# ITEQ Corporation

## Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
ITEQ Corporation

### Opinion

We have audited the accompanying financial statements of ITEQ Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Assessment of Inventory**

The inventory of the Company is susceptible to price fluctuations and obsolescence due to changes in demand for finished goods and raw materials caused by price fluctuations in the market. Management estimated the allowance for impairment loss of inventory based on its historical stock sales, and market conditions may also influence management's estimation of the allowance for impairment loss of inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 8 to the financial statements for disclosures on the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We obtained an understanding the design and implementation of the internal control related to inventory, which included the evaluation of the impairment and obsolescence of inventory which were recognized and approved by management.

2. We selected samples from the year-end inventory record details and verified the purchase price of raw materials or sales price of inventories and we recalculated the net realizable value to confirm the correctness of its calculation. We took samples and compared the net realizable value of inventories with their carrying amount to assess the reasonableness of the inventory impairment provisions.

3. We obtained the slow-moving inventory and the aging report of inventory in detail, analyzed the differences between the current and prior years, and we recalculated the impairment of obsolete inventory to confirm the correctness of its calculation.

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

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

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chen-Hsiu Yang and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2022

*Notice to Readers*

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

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.*

# ITEQ CORPORATION

**BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 1,051,780 | 5 | $ 402,393 | 2 |
| Accounts receivable and notes receivable, net (Note 7) | 577,690 | 2 | 476,924 | 3 |
| Accounts receivable - related parties (Note 25) | 635,409 | 3 | 821,909 | 4 |
| Other receivables (Note 24) | 177,748 | 1 | 54,544 | - |
| Other receivables - related parties (Note 25) | 304,527 | 1 | 313,395 | 2 |
| Current tax assets (Note 20) | 32,299 | - | 753 | - |
| Inventories, net (Note 8) | 558,202 | 2 | 663,709 | 4 |
| Other current assets | 66,170 | - | 9,846 | - |
| Total current assets | 3,403,825 | 14 | 2,743,473 | 15 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 9) | 5,304 | - | 10,000 | - |
| Investment accounted for using the equity method (Note 10) | 18,346,299 | 78 | 14,668,632 | 79 |
| Property, plant and equipment (Note 11) | 295,185 | 1 | 543,675 | 3 |
| Right-of-use assets (Notes 12 and 25) | 200,295 | 1 | 229,848 | 1 |
| Deferred tax assets (Note 20) | 247,343 | 1 | 149,794 | 1 |
| Prepayments for equipment | 987,314 | 4 | 29,759 | - |
| Other non-current assets (Notes 13, 16 and 25) | 153,642 | 1 | 144,218 | 1 |
| Total non-current assets | 20,235,382 | 86 | 15,775,926 | 85 |
| TOTAL | $ 23,639,207 | 100 | $ 18,519,399 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 14) | $ - | - | $ 1,390,000 | 8 |
| Short-term bills payable, net (Note 14) | - | - | 49,985 | - |
| Accounts payable and notes payable | 322,408 | 2 | 546,510 | 3 |
| Accounts payable - related parties (Note 25) | 553,457 | 3 | 265,200 | 1 |
| Other payables | 783,624 | 3 | 482,545 | 3 |
| Other payables - related parties (Note 25) | 8,495 | - | 15,467 | - |
| Current tax liabilities (Note 20) | 9,329 | - | - | - |
| Lease liabilities - current (Notes 12 and 25) | 27,766 | - | 27,347 | - |
| Current portion of long-term borrowings (Note 14) | - | - | 88,235 | 1 |
| Other current liabilities (Note 18) | 51,139 | - | 60,126 | - |
| Total current liabilities | 1,756,218 | 8 | 2,925,415 | 16 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings, net of current portion (Note 14) | - | - | 1,640,000 | 9 |
| Deferred tax liabilities (Note 20) | 396,501 | 1 | 358,118 | 2 |
| Lease liabilities - non-current (Notes 12 and 25) | 169,250 | 1 | 197,015 | 1 |
| Guarantee deposits received | 2,500 | - | 5,197 | - |
| Total non-current liabilities | 568,251 | 2 | 2,200,330 | 12 |
| Total liabilities | 2,324,469 | 10 | 5,125,745 | 28 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17) | | | | |
| Share capital | 3,829,572 | 16 | 3,329,572 | 18 |
| Capital surplus | 9,690,481 | 41 | 3,682,051 | 20 |
| Retained earnings | | | | |
| Legal reserve | 1,885,194 | 8 | 1,618,630 | 9 |
| Special reserve | 444,936 | 2 | 583,390 | 3 |
| Unappropriated earnings | 5,978,737 | 25 | 4,624,947 | 25 |
| Total retained earnings | 8,308,867 | 35 | 6,826,967 | 37 |
| Other items in equity | (514,182) | (2) | (444,936) | (3) |
| Total equity | 21,314,738 | 90 | 13,393,654 | 72 |
| TOTAL | $ 23,639,207 | 100 | $ 18,519,399 | 100 |

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

# ITEQ CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Notes 18 and 25) | $ 3,680,011 | 100 | $ 5,218,052 | 100 |
| COST OF GOODS SOLD (Notes 8, 19 and 25) | 3,778,909 | 103 | 4,627,289 | 89 |
| GROSS (LOSS) PROFIT | (98,898) | (3) | 590,763 | 11 |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES | (9,050) | - | (25,276) | - |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES | 25,276 | 1 | 40,898 | 1 |
| REALIZED GROSS PROFIT (LOSS) | (82,672) | (2) | 606,385 | 12 |
| OPERATING EXPENSES (Notes 19 and 25) | | | | |
| Selling and marketing expenses | 102,401 | 3 | 124,371 | 2 |
| General and administrative expenses | 400,198 | 11 | 445,908 | 9 |
| Research and development expenses | 173,163 | 4 | 238,299 | 5 |
| Expected credit loss (gain) | 3,327 | - | (1,815) | - |
| Total operating expenses | 679,089 | 18 | 806,763 | 16 |
| (LOSS) PROFIT FROM OPERATIONS | (761,761) | (20) | (200,378) | (4) |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Notes 19 and 25) | 39,038 | 1 | 53,519 | 1 |
| Finance costs (Notes 19 and 25) | (24,489) | (1) | (35,548) | - |
| Other gains and losses (Note 19) | (98,448) | (3) | (55,159) | (1) |
| Share of the profit of subsidiaries (Note 10) | 3,955,681 | 108 | 2,937,055 | 56 |
| Total non-operating income and expenses | 3,871,782 | 105 | 2,899,867 | 56 |
| INCOME BEFORE INCOME TAX | 3,110,021 | 85 | 2,699,489 | 52 |
| INCOME TAX (BENEFIT) EXPENSE (Note 20) | (34,782) | (1) | 33,924 | 1 |
| NET INCOME FOR THE YEAR | 3,144,803 | 86 | 2,665,565 | 51 |

