificate No.

March 21, 2022

CHIN-KUAN-CHENG-SHEN-T
:ZU No. 1000011652
(88) TAI-TSAI-CHENG (VI) No.
18311

Lotes Co., Ltd.
Balance Sheet
December 31, 2021 and 2020

Unit: NT\$ 1,000

Assets		Dec. 31, 2021		Dec. 31, 2020		Liabilities and equity		Dec. 31, 2021		Dec. 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(Note VI (1) and (24))	\$ 779,913	4	497,302	3	2100	Short-term loans ((Note VI (10), (24), (27), VIII and IX)	\$ 552,240	3	-	-
1110	Financial assets measured at FVTPL - current ((Note VI (2) and (24))	-	-	2,080	-	2130	Contract liabilities - current ((Note VI (21))	41,541	-	21,392	-
						2150	Notes payable((Note VI (24))	13,402	-	2,712	-
1150	Net notes receivable((Note VI (3) and (24))	1,911	-	2,485	-	2170	Accounts payable((Note VI (24))	8,391	-	11,421	-
1170	Net accounts receivable((Note VI (3) and (24))	5,812,399	28	4,304,076	26	2180	Accounts payable - related parties ((Note VI (24) and VII)	1,512,055	7	2,034,411	12
1181	Accounts receivable - related parties ((Note VI (3), (24) and VII)	32,627	-	13,012	-	2200	Other payables((Note VI (24))	293,440	1	299,122	2
1200	Other receivables((Note VI (3) and (24))	22,484	-	19,702	-	2220	Other payables - related parties ((Note VI (24) and VII)	2,166	-	2,092	-
1210	Other accounts receivable - related parties ((Note VI (3), (24) and VII)	160	-	90,161	1	2230	Income tax liabilities for the period((Note VI (17))	350,031	2	305,058	2
130X	Net inventory((Note VI (4))	995,854	5	710,477	4	2280	Lease liabilities - current((Note VI (12), (24) and (27))	59	-	-	-
1410	Advance payment	2,720	-	4,550	-	2365	Refund liabilities - current ((Note VI (13))	195,105	1	161,767	1
		<u>7,648,068</u>	<u>37</u>	<u>5,643,845</u>	<u>34</u>	2300	Other current liabilities	<u>7,441</u>	<u>-</u>	<u>7,866</u>	<u>-</u>
Non-current assets:								<u>2,975,871</u>	<u>14</u>	<u>2,845,841</u>	<u>17</u>
1510	Financial assets measured at FVTPL - non-current ((Note VI (2), (11) and (24))	3,370	-	-	-	Non-current liabilities:					
						2530	Bonds payable((Note VI (11), (24) and (27))	911,927	5	-	-
1517	Financial assets measured at FVTOCI - non-current ((Note VI (2) and (24))	9,500	-	-	-	2550	Provisions - non-current ((Note VI (14) and (16))	45,220	-	49,258	-
1550	Investments accounted for using the equity method ((Note VI (5) and XIII)	12,624,489	61	10,225,811	63	2570	Deferred income tax liabilities ((Note VI (17))	6,038	-	-	-
1600	Property, plant and equipment((Note VI (6) and VIII)	58,354	-	58,276	-	2600	Other non-current liabilities	<u>744</u>	<u>-</u>	<u>744</u>	<u>-</u>
1755	Right-of-use assets((Note VI (7))	59	-	-	-			<u>963,929</u>	<u>5</u>	<u>50,002</u>	<u>-</u>
1760	Net investment property((Note VI (8) and (24))	300,256	2	299,927	2		Total of liabilities	<u>3,939,800</u>	<u>19</u>	<u>2,895,843</u>	<u>17</u>
1780	Intangible assets((Note VI (9))	82,534	-	97,583	1	Equity attributable to owners of parent:					
1840	Deferred tax assets((Note VI (17))	66,302	-	63,572	-	Share capital:					
1900	Other non-current assets	<u>9,349</u>	<u>-</u>	<u>6,027</u>	<u>-</u>	3110	Capital – common stock ((Note VI (18))	1,059,779	5	1,034,779	6
		<u>13,154,213</u>	<u>63</u>	<u>10,751,196</u>	<u>66</u>	3130	Certificates of bond-to-stock conversion ((Note VI (18))	1,167	-	-	-
						3200	Capital reserves((Note VI (11), (18) and (19))	5,283,698	25	3,958,247	24
						3300	Retained earnings((Note VI (18))	11,200,170	54	9,101,144	56
						3400	Other equity ((Note VI (18))	<u>(682,333)</u>	<u>(3)</u>	<u>(594,972)</u>	<u>(3)</u>
Total of assets		<u>\$ 20,802,281</u>	<u>100</u>	<u>16,395,041</u>	<u>100</u>		Total of equity	<u>16,862,481</u>	<u>81</u>	<u>13,499,198</u>	<u>83</u>
							Total of liabilities and equity	<u>\$ 20,802,281</u>	<u>100</u>	<u>16,395,041</u>	<u>100</u>

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: NT\$ 1,000

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue((Note VI (13), (21) and VII)	\$ 14,151,210	100	11,362,435	100
5000	Operating cost((Note VI (4), (9), VII and XII)	11,411,428	81	8,817,635	78
	Gross profit	2,739,782	19	2,544,800	22
	Operating expense((Note VI (9), (12), (15), (16), (24), VII and XII):				
6100	Promotion expense	389,708	3	312,675	3
6200	Administration expense	308,977	2	295,923	3
6300	R&D expense	55,862	-	53,509	-
6450	Expected credit impairment profit/loss	(1,706)	-	(1,310)	-
	Total operating expense	752,841	5	660,797	6
	Net operating profit	1,986,941	14	1,884,003	16
	Non-operating revenue/expense((Note VI (22)):				
7100	Interest income	1,746	-	10,165	-
7010	Other income	99,908	1	62,514	1
7020	Other gains and losses	(45,618)	-	(111,250)	(1)
7050	Financial costs	(6,747)	-	(1,420)	-
7055	Expected credit gain (loss)	(1,037)	-	1,317	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	1,905,258	13	1,294,043	11
	Total non-operating revenue/expense	1,953,510	14	1,255,369	11
	Net profit before tax from continuing operations	3,940,451	28	3,139,372	27
7950	Less: Income tax expense((Note VI (17))	468,250	3	407,011	4
	Net profit for the period	3,472,201	25	2,732,361	23
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	3,851	-	(7,598)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(4,900)	-	-	-
8330	Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items which were not reclassified into profit or loss	(359)	-	403	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	770	-	(1,520)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	(2,178)	-	(5,675)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(82,102)	(1)	45,017	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(82,102)	(1)	45,017	-
8300	Other comprehensive income for the period (net)	(84,280)	(1)	39,342	-
	Total other comprehensive income for the period	\$ 3,387,921	24	2,771,703	23
	Basic earnings per share (Unit: NT\$)				
	(Note VI (23))	\$ 33.32		26.41	
	Diluted earnings per share (Unit: NT\$)				
	(Note VI (23))	\$ 32.69		26.34	

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG Manager: HO, TE-YU Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Change in Equity
From January 1 to December 31, 2021 and 2020

Unit: NT\$ 1,000

	Share capital		Retained earnings					Other equity items		Total equity
	Share capital for ordinary shares	Certificates of bond-to-stock conversion	Total	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Exchange difference between foreign operating office's statement	Unrealized gain or loss on financial assets measured at FVTOCI	
Balance on January 1, 2020	\$ 1,034,779	-	1,034,779	3,959,560	1,091,939	317,020	6,062,560	(631,970)	(18,562)	11,815,326
Net profit for the period	-	-	-	-	-	-	2,732,361	-	-	2,732,361
Other comprehensive income for the period	-	-	-	-	-	-	(6,078)	45,017	403	39,342
Total other comprehensive income for the period	-	-	-	-	-	-	2,726,283	45,017	403	2,771,703
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	207,604	-	(207,604)	-	-	-
Special reserve appropriated	-	-	-	-	-	333,513	(333,513)	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,086,518)	-	-	(1,086,518)
Other changes in capital reserves:										
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	(1,313)	-	-	-	-	-	(1,313)
Disposal of equity instruments measured at FVTOCI	-	-	-	-	-	-	(10,140)	-	10,140	-
Balance on December 31, 2020	1,034,779	-	1,034,779	3,958,247	1,299,543	650,533	7,151,068	(586,953)	(8,019)	13,499,198
Net profit for the period	-	-	-	-	-	-	3,472,201	-	-	3,472,201
Other comprehensive income for the period	-	-	-	-	-	-	3,081	(82,102)	(5,259)	(84,280)
Total other comprehensive income for the period	-	-	-	-	-	-	3,475,282	(82,102)	(5,259)	3,387,921
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	271,615	-	(271,615)	-	-	-
Reversal on special reserve	-	-	-	-	-	(55,561)	55,561	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,376,256)	-	-	(1,376,256)
Other changes in capital reserves:										
Issuance of stock options for convertible bonds	-	-	-	183,236	-	-	-	-	-	183,236
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	5,460	-	-	-	-	-	5,460
Compensation expense for employee stock options	-	-	-	24,931	-	-	-	-	-	24,931
Cash capital increase	25,000	-	25,000	1,050,971	-	-	-	-	-	1,075,971
Conversion of convertible bonds	-	1,167	1,167	60,853	-	-	-	-	-	62,020
Balance on December 31, 2021	\$ 1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,034,040	(669,055)	(13,278)	16,862,481

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NT\$ 1,000

	2021	2020
Cash flows from (used in) operating activities:		
Net profit before tax	\$ 3,940,451	3,139,372
Items of adjustment:		
Adjustments to reconcile profit (loss)		
Depreciation expense	7,020	7,274
Amortization expense	25,901	11,778
Expected credit loss (gain)	(669)	(2,627)
Interest expense	6,747	1,420
Interest income	(1,746)	(10,165)
Share of the profit from subsidiaries, associates and joint ventures accounted for using equity method	(1,905,258)	(1,294,043)
Net loss on financial assets measured at FVTPL	(28,565)	(2,080)
Inventory valuation and disposal loss	21,612	29,666
Profit from the disposal and scaping of property, plant and equipment	(467)	(136)
Compensation expense for employee stock options	24,931	-
Total adjustments to reconcile profit (loss)	<u>(1,850,494)</u>	<u>(1,258,913)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	574	(810)
Increase in accounts receivable	(1,526,232)	(403,834)
Decrease (increase) in other receivables	(527)	17,123
Increase in inventory	(306,989)	(149,055)
Decrease (increase) in advance payment	1,830	(910)
Total net change in the assets related to operating activities	<u>(1,831,344)</u>	<u>(537,486)</u>
Net change in the liabilities related to operating activities:		
Increase in contract liabilities	20,149	6,394
Increase (decrease) in notes payable	10,690	(16,222)
Decrease in accounts payable	(525,386)	(233,064)
Increase (decrease) in other payables	(5,760)	49,829
Decrease in provision for liabilities	(187)	(69)
Increase (decrease) in other current liabilities	(425)	691
Increase in refund liabilities	33,338	4,511
Decrease in other non-current liabilities	-	(199)
Total net change in the liabilities related to operating activities	<u>(467,581)</u>	<u>(188,129)</u>
Total net change in the assets and liabilities related to operating activities	<u>(2,298,925)</u>	<u>(725,615)</u>
Total of the adjustment items	<u>(4,149,419)</u>	<u>(1,984,528)</u>
Cash inflow generated from operating activities	(208,968)	1,154,844
Interest received	1,987	10,763
Interest paid	(3,065)	(1,420)
Income taxes paid	<u>(420,739)</u>	<u>(339,638)</u>
Cash flows from (used in) operating activities	<u>(630,785)</u>	<u>824,549</u>
Cash flows in investing activities:		
Acquisition of financial assets measured at FVTOCI	(14,400)	-
Disposal of financial assets measured at FVTPL	27,945	-
Acquisition of investment accounted for using equity method	(570,421)	(14,385)
Acquisition of property, plant and equipment	(5,852)	(1,181)
Disposal of property, plant and equipment	467	252
Increase in other receivables	-	(966)
Decrease in other receivables	86,468	-
Increase in intangible assets	(10,852)	(58,424)
Acquisition of investment property	(1,516)	(17,923)
(Increase) decrease in other non-current assets	<u>(3,322)</u>	<u>9,435</u>
Net cash outflow from investment activities	<u>(491,483)</u>	<u>(83,192)</u>
Cash flows in financing activities:		
Increase in short-term loans	552,240	-
Issuance of corporate bonds	1,152,983	-
Repayment of lease principal	(59)	(59)
Issuance of cash dividends	(1,376,256)	(1,086,518)
Cash capital increase	<u>1,075,971</u>	<u>-</u>
Cash flows from (used in) financing activities	<u>1,404,879</u>	<u>(1,086,577)</u>
Increase (decrease) in cash and cash equivalents	282,611	(345,220)
Beginning balance of cash and cash equivalents	497,302	842,522
Ending balance of cash and cash equivalents	<u>\$ 779,913</u>	<u>497,302</u>

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Lotes Co., Ltd.

Notes to the Parent Company Only Financial Statements

2021 & 2020

(All amounts are in NT\$ thousands unless otherwise stated)

I. Company History

Lotes Co., Ltd. (hereinafter referred to as the “Company”) was incorporated on August 23, 1986 in accordance with the provisions of the Company Law and was approved for registration with its registered office at No.15, Wuxun Street, Anle District, Keelung City. The Company (hereinafter referred to as the “Company”) are principally engaged in the sale and purchase of various hardware parts and components, the manufacturing and processing of various terminals and their connectors, the import and export business in connection with the preceding item and the agency of the preceding item in connection with the tender quotation and distribution of products of domestic and foreign manufacturers. Please refer to Note XIV for further details.

II. Date and Procedures of Approval of Financial Statement

The Parent Company Only Financial Statement was approved and released by the Board of Directors on March 21, 2022.

III. Application of New and Revised Standards and Interpretations

- (1) Influence of the Adoption of New and Revised Standards and Integrations Approved by the Financial Supervisory Commission

Since January 1, 2021, the Company has adopted the amended International Financial Report Standards, and this did not cause material impact on the parent company only financial statements:

- Amendments to IFRS 4 “Temporary Exemption from the Extension of IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Changes in Interest Rate Indicators - Phase 2”

The Company adopted the following newly amended IFRSs effective April 1, 2021, with no significant impact on parent company only financial statements.

- Amendment to IFRS 16 – “Covid-19-Related Rent Concessions beyond 30 June 2021”

- (2) Effects of new and revised standards and interpretation has been approved by FSC but not yet being adopted

The Company assesses that the application of the following newly amended IFRSs, effective January 1, 2022, will not have a significant impact on parent company only

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

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”

(3) New and revised standards and interpretations not yet recognized by the FSC

The Company does not expect the following newly issued and amended standards, which have not yet been endorsed, to have a material impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28, “Disposal of or Contribution to Assets between an Investor and its Affiliate or Joint Venture”.
- Amendments to IFRS 17, “Insurance Contracts” and IFRS 17
- Amendments to IAS 1 – “Classification of Liabilities as Current or Non-Current”
- Amendments to IAS 1 – “Disclosure of Accounting Policies”
- Amendments to IAS 8 – “Definition of Accounting Estimates”
- Amendments to IAS 12 – “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

IV. Summary of Major Accounting Policies

The major accounting policies adopted in this Financial Statement are summarized as follows. Unless otherwise noted, the following accounting policies have been applicable for all presentation period of the Individual Financial Statement.

(1) Compliance statement

The Individual Financial Statement was compiled in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

(2) Compiling Basis

1. Measurement foundation

Except the major items in the following balance sheet, the Individual Financial Statement was compiled based on the historical costs:

- (1) Financial assets at fair value through profit or loss measured with fair value.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Liabilities for cash-settled share-based benefit agreements that are measured at fair value.
- (4) Net defined benefit liability (or asset) is measured according to the fair value of the retirement fund assets deducting present value of the defined benefit obligation and the ceiling influence value listed in Footnotes IV (16).

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

2. Functional Currency and Presentation Currency

Each party of the Company takes the currency of major economic environment where its operation is located as its functional currency. The Individual Financial Statement is presented in the functional currency of the Company, TWD. All of the financial information expressed herein in TWD is of one thousand per unit.

(3) Foreign currency

1. Foreign currency trading

Foreign currency is converted into functional currency according to exchange rate on the date of transaction. At the end of each subsequent reporting period (the “Reporting Date”), foreign currency monetary items are translated into functional currency at the exchange rate prevailing on that date. Non-monetary items measured at fair value in foreign currencies are translated into functional currencies using the exchange rates prevailing at the date of fair value measurement, while non-monetary items measured at historical cost in foreign currencies are translated at the exchange rates prevailing at the dates of the transactions.

The foreign currency exchange difference resulting from the conversion is recognized to be other comprehensive Income excepting for the following situations, otherwise, recognized to be gains and losses:

- (1) Equity instruments designated as measured at fair value through other comprehensive income.
- (2) Financial liabilities designated as a net investment hedge for a foreign operating entity are within the effective range of the hedge; or
- (3) Eligible cash flow hedges are within the effective range of the hedge.

2. Foreign Operating Organizations

The assets and liabilities of foreign operating organizations, including the business reputation and fair value adjustment during the acquisition, are converted to be NTD according to exchange rate on the report day; gains and losses are converted into NTD according to exchange rate in the current period, and the resultant conversion difference is recognized to be other comprehensive Income.