(Continued)

# ITEQ CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on equity investments through other comprehensive income (Note 17) | $ (4,696) | - | $ - | - |
| Remeasurement of defined benefit plans (Note 16) | 1,883 | - | 78 | - |
| Share of other comprehensive loss of subsidiaries | (2,049) | - | (150) | - |
| | (4,862) | - | (72) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations (Note 17) | (78,126) | (2) | 173,255 | 3 |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20) | 15,625 | - | (34,651) | - |
| Items that may be reclassified subsequently to profit or loss, net of income tax | (62,501) | (2) | 138,604 | 3 |
| Other comprehensive (loss) income (loss) for the year, net of income tax | (67,363) | (2) | 138,532 | 3 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 3,077,440 | 84 | $ 2,804,097 | 54 |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21) | | | | |
| Basic | $ 9.00 | | $ 8.19 | |
| Diluted | $ 8.93 | | $ 8.15 | |

The accompanying notes are an integral part of the financial statements. (Concluded)

## ITEQ CORPORATION

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | | | | Retained Earnings (Note 17) | | | Other Item Equity (Note 17) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Share Capital (Note 17) | Capital Surplus (Note 17) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total Equity |
| BALANCE AT JANUARY 1, 2020 | 302,957 | $ 3,029,572 | $ 653,239 | $ 1,372,300 | $ 205,680 | $ 4,248,130 | $ (581,111) | $ (2,279) | $ 8,925,531 |
| Appropriation of 2019 earnings | | | | | | | | | |
| Legal reserve | - | - | - | 246,330 | - | (246,330) | - | - | - |
| Special reserve | - | - | - | - | 377,710 | (377,710) | - | - | - |
| Cash dividends | - | - | - | - | - | (1,664,786) | - | - | (1,664,786) |
| Issuance of ordinary shares for cash | 30,000 | 300,000 | 2,994,216 | - | - | - | - | - | 3,294,216 |
| Share-based payment transactions (Note 22) | - | - | 34,596 | - | - | - | - | - | 34,596 |
| Net income for the year ended December 31, 2020 | - | - | - | - | - | 2,665,565 | - | - | 2,665,565 |
| Other comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 78 | 138,604 | (150) | 138,532 |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 2,665,643 | 138,604 | (150) | 2,804,097 |
| BALANCE AT DECEMBER 31, 2020 | 332,957 | 3,329,572 | 3,682,051 | 1,618,630 | 583,390 | 4,624,947 | (442,507) | (2,429) | 13,393,654 |
| Appropriation of 2020 earnings | | | | | | | | | |
| Legal reserve | - | - | - | 266,564 | - | (266,564) | - | - | - |
| Special reserve | - | - | - | - | (138,454) | 138,454 | - | - | - |
| Cash dividends | - | - | - | - | - | (1,664,786) | - | - | (1,664,786) |
| Issuance of ordinary shares for cash | 50,000 | 500,000 | 5,994,343 | - | - | - | - | - | 6,494,343 |
| Share-based payment transactions (Note 22) | - | - | 14,087 | - | - | - | - | - | 14,087 |
| Net income for the year ended December 31, 2021 | - | - | - | - | - | 3,144,803 | - | - | 3,144,803 |
| Other comprehensive loss for the year ended December 31, 2021 | - | - | - | - | - | 1,883 | (62,501) | (6,745) | (67,363) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | 3,146,686 | (62,501) | (6,745) | 3,077,440 |
| BALANCE AT DECEMBER 31, 2021 | 382,957 | $ 3,829,572 | $ 9,690,481 | $ 1,885,194 | $ 444,936 | $ 5,978,737 | $ (505,008) | $ (9,174) | $ 21,314,738 |

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

# ITEQ CORPORATION

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 3,110,021 | $ 2,699,489 |
| Adjustments for: | | |
| Expected credit loss (gain) | 3,327 | (1,815) |
| Depreciation expense | 172,829 | 231,257 |
| Amortization of prepayments | 9,429 | 4,303 |
| Finance costs | 24,489 | 35,548 |
| Interest income | (1,618) | (1,936) |
| Share-based compensation | 6,758 | 34,596 |
| Share of loss of subsidiaries | (3,955,681) | (2,937,055) |
| Loss (gain) on disposal of property, plant and equipment | 324 | (2,099) |
| Write-downs of inventories | 73,051 | 48,757 |
| Unrealized gain on transactions with subsidiaries | 9,050 | 25,276 |
| Realized gain on the transactions with subsidiaries | (57,066) | (72,688) |
| Loss on foreign currency exchange | 31,266 | 3,313 |
| (Reversal) recognized of provisions | - | (3,420) |
| Losses from disaster | 464,195 | - |
| Changes in operating assets and liabilities | | |
| Notes receivable | (13,105) | 23,727 |
| Accounts receivable | (94,656) | 217,813 |
| Accounts receivable - related parties | 179,718 | 229,851 |
| Other receivables | (123,204) | 123,123 |
| Other receivables - related parties | (16,432) | (40) |
| Inventories | (113,749) | 8,579 |
| Other current assets | (56,324) | (3,109) |
| Accounts payable | (222,702) | (942,632) |
| Accounts payable - related parties | 291,119 | 105,402 |
| Other payables | 204,239 | 56,151 |
| Other payables - related parties | (6,925) | 15,064 |
| Other current liabilities | 970 | 10,232 |
| Cash used in operations | (80,677) | (92,313) |
| Interest paid | (24,952) | (35,515) |
| Income tax paid | (6) | (101,829) |
| Net cash used in operating activities | (105,635) | (229,657) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | - | (10,000) |
| Proceeds from disposal of property, plant and equipment | 33 | 3,528 |
| Increase in refundable deposits | - | (6) |
| Decrease in refundable deposits | 1,563 | - |
| Increase in other non-current assets | (144,648) | (4,787) |
| Increase in prepayments for equipment | (1,010,803) | (72,957) |

(Continued)

# ITEQ CORPORATION

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | 2020 |
|---|---|---|
| Interest received | $ 509 | $ 839 |
| Dividends received from subsidiaries | 277,501 | 332,977 |
| Net cash (used in) generated from investing activities | (875,845) | 249,594 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (1,390,000) | (1,680,000) |
| Decrease in short-term bills payable | (50,412) | (340,609) |
| Proceeds from long-term borrowings | 230,000 | 1,339,999 |
| Repayments of long-term borrowings | (1,958,235) | (1,017,646) |
| Increase in guarantee deposits received | 7,200 | 605 |
| Decrease in guarantee deposits received | (9,897) | - |
| Repayment of the principal portion of lease liabilities | (27,346) | (26,839) |
| Cash dividends paid | (1,664,786) | (1,664,786) |
| Proceeds from issuance of ordinary shares | 6,494,343 | 3,294,216 |
| Net cash generated from (used in) financing activities | 1,630,867 | (95,060) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 649,387 | (75,123) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 402,393 | 477,516 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 1,051,780 | $ 402,393 |

The accompanying notes are an integral part of the financial statements. (Concluded)

# ITEQ CORPORATION

**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. GENERAL INFORMATION

ITEQ Corporation (the "Company") was incorporated on April 10, 1997. It manufactures and sells mass lamination boards, copper clad laminates, prepeg products and electronic components. The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since January 21, 2008.

The financial statements of the Company is presented in the Company's functional currency, the New Taiwan dollar.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 16, 2022.

## 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

b. The IFRSs endorsed by the Financial FSC for application starting from 2022

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

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2022.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 2) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 3) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 4) |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The Company's financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the Company's financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the Company's basis and the consolidated basis were made to investments using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these Company's financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value are translated using the prevailing exchange rates at the exchange day. Translation differences on non-monetary items measured at fair value are recognized in profit or loss of the current year. However, the translation differences are also recognized directly in the comprehensive income if the change in fair value is recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of preparing the financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property, plant and equipment and if the exchange transaction has commercial substance.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. The effect of any changes in estimates is accounted for on a prospective basis.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount shall be adjusted to its recoverable amount and the impairment loss shall be recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

Financial assets are classified into the following categories: Financial assets at financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables, refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits and bank acceptances with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

Repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method, except:

Financial guarantee contracts.

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses and the amount initially recognized less the cumulative amortization recognized.

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the estimated cash flows to settle the present obligation.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of prepeg products and copper clad laminates. Sales of prepeg products and copper clad laminates are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

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

<u>The Company as lessee</u>

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Government grants

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related cost for which the grants are intended to compensate. Specifically, government grants that are conditional on the Company's purchase, construction or other means of acquisition of non-current assets are recognized as a deduction from the carrying amount of the relevant assets and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

o. Employee benefits

Short-term employee benefits

Short-term employee benefits related liabilities are measured using non-discounted expected disbursement for services rendered.

Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the R.O.C., an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

**Critical Accounting Judgments**

Write-down of inventories

Since inventories are denominated in terms of cost and net realizable value, the Company uses the judgment and estimates to determine the net realizable value of the inventories at the end of the reporting period.

The Company assesses the amount of inventory lost due to normal wear and tear, obsolescence or no market sales value at the end of the period of the reporting period, and reduces the inventory cost to the net realizable value. This inventory assessment is based primarily on the estimated product demand for a specific period of time in the future and may result in significant changes.

## 6. CASH AND EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Cash on hand | $ 74 | $ 82 |
| Cash in banks | 1,051,706 | 402,311 |
| | $ 1,051,780 | $ 402,393 |

The market rate intervals of cash in banks at the end of the reporting period were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Cash in banks | 0.00%-0.30% | 0.00%-0.20% |

## 7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Notes receivable | | |
| At amortized cost | $ 66,527 | $ 53,422 |
| Accounts receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ 514,588 | $ 423,600 |
| Less: Allowance for impairment loss | 3,425 | 98 |
| Accounts receivable, net | $ 511,163 | $ 423,502 |
| | $ 577,690 | $ 476,924 |

The average credit period on sales of goods is 120 days. The Company also has administrative measures to strengthen sales, finance and legal collection procedures for overdue receivables. The Company evaluates the credit quality, determines the credit limit of potential customers according to an internal ratings system, reviews the credit status of customers in order to adjust their credit limits every half year, and assigns a team responsible for the determination and approval of credit limits. The team continually reviews the financial condition of accounts receivable factoring and insurance, if necessary, in order to reduce the Company's credit risk.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 90 days past due, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 90 Days | Over 90 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 100.00% | |
| Gross carrying amount | $ 571,897 | $ 5,668 | $ 125 | $ 3,425 | $ 581,115 |
| Loss allowance (lifetime ECL) | - | - | - | (3,425) | (3,425) |
| Amortized cost | $ 571,897 | $ 5,668 | $ 125 | $ - | $ 577,690 |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 90 Days | Over 90 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | 0.01% | 2.66% | 11.11% | 100.00% | |
| Gross carrying amount | $ 475,586 | $ 1,427 | $ 9 | $ - | $ 477,022 |
| Loss allowance (lifetime ECL) | (59) | (38) | (1) | - | (98) |
| Amortized cost | $ 475,527 | $ 1,389 | $ 8 | $ - | $ 476,924 |

The movements of the loss allowance of trade receivables were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 98 | $ 1,913 |
| Add: Net remeasurement of loss allowance | 3,327 | (1,815) |
| Less: Amounts written off | - | - |
| Balance at December 31 | $ 3,425 | $ 98 |

For information of factored accounts receivable, refer to Note 24.