In case of the loss of control, joint control or material influences arising from the punishment on foreign operating organizations, the accumulated conversion differences related to the foreign operating organizations shall be fully reclassified as gains and losses. In case of affiliated company or joint ventures of foreign operating organizations involved in some of the punishment, related accumulated conversion differences shall be fully reclassified as gains and losses in proportion.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

As to the receivable and payable monetary items of foreign operating organizations, if without the repayment plan or the possibility of repayment in foreseeable future, the resultant gains and losses from foreign currency conversion shall be regarded as a part of net investments to the foreign operating organizations as recognized as other comprehensive income.

(4) Standards for classifying current and non-current assets and liabilities

Assets meeting one of the following conditions are recognized to be current assets, and other assets not belonging to current assets are recognized to be non-current assets:

1. Those that are expected to be realized during the normal operating period or intended to be sold or consumed.
2. Those held mainly for the purpose of transaction.
3. Those expected to be realized within 12 months after the reporting period.
4. The asset is cash or cash equivalents, unless the asset is otherwise restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The liabilities meeting any one of the following conditions are current liabilities, and other liabilities not belonging to current liabilities are recognized to be non-current liabilities:

1. Those expected to be paid off during the normal operating period.
2. Those held mainly for the purpose of transaction.
3. Those expected to be paid off within 12 months after the reporting period.
4. Liabilities that do not have an unconditional right to extend the maturity period to at least 12 months after the reporting period. The terms of the liability may, at the option of the counterparty, not affect its classification if the issuance of equity instruments results in its settlement.

(5) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are the investments which are allowed to be converted into normed cash with few value change risks and short-term high flowability. Certificate of deposit which satisfy the foregoing definition and with the holding purpose of meeting the short-term cash pledges rather than investment or others shall be recognized as cash equivalents.

(6) Financial instrument

Accounts receivable and the original debt securities issued are recognized when they are incurred. All other financial assets and financial liabilities were originally recognized when the company became a party to the terms of the financial instrument agreement. Financial assets that are not measured at fair value through profit or loss (except accounts receivable, which do not contain a significant financial component) or financial liabilities are measured

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

at fair value plus the transaction cost directly attributable to the acquisition or issue. Accounts receivable, which do not contain significant financial components, are originally measured at transaction prices.

1. Financial assets

The purchase or sale of financial assets by a conventional trader, the company shall treat all purchases and sales of financial assets classified in the same manner in accordance with the transaction date or the settlement date.

At the time of the original recognition, financial assets were classified as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, equity instrument investments measured at fair value through other comprehensive income, or financial assets measured at fair value through gains and losses.

The company will only change its business model for managing financial assets from the first day of the next reporting period to classify all affected financial assets.

(1) Financial assets measured at amortized cost

Financial assets are measured at post-amortized cost when they simultaneously meet the following conditions and are not specified to be measured at fair value through profit or loss:

- The financial asset is held under a business model for the purpose of collecting contractual cash flow.
- The cash flow generated by the terms of the contract on the financial asset at the specified date is solely for the payment of the principal and the interest on the outstanding principal amount.

The cumulative amortization of such assets is subsequently calculated by the effective interest method plus or minus the original amount recognized, and the amortized cost of any loss allowance is adjusted. Interest income, foreign exchange gains and losses and impairment losses are recognized as gains and losses. When derecognized, the profit or loss shall be included in the profit or loss.

(2) Financial assets measured at FVTOCI

When the debt instrument investment simultaneously meets the following conditions and is not specified to be measured at fair value through profit and loss, it is measured at fair value through other consolidated profit and loss:

- The financial asset is held under a business model for the purpose of collecting contractual cash flow and selling.
- The cash flow generated by the terms of the contract on the financial asset at the

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

specified date is solely for the payment of the principal and the interest on the outstanding principal amount.

The company may, at the time of its original recognition, irrevocably choose to report the subsequent changes in the fair value of its non-tradable equity instrument investments to other consolidated profits and losses. The foregoing selection is made on an item-by-item tool basis.

Debt instrument investors are measured by fair value afterwards. Interest income, foreign exchange gains and losses and impairment losses calculated by the effective interest method are recognized as gains and losses, while the remaining net gains or losses are recognized as other comprehensive income. When discounting, the accumulated amount of other comprehensive income shall be reclassified into comprehensive income.

Equity instrument investors are measured by fair value afterwards. Dividend income (unless it clearly represents the recovery of a portion of the investment cost) is recognized as a profit or loss. The remaining net benefits or losses are recognized as other comprehensive income and are not reclassified into gains and losses.

Dividend income from equity investments is recognized on the date (usually ex-dividend date) when the consolidated company becomes entitled to receive dividends.

(3) Financial assets measured at FVTPL

Financial assets that are not measured at fair value at the above amortized cost or through other comprehensive income are measured at fair value through gains and losses, including derivative financial assets. The company may, at the time of its original recognition, irrevocably designate financial assets that meet the criteria of measuring at fair value according to the amortized cost or through other comprehensive income as financial assets measured at fair value through gains and losses in order to eliminate or substantially reduce improper accounting matching.

Such assets are subsequently measured at fair value and their net gains or losses (including any dividends and interest income) are recognized as gains or losses.

(4) Business model evaluation

The purpose of the company is to assess the business model of holding financial assets at a portfolio level, which best reflects the way of operation and management and the way of providing information to management. The following information is considered:

- The portfolio policies and objectives described and the operation of such policies.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Including whether the management's strategy is to focus on earning contractual cash flow, maintaining a certain portfolio of interest rates, matching the duration of financial assets with the duration of the relevant liabilities or anticipated cash outflows, or achieving cash flow through the sale of financial assets.

- Performance of the business model and how the financial assets held under the business model are evaluated and reported to the principal managers of the business.
- Risks that affect the performance of the business model (and the financial assets held under the business model) and the manner in which such risks are managed.
- The frequency, amount and timeliness of previous sales of financial assets, the reasons for such sales and the expectation of future sales.

The transfer of a financial asset to a third party for the above business purposes that does not meet the exclusion criteria is not a sale as described above, consistent with the purpose for which the merged company continues to recognize the asset.

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

- (5) Evaluate whether the cash flow of the contract is fully the interest on the payment of the principal and the amount of outstanding principal

For evaluation purposes, the principal is the fair value of the financial asset at the time of its original recognition, and the interest is made up of the following considerations: the time value of money, the credit risk associated with the amount of outstanding principal in circulation during a particular period, and other basic lending risks and costs and profit margins.

To evaluate whether the contract cash flow is fully interest on the principal and the outstanding principal amount, the company considers the terms of the financial instrument contract, including whether the financial asset contains a contract term that can change the point or amount of the cash flow of the contract, causing it to fail to meet this condition. In the evaluation, the consolidated company considers:

- Any contingencies that change the timeliness or amount of the cash flow of the contract;
- The terms of the coupon rate may be adjusted, including the nature of the variable rate;
- The nature of prepayment and extension; and
- Claims of the consolidated company are limited to cash flow terms derived from specific assets (e.g. non-recourse nature).

- (6) Impairment of financial assets

For the financial assets measured at the amortized cost after (including cash and

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

about when cash, notes receivable, accounts receivable, other receivables, refundable deposit, and other financial assets, etc.), through the other comprehensive income measured at fair value, the debt instruments of investment assets and contract of expected loss, the company recognizes the allowance for credit losses.

The following financial assets are measured against losses according to the expected credit loss amount of 12 months, and the rest are measured according to the expected credit loss amount of the existing period:

- Determine that the credit risk of the debt securities at the reporting date is low; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected life of financial instruments) has not increased significantly since the original recognition.

The loss allowance for accounts receivable and contract assets is measured in terms of the expected credit loss during the period of existence.

In determining whether credit risk has increased significantly since the initial recognition, the consolidated company considers reasonable and verifiable information (available at no excessive cost or investment), including qualitative and quantitative information, as well as analysis based on the Company's historical experiences, credit assessment and forward-looking information.

The consolidated company shall be deemed to be in default of the financial asset if the debtor of the contract payment is unlikely to meet his credit obligations to make the full payment to the consolidated company.

Expected credit loss during the life of a financial instrument refers to the expected credit loss arising from all possible defaults during the life of the financial instrument.

Twelve-month expected credit loss refers to the expected credit loss arising from the possible default of the financial instrument within twelve months after the date of the report (or a shorter period, if the expected duration of the financial instrument is shorter than twelve months).

The longest contract period during which the expected credit loss is measured is the longest contract period during which the company is exposed to credit risk.

The expected credit loss is the probabilistic weighted estimate of the credit loss during the expected life of the financial instrument. Credit losses are measured in terms of the present value of all cash shortfalls, the difference between the cash flows that the company can collect under the contract and the cash flows that the company expects to collect. The expected credit loss is discounted at the effective interest rate of the financial asset.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

On each reporting date, the company evaluates whether there is a credit impairment in the debt securities on which financial assets are measured at after-amortized cost and on which fair value is measured through other comprehensive income. When one or more events have occurred that adversely affect the estimated future cash flow of a financial asset, the financial asset has suffered a credit impairment. Evidence of credit impairment of financial assets includes observable information relating to:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or delay beyond a specified period;
- For economic or contractual reasons related to the borrower's financial difficulties, the merged company gives the borrower concessions that the borrower would not have considered;
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The loss allowance for a financial asset measured at its amortized cost is deducted from the carrying amount of the asset. The allowance for losses on debt instrument investments is measured at fair value through other comprehensive income. It is adjusted and recognized as other comprehensive income (without reducing the carrying amount of the assets).

When the company cannot reasonably expect to recover the financial assets as a whole or in part, it will directly reduce the total book amount of its financial assets. For the company, the company shall analyze the date and amount of the write-off on the basis of whether it is reasonable to expect recovery. The company does not expect a significant reversal of the write-off. However, financial assets that have been written off may still be enforced to comply with the procedures of the consolidated company for recovering overdue amounts.

(7) Financial assets derecognition

When the Company terminates the contractual rights from the cash flow of such assets or has transferred the financial assets and almost all risks and returns of the asset ownership have been transferred to other enterprises, the financial assets shall be derecognized.

Transactions in which the Company enters into transfers of financial assets that retain all or substantially all of the risks and rewards of ownership of the transferred assets continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

(2) Equity transactions

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount of the consideration received less direct issue costs.

(3) Compound financial instruments

The number of shares issued does not vary with the change in fair value of the compound financial instruments, which are convertible bonds (denominated in New Taiwan dollars) that the holders have the option to convert to equity.

The original recognition amount of the liability component of a compound financial instrument is measured at the fair value of a similar liability excluding the equity conversion rights. The original recognition amount of the equity component is measured as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the carrying amounts of the original liability and equity.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities are reclassified to equity upon conversion, and no gain or loss is recognized upon conversion.

(4) Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities which are held for trading, derivatives or specified at the time of their original recognition are classified as being measured at fair value through profit or loss. Financial liabilities, measured at fair value through profit and loss, are measured at fair value, and the associated net benefits and losses, including any interest expense, are recognized as profit and loss.

The effective subsequent interest method for other financial liabilities is measured

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

at the amortized cost. Interest expenses and exchange gains and losses are recognized as gains and losses. Any benefit or loss at the time of discounting is also considered as profit or loss.

(5) Derecognition of financial liabilities

The Company derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled or matured. When the terms of a financial liability are modified and the cash flows of the modified liability differ materially, the original financial liability is derecognized and a new financial liability is recognized at fair value based on the modified terms.

When derecognizing financial liabilities, the difference between carrying amount and the sum of paid or payable considerations (including any transferred non-cash capital or assumed liabilities) shall be recognized as gains and losses.

(6) Offset between financial assets and liabilities

Financial assets and financial liabilities can be offset with each other and represented on the balance sheet with net value only when the Company has legal rights to offset and has the intention to deliver with net value as well as realize capital and liquidate the liabilities.

3. Derivative financial instruments

The Company holds derivative financial instruments to avoid foreign currency and interest rate risks. Embedded derivatives are separated from the main contract when specific conditions are met and the main contract is not a financial asset.

Derivative instruments are initially recognized at fair value and subsequently measured at fair value, and the resulting gain or loss is recognized directly in profit or loss.

(7) Inventory

Inventory shall be measured with the lower of the costs and net realizable value. The costs include the acquisition, production and processing costs enabling them to arrive at the available places and status and other costs, which are calculated according to the standard cost method, and priced at cost transferring according to weighted mean method. The costs of the inventory of finished products and products in process include the manufacturing costs amortized based on normal production capacity according to proper percentage.

Net realizable value refers to the estimated prices under normal operation deducting estimated costs to be needed for estimated completion and estimated costs to be needed for completing selling.

(8) Investing subsidiary

In preparing individual financial statements, the Company applies the equity method to

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

investees over which it has control. Under the equity method, the share of current profit or loss and other comprehensive income of the individual financial report is the same as the share of current profit or loss and other comprehensive income attributable to the owners of the parent in the financial statements prepared on a consolidated basis, and the interest of the owners of the individual financial report is the same as the interest attributable to the owners of the parent in the financial statements prepared on a consolidated basis.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions with owners.

(9) Property, plant and equipment

1. Recognition and measurement

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

Significant components of property, plant and equipment are treated as separate items (major components) when they have different life cycles.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenses are capitalized only when it is probable that future economic benefits will flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of the asset less its residual value and is recognized in profit or loss using the straight-line method over the estimated useful life of each component.

The land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

(1) Buildings	20-40 years
(2) Machinery	2-10 years
(3) Other equipment	2-10 years

The Company reviews the method of depreciation, durability and residual value at each reporting date and makes appropriate adjustment as necessary.

4. Reclassification to investment real estate

When real property for own use is reclassified to investment property, the real property is reclassified to investment property based on its carrying amount at the time of change of use.

(10) Investment property

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Investment real estate means real property held for the purpose of earning rent or asset appreciation, or both, rather than for the purpose of production, provision of goods or services, or for administrative purposes. Investment real estate is originally measured by cost, and later measured by cost minus accumulated depreciation and accumulated impairment. The depreciation method, durable life and residual value shall be treated in accordance with the provisions of real estate, plant and equipment.

The disposal interest or loss of the investment real estate (calculated at the difference between the net disposal price and the account amount of the project) shall be recognized as the profit or loss.

The rental income of investment real estate is recognized as other income in the straight-line method during the lease term. The incentive to lease is recognized as part of the rental income during the lease term.

(11) Leasing

The company shall assess whether the contract is a lease or includes a lease on the date of formation of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract shall be a lease or includes a lease.

1. The lessee

The company recognize the right-of-use assets and lease liabilities on the beginning date of the lease. Right-of-use assets are originally measured in terms of cost, which includes the original measured amount of lease liabilities, adjusts the lease beginning date or before payment of any rent payment, and the initial direct costs, and applied to removing the asset and restoring its location or the estimated cost of the underlying assets. It minuses the charge of any lease incentives at the same time.

Depreciation of right-of-use assets following the commencement of the lease shall be carried out by the straight-line method at the end of the useful life of right-of-use assets or earlier at the end of the lease term. In addition, the company will periodically evaluate whether there is any loss of right-of-use assets and deal with any loss that has occurred, and adjust the right-of-use assets in the case of lease liabilities.

Lease liabilities are defined as the present value of lease benefits not yet paid at lease commencement date. If the implied lease rate is easy to determine, the discount rate will be that rate, and if not, the incremental borrowing rate of the Company will be used. Generally speaking, the consolidated company adopts its incremental borrowing rate as the discount rate.

Lease benefits measured in Lease liabilities include:

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

- (1) fixed payments, including substantive fixed payments;
- (2) depending on the variation of a certain index or rate of rent payment, the index or rate on the commencement date of the lease shall be used as the original measurement;
- (3) the guaranteed amount of salvage value expected to be paid; and
- (4) the price at which the option to exercise the option to purchase or terminate the lease will be reasonably determined or the penalty to be paid.

Lease liabilities is then calculated using effective interest method, and the amount was measured when:

- (1) changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (2) the guaranteed amount of the residual value expected to be paid has changed;
- (3) the evaluation of the underlying asset purchase option has changed;
- (4) the estimate of whether to exercise the option of extension or termination has changed, which leads to the change of the assessment of the lease period;
- (5) modification of the subject matter, scope or other terms of the lease.

Lease liabilities are remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchases, extensions or termination options, the book value of right-of-use assets should be adjusted accordingly. When the book value of right-of-use assets is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For the tease modifications about the reduced coverage, the book amount of right-of-use assets will be reduced to reflect partial or total termination of Lease, and the difference between Lease assets and Lease assets will be included in the profit and loss.

The company will express the right-of-use assets and lease liabilities that do not conform to the definition of investment real estate in the form of single line items in the balance sheet.

2. The lessor

The transaction in which the company is a lessor shall be classified as a financial lease or an operating lease on the date of establishment of the lease, depending on whether or not the lease contract is transferred to almost all the risks and rewards attached to the ownership of the underlying asset. In the evaluation, the consolidated company shall consider certain indicators, including whether the lease term covers the principal part of the underlying asset's economic life.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

If the company is a sublease lessor, it will handle the master lease and the sublease transaction respectively and evaluate the sublease transaction classification based on the right-of-use assets generated from the master lease. If the principal lease is a short-term lease and a recognition waiver is applicable, the sublease transaction shall be classified as an operating lease.

(12) Intangible assets

1. Recognition and measurement

Computer software acquired by the Company is measured at cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

The subsequent expenditure can be capitalized only when they can increase the future economic benefits of relevant specific assets, and all of other expenditures are recognized as gains and losses when they occur, including the expenses for developing reputation and brand establishing.