## 8. INVENTORIES, NET

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Finished goods | $ 57,673 | $ 116,081 |
| Work in process | 2,693 | 1,699 |
| Raw materials | 488,370 | 545,864 |
| Goods in transit | 9,466 | 65 |
| | $ 558,202 | $ 663,709 |

As of December 31, 2021 and 2020, the cost of inventories recognized as cost of goods sold was $3,778,909 thousand and $4,627,289 thousand, respectively, which included loss on write-downs inventories were $73,051 thousand and $48,757 thousand.

The Company encountered a fire accident at night on April 13, 2021; loss of inventory was estimated at $146,205 thousand and presented as other gains or losses, refer to Note 28.

## 9. FINANCIAL ASSETS AT FVTOCI

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Non-current | | |
| Domestic investments | | |
| Unlisted shares | | |
| TMY Technology Inc. | $ 5,304 | $ 10,000 |

Foreign investments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Subsidiaries

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Non-public company | | |
| Bon-Mou Investment Co. | $ 89,277 | $ 93,012 |
| ITEQ International Ltd. | 18,257,022 | 14,575,620 |
| | $ 18,346,299 | $ 14,668,632 |

The proportion of ownership and voting rights of the Company to the subsidiaries on the balance sheet date are as follows:

| | Proportion of Ownership and Voting Rights | |
|---|---|---|
| | December 31 | |
| | 2021 | 2020 |
| Bon-Mou Investment Co. | 100% | 100% |
| ITEQ International Ltd. | 100% | 100% |

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements which have been audited for the years then ended.

As discussed in Note 26, the Company provided financial guarantees for its subsidiary. As of December 31, 2021 and 2020, there were $27,774 thousand and $21,054 thousand included in the carrying amounts of investments in subsidiaries, respectively, due to the financial guarantees.

On March 23, 2021, the board of directors approved and planned to increase the capital of ITEQ (JX) US$80,000 thousand. As of the dates of the financial statements, US$20,000 thousand was received.

On February 6, 2020, the board of directors approved and planned to increase the capital of ITEQ (JX) US$60,000 thousand, which was fully received.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Equipment | Transport Equipment | Facilities | Leased Improvements | Other Equipment | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2021 | $ 909,741 | $ 10,369 | $ 10,202 | $ 379,792 | $ 609,961 | $ 1,920,065 |
| Disposals | (447,660) | (1,209) | - | (206,685) | (336,473) | (992,027) |
| Reclassified | 31,567 | - | 160 | 68,566 | 55,998 | 156,291 |
| Balance at December 31, 2021 | $ 493,648 | $ 9,160 | $ 10,362 | $ 241,673 | $ 329,486 | $ 1,084,329 |

(Continued)

| | Equipment | Transport Equipment | Facilities | Leased Improvements | Other Equipment | Total |
|---|---|---|---|---|---|---|
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2021 | $ 635,341 | $ 10,078 | $ 8,736 | $ 277,886 | $ 444,349 | $ 1,376,390 |
| Depreciation expense | 64,893 | 159 | 800 | 32,851 | 44,573 | 143,276 |
| Disposals | (447,660) | (1,209) | - | (206,484) | (336,317) | (991,670) |
| Reclassified | 134,802 | - | - | 48,914 | 77,432 | 261,148 |
| Balance at December 31, 2021 | $ 387,376 | $ 9,028 | $ 9,536 | $ 153,167 | $ 230,037 | $ 789,144 |
| Net value | $ 106,272 | $ 132 | $ 826 | $ 88,506 | $ 99,449 | $ 295,185 |
| Cost | | | | | | |
| Balance at January 1, 2020 | $ 880,687 | $ 10,509 | $ 11,820 | $ 378,107 | $ 652,658 | $ 1,933,781 |
| Disposals | (3,143) | (140) | (2,015) | - | (11,981) | (17,279) |
| Reclassified | 32,197 | - | 397 | 1,685 | (30,716) | 3,563 |
| Balance at December 31, 2020 | $ 909,741 | $ 10,369 | $ 10,202 | $ 379,792 | $ 609,961 | $ 1,920,065 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2020 | $ 547,164 | $ 9,951 | $ 9,466 | $ 233,142 | $ 439,423 | $ 1,239,146 |
| Depreciation expense | 91,016 | 267 | 888 | 44,744 | 64,789 | 201,704 |
| Disposals | (3,143) | (140) | (2,015) | - | (10,552) | (15,850) |
| Reclassified | 304 | - | 397 | - | (49,311) | (48,610) |
| Balance at December 31, 2020 | $ 635,341 | $ 10,078 | $ 8,736 | $ 277,886 | $ 444,349 | $ 1,376,390 |
| Net value | $ 274,400 | $ 291 | $ 1,466 | $ 101,906 | $ 165,612 | $ 543,675 |

(Concluded)

The Company encountered a fair accident at night on April 13, 2021; loss of property, plant and equipment was estimated at $261,148 thousand and presented as other gains or losses, refer to Note 28.

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

| | |
|---|---|
| Buildings | |
| Main buildings | 15-20 years |
| Engineering systems | 3-8 years |
| Equipment | |
| Electromechanical power equipment | 5-12 years |
| Renovation | 2-5 years |
| Transportation equipment | 5-10 years |
| Facilities | |
| Computers | 3-10 years |
| Office furniture | 3-5 years |
| Other equipment | |
| Research and development equipment | 3-12 years |
| Pollution prevention equipment | 3-12 years |
| Miscellaneous equipment | 1-12 years |
| Leased improvements | 3-9 years |

## 12. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Carrying amount | | |
| Buildings | $ 200,295 | $ 229,848 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Additions to right-of-use assets | $ - | $ 1,376 |
| Depreciation charge for right-of-use assets | | |
| Buildings | $ 29,553 | $ 29,553 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Carrying amount | | |
| Current | $ 27,766 | $ 27,347 |
| Non-current | $ 169,250 | $ 197,015 |

Range of discount rates for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Buildings | 1.6%-3.2% | 1.6%-3.2% |

c. Material lease-in activities and terms

The Company leases certain land, plants and office spaces with a lease term from January 2013 to December 2028. The lease contract for land located in Taiwan specifies that lease payments will be adjusted every year on the basis of changes in the consumer price index. The Company does not have bargain purchase options to acquire the leasehold land, plants and office spaces at the end of the lease term.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Expenses relating to short-term leases and low-value asset leases | $ 4,809 | $ 4,508 |
| Total cash outflow for leases | $ (35,560) | $ (35,200) |