3. Amortization

Amortization is calculated based on the cost of the asset less its estimated residual value and is recognized in profit or loss using the straight-line method over the estimated useful lives of the Intangible assets, from one to five years from the time the assets reach a ready-for-use condition.

The Company reviews the amortization method, useful life and residual value of Intangible assets at each reporting date and makes appropriate adjustments as necessary.

(13) Non-financial asset impairment

At each reporting date, the Company assesses whether there is any indication that the carrying amount of non-financial assets (other than inventories, deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated.

For the purpose of impairment testing, cash inflows that are largely independent of other individual assets or groups of assets are treated as the smallest identifiable group of assets.

The recoverable amount is the higher of the fair value less costs to dispose of the individual asset or cash-generating unit or its value in use. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized immediately in profit or loss and is reduced first by the carrying amount of goodwill amortized on the cash-generating unit and then by the carrying amount of each other asset in the unit in proportion to its carrying amount.

Non-financial assets other than goodwill are reversed only to the extent that they do not

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

exceed the carrying amount (net of depreciation or amortization) that would have been determined had no impairment loss been recognized for the asset in prior years.

(14) Provision for liabilities

Provisions are recognized as present obligations due to past events that make it probable that the Company will need to expend economically efficient resources in the future to settle the obligation and the amount of the obligation can be reliably estimated.

The amount recognized in Provisions takes into account the risks and uncertainties of the obligation and is the best estimate of the payments required to settle the obligation at the end of the reporting period. If Provisions is measured at the estimated cash flows to settle this realistic obligation, the carrying amount is the present value of those cash flows.

(15) Income recognition

Revenue from customer contracts

Income is measured in consideration for the expected entitlement to transfer goods or services. The company recognizes revenue from the transfer of control of goods or services to the customer in order to meet its performance obligations.

The company manufactures electronic components and sells them to manufacturers in the electronics industry. The company recognizes revenue at the time of the transfer of control over the products. Control transfer of the product means that the product has been delivered to the customer and the customer can fully determine the sales channel and price of the product, and there is no failure to fulfill obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, the customer has accepted the product in accordance with the sales contract, the acceptance terms have expired, or the consolidated company has objective evidence that all acceptance conditions have been met.

The consolidated company recognizes revenue on the basis of the net amount of the estimated discount deducted from the contract price, the amount of which is estimated based on past experiences, and only to the extent that there is a high probability that no significant turnaround will occur. As of the date of the report, the sales will expect to pay the customer for the discount, which is refunded as refund liabilities. The average credit period of sales is one hundred twenty days to one hundred fifty days, which is consistent with the practice of the same trade, so no financing elements are included.

The company shall recognize accounts receivable at the time of delivery of the goods, as the consolidated company shall have the right to receive unconditional consideration at that time.

The time between the transfer of goods or services from all customer contracts to the

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

customer and the time between the customer's payment for the goods or services is expected to be no more than one year, so the company does not adjust the time currency value of the transaction price.

(16) Employee benefits

1. Defined contribution plan

The contribution obligation of the defined contribution pension plan is recognized as an expense in the period in which the employees render service to the Company.

2. Defined benefit plan

The Company's net obligation to a defined benefit plan is measured by discounting the present value of future benefits earned by the employee's current or prior period of service, less the fair value of the plan assets.

The defined benefit obligation is actuated annually by a qualified actuary using the projected unit benefit method. When the results of the calculation are probable to be favorable to the Company, an asset is recognized to the extent of the present value of any economic benefits that may be obtained by returning a contribution from the plan or reducing future contributions to the plan. Any minimum funding requirement is taken into account in calculating the present value of economic benefits.

The remeasurement of the net defined benefit obligation, including actuarial gains and losses, compensation for plan assets (excluding interest), and any change in the impact of asset limits (excluding interest) is recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines net interest expense (income) for net defined benefit liabilities (assets) using the net defined benefit liabilities (assets) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other costs for defined benefit plans are recognized in profit or loss.

When a plan is revised or curtailed, changes in benefits related to prior period service costs or curtailment gains or losses are recognized immediately in profit or loss. The Company recognizes gain or loss on the settlement of defined benefit plans when settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as an expense when services are provided. If the Company has a present legal or constructive obligation to pay for services rendered by employees in the past and the obligation can be estimated reliably, the amount is recognized as a liability.

(17) Share-based payment transactions

Equity-settled share-based payment agreements recognize an expense and increase

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

relative equity over the vesting period of the award at the grant date fair value. The expense recognized is adjusted for the number of awards that are expected to qualify for the service condition and the non-market vesting condition, and the final amount recognized is measured based on the number of awards that qualify for the service condition and the non-market vesting condition on the vesting date.

The non-vested conditions regarding share-based payment awards are reflected in the measurement of the fair value of the share-based payment awards at the date of grant and no adjustment is required to be made to verify the difference between the expected and actual results.

The fair value amount of the share appreciation rights payable to employees for cash settlement is recognized as an expense and an increase in the relative liability in the period in which the employees reach the point where they can receive unconditional compensation. The liability is remeasured at the fair value of the share appreciation rights at each reporting date and settlement date, and any change is recognized in profit or loss.

(18) Income tax

Income taxes include current and deferred income tax asset. Except those related to enterprise consolidation and items directly recognized as equities or other comprehensive income, Current tax and deferred income tax asset shall be recognized as gains and losses.

Current taxes include expected payable income taxes or receivable tax rebates of the annual taxation (losses) calculated according to the legal tax rate or substantial legal tax rate on the report day, and any unappropriated retained earnings plus 10% income tax recognized as tax expense in the shareholders meeting resolution year calculated according to the adjustments to the payable income taxes in the previous year and the provisions of income tax laws.

Deferred income tax assets are measured and recognized according to the temporary difference between the carrying amount and taxation basis of assets and liabilities with financial report objectives. In case of any of the following situations, the temporary differences will not be recognized as deferred income tax assets:

1. Those do not belong to the assets or liabilities originally recognized in the transaction of enterprise consolidation, and not influencing accounting profits and taxation incomes (losses) during the transaction.
2. Those generated due to investment subsidiary company and joint equities and likely to not to be returned in the foreseeable future.
3. Original recognition of business reputation

Deferred income tax assets are recognized for unused tax losses and unused income tax credits in subsequent periods to the extent that it is probable that future taxable income will

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

be available against which the temporary differences can be deducted. Deferred income tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or to the extent that it becomes probable that sufficient taxable income will be available to allow the reversal of the original reduction.

Deferred income tax assets are measured according to the tax rate in the current period when the expected capital is realized or liabilities are liquidated and based on the legal tax rate or substantial legal tax rate on the report day.

Only when the Company shall meet the following conditions at the same time, can the deferred income tax assets and deferred tax liabilities offset with each other:

1. Having the legal execution right to make the current income tax assets and the current tax liabilities offset with each other: and
2. Deferred income tax assets and deferred tax liabilities are related to one of the subjects of tax payment from which the same tax authority levies income tax;
 - (1) Same subject of tax payment; or
 - (2) Different subjects of tax payment, but all subjects intend to liquidate the current tax liabilities and assets based on net amount or at the same time realize assets and liquidate liabilities in each of the future periods when deferred income tax assets of major amounts are expected to be recovered and deferred tax liabilities expected to be liquidated.

(19) Earnings per share

The Company lists the basic and diluted earnings per share of holders of common stock equity of the Company. The basic earnings per share of the Company shall be calculated with the gains and losses of the holders of common stock equity of the Company divided by the weighted mean of current outstanding common shares. Diluted earnings per share shall be calculated after adjusting the influence of all potential diluted common shares of the gains and losses of the holders of common stock equity of the Company and the weighted mean of current outstanding common shares. The potential diluted common shares of the Company include convertible corporate bonds and stock options for employees.

(20) Segmental information

The Company has disclosed segment information in the Consolidated Financial Statements and therefore individual financial statements do not disclose segment information.

V. Primary Sources of Major Accounting Judgment, Estimate and Assumption Uncertainties

Management is required to make judgments, estimates and assumptions in preparing this entity's financial statements in accordance with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" that will affect the adoption of accounting policies and

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from estimates.

The management authority continuously inspects the estimate and basic assumption, and accounting changes are recognized during the period of changes and the period of future to be influenced.

The following assumptions and estimates are subject to significant risks of material adjustments to the carrying amounts of assets and liabilities in the next financial year, and the related information is as follows:

Inventory evaluation

Since inventory must be measured at the lower of cost or net realizable value, the company estimates the reported amount of inventory due to normal wear and tear, obsolescence, or no market sale value daily and reduces the cost of inventory to net realizable value. The net realizable value of inventories may change significantly due to rapid changes in the industry and the introduction of new products. Please refer to Note VI (4) for the inventory assessment.

VI. Descriptions for Important Accounting Items

(1) Cash and cash equivalents

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Petty cash	\$ 52	99
Checks and demand deposits	725,472	497,153
Time deposits	54,389	50
Cash and cash equivalents listed on the Statement	<u>\$ 779,913</u>	<u>497,302</u>

Disclosures of interest rate risks and sensitivity analysis on financial assets and liabilities of the Company are seen in Note VI (24).

(2) Financial assets

1. Financial assets measured at FVTPL

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Financial assets mandatorily measured at FVTPL:		
Current		
Non-hedging derivatives		
Forward exchange contracts	\$ -	2,080
Non-current		
Non-hedging derivatives		
Embedded derivatives—right of redemption	3,370	-
Total	<u>\$ 3,370</u>	<u>2,080</u>

Please refer to Note VI (11) for the disclosure of embedded derivatives of the

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

convertible bonds issued by the Company.

Please refer to Note VI (24) for the amount recognized in profit or loss based on fair value remeasurement.

The Company engages in derivative financial instruments to hedge its exposure to exchange rate risk arising from operating activities. The breakdown of derivative instruments reported as financial assets measured at FVTPL for non-applicable hedge accounting is as follows:

Financial assets	Dec. 31, 2020	
	Contract principal	Maturity
	(NT\$ 1,000)	
Forward exchange contracts	USD 4,000	110.01.11
“	USD 2,000	110.01.12
“	USD 2,000	110.01.22
“	USD 2,000	110.02.09
“	USD 2,000	110.02.18
“	USD 2,000	110.02.19
“	USD 2,000	110.02.23
“	USD 6,000	110.03.10
“	USD 2,000	110.03.23

2. Financial assets measured at FVTOCI

	Dec. 31, 2021	Dec. 31, 2020
Non-current:		
Domestic unlisted (or OTC) stocks—SteadyBeat Technology Corporation	8,545	-
Domestic unlisted (or OTC) stocks—G-sau Co.,Ltd	955	-
Total	\$ 9,500	-

The Company's investments in these equity instruments are not held for trading purposes and have been designated as measured at FVTOCI.

The Company has no dividend income from equity instruments measured at FVTOCI as listed above for the year 2021.

As of December 31, 2021, none of the Company's financial assets had been pledged as collateral.

(3) Notes receivable, accounts receivable and other receivables

Dec. 31, 2021	Dec. 31, 2020
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Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Notes receivable	\$	1,911	2,485
Accounts receivable		5,847,230	4,320,998
Other receivables		25,195	111,377
Less: provisions		<u>(4,755)</u>	<u>(5,424)</u>
	\$	<u>5,869,581</u>	<u>4,429,436</u>

For the changes in the provisions for notes and accounts receivable for the years 2021 and 2020, please refer to Note VI (24) 1. (3) Statement of Impairment Losses.

(4) Inventory

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Merchandises	\$ 993,764	710,364
Finished goods	2,061	108
Raw materials	<u>29</u>	<u>5</u>
	<u>\$ 995,854</u>	<u>710,477</u>

The Company's inventory as of December 31, 2021 and 2020 including allowance for inventory losses are NT\$64,856 thousand dollars and NT\$45,507 thousand dollars respectively.

The Company recognized inventory-related expenses (gain) as follows:

	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 11,389,816	8,787,969
Inventory valuation and disposal loss	<u>21,612</u>	<u>29,666</u>
Total	<u>\$ 11,411,428</u>	<u>8,817,635</u>

As of December 31, 2021 and 2020, the Company's inventories were not pledged as security.

(5) Investment accounted for using the equity method

The investments of the Company accounted for using the equity method are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Subsidiaries	<u>\$ 12,624,489</u>	<u>10,225,811</u>

1. Subsidiaries

Please refer to the consolidated financial statements for year 2021.

2. Guarantee

As of December 31, 2021 and 2020, the Company's investments accounted for using the equity method did not provide security for the pledge.

(6) Property, plant and equipment

The changes in the cost, depreciation and impairment losses of the property, plant and

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

equipment of the Company are as follows:

	Land	Buildings	Machinery equipment	Other	Total
Cost or deemed cost:					
Balance on January 1, 2021	\$ 28,250	32,438	12,480	49,298	122,466
Addition	-	-	155	5,697	5,852
Disposal	-	-	(715)	(3,540)	(4,255)
Balance on December 31, 2021	<u>\$ 28,250</u>	<u>32,438</u>	<u>11,920</u>	<u>51,455</u>	<u>124,063</u>
Balance on January 1, 2020	\$ 28,250	32,438	14,300	48,319	123,307
Addition	-	-	-	1,181	1,181
Disposal	-	-	(1,820)	(202)	(2,022)
Balance on December 31, 2020	<u>\$ 28,250</u>	<u>32,438</u>	<u>12,480</u>	<u>49,298</u>	<u>122,466</u>
Losses on depreciation and impairment:					
Balance on January 1, 2021	\$ -	16,973	12,288	34,929	64,190
Depreciation in the year	-	903	60	4,811	5,774
Disposal	-	-	(715)	(3,540)	(4,255)
Balance on December 31, 2021	<u>\$ -</u>	<u>17,876</u>	<u>11,633</u>	<u>36,200</u>	<u>65,709</u>
Balance on January 1, 2020	\$ -	16,070	13,615	30,194	59,879
Depreciation in the year	-	903	377	4,937	6,217
Disposal	-	-	(1,704)	(202)	(1,906)
Balance on December 31, 2020	<u>\$ -</u>	<u>16,973</u>	<u>12,288</u>	<u>34,929</u>	<u>64,190</u>
Book value:					
December 31, 2021	<u>\$ 28,250</u>	<u>14,562</u>	<u>287</u>	<u>15,255</u>	<u>58,354</u>
December 31, 2020	<u>\$ 28,250</u>	<u>15,465</u>	<u>192</u>	<u>14,369</u>	<u>58,276</u>

As of December 31, 2021, and December 31, 2020, property, plant and equipment were used as collateral for short-term loans and financing lines. Please refer to Note VIII for details.

(7) Right-of-use assets

The changes in the costs of the lease of lands, buildings, machinery and other equipment, losses on depreciation and impairment of the consolidated company are as follows:

	Buildings
Cost of right-of-use assets:	
Balance on January 1, 2021	\$ -
Addition	118
Balance on December 31, 2021	<u>\$ 118</u>
Balance on January 1, 2020	\$ 118
Decrease	(118)
Balance on December 31, 2020	<u>\$ -</u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Losses on depreciation and impairment of right-of-use assets:

Balance on January 1, 2021	\$ -
Depreciation for the period	59
Balance on December 31, 2021	<u><u>\$ 59</u></u>
Balance on January 1, 2020	\$ 59
Depreciation for the period	59
Decrease	(118)
Balance on December 31, 2020	<u><u>\$ -</u></u>
Book value:	
December 31, 2021	<u><u>\$ 59</u></u>
December 31, 2020	<u><u>\$ -</u></u>

(8) Investment property

The changes in the investment property of the Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2021	\$ 260,576	44,832	305,408
Addition	-	1,516	1,516
Balance on December 31, 2021	<u><u>\$ 260,576</u></u>	<u><u>46,348</u></u>	<u><u>306,924</u></u>
Balance on January 1, 2020	\$ 248,200	39,285	287,485
Addition	12,376	5,547	17,923
Balance on December 31, 2020	<u><u>\$ 260,576</u></u>	<u><u>44,832</u></u>	<u><u>305,408</u></u>
Losses on depreciation and impairment:			
Balance on January 1, 2021	\$ -	5,481	5,481
Depreciation	-	1,187	1,187
Balance on December 31, 2021	<u><u>\$ -</u></u>	<u><u>6,668</u></u>	<u><u>6,668</u></u>
Balance on January 1, 2020	\$ -	4,483	4,483
Depreciation	-	998	998
Balance on December 31, 2020	<u><u>\$ -</u></u>	<u><u>5,481</u></u>	<u><u>5,481</u></u>
Book value:			
December 31, 2021	<u><u>\$ 260,576</u></u>	<u><u>39,680</u></u>	<u><u>300,256</u></u>
January 1, 2020	<u><u>\$ 248,200</u></u>	<u><u>34,802</u></u>	<u><u>283,002</u></u>
December 31, 2020	<u><u>\$ 260,576</u></u>	<u><u>39,351</u></u>	<u><u>299,927</u></u>
Fair value:			
December 31, 2021		<u><u>\$ 390,082</u></u>	
December 31, 2020		<u><u>\$ 372,159</u></u>	

As of December 31, 2021 and 2020, none of the Company's investment properties had

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

been pledged as security.