The Company's leases of certain mechanical equipment qualify as short-term leases and certain office spaces qualify as low-value asset leases. The Company elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 13. OTHER NON-CURRENT ASSETS

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Refundable deposits (Note 25) | $ 108,487 | $ 103,514 |
| Net defined benefit assets (Note 16) | 22,082 | 19,979 |
| Long-term prepayments | 17,012 | 14,857 |
| Materials and Supplies | 6,061 | 5,868 |
| | $ 153,642 | $ 144,218 |

## 14. BORROWINGS

a. Short-term borrowings

The weighted average effective interest rates on bank loans were 0.85%-0.88% as of December 31, 2020.

b. Short-term bills payable

Outstanding short-term bills payable were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Commercial paper | $ - | $ 50,000 |
| Less: Unamortized discounts on bills payable | - | 15 |
| | $ - | $ 49,985 |
| Interest rate | - | 0.86% |

c. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Credit loans | $ - | $ 1,728,235 |
| Less: Current portion | - | 88,235 |
| | $ - | $ 1,640,000 |
| Interest rate | - | 0.64%-0.94% |
| Contract start/end | - | 2014/8/27-<br>2022/9/30 |

On June 22, 2020, the Company obtained a US$25,000 thousand bank loan under two-year revolving agreement with Bank of China. As of December 31, 2020, the Company had already accessed the loan fund of $670,000 thousand. It was paid in full by the Company in September 2021.

On September 30, 2020, the Company obtained a $700,000 thousand bank loan under a two-year revolving agreement with the KGI Commercial Bank. As of December 31, 2020, the Company had already accessed the loan fund of $470,000 thousand. It was paid in full by the Company in September 2021.

On December 6, 2018, the Company obtained a $500,000 thousand bank loan under a three-year revolving agreement with the Agricultural Bank of Taiwan. As of December 31, 2020, the Company had already accessed the loan fund of $500,000 thousand. It was paid in full by the Company in September 2021.

On August 27, 2014, the Company obtained a bank loan of $500,000 thousand under a seven-year revolving agreement with O-Bank. The Company paid the amount of $411,765 thousand on December 31, 2021, and settled the remaining balance in September 2020. The bank loan agreement stipulated that:

1) The ratio of current assets to current liabilities shall not be lower than 100%.

2) The ratio of liabilities to net tangible assets shall not be higher than 175%.

3) Interest coverage shall not be lower than 400%.

4) The net value of tangible assets shall not be lower than $5,000,000 thousand.

## 15. PROVISIONS - CURRENT

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Returns and allowances | $ - | $ - |

Changes in returns and allowances provisions were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ - | $ 3,420 |
| Reversal | - | (3,420) |
| Balance at December 31 | $ - | $ - |

The provision for customer returns and rebates was based on historical experience, management’s judgments and other known reasons for occurrence of product returns and rebates.

## 16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

For the years ended December 31, 2021 and 2020, the Company recognized pension costs of $14,020 thousand and $14,080 thousand, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. With the consent of the Hsinchu Country Government, the contributions of pensions will be suspended from March 2021 to March 2022. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau") and the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Present value of defined benefit obligation | $ 25,584 | $ 26,706 |
| Fair value of plan assets | (47,666) | (46,685) |
| Net defined benefit assets (part of other non-current assets) | $ (22,082) | $ (19,979) |

Movements in net defined benefit assets were as follows:

| | **Present Value of the Defined Benefit Obligation** | **Fair Value of the Plan Assets** | **Net Defined Benefit Asset** |
|---|---|---|---|
| Balance at January 1, 2020 | $ 25,841 | $ (45,010) | $ (19,169) |
| Net interest expense (income) | 188 | (335) | (147) |
| Recognized in profit or loss | 188 | (335) | (147) |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (1,486) | (1,486) |
| Actuarial loss - changes in financial assumptions | 1,122 | - | 1,122 |
| Actuarial loss - changes in demographic assumptions | 289 | - | 289 |
| Actuarial loss - experience adjustments | (3) | - | (3) |
| Recognized in other comprehensive income | 1,408 | (1,486) | (78) |
| Contributions from the employer | - | (585) | (585) |
| Benefits paid | (731) | 731 | - |
| Balance at December 31, 2020 | 26,706 | (46,685) | (19,979) |
| Net interest expense (income) | 91 | (162) | (71) |
| Recognized in profit or loss | 91 | (162) | (71) |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (670) | (670) |
| Actuarial loss - changes in financial assumptions | (917) | - | (917) |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Asset |
|---|---|---|---|
| Actuarial loss - changes in demographic assumptions | $ 67 | $ - | $ 67 |
| Actuarial loss - experience adjustments | (363) | - | (363) |
| Recognized in other comprehensive income | (1,213) | (670) | (1,883) |
| Contributions from the employer | - | (149) | (149) |
| Benefits paid | - | - | - |
| Balance at December 31, 2021 | $ 25,584 | $ (47,666) | $ (22,082) |

(Concluded)

The amounts of defined benefit plans recognized in profit or loss by function were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Administration profits | $ (71) | $ (147) |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate | 0.70% | 0.35% |
| Expected rates of future salary increase | 2.00% | 2.00% |

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate(s) | | |
| 0.25% increase | $ (634) | $ (721) |
| 0.25% decrease | $ 659 | $ 751 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | $ 648 | $ 737 |
| 0.25% decrease | $ (628) | $ (711) |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As of December 31, 2021 and 2020, the expected contributions to the plan for the next year were $0 thousand and $727 thousand, respectively. The average duration of the defined benefit obligation was 10 years and 11 years.

## 17. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Authorized shares (in thousands) | 500,000 | 500,000 |
| Authorized capital | $ 5,000,000 | $ 5,000,000 |
| Issued and paid shares (in thousands) | 382,957 | 332,957 |
| Issued capital | $ 3,829,572 | $ 3,329,572 |

On May 4, 2021, ITEQ Corporation’s board of directors resolved to issue 50,000 thousand ordinary shares, with a par value of NT$10, for consideration of NT$130 per share. The total amount in par value is NT$500,000 thousand, and the subscription base date was set by the board of directors on September 2, 2021. The total collected amount of shares was $6,494,343 thousand after deducting the administration fee, and the registration of changes was completed.