(9) Intangible assets

The changes in the cost and amortization of the intangible assets of the Company are as follows:

	<u>Computer software</u>	<u>Other</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 143,219	600	143,819
Separate acquisition	10,852	-	10,852
Derecognition	(42,987)	-	(42,987)
Balance on December 31, 2021	<u>\$ 111,084</u>	<u>600</u>	<u>111,684</u>
Balance on January 1, 2020	\$ 84,795	600	85,395
Separate acquisition	58,424	-	58,424
Balance on December 31, 2020	<u>\$ 143,219</u>	<u>600</u>	<u>143,819</u>
Losses on amortization and impairment:			
Balance on January 1, 2021	\$ 46,236	-	46,236
Amortization for the period	25,901	-	25,901
Derecognition	(42,987)	-	(42,987)
Balance on December 31, 2021	<u>\$ 29,150</u>	<u>-</u>	<u>29,150</u>
Balance on January 1, 2020	\$ 34,458	-	34,458
Amortization for the period	11,778	-	11,778
Balance on December 31, 2020	<u>\$ 46,236</u>	<u>-</u>	<u>46,236</u>
Book value:			
Balance on December 31, 2021	<u>\$ 81,934</u>	<u>600</u>	<u>82,534</u>
Balance on December 31, 2020	<u>\$ 96,983</u>	<u>600</u>	<u>97,583</u>

The amortization expense of the intangible assets of the Company respectively recognized in the Statement of Comprehensive Income:

	<u>2021</u>	<u>2020</u>
Operating cost	<u>\$ 12</u>	<u>3</u>
Operating expense	<u>\$ 25,889</u>	<u>11,775</u>

(10) Short-term loans

The details of the Company's short-term loans are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Unsecured bank loan	<u>\$ 552,240</u>	<u>-</u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Unused line of credit	<u>\$ 1,207,600</u>	<u>1,456,320</u>
Interest rate range	<u>0.70%~0.85%</u>	<u>- %</u>

For information on the Company's interest rate and foreign currency risk, please refer to Note VI (24). In addition, please refer to Note VIII for the Company's pledge of assets for short-term loans and Note IX for the Company's guarantee notes for bank loans and financing lines.

(11) Bonds payable

Information on the Company's issuance of unsecured convertible bonds is as follows:

	<u>Dec. 31, 2021</u>
Total amount of convertible bonds issued	\$ 1,000,000
Cumulative amount converted	(63,900)
Unamortized balance of discount on bonds payable	(24,173)
Balance of bonds payable at the end of the period	<u>\$ 911,927</u>
Embedded derivatives—right of redemption (reported as financial assets measured at FVTPL)	<u>\$ 3,370</u>
Equity component - conversion rights (reported as capital reserves - stock options)	<u>\$ 171,527</u>
	<u>2021</u>
Embedded derivatives—Redemption benefits (reported as other gains and losses)	<u>\$ 2,700</u>
Interest expense	<u>\$ 3,530</u>

On August 19, 2021, the Company issued 10,000 domestic first three-year unsecured convertible bonds with a coupon rate of 0%, which are repayable in cash at par on maturity.

The conversion price was set at \$563.2 per share at the time of issuance, and the conversion price will be adjusted according to the formula specified in the terms of the issuance if the conversion price of the Company's common shares is adjusted in accordance with the terms of the issuance. The conversion price on December 31, 2021 was \$547.5. There is no reset clause for the bonds.

The Company redeems the outstanding bonds at par value in cash if one of the following conditions is met:

1. If the closing price of the Company's common stock on the Taiwan Stock Exchange exceeds the conversion price of the Bonds by more than 30% for 30 consecutive business days from the day after the third month of the issuance of the Bonds to the 40th day before the expiration of the issuance period.
2. The outstanding balance of the bonds is less than 10% of the original issue amount from the day after the third month of issuance to the 40th day before the expiration of the

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

issuance period.

In fiscal 2021, the bondholders requested to convert 639 domestic three-year unsecured convertible bonds with a total carrying amount of \$62,250 thousand, and the net change in capital reserves due to the conversion of bonds was \$60,853 thousand, and the share capital generated from the conversion of bonds was \$1,167 thousand. Please refer to Note VI (18) for the conversion of share capital.

(12) Lease liabilities

The carrying amounts of the Company's lease liabilities are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Current	\$ 59	-

Please refer to Note VI (24) for the maturity analysis.

The amounts recognized in the profit and loss are as follows:

	2021	2020
Interest expense for lease liabilities	\$ 1	1
Short-term lease expense	\$ 896	-

The amounts recognized in the Statement of Cash Flows are as follows:

	2021	2020
Total cash outflow for leases	\$ 956	153

(13) Refund liabilities - current

	Dec. 31, 2021	Dec. 31, 2020
Refund liabilities - current	\$ 195,105	161,767

The refund liabilities are mainly the prepayments to customers for the sales discount and defects of electronic components.

(14) Provision for liabilities

	Dec. 31, 2021	Dec. 31, 2020
Provision for liabilities - non-current		
Employee benefits	\$ 45,220	49,258

Employee benefits are estimated under the Company's defined benefit plan, please refer to Note VI (16) for details.

(15) Operating leasing

The company leases its investment real estate, which is classified as an operating lease because almost all risks and rewards belonging to the ownership of the underlying asset have not been transferred. Please refer to Note VI (8) for details of the investment real estate.

Due date analysis of lease benefits to report the total amount of undiscounted lease

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

benefits received in the future is shown in the following table:

	Dec. 31, 2021	Dec. 31, 2020
Less than 1 year	\$ 1,183	4,544
1 to 2 years	264	523
2 to 3 years	126	-
3 to 4 years	126	-
4 to 5 years	89	-
Total undiscounted lease payments	\$ 1,788	5,067

Rental income generated from investment properties was NT\$4,609,000 dollars and NT\$4,896,000 dollars for 2021 and 2020 respectively. The direct operating expenses (including maintenance) incurred by the investment properties that generated rental income during the period were NT\$1,367,000 dollars and NT\$1,028,000 dollars respectively.

(16) Employee benefits

1. Defined benefit plans

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

	Dec. 31, 2021	Dec. 31, 2020
Present value of defined benefit obligations	\$ 78,057	83,499
Fair value of plan assets	(32,837)	(34,241)
Net defined benefit liability	\$ 45,220	49,258

Details of the employee benefit liabilities of the Company are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Liabilities from paid leaves	\$ 5,108	3,394

The defined benefit plan of the Company is contributed to special account of contribution for retirement of Bank of Taiwan. The retirement payment of each employee applicable to Labor Standards Law is calculated in accordance with the base obtained based on the length of service and the average salaries within six months before retirement.

(1) Composition of plan assets

The retirement fund contributed by the Consolidated under the Labor Standards Law shall be controlled by the Labor Funds Operation Bureau of the Ministry of Labor (hereinafter referred to as the Labor Funds Bureau), and under the provisions of Measures on the Management and Application of Labor Retirement Funds, the annual minimum return settled and distributed from the funds operation shall not be lower than

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

the incomes calculated in accordance with the 2-year time certificate of deposit rate of the local banks.

As of the reporting date, the balance of the Company in the special account of contribution for retirement of Bank of Taiwan amounts to NT\$ 32,837,000 dollars. The data of the application of the labor retirement funds include funds yield and funds asset allocation, with details to be seen in the information released on the website of the Labor Funds Bureau.

(2) Changes in the present values of defined benefit obligations

Changes in the present values of defined obligations of the Company in 2021 and in 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation on January 1	\$ 83,499	73,681
Service cost and interest in the year	951	1,168
Remeasurement of net defined benefit liabilities (assets)	(3,373)	8,650
Benefit paid by the plan	(3,020)	-
Defined benefit obligation on December 31	<u><u>\$ 78,057</u></u>	<u><u>83,499</u></u>

(3) Changes in fair value of plan assets

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

	<u>2021</u>	<u>2020</u>
Fair value of plan assets on January 1	\$ 34,241	31,952
Interest income	119	238
Remeasurement of net defined benefit liabilities (assets)	477	1,052
Amount contributed to the plan	1,020	999
Benefit paid by the plan	(3,020)	-
Fair value of plan assets on December 31	<u><u>\$ 32,837</u></u>	<u><u>34,241</u></u>

(4) Expenses recognized in profit or loss

The expenses of the Company recognized in profit or loss in 2021 and in 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Service cost for the period	\$ 662	621
Net interest of net defined benefit liabilities	170	309
	<u><u>\$ 832</u></u>	<u><u>930</u></u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Operating cost	\$	110	115
Promotion expense		286	290
Administration expense		277	337
R&D expense		159	188
	\$	832	930

- (5) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

Remeasurement of the accumulated net defined benefit liabilities (assets) of the Company recognized in other comprehensive income in 2021 and in 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Accumulated balance on January 1	\$ (5,703)	1,895
Amount recognized in the year	3,851	(7,598)
Accumulated balance on December 31	\$ (1,852)	(5,703)

- (6) Actuarial assumptions

The material actuarial assumptions used by the Company to determine the present value of defined benefit obligations at the end of the reporting period are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Discount rate	0.70%	0.35%
Increase in future salary	2.00%	2.00%

The amount of appropriation for defined benefit plans within 1 year after the reporting date for the year ended on December 31, 2021 is NT\$1,002,000.

The weighted average duration of defined benefit plans is 10 years.

- (7) Sensitivity analysis

The effects of changes in the main actuarial assumptions adopted on December 31, 2021 and 2020 on the present value of defined benefit obligations are as follows:

	Effects on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2021		
Discount rate	\$ (2,023)	2,099
Increase in future salary	2,066	(2,002)
December 31, 2020		
Discount rate	(2,278)	2,367

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Increase in future salary	2,322	(2,247)
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The above sensitivity analysis refers to the analysis on the influence of single assumption change based on the situation that other assumptions keep unchanged. In practice, many changes to the assumptions may be linked. The calculation method of sensitivity analysis shall be consistent with that of net defined benefit liabilities of the balance sheet.

The method and assumption applied in current sensitivity analysis is consistent with those adopted in early stage.

2. Defined contribution plan

As to the defined contribution plan, the Company shall contribute the retirement funds of employees to the individual accounts for labor retirement funds of the Bureau of Labor Insurance according to 6% of the monthly salaries of labors under the provisions of Labor Pension Act. Under this plan, after contributing fixed amount to the Bureau of Labor Insurance, the Company will not assume the legal or constructive obligations of paying extra amount.

The pension expense under the defined contribution retirement funds of the Company in the year of 2021 and 2020 are NT\$7,003,000 and NT\$6,664,000 respectively, which have been contributed to the Bureau of Labor Insurance.

(17) Income tax

1. The details of the income tax expenses of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Income tax expense for the period		
Income tax generated in the current period	\$ 423,624	380,186
Surtax on undistributed retained earnings	56,192	22,374
Adjustment of the income tax in the previous year	<u>(14,104)</u>	<u>(2,084)</u>
	<u>465,712</u>	<u>400,476</u>
Deferred income tax expense		
Occurrence and reversal of temporary difference	<u>2,538</u>	<u>6,535</u>
Income tax expense	<u><u>\$ 468,250</u></u>	<u><u>407,011</u></u>

The income tax expenses (profit) of the Company recognized in other comprehensive income in 2021 and in 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan	<u><u>\$ 770</u></u>	<u><u>(1,520)</u></u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

The reconciliation of the relationship between the income tax expense (profit) and the net profit before tax of the Company in 2021 and in 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Net profit before tax	\$ 3,940,451	3,139,372
Income tax calculated based on the tax rate of the place where the Company located	788,090	627,875
Adjustments in accordance with tax laws	(361,928)	(241,154)
Adjustment of current income tax for the prior period	(14,104)	(2,084)
Surtax on undistributed retained earnings	56,192	22,374
Total	<u><u>\$ 468,250</u></u>	<u><u>407,011</u></u>

2. Deferred tax assets and liabilities

(1) Recognized deferred tax assets

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Losses from inventory price drop and obsolescence	\$ 12,971	9,101
Unappropriated pension expenses	441	478
Losses from the price drop of fixed assets and idle assets	44	44
Refund liabilities and accounts payable	43,860	43,368
Unrealized foreign exchange losses	-	823
Remeasurement of defined benefit plan	8,986	9,758
Deferred tax assets	<u><u>\$ 66,302</u></u>	<u><u>63,572</u></u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

(2) Recognized deferred income tax liabilities

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Unrealized profit on exchange	\$ 6,038	-
Deferred income tax liabilities	<u>\$ 6,038</u>	<u>-</u>

3. Income tax approval

The approval on the filing of final income tax return of the Company has lasted till the year 2018 as required by the taxing authority.

(18) Capital and other equity

As of December 31, 2021 and 2020, the total authorized share capital of the Company was \$1,550,000,000 dollars with a par value of \$10 per share, and the actual amount issued was \$1,059,779,000 and \$1,034,779,000 dollars, separately.

In fiscal 2021, the Company issued 117 thousand new shares at par value for a total amount of \$1,167 thousand due to the exercise of conversion rights by holders of convertible bonds. The number of shares issued is included in the certificates of bond-to-stock conversion of \$1,167 thousand because the related legal registration procedures have not yet been completed.

On May 13, 2021, the Board of Directors resolved to issue 2,500 thousand shares at a par value of \$10 per share at an issue price of \$432 per share through cash capital increase, with September 17, 2021 as the base date for the capital increase. The capital increase was approved by the Financial Supervisory Commission and the legal registration procedures were completed on October 8, 2021.

1. Capital reserves

The components of the Company's capital reserve are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Premium of issued shares	\$ 4,628,739	3,577,768
Convertible bond conversion premium	72,562	-
Change in the net value of the stock of subsidiaries and associates accounted for using the equity method	370,540	365,080
Employee stock options	40,330	15,399
Convertible bond stock options	<u>171,527</u>	<u>-</u>
	<u>\$ 5,283,698</u>	<u>3,958,247</u>

In accordance with the Company Act, capital surplus is required to cover losses first before new shares or cash can be issued in proportion to the shareholders' original shares. Realized capital surplus referred to in the preceding paragraph includes premiums from

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

the issuance of shares in excess of par value and proceeds from gifts received. In accordance with the Regulations Governing the Issuer's Offerings and Issuance of Marketable Securities, the aggregate amount of capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

2. Retained earnings

In accordance with the Company's Articles of Incorporation, the Company shall, after the final settlement of each year's earnings, first complete tax contributions, make up for prior years' deficits and set aside 10% as legal reserve, except when the legal reserve has reached the level of total capital; the Company is required by law to set aside or reverse special reserve. In the case of unappropriated earnings for the same period, the Board of Directors shall propose a proposal for the distribution of earnings to the shareholders for resolution, and the dividend to be distributed shall not be less than 20% of the net profit for the year after taxation, after deducting the net income provided for by law.

The Company will take into account the environment and growth of the Company and the distribution of earnings should take into account the Company's future capital expenditure budget and capital requirements and pay cash dividends of not less than 10% of the dividends distributed in the current year.

(1) Legal reserve

If the Company has no deficit, it may, by resolution of the shareholders in general meeting, issue new shares or cash out of the legal reserve to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserve

When the Company distributes distributable earnings, a special reserve of the same amount is provided from current income and prior undistributed earnings for the net decrease in other shareholders' equity that occurred during the year. When the 2019 earnings were appropriated in fiscal 2020, the appropriated special reserves were added to the current period's earnings and the prior period's unappropriated retained earnings, and when the 2020 earnings were appropriated in fiscal 2021, the appropriated special reserves were added to the current period's profit after tax and the amount of items other than the current period's profit after tax that were included in the current period's unappropriated retained earnings and the prior period's unappropriated retained earnings. If there is a decrease in shareholders' equity accumulated in prior years, the same amount of special reserve from prior years' undistributed earnings shall not be distributed. If there is a subsequent reversal in the number of other decreases in

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

shareholders' equity, the reversal may be distributed in the form of a surplus.

(3) Earnings distribution

The appropriation of the Company's 2020 earnings reached the legal resolution threshold through electronic voting on June 19, 2021, and was resolved at the shareholders' meeting held on July 26, 2021. On June 19, 2020, the shareholders' meeting resolved the appropriation of the 2019 earnings, and the dividends to be distributed to owners are as follows:

	2020		2019	
	<u>Payout ratio</u>	<u>Amount</u>	<u>Payout ratio</u>	<u>Amount</u>
	<u>(NT\$)</u>		<u>(NT\$)</u>	
Distributed to the holders of ordinary shares:				
Cash	\$ 13.30	<u>1,376,256</u>	10.50	<u>1,086,518</u>

On March 21, 2022, the Company's board of directors proposed the following 2020 earnings distribution:

	2021	
	<u>Payout ratio</u>	<u>Amount</u>
	<u>(NT\$)</u>	
Distributed to the holders of ordinary shares:		
Cash	\$ 16.00	<u>1,695,646</u>

Information on the distribution of earnings as proposed by the Board of Directors and resolved by the Shareholders' Meeting is available on the "Public Information Observation Post System"

3. Other equity

	<u>Exchange differences on translation of foreign operations</u>	<u>Unrealized gain (loss) on financial assets measured at FVTOCI</u>	<u>Total</u>
Balance on January 1, 2021	\$ (586,953)	(8,019)	(594,972)
Exchange differences arising from the translation of the net assets of foreign operations	(82,102)	-	(82,102)
Unrealized losses from financial assets measured at FVTOCI	-	(5,259)	(5,259)

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Balance on December 31, 2021	\$	<u>(669,055)</u>	<u>(13,278)</u>	<u>(682,333)</u>
Balance on January 1, 2020	\$	(631,970)	(18,562)	(650,532)
Exchange differences arising from the translation of the net assets of foreign operations		45,017	-	45,017
Unrealized losses from financial assets measured at FVTOCI		-	403	403
Disposal of equity instruments measured at FVTOCI		-	10,140	10,140
Balance on December 31, 2020	\$	<u>(586,953)</u>	<u>(8,019)</u>	<u>(594,972)</u>

(19) Share-based payment

The Company has the following share-based benefit transactions:

	Cash capital increase reserved for employee subscription
	<u>The Company</u>
Date of grant	2021.08.23
Number of grants	233 thousand shares
Granted to	Current employees of the Company
Vesting conditions	Immediate vesting

The estimated grant date fair value of the above cash capital increase retained for employee stock options was \$107. The cost of employee compensation based on the shares generated from the cash capital increase retained for employee stock options was \$24,931 thousand recognized in fiscal 2021.