On December 20, 2019, ITEQ Corporation’s board of directors resolved to issue 30,000 thousand ordinary shares, with a par value of NT$10, for consideration of NT$110 per share. The total amount in par value is 300,000 thousand, and the subscription base date was set by the board of directors on March 31, 2020. The total collected capital was $3,294,216 thousand after deducting the administration fee. The capital was all collected, and the alternation was registered

b. Capital surplus

| | December 31 2021 | December 31 2020 |
|---|---|---|
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital* | | |
| Shares premium from issuance | $ 9,672,774 | $ 3,672,907 |
| Expired employee share options | 10,378 | 9,144 |
| Not to be used for any purpose | | |
| Employee share options | 7,329 | - |
| | $ 9,690,481 | $ 3,682,051 |

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For information on the accrual basis of the compensation of employees and remuneration of directors and supervisors and the actual appropriations, refer to Note 19-6, employee benefits expense.

The Company is currently in its growth stage; thus, the policy for distribution of dividends should reflect factors such as the current and future investment environment, fund requirements, domestic competition and capital budget, as well as benefits to be given out, balance in the distribution of shares and cash bonuses, and long-term financial planning. The Company's Articles of Incorporation stipulate that at least 20% of dividends to shareholders shall be distributed in cash.

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

The appropriations from the earnings of 2020 and 2019 were approved in the shareholders' meetings on July 2, 2021 and June 16, 2020, respectively. The appropriations were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Legal reserve | $ 266,564 | $ 246,330 | | |
| Special reserve | (138,454) | 377,710 | | |
| Cash dividends | 1,664,786 | 1,664,786 | $ 5.0 | $ 5.0 |

The appropriation of the 2021 earnings will be proposed by the Company's board of directors on March 16, 2022. The appropriations, including dividends per share, are as follows:

| | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|
| Legal reserve | $ 314,669 | |
| Special reserve | 69,245 | |
| Cash dividends | 1,914,786 | $5.0 |

The appropriation of earnings for 2021 are subject to the resolution in the shareholders' meeting to be held on June 14, 2022.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other items of equity

1) Exchange differences on translation of the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ (442,507) | $ (581,111) |
| Recognized for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | (78,126) | 173,255 |
| Tax effects | 15,625 | (34,651) |
| Other comprehensive income recognized for the year | (62,501) | 138,604 |
| Balance at December 31 | $ (505,008) | $ (442,507) |

2) Unrealized gain (loss) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ (2,429) | $ (2,279) |
| Recognized for the year | | |
| Unrealized gain/(loss) - equity instruments | (4,696) | - |
| Share of other comprehensive income (loss) of subsidiaries | (2,049) | (150) |
| Other comprehensive income recognized for the year | (6,745) | (150) |
| Balance at December 31 | $ (9,174) | $ (2,429) |

## 18. REVENUE

The following is an analysis of the Company's revenue from its major products:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Copper clad laminate | $ 1,924,128 | $ 2,861,377 |
| Prepeg | 860,209 | 1,907,934 |
| Others | 895,674 | 448,741 |
| | $ 3,680,011 | $ 5,218,052 |

The balance of the contract liabilities of the Company from the sale of goods on December 31, 2021 and 2020 was $0 thousand and $1,168, respectively. The change in contract liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer.

## 19. NET INCOME

a. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Interest income | $ 1,618 | $ 1,936 |
| Government grant | 736 | 6,274 |
| Other income | 36,684 | 45,309 |
| | $ 39,038 | $ 53,519 |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Net foreign exchange losses | $ (33,929) | $ (51,958) |
| Other losses | (324) | (3,201) |
| Disaster losses (Note 28) | (64,195) | - |
| | $ (98,448) | $ (55,159) |

c. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Property, plant and equipment | $ 143,276 | $ 201,704 |
| Right-of-use assets | 29,553 | 29,553 |
| Prepayments | 9,429 | 4,303 |
| | $ 182,258 | $ 235,560 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| An analysis of depreciation by function | | |
| Operating costs | $ 115,063 | $ 175,875 |
| Operating expenses | 57,766 | 55,382 |
| | $ 172,829 | $ 231,257 |
| An analysis of amortization by function | | |
| Operating costs | $ 5,812 | $ 2,630 |
| General and administrative expenses | 3,044 | 1,036 |
| Research and development expenses | 573 | 637 |
| | $ 9,429 | $ 4,303 |

(Concluded)

d. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Interest on bank loans | $ 21,084 | $ 31,695 |
| Interest on lease liabilities | 3,405 | 3,853 |
| | $ 24,489 | $ 35,548 |

e. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Short-term benefits | $ 569,671 | $ 631,889 |
| Post-employment benefits (Note 16) | | |
| Defined contribution plans | 14,020 | 14,080 |
| Defined benefit plans | (71) | (147) |
| | 13,949 | 13,933 |
| Share-based payment | 6,758 | 34,596 |
| | $ 590,378 | $ 680,418 |

| | For the Years Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Classified as Operating Cost | Classified as Operating Expense | Total | Classified as Operating Cost | Classified as Operating Expense | Total |
| Analysis by function | | | | | | |
| Salaries and bonuses | $ 179,177 | $ 282,175 | $ 461,352 | $ 220,945 | $ 311,847 | $ 532,792 |
| Employees' insurance | 17,934 | 17,649 | 35,583 | 17,914 | 14,961 | 32,875 |
| Pension cost | 6,623 | 7,326 | 13,949 | 7,334 | 6,599 | 13,933 |
| Director's remuneration | - | 50,952 | 50,952 | - | 44,283 | 44,283 |
| Others | 16,017 | 12,525 | 28,542 | 15,382 | 41,153 | 56,535 |
| | $ 219,751 | $ 370,627 | $ 590,378 | $ 261,575 | $ 418,843 | $ 680,418 |

As of December 31, 2021 and 2020, the Company's average number of employees were 453 and 468, respectively. The number of directors who have not served as employees is 6 and 5, respectively. The average employee benefit expenses were $1,207 thousand and $1,374 thousand, respectively. The average salary expenses were $1,032 thousand and $1,151 thousand, and the average salary expenses costs changed by (10.26%). The Company has established an audit committee, and the remuneration of independent directors has been incorporated into the remuneration of directors for disclosure.