(20) Earnings per share

The calculation of basic earnings per share and diluted earnings per share of the Company is as follows:

	<u>2021</u>	<u>2020</u>
Basic earnings per share:		
Net profit attributable to the Company in the year	<u>\$ 3,472,201</u>	<u>2,732,361</u>
Weighted average shares outstanding (1,000 shares)	<u>104,204</u>	<u>103,478</u>
Basic earnings per share	<u>\$ 33.32</u>	<u>26.41</u>
Diluted earnings per share:		
Net profit attributable to the Company in the year	\$ 3,472,201	2,732,361

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Dilutive potential ordinary shares:

Convertible bond	664	-
Net income attributable to equity holders of the Company's common stock (adjusted for the effect of dilutive potential common stock)	<u>\$ 3,472,865</u>	<u>2,732,361</u>
Weighted average shares outstanding (1,000 shares)	104,204	103,478
Dilutive potential ordinary shares:		
Bonuses for employees	204	272
Convertible bond	1,820	-
Weighted average common shares outstanding (adjusted for the effect of dilutive potential common stock)	<u>106,228</u>	<u>103,750</u>
Diluted earnings per share	<u>\$ 32.69</u>	<u>26.34</u>

(21) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Major regional markets		
Taiwan	\$ 1,997,810	1,044,006
Mainland China	10,340,036	8,481,405
Other countries	1,813,364	1,837,024
	<u>\$ 14,151,210</u>	<u>11,362,435</u>
Main products/Line of service:		
DT	\$ 4,637,237	4,019,735
Server	3,762,716	3,039,814
NB	2,885,202	2,529,275
Strategic Projects	2,069,644	1,375,267
Automotive	152,983	80,338
Other	643,428	318,006
	<u>\$ 14,151,210</u>	<u>11,362,435</u>

2. Balance of contract

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>	<u>109.1.1</u>
Contract liabilities	<u>\$ 41,541</u>	<u>21,392</u>	<u>14,998</u>

The beginning balances of contract liabilities as of January 1, 2021 and 2020 were recognized as income of NT\$18,072,000 dollars and NT\$13,710,000 dollars respectively.

(22) Non-operating revenue/expense

1. Interest income

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

The details of interest income of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Bank deposit interest	<u>\$ 1,746</u>	<u>10,165</u>

2. Other income

The details of other income of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Income from molding	\$ 73,063	34,952
Income from compensation	12,765	8,630
Income from samples	7,142	5,844
Income from rentals	4,687	4,956
Income from subsidies	120	-
Other	2,131	8,132
	<u>\$ 99,908</u>	<u>62,514</u>

3. Other gains and losses

The details of other gains and losses of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange gain or loss	\$ (72,885)	(114,795)
Net profit or loss from financial assets (liabilities) measured at FVTPL:		
Derivatives:		
Forward exchange contracts	4,787	7,620
Metal product swap contracts	21,078	4,346
Embedded derivatives	2,700	-
Profit from the disposal of property, plant and equipment	467	136
Other	(1,765)	(8,557)
Total	<u>\$ (45,618)</u>	<u>(111,250)</u>

4. Financial costs

The details of the financial cost of the Company are as follows:

	<u>2021</u>	<u>2020</u>
Interest expense		
Bank loans	\$ 3,216	1,419
Lease liabilities	1	1
Conversion of corporate bonds	3,530	-
	<u>6,747</u>	<u>1,420</u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

(23) Compensation to employees, directors, and supervisors

In accordance with the Company's Articles of Incorporation, no less than 3% of the Company's annual profits shall be appropriated to the Compensation of Employees and no more than 3% to the Compensation of Directors and Supervisors; however, if the Company has accumulated losses, it shall retain the amount of compensation in advance and appropriate the Compensation of Employees and Supervisors in proportion to the aforementioned. The former Compensation of employees to whom stock or cash is issued may include employees of a subordinate company who meet certain criteria.

The estimated amount of compensation of employees for the years ended December 31, 2021 and 2020 was \$122,062,000 dollars and \$97,235,000 dollars respectively, and the estimated amount of compensation to directors and supervisors was \$4,480,000 dollars. The Company's net profit before tax for the period is estimated by multiplying the amount of the Company's net profit before issuing the compensation of employees and directors and supervisors by the proportion of the Company's compensation distribution to employees and directors and supervisors as provided in the Company's Articles of Incorporation and is reported as operating costs or expenses for that period. If there is a difference between the actual distribution amount and the estimated amount for the following year, the change in accounting estimate is adjusted and the difference is recognized in profit or loss for the following year. In the event that the Board of Directors resolves to grant a compensation of employees by way of stock, the number of shares of stock-based compensation is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

There was no difference between the amount resolved by the board of directors for employees' and directors' and supervisors' compensation in 2020 and the amount estimated in the parent company only financial statements for year 2020. There was no difference between the amount resolved by the board of directors for employees' and directors' and supervisors' compensation in 2021 and the amount estimated in the parent company only financial statements for the year 2021. The related information is available on the Market Observation Post System (MOPS).

(24) Information on financial instruments and fair value

1. Credit risk

(1) Credit risk exposure

The carrying amount of a financial asset represents the maximum amount of credit risk. The maximum amount of credit risk exposure was \$6,649,442,000 dollars and \$4,894,002,000 dollars as of December 31, 2021 and 2020 respectively.

(2) Credit risk concentration risk

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

In order to reduce the credit risk of accounts receivable, the Company continually evaluates the financial position of its customers and adjusts the terms of transactions between them if necessary. As of December 31, 2021 and 2020, the Company had 5 and 4 different customers with accounts receivable balances exceeding 5% of total accounts receivable for a single customer respectively. The Company periodically evaluates the probability of recovery of accounts receivable and presents Provisions, and the total loss is always within management's expectations.

(3) Impairment loss

The Company uses a simplified method of estimating expected credit losses for all of its notes and accounts receivable, which is to measure expected credit losses over the life of the notes and accounts receivable, and for this purpose, the notes and accounts receivable are grouped by common credit risk characteristics that represent the ability of customers to pay all amounts due under contractual terms and are included in forward-looking information. The expected credit losses on the Company's notes and accounts receivable are analyzed as follows:

	Dec. 31, 2021		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Expected credit loss in the duration of provision
Not past due	\$ 5,766,741	0.00%	203
1-60 days past due	79,162	0.64%	504
61-120 days past due	1,847	5.96%	110
121-180 days past due	-	26.64%	-
181-270 days past due	17	76.47%	13
More than 271 days past due	1,374	100.00%	1,374
	<u>\$ 5,849,141</u>		<u>2,204</u>
	Dec. 31, 2020		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Expected credit loss in the duration of provision
Not past due	\$ 4,275,318	0.01%	524
1-60 days past due	42,585	3.07%	1,306
61-120 days past due	3,363	12.53%	385
121-180 days past due	839	37.90%	318

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181-270 days past due	2	50.00%	1
More than 271 days past due	<u>1,376</u>	100.00%	<u>1,376</u>
	<u>\$ 4,323,483</u>		<u>3,910</u>

The changes in the provisions for the notes and accounts receivable of the Company are as follows:

	2021	2020
Opening balance	\$ 3,910	5,236
Impairment loss (reversal of impairment loss) recognized	(1,706)	(1,310)
Current period write-offs	-	(16)
Closing balance	<u>\$ 2,204</u>	<u>3,910</u>

2. Liquidity risk

The contracts of financial liabilities are sorted by their maturity dates as follows. The estimated interests are included, but the effect of net value agreement is excluded.

	Book value	Cash flow from the contract	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 loans	\$ 552,240	552,433	552,433	-	-	-	-
Bonds payable	911,927	936,100	-	-	-	936,100	-
Notes payable	13,402	13,402	13,402	-	-	-	-
Accounts payable	8,391	8,391	8,391	-	-	-	-
Accounts payable—related parties	1,512,055	1,512,055	1,512,055	-	-	-	-
Other payables	293,440	293,440	293,440	-	-	-	-
Other payables—related parties	2,166	2,166	2,166	-	-	-	-
Lease liabilities	59	60	30	30	-	-	-
	<u>\$ 3,293,680</u>	<u>3,318,047</u>	<u>2,381,917</u>	<u>30</u>	<u>-</u>	<u>936,100</u>	<u>-</u>
December 31, 2020							
Non-derivative financial liabilities:							
Notes payable	\$ 2,712	2,712	2,712	-	-	-	-
Accounts payable	11,421	11,421	11,421	-	-	-	-
Accounts payable—related parties	2,034,411	2,034,411	2,034,411	-	-	-	-
Other payables	299,122	299,122	299,122	-	-	-	-
Other payables—related parties	2,092	2,092	2,092	-	-	-	-
	<u>\$ 2,349,758</u>	<u>2,349,758</u>	<u>2,349,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company does not anticipate that the cash flows analyzed at maturity date will alter significantly or that the actual amounts will vary significantly.

3. Market risk—exchange rate risk

(1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

Dec. 31, 2021		
Foreign	Exchange	NTD

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	<u>currency</u>	<u>rate</u>	
<u>Financial assets</u>			
<u>Currency</u>			
USD	\$ 205,370	27.6800	5,684,647
RMB	108,146	4.3471	470,121
HKD	25	3.5490	90
JPY	92	0.2405	22
EURO	2,264	31.3200	70,896
INR	4	0.3718	2
<u>Long-term equity investment accounted for using the equity method</u>			
USD	396,692	27.6800	10,980,445
EURO	117	31.3200	3,674
VND	392,189,386	0.0012	470,627
<u>Financial liabilities</u>			
<u>Currency</u>			
USD	\$ 66,341	27.6800	1,836,324
RMB	25	4.3471	108
EURO	60	31.3200	1,890
<u>Dec. 31, 2020</u>			
	<u>Foreign</u>	<u>Exchange</u>	<u>NTD</u>
	<u>currency</u>	<u>rate</u>	
<u>Financial assets</u>			
<u>Currency</u>			
USD	\$ 155,306	28.4800	4,423,109
RMB	90,966	4.3648	397,051
HKD	4,407	3.6730	16,187
JPY	8	0.2763	2
EURO	1,067	35.0200	37,367
INR	4	0.4791	2
VND	3,662,009	0.0012	4,394
<u>Long-term equity investment accounted for using the equity method</u>			
USD	321,978	28.4800	9,169,934

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

EURO		116	35.0200	4,059
<u>Financial liabilities</u>				
<u>Currency</u>				
USD	\$	77,250	28.4800	2,200,090
RMB		71	4.3648	312
HKD		1,915	3.6730	7,033
EURO		3	35.0200	105

Because the Company has a wide range of functional currencies, it has adopted a consolidated approach to disclose exchange gain or loss on monetary items, with foreign currency exchange gains (realized and unrealized) of \$72,885,000 dollars and \$114,795,000 dollars for the years ended 2021 and 2020 respectively.

(2) Sensitivity analysis

The Company's exchange rate risk primarily comes from foreign currency-denominated cash and cash equivalents, financial assets measured at FVTPL, accounts receivable and other receivables, loans, accounts payable and other payables, resulting into gains and losses of conversion of foreign currency when exchanging. As of December 31, 2021 and 2020, if NTD had depreciated or appreciated by 1% relative to foreign currencies held by the Company and all other factors remained constant, net income would have increased or decreased by \$35,100,000 dollars and \$21,365,000 dollars respectively for 2021 and 2020. The same basis is used for both phases of analysis.

4. Market risk—changes in interest rates

The Company's interest rate risk arises primarily from variable rate bank deposits and short-term loans, and changes in interest rates will cause future cash flows to fluctuate as the effective interest rates on bank deposits and short-term loans.

The following Sensitivity analysis was determined based on the interest rate risk of the financial instruments on the reporting date. For floating-rate liabilities, the analysis is based on the assumption that the amount of the liability outstanding at the reporting date is outstanding for the entire year. The rate of change used in the Company's internal reporting of interest rates to key management is a 1% increase or decrease in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

The Company's financial assets with variable interest rates as of December 31, 2021 and 2020 were \$725,290,000 dollars and \$496,950,000 dollars respectively. If interest

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rates had increased or decreased by 1%, the Company's net income would have increased or decreased by \$5,802,000 dollars and decreased or increased by \$3,976,000 dollars for 2021 and 2020, respectively, with all other variables held constant.

5. Market risk - fair value

(1) Fair value and carrying amount

The Company's management believes that the fair value of non-derivative short-term financial instruments shall be estimated using their book value on the balance sheet because of the near maturity of such instruments and their book value should be a reasonable basis for estimating fair value. This method is applied to cash and cash equivalents, notes receivable, accounts payable, other receivables and other payables, deposit margin and short-term borrowings.

In addition to the above financial instruments, the fair value and book value information of the remaining financial instruments and investment real estate of the company on the financial reporting date are as follows:

	Dec. 31, 2021		Dec. 31, 2020	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Measured at fair value:				
Financial assets:				
Financial assets measured at FVTPL	\$ 3,370	3,370	2,080	2,080
Financial assets measured at FVTOCI	9,500	9,500	-	-
Not measured at fair value:				
Non-financial assets:				
Investment property	300,256	390,082	299,927	372,159

(2) The evaluation techniques used to determine fair value are as follows:

- A. If there is an active market for a financial asset, the fair value is based on the market price. If market prices are not available, quoted prices from counterparties or estimates using valuation techniques are used. The estimates and assumptions used are consistent with those used by market participants in pricing financial instruments.
- B. The fair value of investment properties is based on independent evaluators with recognized professional qualifications and recent experience in the area and type of investment properties evaluated.

(3) Fair value hierarchy:

The following table analyzes the fair value hierarchy of financial instruments and

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

investment property by valuation. Each fair value hierarchy is defined as follows:

- A. Level 1: Publicly quoted prices (unadjusted) in an active market for identical assets or liabilities.
- B. Level 2: Input parameters for an asset or liability are observable either directly (i.e., prices) or indirectly (i.e., derived from prices), except for publicly quoted prices included in Level 1.
- C. Level 3: Input parameters for an asset or liability are not based on observable market information (non-observable parameters).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
Measured at fair value:				
Financial assets measured at				
FVTPL	\$ -	-	3,370	3,370
Financial assets measured at				
FVTOCI	-	-	9,500	9,500
	<u>\$ -</u>	<u>-</u>	<u>12,870</u>	<u>12,870</u>
Not measured at fair value:				
Investment property	<u>\$ -</u>	<u>-</u>	<u>390,082</u>	<u>390,082</u>
December 31, 2020				
Measured at fair value:				
Financial assets measured at	<u>\$ -</u>	<u>-</u>	<u>2,080</u>	<u>2,080</u>
FVTPL				
Not measured at fair value:				
Investment property	<u>\$ -</u>	<u>-</u>	<u>372,159</u>	<u>372,159</u>

(4) Table of changes in financial assets (liabilities) classified as Level 3 at FVTPL

Unit: NT\$ 1,000

Name	2021						
	Total profit or loss			Increase in the period		Decrease in the period	
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Issuance or purchase	Transfers into Level 3	Sale, disposal or settlement	Closing balance
Financial assets measured at FVTPL	\$ 2,080	2,700	-	900	-	(2,310)	3,370
Financial assets measured at FVTOCI	-	-	(4,900)	14,400	-	-	9,500
	<u>\$ 2,080</u>	<u>2,700</u>	<u>(4,900)</u>	<u>15,300</u>	<u>-</u>	<u>(2,310)</u>	<u>12,870</u>
Name	2020						
	Profit or loss			Increase in the period		Decrease in the period	
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Purchase	Transfers into Level 3	Sale, disposal or settlement	Closing balance

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Financial assets measured at FVTPL \$ - 2,080 - - - - 2,080

The above included gains and losses are reported in “other gains and losses” and “unrealized valuation gains (losses) on financial assets at FVTOCI”, which relate to assets still held as of December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Total gain or loss		
Recognized in profit (losses) (reported in “other gains and losses”)	\$ 2,527	2,080
Recognized in other comprehensive income (reported in “unrealized valuation gains (losses) on financial assets at FVTOCI”)	(4,900)	-

(5) Quantitative information on fair value measurements of significant unobservable inputs (Level 3)

The Company’s financial assets at FVTPL, which are classified as Level 3, amounted to \$2,080 thousand as of December 31, 2020. The Company does not disclose quantitative information because there is no active market for publicly quoted prices with reference to counter-party quotes and because it is not practicable to fully grasp the relationship between significant unobservable inputs and fair values. The remaining quantitative information for significant unobservable inputs measured at fair value for Level 3 is presented below:

<u>Item</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets measured at FVTPL - Embedded derivatives - right of redemption	Binary tree method for pricing convertible bond	·Volatility on Dec. 31, 2021: 38.95%	·The higher the volatility, the higher the fair value
Financial assets measured at FVTOCI - investment in equity instruments with no active market	Comparable company analysis	·Net market value multiplier on Dec. 31, 2021: 2.05 ·Lack of marketability discount on Dec. 31, 2021: 15.80%	·The higher the multiplier, the higher the fair value ·The higher the discount for lack of marketability, the lower the fair value

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

“ Net asset value approach Net asset value The fair value is positively correlated

(6) Valuation process for fair value classified in Level 3

The Company uses unobservable inputs for its fair value measurements and classifies its fair value in Level 3. The source of the input value for this level is the price provided by reference to counterparty quotations or market comparable companies' net market value multipliers, etc., and the relevant quotations and valuation information are appropriately maintained. The results are subsequently reviewed to ensure consistency with the valuation sources and the reasonableness of the valuation results.