Directors: According to the Company's Articles of Association, the compensation committee recommends the remuneration of directors to the board of directors as reference, and the board of directors is authorized to make decisions based on the directors' participation in the Company's operations, and the value of their contributions, and with reference to the usual standards of the same industry. If the directors are concurrently employees, remuneration will be paid in accordance with the following regulations for managers and employees.

Managers: The remuneration of the company's managers is in accordance with the Company's Articles of Association, including salary, bonuses and employee remuneration, position held, responsibilities and contribution to the Company, and also based on the standards of the same industry. After the review of the compensation committee, the remuneration is submitted to the board of directors for approval before implementation.

Employees: The salary of the employees is based on the salary payment standards and their academic experience, professional knowledge, technology and professional experience. There is no difference due to their age, gender, race, religion, political stance, and marital status. Bonuses are determined based on the Company's operational performance and employees' personal performance. Salary payment standards are determined with reference to the salary market, company operating conditions and organizational structure, and adjusted in a timely manner based on market pay dynamics, changes in the overall economic and industrial climate, and government regulations.

f. Employees' compensation and remuneration of directors

Articles of Incorporation of the Company stipulate to distribute compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors in cash for the years ended December 31, 2021 and 2020 have been approved by the Company's board of directors on March 16, 2022 and March 23, 2021, respectively.

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2021** | **2020** |
| Employees' compensation - ratio | 6.5% | 6.5% |
| Remuneration of directors - ratio | 1.5% | 1.5% |
| Employees' compensation - cash | $ 219,730 | $ 190,724 |
| Remuneration of directors - cash | 50,707 | 44,013 |

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

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meetings and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

g. Gains (losses) on foreign currency exchange

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Foreign exchange gains | $ 25,824 | $ 92,577 |
| Foreign exchange losses | (59,753) | (144,535) |
| Net losses | $ (33,929) | $ (51,958) |

## 20. INCOME TAXES

a. The major components of income tax expense recognized in profit or loss were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Current tax | | |
| Current year | $ - | $ 46,682 |
| Additional income tax on unappropriated earnings | - | 8,684 |
| Prior year adjustments | 8,759 | (16,736) |
| | 8,759 | 38,630 |
| Deferred tax | | |
| Current year | (43,541) | (4,706) |
| Income tax expense recognized in profit or loss | $ (34,782) | $ 33,924 |

A reconciliation of accounting profit and income tax expense is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Income before income tax from continuing operations | $ 3,110,021 | $ 2,699,489 |
| Income tax expense calculated at the statutory rate | $ 622,004 | $ 539,898 |
| Nondeductible expenses in determining taxable income | 9,254 | 28,117 |
| Tax-exempt income | (692,457) | (526,039) |
| Unrecognized loss carryforwards | 17,658 | - |
| Additional income tax on unappropriated earnings | - | 8,684 |
| Adjustments for prior year's tax | 8,759 | (16,736) |
| Income tax expense recognized in profit or loss | $ (34,782) | $ 33,924 |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Deferred tax | | |
| In respect of the current period | | |
| Translation of foreign operations | $ 15,625 | $ (34,651) |

c. Current tax asset and liability

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Current tax asset | | |
| Income tax refund receivable | $ 32,299 | $ 753 |
| Current tax liability | | |
| Income tax payable | $ (9,329) | $ - |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

| | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Comprehensive Income** | **Closing Balance** |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Write-down of inventories | $ 18,187 | $ 14,610 | $ - | $ 32,797 |
| Bad debt expense | 4,805 | 830 | - | 5,635 |
| Exchange differences on translation of the financial statements of foreign operations | 110,626 | - | 15,625 | 126,251 |
| Unrealized exchange gains and losses | 2,642 | 3,687 | - | 6,329 |
| Unrealized gain of patent disposal | 8,478 | (6,358) | - | 2,120 |
| Others | 5,056 | 69,155 | - | 74,211 |
| | $ 149,794 | $ 81,924 | $ 15,625 | $ 247,343 |
| Deferred tax liabilities | | | | |
| Investments accounted for using equity method | $ 358,118 | $ 38,383 | $ - | $ 396,501 |

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Write-down of inventories | $ 8,436 | $ 9,751 | $ - | $ 18,187 |
| Bad debt expense | 3,130 | 1,675 | - | 4,805 |
| Exchange differences on translation of the financial statements of foreign operations | 145,277 | - | (34,651) | 110,626 |
| Unrealized exchange gains and losses | 2,899 | (257) | - | 2,642 |
| Unrealized gain of patent disposal | 14,836 | (6,358) | - | 8,478 |
| Others | 8,864 | (3,808) | - | 5,056 |
| | $ 183,442 | $ 1,003 | $ (34,651) | $ 149,794 |
| Deferred tax liabilities | | | | |
| Investments accounted for using equity method | $ 361,821 | $ (3,703) | $ - | $ 358,118 |

e. Income tax returns of the Company through 2019 had been examined and assessed by the tax authorities.

## 21. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Basic earnings per share | | |
| Basic earnings per share | $ 9.00 | $ 8.19 |
| Diluted earnings per share | | |
| Diluted earnings per share | $ 8.93 | $ 8.15 |

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

**Net Income**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Net income in computation of basic earnings per share | $ 3,144,803 | $ 2,665,565 |
| Net income in computation of diluted earnings per share | $ 3,144,803 | $ 2,665,565 |

**Ordinary Shares**

**Unit: Thousand Shares**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Weighted average number of ordinary shares in computation of basic earnings per share | 349,533 | 325,580 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation or bonus to employees | 2,350 | 1,613 |
| Employee share options | 101 | - |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 351,984 | 327,193 |

If the Company can settle the compensation to employees in cash or shares, the Company assumes the entire amount of the compensation would be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 22. SHARE-BASED PAYMENT ARRANGEMENTS

a. The Company's share option plan

The Company issued 1,000 units of share options to employees in July 2021. Each unit may subscribe for 1,000 ordinary shares. Employees of the Company and subsidiaries meeting certain criteria are entitled. The duration of share options is 5 years and the certificate holder may exercise certain percentage of the share options upon expiration of 2, 3 and 4 years from the date of issuance, respectively. The exercise price of the share options shall not be lower than 70% of the closing price of the ordinary shares on the date of issuance. In the event of changes in the shares of the Company's shares, the exercise price of the share options shall be adjusted in accordance with the prescribed formula.