(7) Sensitivity analysis of fair value to reasonably possible alternative assumptions for Level 3 fair value measurements

The Company's fair value measurements of financial instruments are reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified in Level 3, if the valuation parameters are changed, the impact on the profit or loss or other comprehensive income for the period is as follows:

	Input value	Upward or downward changes	Fair value changes reflected in profit or loss for the period		Fair value changes reflected in other comprehensive income	
			Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
December 31, 2021						
Financial assets measured at FVTPL						
Embedded derivatives - right of redemption	Volatility	5%	\$ 2,527	(936)	-	-
	Stock price	10%	1,030	(1,030)	-	-
Financial assets measured at FVTOCI						
Investments in equity instruments with no active market	Net market value multiplier	8%	-	-	136	(137)
	Lack of marketability discount	8%	-	-	136	(137)

Favorable and unfavorable changes in fair value represent fluctuations in fair value, which are calculated using valuation techniques based on various degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input, the above table reflects only the effect of changes in a single input and does not take into account the correlation and variability among the inputs.

(25) Financial risk management

1. The Company is exposed to the following risks from the engagement of financial instruments:

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

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

This note presents the Company's risk information for each of these risks and the Company's objectives, policies and procedures for measuring and managing risk. For further quantitative disclosures, please refer to the respective notes to the parent company only financial statements.

2. Risk management structure

The Chairman has the sole responsibility for establishing and overseeing the Company's risk management structure and reports regularly to the Board on its operations.

The Company's risk management policy is designed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with the risks and risk limits. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures to enable all employees to understand their roles and responsibilities.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the appropriateness of the Company's risk management framework in relation to the risks it is exposed to. Internal auditors assist the Company's Board of Directors in its oversight role. These personnel conduct regular and exceptional reviews of risk management controls and procedures and report the results of these reviews to the Board of Directors.

3. Credit risk

Credit risk is the risk of financial loss arising from the failure of the Company's customers or counterparties to fulfill their contractual obligations, mainly from the Company's accounts receivable from customers and investments in securities.

(1)Accounts receivable and other receivables

The Company's credit risk exposures are primarily depended on each customer's individual circumstances. However, management also considers statistical information about the Company's customer base, including the risk of default in the customer's industry and country, as these factors may affect credit risk. Approximately 73% and 75% of the Company's revenue for 2021 and 2020, respectively, were derived from sales to customers in Mainland China, which resulted in a significant concentration of regional credit risk.

The Company has established a credit policy whereby the Company is required to analyze the credit rating of each new customer individually before granting standard

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

payment and delivery terms. Credit sales limits are established on an individual customer basis and are reviewed periodically; customers who do not meet the Group's benchmark credit rating may only transact business with the Company on a pre-collection basis.

In monitoring customers' credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, age of accounts, maturity dates and pre-existing financial difficulties. The Company maintains a Provisions account to reflect estimates of losses on accounts receivable and other receivables.

(2) Use of funds

The Company's investments in equity securities are placed through a centralized trading market and therefore have no significant credit transaction risk.

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and reported to the Chairman of the Board of Directors by the Company's finance department. Since the Company's counterparties are creditworthy banks and financial institutions with investment grade or above, there are no significant performance concerns and therefore no significant credit risk.

4. Liquidity risk

Liquidity risk is the risk that the Company will not be able to deliver cash or other financial assets to settle its financial liabilities and will not be able to meet its related obligations. The Company's approach to manage liquidity risk is to ensure that the Company has sufficient liquidity to meet its liabilities as they fall due under normal and stressful circumstances and that there is no risk of unacceptable loss or damage to the Company's reputation. In addition, the Company has entered into unused borrowing lines totaling \$1,207,600,000 as of December 31, 2021 to cover unanticipated payments.

5. Market risk

Market risk is the risk that changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments, will affect the Company's revenue or the value of financial instruments held by the Company. The objective of market risk management is to manage the exposure to market risk to an acceptable level and to optimize investment returns.

The Company engages in derivative transactions in order to manage market risk. All transactions are executed in accordance with the guidelines of the Board of Directors.

(1) Exchange rate risk

The Company uses derivative transactions to hedge exchange rate risk due to its

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

exposure to exchange rate risk arising from sales and purchase transactions that are not denominated in the Company's functional currency. Gains or losses on foreign currency assets and liabilities arising from changes in exchange rates are largely offset against natural hedges. Derivative transactions can help the Company reduce, but still not completely eliminate, the impact of changes in foreign currency exchange rates.

The Company periodically reviews individual foreign currency assets and liabilities for exposures and hedges against such exposures.

(2) Interest rate risk

The Company's interest rate risk arises primarily from variable rate bank deposits and short-term loans, and changes in interest rates will cause future cash flows to fluctuate as the effective interest rates on bank deposits and short-term loans change.

(3) Equity instrument price risk

If the price of equity securities changes at the reporting date (the same basis is used for both periods of analysis and other changes are assumed to be constant), the effect on the consolidated profit and loss items would be as follows:

<u>Price of securities on reporting date</u>	2021		2020	
	<u>Other comprehensive income after tax</u>	<u>Profit or loss after tax</u>	<u>Other comprehensive income after tax</u>	<u>Profit or loss after tax</u>
Up by 1%	\$ <u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>
Down by 1%	\$ <u>(95)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(26) Capital management

It is the Board's policy to maintain a sound capital base to maintain the confidence of investors, creditors and the market and to support the development of future operations. Capital consists of the Company's share capital, capital surplus and retained earnings. The Board of Directors controls the rate of return on capital and also controls the level of dividends on ordinary shares.

In order to maintain or adjust its capital structure, the Company may adjust dividends paid to shareholders, reduce capital to refund shareholders, issue new shares or sell assets to settle liabilities.

The Company controls its capital on a debt-to-capital ratio basis. The ratio is calculated by dividing net debt by total capital. Net debt is total liabilities less cash and cash equivalents as shown on the balance sheet. Total capital represents all components of equity (i.e., equity, capital surplus, retained earnings and other equity) plus net debt. The debt-to-capital ratio at the reporting date is as follows:

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Total liabilities	\$ 3,939,800	2,895,843
Less: Cash and cash equivalents	<u>(779,913)</u>	<u>(497,302)</u>
Net liabilities	<u>\$ 3,159,887</u>	<u>2,398,541</u>
Total equity	<u>\$ 16,862,589</u>	<u>13,499,198</u>
Debt-to-capital ratio	<u>15.78%</u>	<u>15.09%</u>

(27) Investment and fund-raising activities for non-cash transactions

Please refer to Notes VI (7) and VI (12) for information on the Company's non-cash trading investments and fundraising activities for Right-of-use assets acquired under leases in 2021 and 2020.

The reconciliation of the Company's liabilities from fundraising activities for the years ended December 31, 2021 and 2020 was as follows:

	<u>Jan. 1, 2021</u>	<u>Cash flow</u>	<u>Other</u>	<u>Non-cash changes Changes in exchange rate</u>	<u>Changes in fair value</u>	<u>Dec. 31, 2021</u>
Short-term loans	\$ -	553,065	-	(825)	-	552,240
Bonds payable	-	1,152,983	(241,056)	-	-	911,927
Lease liabilities	-	(60)	119	-	-	59
Total liabilities from financing activities	<u>\$ -</u>	<u>1,705,988</u>	<u>(240,937)</u>	<u>(825)</u>	<u>-</u>	<u>1,464,226</u>

	<u>Jan. 1, 2020</u>	<u>Cash flow</u>	<u>Other</u>	<u>Non-cash changes Changes in exchange rate</u>	<u>Changes in fair value</u>	<u>Dec. 31, 2020</u>
Lease liabilities	\$ 59	(60)	1	-	-	-
Total liabilities from financing activities	<u>\$ 59</u>	<u>(60)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

VII. Related Party Transactions

(1) Parent company and ultimate controller: The Company is the ultimate controller of the Company and the Company's subsidiaries.

(2) Names and relationships of related parties

The Company's subsidiaries and other related parties that had transactions with the Company during the period covered by these parent company only financial statements are as follows:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Lotes Investments Limited	A subsidiary of the Company
Good Hope Investments Limited	A subsidiary of the Company
Guansi Development Co., Ltd.	A subsidiary of the Company

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Zhaxi Investment Co., Ltd.	A subsidiary of the Company
Jiayu Investment Co., Ltd.	A subsidiary of the Company
Lotes USA, Inc	A subsidiary of the Company
LOTES EU GmbH	A subsidiary of the Company
Lerain Technology Co., Ltd.	A subsidiary of the Company
Mikronpoint Co., Ltd.	A subsidiary of the Company
Lotes Viet Nam CO., Ltd.	A subsidiary of the Company
Loteson International Investments Limited	A subsidiary of the Company
Lotes Guangzhou Co., Ltd.	A subsidiary of the Company
Lotes Hengnan Co., Ltd.	A subsidiary of the Company
Shenzhen DeYi Automation Equipment Co., Ltd.	A subsidiary of the Company
Lotes Zhongshan Co., Ltd.	A subsidiary of the Company
Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	A subsidiary of the Company
Zhongshan Jinmeida Metal Surface Treatment Co., Ltd.	A subsidiary of the Company
Guangzhou Leside Technology Co., Ltd.	A subsidiary of the Company
Hengnan Deyi Property Development Co., Ltd.	A subsidiary of the Company
Chongqing Fuxinrui Electronic Technology Co., Ltd.	A subsidiary of the Company
Xincheng Development Co., Ltd.	A subsidiary of the Company
REKA Technology Co., Ltd.	A subsidiary of the Company
Jae You Co., Ltd.	A subsidiary of the Company
Lotes Suzhou Co., Ltd.	A subsidiary of the Company
Wangden Investments Limited	A subsidiary of the Company
Zongka Technology (Shenzhen) Co., Ltd.	A subsidiary of the Company
Ememe Robot Co., Ltd.	A subsidiary of the Company
Compertum Microsystems Inc.	A subsidiary of the Company
Good News Medical Co., Ltd.	A subsidiary of the Company
Lintes Technology Co., Ltd.	A subsidiary of the Company
Jilong Co., Ltd.	A subsidiary of the Company
Rihui Co., Ltd.	A subsidiary of the Company
Lintes Technology (Suzhou) Co., Ltd.	A subsidiary of the Company

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Jiajun Investment Co., Ltd. (Note)	A subsidiary of the Company
Genie Precision Machine Co., Ltd.	A subsidiary of the Company
Key management personnel	Including the directors, supervisors, managers and their families and spouses

Note: Jiajun Investment Co., Ltd. was liquidated and eliminated in the fourth quarter of 2021.

(3) Material transactions with the related parties

1. Operating revenue

The amounts of material sales from the Company to the related parties are as follows:

	2021	2020
Other subsidiaries	<u>\$ 58,659</u>	<u>26,270</u>

The terms of sale of the Company to a subsidiary of the Company are not significantly different from the normal sales price. Their collection periods are all three months. Receivables from related parties are not covered by collateral.

2. Purchase

The amounts of goods purchased by the Company from the related parties are as follows:

	2021	2020
Xincheng Development Co., Ltd.	\$ 1,379,153	1,257,559
REKA Technology Co., Ltd.	10,140,753	7,574,556
Other subsidiaries	<u>122,694</u>	<u>42,463</u>
	<u>\$ 11,642,600</u>	<u>8,874,578</u>

The Company's purchase price to the above company is not significantly different from the Company's purchase price to general suppliers. The payment terms are three to four months, which are not significantly different from those of general suppliers.

3. Accounts receivable from related parties

The details of the accounts receivable from related parties are as follows:

Accounting item	Type of related party	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable	REKA Technology Co., Ltd.	\$ 30,353	12,077
Accounts receivable	Other subsidiaries	2,274	935
Other receivables	Lerain Technology Co., Ltd.	160	-
Other receivables	Ememe Robot Co., Ltd.	2,272	2,272
Other receivables	Lotes Guangzhou Co., Ltd.(註)	-	87,623
Other receivables	Other subsidiaries	-	266
Allowance for losses	Ememe Robot Co., Ltd.	<u>(2,272)</u>	<u>-</u>
		<u>\$ 32,787</u>	<u>103,173</u>

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Note: The amount of other receivables included \$0 thousand and \$87,296 thousand as of December 31, 2021 and 2020, respectively, for the Company's loan to Lotes Guangzhou Co. The Company's capital loans to subsidiaries were based on the interest rate of 4.5% on the loans from financial institutions in the year of appropriation, and the Company recognized interest income of \$1,306 thousand and \$4,122 thousand in fiscal 2021 and 2020, respectively.

4. Accounts payable from related parties

The details of the accounts payable from related parties are as follows:

Accounting item	Type of related party	Dec. 31, 2021	Dec. 31, 2020
Accounts payable	Xincheng Development Co., Ltd.	\$ 383,959	288,985
Accounts payable	REKA Technology Co., Ltd.	1,060,674	1,728,149
Accounts payable	Other subsidiaries	67,422	17,277
Other payables	LOTES USA	2,166	2,092
		\$ 1,514,221	2,036,503

5. Endorsement

The balance and details of the endorsement and guarantee provided by the Company to the related parties are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Lerain Technology Co., Ltd.	\$ 100,000	-
Lotes Guangzhou Co., Ltd.	498,240	227,840
REKA Technology Co., Ltd.	311,800	35,000
	\$ 910,040	262,840

6. Promotion expense

	Dec. 31, 2021	Dec. 31, 2020
Other subsidiaries	\$ 3,436	237

Mainly the sample fees.

7. Administration expense

	Dec. 31, 2021	Dec. 31, 2020
Other subsidiaries	\$ 37,419	59,674

Mainly the service fees.

8. Non-operating income

	Dec. 31, 2021	Dec. 31, 2020
Other subsidiaries	\$ 2,184	4,567

Mainly the income from the rentals of offices leased and the interest income from the

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

loans to subsidiaries.

9. Lease

The Company leases warehouses from major management personnel and enters into one-year lease contracts with a total value of \$60,000,000 with reference to the neighboring warehouse rental quotes. The interest expenses of \$1,000 and \$1,000 were respectively recognized in 2021 and 2020, and the balance of Lease liabilities as of December 31, 2021 and 2020 were respectively \$59,000 and \$0.

(4) Major management personnel transactions

Related compensation includes:

	2021	2020
Short-term employee benefits	\$ 41,554	48,136
Post-employment benefits	1,029	1,082
Share-based payment	2,087	-
	<u>\$ 44,670</u>	<u>49,218</u>

VIII. Pledged Assets

As of December 31, 2021 and 2020, some of the loan contracts of property, plant and equipment guaranteed by financial institutions had expired and were not renewed, and the banks' certificates of settlement had been obtained, but the pledges had not yet been cancelled. The carrying value of the land was \$28,250 thousand, and the carrying value of the buildings was \$14,562 thousand and \$15,465 thousand, respectively.

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) Significant unrecognized contractual commitments:

The amount of information system related contracts executed and outstanding as of December 31, 2021 was approximately \$10,969,000 dollars.

(2) The issuance of guarantee notes for bank loans, financing lines and derivative financial commodity transactions:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Guaranteed notes	<u>\$ 2,197,360</u>	<u>1,570,240</u>

X. Significant Disaster Loss: None.

XI. Significant Post-Period Events: None

XII. Others

(1) Employee benefits, depreciation, depletion, and amortization functions are summarized below:

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Function Nature	2021			2020		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Salary expenses	17,167	274,228	291,395	15,927	238,773	254,700
Labor insurance and health insurance expenses	1,194	12,352	13,546	867	10,020	10,887
Pension expenses	470	7,365	7,835	378	7,216	7,594
Compensation of directors	-	4,425	4,425	-	3,940	3,940
Other employee benefit expenses	1,780	11,943	13,723	1,382	10,069	11,451
Depreciation expense	79	6,941	7,020	41	7,233	7,274
Amortization expense	12	25,889	25,901	3	11,775	11,778

Additional information on the number of employees and employee benefit costs for 2021 and 2020 is as follows:

	2021	2020
Number of employees	<u>146</u>	<u>135</u>
Number of directors who were not employees of the Company	<u>5</u>	<u>5</u>
Average employee benefit expenses	<u>\$ 2,316</u>	<u>2,189</u>
Average employee salary expenses	<u>\$ 2,067</u>	<u>1,959</u>
Adjustment of average employee salary expenses	<u>5.51%</u>	
Remuneration for supervisors	<u>\$ 483</u>	<u>657</u>

Information on the Company's remuneration policy (including the policy for the remuneration of directors, supervisors, managers and employees) is as follows.

1. Remuneration for directors and supervisors is paid in accordance with the Company's remuneration policy for directors and supervisors.

2. The bonuses and dividends for managers and employees are based on the Company's operating conditions, personal duties and performance.

3. The salaries of the directors and supervisors are adjusted in a timely manner to meet their responsibilities.

XIII. Disclosing Information

(1) Major Transaction Details

In accordance with the Guidelines Governing the Preparation of Financial Reports by

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Securities Issuers, the Company should disclose the following information about significant transactions in 2021:

1. Capital lending to others:

Unit: NT\$/Foreign currency 1,000

No.	Lender	Borrower	Item	Related party	Max amount for the period	Closing balance	Actual amount	Interest rate	Nature of the lending (Note 1)	Transaction amount	Purpose for lending	Allowance for bad debt	Collateral		Lending limit for single party (Note 2)	Overall lending limit (Note 2)
													Name	Value		
0	The Company	Lotes Guangzhou Co., Ltd.	Internal transaction	Yes	219,365 (RMB50,000)	217,355 (RMB50,000)	-	5%	2	-	Working capital	-	None	-	3,372,496	6,744,992

Note 1: The following are the descriptions of the funds lending.

- (1) Those who have business dealings.
- (2) When there is a need for short-term financing.

Note 2: The amount of the Company's financing to a single party shall not exceed 20% of the Company's net worth.

The total amount of funds lent by the Company to others shall not exceed 40% of the Company's net worth.

2. Endorsement:

Unit: NT\$/Foreign currency 1,000

No.	Endorsement provider	Endorsee		Ceiling on amount of endorsement for an enterprise (Note 2)	Balance of the ceiling endorsement fee in the period	Ending balance of the endorsement fee	Amount actually used	Amount of endorsement backed by assets	Percentage of the accumulated amount of endorsement in the net value of current financial statement (%)	Ceiling on amount of endorsement (Note 2)	Endorsement made by parent company to subsidiary	Endorsement made by subsidiary to parent company	Endorsement made to any party in Mainland China
		Company Name	Relationship (Note 1)										
0	The Company	REKA Technology Co., Ltd.	2	3,372,496	311,800	311,800	-	-	1.85%	8,431,241	Yes	No	No
0	"	Lotes Guangzhou Co., Ltd.	2	3,372,496	501,300 (USD18,000)	498,240 (USD18,000)	274,032	-	2.95%	8,431,241	"	"	Yes
0	"	Lerain Technology Co., Ltd.	2	3,372,496	100,000	100,000	-	-	0.59%	8,431,241	"	"	No
1	Lotes Guangzhou Co., Ltd.	REKA Technology Co., Ltd.	1	1,348,251	85,605 (USD3,000)	83,040 (USD3,000)	-	-	1.23%	3,370,628	No	"	No
2	Lintes Technology Co., Ltd.	Lintes Technology (Suzhou) Co., Ltd.	2	846,831	114,140 (USD4,000)	-	-	-	-	1,693,662	"	"	Yes
2	"	Genie Precision Machine Co., Ltd.	2	846,831	126,600	126,600	44,405	-	7.47%	1,693,662	"	"	No

Note 1: There are seven types of relationship between the Endorser and Endorsee, which can be marked:

- (1) Companies with business dealings.
- (2) Companies in which the company directly and indirectly holds more than 50% of the voting rights.
- (3) Companies that hold more than 50% of the voting rights in the company, both directly and indirectly.
- (4) The Company owns, directly and indirectly, more than 90 percent of the voting shares.
- (5) Company that is mutually insured under a contract between its peers or co-manufacturers based on the need to perform the work.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

(6) Company in which all of the contributory shareholders have given their endorsement in proportion to their shareholding in the joint venture.

(7) Intercompany performance guarantees and guarantees for pre-sale contracts in accordance with the Consumer Protection Act.

Note 2: (1) The amount of the Company's guarantee for a single corporate endorsement shall not exceed 20% of the net worth of the Company °

The aggregate amount of the Company's guarantees under external endorsement shall not exceed 50% of the net worth of the Company.

(2) The amount of Lotes Guanghou Co., Ltd's guarantee for a single corporate endorsement is limited to not more than 20% of the net worth of the company.

The aggregate amount of Lotes Guanghou Co., Ltd's external endorsement guarantees is limited to an amount not exceeding 50% of the Company's net worth.

(3) The amount of Lintes Technology Co., Ltd.'s guarantee for a single corporate endorsement is limited to not more than 50% of the net worth of the company.

The aggregate amount of Lintes Technology Co., Ltd.'s external endorsement guarantees is limited to an amount not exceeding 100% of the Company's net worth.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

3. Securities held at the end of fiscal period (excluding the equity of controlled by subsidiaries, affiliated companies, or joint company):

Unit: NT\$ 1,000

Holding company	Category and name of security	Relationship with the issuer of the security	Accounting item	End of the period				Remark
				Shares	Book value	Shareholding ratio	Fair value	
Lotes Co., Ltd.	SteadyBeat Technology Corporation	None	Financial assets measured at FVTOCI - non-current	950,000	8,5	9.90 %	8,545	
“	G-sau Co.,Ltd	“	“	300,000	9	13.64 %	955	
Jiayu Investment Co., Ltd.	Grand-Tek Technology Co., Ltd.	“	Financial assets measured at FVTPL - current	382,980	22,2	1.56 %	22,251	
“	TAIDOC TECHNOLOGY CORP.	“	“	25,000	4,5	0.03 %	4,538	
“	LIAN HONG ART CO., LTD.	“	“	1,017,000	51,5	2.94 %	51,592	
“	Patec Precision Industry Co., Ltd.	“	“	477,000	13,3	1.04 %	13,356	
“	OTO PHOTONICS, INC.	“	“	1,368,800	-	4.57 %	-	Note
“	LUCEMITEK CO., LTD.	“	“	1,169,977	-	17.33 %	-	Note
“	RADINET COMMUNICATIONS INC.	“	“	600,000	-	26.25 %	-	Note
“	AICP Technology Corporation	“	Financial assets measured at FVTOCI - current	400,000	1,4	5.33 %	1,456	
Lintes Technology Co., Ltd.	Chailease Holding Company Limited Class A Preferred Shares	“	Financial assets measured at FVTOCI - non-current	202,000	20,5	0.13 %	20,503	

Note: All of them were recognized in losses.

4. The cumulative purchase or sale of the same securities amounted to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real property amounting to NT\$300 million or 20% or more of the paid-in capital:

Unit: NT\$ 1,000

The company which acquired the property	Name of asset	Date of occurrence	Amount of transaction (Note 2)	Payment condition (Note 2)	Counterparty of transaction	Relation	If the counterparty is a related party, the information of its previous transfer shall be provided				Reference for pricing	Purpose of the acquisition and the condition of use	Other agreed matters
							Owner	Relationship with the issuer	Date of transfer	Amount			
Lotes Zhongshan Co., Ltd.	Plant (Note 1)	2017.10 ~ 2021.12	1,698,815	1,081,38	Chongqing Chuangyou Construction Group, etc.	None	-	-	-	-	Tendering	Construction of self-use plant	None
Lotes Hengnan Co., Ltd.	“	2019.10 ~ 2021.12	344,644	307,04	“	“	-	-	-	-	“	“	“
Lotes Viet Nam Co., Ltd.	Land use rights	2021.01.11	299,921	215,64	GREEN i-PARK CORPORATION	“	-	-	-	-	Negotiation	“	“
Lintes Technology Co., Ltd.	Lands and buildings in parcel number 1159, Jiankang Rd., Zhonghe Dist., New Taipei City	2020.12.16	237,700	237,70	Natural person	“	-	-	-	-	Appraisal report from an appraisal firm	Office (Note 3)	

Note 1: Build the factory by own contracting committee.

Note 2: The conversions were made at the exchange rates prevailing on the balance sheet date.

Note 3: To be used as an office after the decoration is completed.

6. Disposal of real property amounting to NT\$300 million or 20% or more of paid-in capital: None.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

7. The amount of sales to or from related parties is at least \$100 million or 20% of the paid-in capital:

Unit: NT\$ 1,000

The company which purchases (sells) products	Name of transaction counterparty	Relationship	Transaction status				Situation and reason for the conditions of transaction to be different from the ordinary ones		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	Percentage in total goods purchased (sold)	Credit period	Unit price	Credit period	Balance	Percentage in the notes and accounts receivable (payable)	
Xincheng Development Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	1,379,153	95.70 %	Settled in 90 days	-	No significant difference	383,959	94.51%	
“	Lotes Suzhou Co., Ltd.	The surrogate parent company are the same parent company	Net expense from the goods purchased	1,436,269	99.67 %	“	-	“	(404,902)	(99.41)%	
REKA Technology Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	10,140,753	74.41 %	“	-	“	1,060,674	30.04%	
“	Lotes Guangzhou Co., Ltd.	The surrogate parent company are the same parent company	Net expense from the goods purchased	10,115,863	75.65 %	“	-	“	(1,258,218)	(51.39)%	
“	Lotes HengNan Co., Ltd.	“	“	667,963	5.00 %	“	-	“	(76,311)	(3.12)%	
“	“	“	Net revenue from the goods sold	450,692	3.31 %	“	-	“	103,230	2.92%	
“	Lotes Zhongshan Co., Ltd.	“	Net expense from the goods purchased	2,555,583	19.11 %	“	-	“	(392,990)	(16.05)%	
“	Guangzhou Leside Technology Co., Ltd.	“	Net revenue from the goods sold	1,143,684	8.55 %	“	-	“	570,213	16.15%	
Lotes Guangzhou Co., Ltd.	REKA Technology Co., Ltd.	The surrogate parent company are the same parent company	Net expense from the goods purchased	2,328,977	31.67 %	“	-	“	(760,781)	(42.14)%	
“	Lotes Hengnan Co., Ltd.	“	“	377,560	5.13 %	“	-	“	(37,829)	(2.10)%	
“	Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	“	“	191,278	1.81 %	“	-	“	(36,443)	(2.02)%	
“	Lotes Zhongshan Co., Ltd.	“	“	118,523	1.12 %	“	-	“	(54,089)	(3.00)%	
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd.	Subsidiary	Net revenue from the goods sold	1,841,200	96.35 %	“	-	“	342,051	96.10%	
Lotes HengNan Co., Ltd.	Shenzhen DeYi Automation Equipment Co., Ltd.	The surrogate parent company are the same parent company	“	371,002	28.40 %	“	-	“	147,002	36.51%	
“	Zongka Technology (Shenzhen) Co., Ltd.	“	“	158,660	12.15 %	“	-	“	75,925	18.86%	
Zongka Technology (Shenzhen) Co., Ltd.	Guangzhou Leside Technology Co., Ltd.	“	Net expense from the goods purchased	828,419	79.75 %	“	-	“	(380,925)	(80.22)%	
Shenzhen DeYi Automation Equipment Co., Ltd.	“	“	“	365,906	41.26 %	“	-	“	(144,442)	(42.37)%	

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

8. Amounts due from related parties amounting to at least NT\$100 million or 20% of paid-in capital:

Unit: NT\$ 1,000

Related party with accounts receivable by the Company	Name of transaction counterparty	Relationship	Balance of receivables from the related party	Turnover ratio	Past due receivables from the related party		Amounts due from related parties recovered after the period	Allowance for losses
					Amount	Handling		
Xincheng Development Co., Ltd.	The Company	Subsidiary	383,959	4.10	-		102,440	-
REKA Technology Co., Ltd.	"	"	1,060,674	7.27	-		1,060,665	-
"	Lotes Guangzhou Co., Ltd.	The surrogate parent company are the same parent company	760,781	4.38	-		194,533	-
"	Lotes Hengnan Co., Ltd.	"	103,230	4.92	-		29,101	-
"	Lotes Zhongshan Co., Ltd.	"	161,474	-	-		-	-
"	Guangzhou Leside Technology Co., Ltd.	"	570,213	4.01	-		-	-
Lotes Suzhou Co., Ltd.	Xincheng Development Co., Ltd.	"	404,902	4.03	-		105,428	-
Good Hope Investments Limited	REKA Technology Co., Ltd.	Parent company	855,894	-	-		-	-
Lotes Guangzhou Co., Ltd.	"	The surrogate parent company is the same parent company	1,258,218	8.40	-		1,045,129	-
"	Lotes Zhongshan Co., Ltd.	"	647,560	-	-		-	-
Lotes Zhongshan Co., Ltd.	REKA Technology Co., Ltd.	The surrogate parent company is the same parent company	392,990	8.95	-		304,480	-
Lotes Hengnan Co., Ltd.	Shenzhen DeYi Automation Equipment Co., Ltd.	"	147,002	2.93	-		34,353	-
Guangzhou Leside Technology Co., Ltd.	Zongka Technology (Shenzhen) Co., Ltd.	"	380,925	4.35	-		79,486	-
"	Shenzhen DeYi Automation Equipment Co., Ltd.	"	144,442	5.07	-		31,809	-
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd.	Subsidiary	342,051	5.15	-		342,051	-

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

9. Engagement in derivative transactions: Please refer to Note VI (2) and (24).

(2) Information on reinvestment business:

Information on the Company's investees in 2021 was as follows (excluding investees in China):

Unit: NT\$ 1,000

Name of the company investing	Name of investee company	Location	Main business	Original investment amount (Note 1)		Shares held at the end of the period			Gain/loss of investee company in the fiscal period	Gain/loss in the investment recognized in the fiscal period	Remark
				End of the period	End of the previous year	Shares	Ratio	Book value			
The Company	Lotes Investment Ltd.	Samoa	Holding and investment	721,0	741,904	26,050,000	100.00%	6,513,504	1,393,504	1,331,683	Note 2
"	Good Hope Investments Limited	"	"	11,1	11,428	401,281	100.00%	1,575,778	82,839	82,839	
"	Guansi Development Co., Ltd.	"	"	554,0	570,068	20,016,426	100.00%	2,656,135	453,193	426,750	Note 2
"	Zhaxi Investment Co., Ltd.	Anguilla	"	13,8	14,240	500,000	100.00%	159,758	38,981	38,981	
"	Jiayu Investment Co., Ltd.	Taiwan	General investment	690,0	690,000	69,000,000	100.00%	1,112,641	70,861	69,007	
"	Lotes USA, Inc.	America	Market development	69,2	71,200	2,500,000	100.00%	75,270	(3,360)	(3,360)	
"	LOTES EU GmbH	Germany	Market development	3,1	3,502	100,000	100.00%	3,674	(219)	(219)	
"	Lerain Technology Co., Ltd.	Taiwan	Design, test and sale of chips	47,3	9,385	4,732,059	16.40%	37,790	(29,164)	(8,412)	Note 2
"	Mikronpoint Co., Ltd.	"	Manufacturing and trading of mechanical equipment and electronic parts	25,0	5,000	2,500,000	100.00%	19,312	(5,624)	(5,624)	
"	Lotes Viet Nam CO., Ltd.	Vietnam	Manufacturing of connectors for the information industry, communications industry, and consumer electronics industry	497,8	-	17,985,000	100.00%	470,627	(26,387)	(26,387)	
Lotes Investment Ltd.	Loteson International Investments Limited	Hong Kong	Holding and investment	721,0	741,904	26,050,000	100.00%	6,741,273	1,393,504	1,393,504	
Good Hope Investments Limited	Xincheng Development Co., Ltd.	Samoa	Sales of connectors for the information industry, communications industry, and consumer electronics industry	2,7	2,848	100,000	100.00%	1,300	(278)	(278)	
"	REKA Technology Co., Ltd.	Hong Kong	Sales of connectors for the information industry, communications industry, and consumer electronics industry	2,8	2,884	101,281	100.00%	718,561	83,117	83,117	
Guansi Development Co., Ltd.	Jae You Co., Ltd.	"	Holding and investment	554,0	570,077	20,016,756	100.00%	2,684,343	435,193	435,193	
Zhaxi Investment Co., Ltd.	Wangden Investments Limited	"	Holding and reinvestment	13,8	14,240	500,000	100.00%	159,758	38,981	38,981	
Jiayu Investment Co., Ltd.	Ememe Robot Co., Ltd.	Taiwan	Manufacturing of electrical and audio-visual electronic products	69,6	69,600	6,960,000	94.37%	(8,099)	(341)	(322)	
"	Compertum Microsystems Inc.	"	Manufacturing of electronic components	43,8	43,880	2,632,800	31.25%	18,210	(39,628)	(13,766)	
"	Good News Medical Co., Ltd.	"	Manufacturing and sales of machinery and equipment, electronic components, and optical instruments	6,3	250	636,000	25.44%	5,100	(3,774)	(673)	
"	Lintes Technology Co., Ltd.	"	Manufacturing of electronic parts and components, other electrical and electronic machinery and equipment	486,9	486,926	29,712,788	52.13%	882,867	174,032	90,719	Note 2
Lintes Technology Co., Ltd.	Jiajun Investment Co., Ltd.	"	General investment	-	15,000	-	-%	-	(13)	(13)	
"	Genie Precision Machine Co., Ltd.	"	Manufacturing and sales of optical molds	164,8	164,833	14,671,000	60.00%	204,091	29,024	16,556	
"	Compertum Microsystems Inc.	"	Manufacturing of electronic components	14,6	14,620	877,200	10.41%	6,067	(39,628)	(4,587)	
"	Lerain Technology Co., Ltd.	"	Design, test and sale of chips	5,7	-	547,059	1.90%	4,546	(29,164)	149	
"	Jilong Co., Ltd.	Samoa	Holding and reinvestment	137,0	140,976	4,950,000	100.00%	261,176	30,332	1,147	Note 2
Jilong Co., Ltd.	Rihui Co., Ltd.	Samoa	Holding and reinvestment	137,0	140,976	4,950,000	100.00%	261,176	30,332	1,147	Note 2

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Note 1: The original investment amount was converted into New Taiwan dollars using the exchange rate at the balance sheet date.

Note 2: The investment income or loss recognized in the current period includes adjustments for unrealized gains or losses from intercompany transactions.

(3) Investment in China:

1. Names of investee companies in Mainland China, major business activities, and other related information:

Unit: NT\$ 1,000

Name of investee company in Mainland China	Main business	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the fiscal period (Note 3)	Amount remitted or recovered		Accumulated investment amount remitted from Taiwan at the end of the fiscal period (Note 3)	Gain/loss of investee company in the fiscal period	Shareholding ratio	Gain/loss in investment recognized in the fiscal period (Note 2)	Carrying amount of investment at the end of the fiscal period	Investment income remitted back to Taiwan by the end of the fiscal period
					Remitted	Recovered						
Lotes Guangzhou Co., Ltd.	Manufacturing of connectors for the information industry, communications industry, and consumer electronics industry	739,0	(2)	705,840	-	-	705,840	1,393,504	100.00%	1,331,683	6,513,462	-
Lotes Suzhou Co., Ltd.	Manufacturing of connectors for the information industry, communications industry, and consumer electronics industry	553,3	(2)	553,302	-	-	553,302	435,193	100.00%	426,750	2,656,082	-
Zongka Technology (Shenzhen) Co., Ltd.	R&D of electronics, import and export of raw materials of plastic products and plastic products	13,8	(2)	13,840	-	-	13,840	38,981	100.00%	38,981	159,758	-
Lotes HengNan Co., Ltd.	Manufacturing of connectors for the information industry, communications industry, and consumer electronics industry	962,8	(3)	-	-	-	-	73,689	100.00%	91,432	1,288,404	-
Lintes Technology (Suzhou) Co., Ltd.	Development and production of the measurement instruments for optical communication, optical transceivers of 10GB/s or above and relevant technical support	137,0	(2)	137,016	-	-	137,016	41,915	52.13%	6,636	161,083	-
Shenzhen DeYi Automation Equipment Co., Ltd.	Manufacturing of robotic arms, automation equipment and relevant components	108,6	(3)	-	-	-	-	23,623	100.00%	23,623	134,271	-
Lotes Zhongshan Co., Ltd.	Manufacturing connectors for telecommunication industry and for consumer electronics industry, and manufacturing of robotic arms, automation equipment and relevant components	1,869,2	(3)	-	-	-	-	237,472	100.00%	234,472	2,155,532	-
Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	Surface treatment of metal products and plastic products	265,1	(3)	-	-	-	-	(539)	100.00%	(539)	249,292	-
Hengnan Deyi Property Development Co., Ltd.	Development of real estate, lease of premises, landscape design and interior decorating	99,5	(3)	-	-	-	-	(54)	100.00%	(575)	98,249	-
Zhongshan Jinmeida Metal Surface Treatment Co., Ltd.	Surface treatment of metal products and plastic products	29,4	(3)	-	-	-	-	(962)	100.00%	889	96,050	-
Guangzhou Leside Technology Co., Ltd.	Research, testing and development	20,4	(3)	-	-	-	-	39,577	100.00%	39,577	57,105	-
Chongqing Fuxinrui Electronic Technology Co., Ltd.	R&D and sales of electronic components, automobile components and accessories, computers and accessories, development of molds and the import and export of goods and technologies	6,9	(3)	-	-	-	-	(1,555)	51.00%	(793)	1,448	-

Note 1: There are six types of investments:

- (1) Investment in Chinese Corporation via Third Region Remittance.
- (2) Establishment of a company to reinvest in a continental company through a third regional investment.
- (3) Reinvest in Chinese companies by re-investing in existing companies in third regions.
- (4) Direct Investment
- (5) Others.
- (6) N/A.

Note 2: The investment gain or loss recognized in the current period has been reconciled with the unrealized gain or loss from intercompany transactions.

Note 3: The balance sheet date exchange rates are used to translate the paid-in capital and remittance of cumulative investment amounts into New Taiwan dollars.

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

2. Investment ceiling in Mainland China:

Company name	Accumulated amount remitted from Taiwan at the end of the fiscal period for investment in Mainland China (Note 1)	Investment amount approved by Investment Commission, MoEA (Note 1)	Investment ceiling in Mainland China according to the regulations made by Investment Commission, MoEA
Lotes Co., Ltd.	1,272,982,000	1,415,013,000	10,117,489,000
Lintes Technology Co., Ltd.	137,016,000	137,016,000	1,016,197,000

Note 1: The conversions to NTD were made at the exchange rates prevailing on the balance sheet date.

3. Significant transactions with the investee companies in China:

Please refer to the “Information on Significant Transactions” and “Business Relationships and Significant Transactions between Subsidiaries and Parents” for details of significant direct or indirect transactions between the Company and its investees in Mainland China in fiscal 2021, which have been eliminated in the preparation of the consolidated financial statements.

(4) Information on Major Shareholders:

Name of Major Shareholder	Shares	Shares held	Shareholding %
Chin-Ling Investment Co., Ltd.		10,956,237	10.32%
Chia-Ming Investment Co., Ltd.		9,797,037	9.23%
New Labor Pension Fund 2nd Fuh Hwa Discretionary Investment Account in 2018		7,530,222	7.09%

Note:

(1) The information on major shareholders in this table is based on the last business day of each quarter and is calculated based on the total number of common shares and preferred shares held by shareholders who have completed the delivery of unregistered shares (including treasury shares) of the Company of at least 5%. The number of shares recorded in the Company’s financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of computation.

(2) The above information is revealed by the trustee’s opening of a trust account with individual subaccounts of the principal if the shareholder has delivered his or her shares to the trust. As for any shareholder holding more than 10% of the shares of the Company in accordance with the Securities and Exchange Act, the shareholdings include its own shares plus the shares it has delivered to the trust and has the right to decide on the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider shareholdings.

XIV. Segmental Information

Please refer to the consolidated financial statements for 2021.

Lotes Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash and cash equivalents:		
Petty cash		\$ 52
Checks and demand deposits:	NTD	375,802
	Foreign currency (USD10,923,219.52, HKD23,881.90, JPY91,560, EUR1,414,094.87, RMB671,575.06 and THB1.67)	349,670
		<u>725,472</u>
Time deposit:	NTD Due date: February 19, 2022 Interest rate range: 0.795%	50
	Foreign currency (RMB12,500,000) Due date: January 8, 2022 Interest rate range: 2.4%	54,339
		<u>54,389</u>
Total		<u><u>\$ 779,913</u></u>

Statement of Notes Receivable

Item	Summary	Amount
Non-related parties:		
A company		\$ 913
B company		585
C company		115
Other (Note)		<u>298</u>
		<u>\$ 1,911</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.
Statement of Accounts Receivable
December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Accounts receivable - related parties		<u>\$ 32,627</u>
Non-related parties:		
D company		\$ 603,950
E company		447,028
F company		434,063
G company		351,958
H company		314,261
Other (Note)		<u>3,663,343</u>
		5,814,603
Less: allowance for losses		<u>(2,204)</u>
		<u>\$ 5,812,399</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Statement of Other Receivables

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Related-parties		\$ 2,432
Less: allowance for losses		<u>(2,272)</u>
		<u>\$ 160</u>
Non-related parties:		
Business tax credit and tax refund		\$ 22,389
Other	Mainly receivables from mold development and estimated interest receivable	<u>374</u>
Subtotal		22,763
Less: allowance for losses		<u>(279)</u>
		<u>\$ 22,484</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.
Statement of Inventories
December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Amount</u>	<u>Market price</u>
Merchandises	\$ 1,057,288	993,764
Finished goods	3,379	2,061
Raw materials	43	29
Subtotal	1,060,710	<u>995,854</u>
Less: Allowance for decline in value of inventories and doubtful losses	<u>(64,856)</u>	
	<u>\$ 995,854</u>	

Note: Allowance for decline in value of inventories and allowance for doubtful accounts is based on the lower of cost or net realizable value and the ageing of inventories, respectively.

Statement of Prepayments

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayment of membership fee	Mainly prepayment of annual association fee	\$ 1,360
Prepayment	Mainly prepayment of product certification fee	1,056
Other (Note)	Mainly prepayment of miscellaneous expenses, etc.	<u>304</u>
Total		<u>\$ 2,720</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

**Statement of Changes in Financial Assets
Measured at FVTPL - Non-Current**

December 31, 2021

Unit: NT\$ 1,000

Name of financial instruments	Beginning of the period		Increase in the period		Decrease in the period		Ending of the period		Provision of guarantees or pledges	Remark
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Redemption rights of convertible bonds	-	<u>\$ -</u>	-	<u>3,600</u>	-	<u>230</u>	-	<u>3,370</u>	None	

**Statement of Changes in Financial Assets
Measured at FVTOCI - Non-Current**

Unit: 1,000 Shares/NT\$ 1,000

Name	Beginning of the period		Increase in the period		Decrease in the period		Ending of the period		Accumulated impairment	Provision of guarantees or pledges	Remark
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value			
SteadyBeat Technology Corporation	-	\$ -	950	8,545	-	-	950	8,545	-	None	
G-sau Co.,Ltd	-	-	300	955	-	-	300	955	-	None	
		<u>\$ -</u>		<u>9,500</u>		<u>-</u>		<u>9,500</u>	<u>-</u>		

Lotes Co., Ltd.
Statement of Changes in Investment Accounted for Using the
Equity Method

January 1 to December 31, 2021

Unit: NT\$ 1,000

Name	Opening balance		Increase in the period (Note)		Decrease in the period (Note)		Closing balance			Market value or net equity		Provision of guarantees or pledges	Remark
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding %	Amount	Unit price	Total price		
Lotes Investment Limited	26,050,000	\$ 5,201,468	-	1,312,036	-	-	26,050,000	100.00%	6,513,504	-	6,513,504	None	
Good Hope Investments Limited	401,281	1,531,999	-	43,779	-	-	401,281	100.00%	1,575,778	-	1,575,778	“	
Guansi Development Co., Ltd.	20,016,426	2,239,442	-	416,693	-	-	20,016,426	100.00%	2,656,135	-	2,656,135	“	
Zaxi Investment Co., Ltd.	500,000	121,209	-	38,549	-	-	500,000	100.00%	159,758	-	159,758	“	
Jiayu Investment Co., Ltd.	69,000,000	1,044,195	-	68,446	-	-	69,000,000	100.00%	1,112,641	-	1,112,641	“	
Lotes USA. Inc.	2,500,000	75,816	-	-	-	546	2,500,000	100.00%	75,270	-	75,270	“	
LOTES EU GmbH	100,000	4,059	-	-	-	385	100,000	100.00%	3,674	-	3,674	“	
Lerain Technology Co., Ltd.	938,525	2,687	3,793,534	35,103	-	-	4,732,059	16.40%	37,790	-	37,790	“	
Mikronpoint Co., Ltd.	500,000	4,936	2,000,000	14,376	-	-	2,500,000	100.00%	19,312	-	19,312	“	
Lotes Viet Nam Coi., Ltd	-	-	17,985,000	470,627	-	-	17,985,000	100.00%	470,627	-	470,627	“	
		<u>\$ 10,225,811</u>		<u>2,399,609</u>		<u>931</u>			<u>12,624,489</u>		<u>12,624,489</u>		

Note: The amount includes the increase in investment amount of \$570,421 thousand, the recognition of investment income of \$1,905,258 thousand, the recognition of cumulative translation adjustment decrease of \$82,102 thousand, the decrease in capital surplus of \$5,460 thousand recognized under the equity method and the recognition of unrealized loss on financial assets of \$359 thousand accounted for using the equity method.

Lotes Co., Ltd.
Statement of Deferred Tax Assets
December 31, 2021

Unit: NT\$ 1,000

Item	Summary	Amount
Deferred tax assets		<u><u>\$ 66,302</u></u>

Statement of Other Non-Current Assets

Item	Summary	Amount
Refundable deposits		\$ 6,027
Prepayment for construction work		<u>3,322</u>
		<u><u>\$ 9,349</u></u>

Lotes Co., Ltd.
Statement of Short-Term Borrowings
December 31, 2021

Unit: NT\$ 1,000

<u>Type</u>	<u>Description</u>	<u>Closing balance</u>	<u>Period</u>	<u>Interest rate</u>	<u>Financing line</u>	<u>Collateral or guarantee</u>	<u>Remark</u>
Credit loan	E.SUN Bank	\$ 152,240	2021.07.20~2022.07.20	0.70%	300,000	Guaranteed notes of \$300,000 thousand	
Credit loan	CTBC Bank	-	2021.08.31~2022.08.31	0%	300,000	Guaranteed notes of \$300,000 thousand	
Credit loan	Bank SinoPac	-	2021.06.11~2022.06.30	0%	366,080	Guaranteed notes of \$366,080 thousand (Note 1)	
Credit loan	Hua Nan Bank	400,000	2021.10.29~2022.10.29	0.85%	600,000	Guaranteed notes of \$600,000 thousand	
Credit loan	Mega Bank	-	2021.07.22~2022.07.21	0%	193,760	Guaranteed notes of \$193,760 thousand (Note 2)	
		<u>\$ 552,240</u>			<u>1,759,840</u>		

Note 1: The financing amount is NT\$200,000 thousand and US\$6,000 thousand.

Note 2: The financing amount is US\$7,000 thousand.

Statement of Notes Payable

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Non-related parties:		
I company		\$ 4,273
J company		2,835
K company		2,393
L company		1,313
Other (Note)		2,588
		<u>\$ 13,402</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.
Statement of Accounts Payable
December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Related parties:		
Lerain Technology Co., Ltd.		\$ 40,597
Xincheng Development Co., Ltd.		383,959
REKA Technology Co., Ltd.		1,060,674
Lintes Technology Co., Ltd.		26,825
		<u>\$ 1,512,055</u>
Non-related parties:		
M company		\$ 5,394
N company		2,080
O company		844
Other (Note)		73
		<u>\$ 8,391</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Statement of Other Payables

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other payables - related parties		<u>\$ 2,166</u>
Non-related parties:		
Salary payable	Mainly salary and year-end bonuses payable	\$ 28,307
Royalties payable	Mainly royalties payable	26,689
Compensation payable to employees and directors and supervisors	Mainly compensation for employees and directors and supervisors in 2021	126,542
Technical service fees payable	Mainly technical service fees payable	19,661
Freight and import/export expenses payable	Mainly freight and customs clearance fees for import and export of goods	20,488
Other		71,753
Total		<u>\$ 293,440</u>
Income tax liabilities for the period		<u>\$ 350,031</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.
Statement of Refund Liabilities
December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Refund liabilities - current	Amount expected to be paid to customers as a result of discounts	<u><u>\$ 195,105</u></u>

Statement of Other Current Liabilities

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other current liabilities	Payment collection	<u><u>\$ 7,441</u></u>

Statement of Bonds Payable

Name	Trustee	Period	Coupon rate	Total issue amount	Unamortized discount	Converted amount	Book value	Repayment method	Guarantee	Remark
First domestic unsecured convertible bond	Hua Nan Commercial Bank	2021.08.19 ~2024.08.19	0%	<u>\$ 1,000,000</u>	<u>(24,173)</u>	<u>(63,900)</u>	<u>911,927</u>	Repayment of principal at maturity	None	

Lotes Co., Ltd.
Statement of Deferred Income Tax
Liabilities

December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Deferred income tax liabilities		<u>\$ 6,038</u>

Statement of Provision for Liabilities -
Non-Current

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Provision for liabilities - non-current	Provision for employee benefit liabilities	<u>\$ 45,220</u>

Statement of Other Non-Current Liabilities

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Deposits received		<u>\$ 744</u>

Lotes Co., Ltd.
Statement of Operating Revenue
January 1 to December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Sales revenue:		
General	934,978KPCS	\$ 8,209,994
Triangular trade	1,696,925KPCS	6,150,206
Less: Return of sales		(32,275)
Discount on sales		<u>(176,715)</u>
Net operating revenue		<u><u>\$ 14,151,210</u></u>

Lotes Co., Ltd.
Statement of Operating Cost
January 1 to December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Amount</u>
Direct raw materials	
Opening inventory	\$ 23
Add: Incoming materials for the period	341
Less: Raw materials at the end of the period	(43)
Transfer to merchandise inventory sales	(40)
Other	(3)
Raw material consumption	278
Manufacturing Costs	4,558
Processing Costs	254
Transfer of finished goods and merchandise	2,985
Total manufacturing costs	8,075
Add: Opening finished goods	191
Less: Transfer to work-in-progress	(2,985)
Finished goods at the end of the period	(3,379)
Other	(147)
Cost of finished goods	1,755
Add: Opening goods	755,770
Current period imports	11,672,705
Transfer of raw materials to sales	40
Other	19,098
Less: Ending goods	(1,057,288)
Other	(2,264)
Cost of goods sold	11,388,061
Loss on decline in value of inventories, slump and obsolescence	21,612
Operating cost	<u><u>\$ 11,411,428</u></u>

Lotes Co., Ltd.
Statement of Promotion Expense
January 1 to December 31, 2021

Unit: NT\$ 1,000

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Import and export expenses		\$ 126,257
Payroll		66,446
Freight fee		38,741
Royalties		62,680
Commission		20,226
Other (Note)		<u>75,358</u>
Total		<u>\$ 389,708</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Statement of Administration Expense

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary expenses		\$ 174,416
Labor expenses		19,271
Other (Note)		<u>115,290</u>
Total		<u>\$ 308,977</u>

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

December 31, 2021

Please refer to the following notes for the remaining information on the schedule of significant accounting items:

- (1) Statement of property, plant and equipment and changes in accumulated depreciation, Note VI (6).
- (2) Statement of right-of-use assets and changes in accumulated depreciation, Note VI (7).
- (3) Statement of investment property and accumulated depreciation, Note VI (8).
- (4) Statement of changes in intangible assets, Note VI (9).
- (5) Statement of the net amount of other revenues and gains and expenses and losses, Note VI (22)