Information on employee share options is as follows:

| | 2021 | |
|---|---|---|
| | **Number of Options (In Thousands of Units)** | **Weighted Average Exercise Price ($)** |
| Balance at January 1 | - | $ - |
| Options granted | 1,000 | 95.9 |
| Options forfeited | - | - |
| Balance at December 31 | 1,000 | 95.9 |
| Options exercisable, end of the year | - | |
| Weighted-average fair value of options granted ($) | $ 57.2 | |

Information on outstanding options was as follows:

| | December 31, 2021 |
|---|---|
| Range of exercise price | $ 95.9 |
| Weighted average remaining contractual life | 4.67 years |

All outstanding vested share options were measured at their market-based measure at the acquisition date. Options were priced using the Black-Scholes pricing model. The inputs to the model are as follows:

| | July 30, 2021 |
|---|---|
| Grant-date share price | $137 |
| Exercise price | $95.9 |
| Expected volatility | 36.48% |
| Expected life | 3.5 years/4 years/4.5 years |
| Risk-free interest rate | 0.289%/0.299%/0.308% |

b. Capital surplus - Employee share options

The Company’s board of directors held a meeting and approved the issuance of ordinary shares for cash on May 4, 2021 and December 20, 2019, and reserved 10% of the new share for the subscription of employees in accordance with the Company Act. The share options were measured at fair value on the date they were granted. In 2021 and 2020, the Company’s cost of employees’ share options was $6,758 thousand and $34,596 thousand, which was recognized under capital surplus - employee share options. After receiving full payment, it was transferred to capital surplus - shares issued at a premium. Among them, 374 thousand shares and 508 thousand shares were not exercised, which amounted to $1,234 thousand and $9,144 thousand and was transferred to the capital surplus-expired employee share option from the capital surplus-employee share option.

The Company uses the Black-Scholes valuation model to calculate its fair values and the inputs used in the valuation model at the date of grant are as follows:

| | Employee Share Options | |
|---|---|---|
| | August 2021 | February 2020 |
| Grant-date share price | $128.50 per share | $127.50 per share |
| Exercise price | $130 per share | $110 per share |
| Expected volatility | 36.36% | 177.70% |
| Expected life | 12 days | 1 day |
| Expected dividend yield | 3.41% | 3.82% |
| Risk-free interest rate | 0.29% | 0.82% |
| Fair value of options granted | $3.3 per share | $18 per share |

## 23. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

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

Key management personnel of the Company review the capital structure quarterly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Under the recommendations of the key management personnel, to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the number of new shares issued and repurchased.

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are measured at fair value

1) Degree of fair value measurements

December 31, 2021

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Equity securities | $ - | $ - | $ 5,304 | $ 5,304 |

December 31, 2020

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Equity securities | $ - | $ - | $ 10,000 | $ 10,000 |

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

| | **Financial Assets at FVTOCI** |
|---|---|
| Balance at January 1, 2021 | $ 10,000 |
| Recognized in other comprehensive income | (4,696) |
| Balance at December 31, 2021 | $ 5,304 |
| Balance at January 1, 2020 | $ - |
| Purchase | 10,000 |
| Balance at December 31, 2020 | $ 10,000 |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The financial statements of the Company include non-publicly quoted equity investments measured at fair value. The determination of fair value is based on the income approach, comparative company method, the counter price adjustment method, and the latest available net value information assessment. The income approach is based on the discounted cash flow used to capture the present value of the expected future economic benefits. The main assumption of the comparative company method is based on the market multiplier of the market price of listed companies and the net value per share. These values have taken into account the liquidity discounts.

Level 3 fair value multipliers and liquidity discounts for financial instruments are as follows:

| | **Multiplier** | **Liquidity Discounts** |
|---|---|---|
| December 31, 2021 | 5.26-5.38 | 25% |

b. Categories of financial instruments

| | **December 31** | |
|---|---|---|
| | **2021** | **2020** |
| Financial assets | | |
| Financial assets at amortized cost (1) | $ 2,831,858 | $ 2,153,388 |
| Financial assets at FVTOCI | 5,304 | 10,000 |
| Financial liabilities | | |
| Amortized cost (2) | 1,670,484 | 4,483,659 |
| Financial guarantee contracts | 27,774 | 21,504 |

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, portion of other receivables, other receivables - related parties and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, accounts payable, accounts payable - related parties, other payables, other payables - related parties, current portion of long-term borrowings, long-term borrowings, and guarantee deposits received.

c. Financial risk management objective and policies

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company's Finance Department seeks to manage the effect of these risks by using derivative financial instruments to hedge risk exposures under the policies approved by the board of directors. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is being reviewed by the internal auditors on a continuous basis.

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. For the years ended December 31, 2021 and 2020 approximately 65% and 47% of the Company's sales and almost 45% and 37% of costs, respectively were denominated in currencies other than the functional currency of the Company. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Company was mainly exposure to U.S. dollars and analyzed the sensitivity to a $0.5 increase and decrease in New Taiwan dollars against one U.S. dollar. The sensitivity to a $0.5 change in New Taiwan dollars is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in pre-tax profit or other equity if U.S. dollars strengthened by $0.5 against the one New Taiwan dollar. For a $0.5 in U.S. dollars weakening of U.S. dollars against one New Taiwan dollar, there would be an equal and opposite impact on pre-tax profit or other equity and the balances below would be negative.

| | **Currency USD** | |
|---|---|---|
| | **2021** | **2020** |
| Profit or loss | $ 15,720 | $ 14,776 |

b) Interest rate risk

The Company was exposed to fair value interest rate risk because of fixed rate debt investments with short-term bills payable.

The Company was also exposed to cash flow interest rate risk because of demand deposits and floating rate bank borrowings.

The Company reviewed the interest level regularly and maintained the scope of interest rate stably. The Company will adopt hedging strategies in the cost-effective way, if necessary.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

| | **December 31** | |
|---|---|---|
| | **2021** | **2020** |
| Fair value interest rate risk | | |
| Financial liabilities | $ - | $ 49,985 |
| Cash flow interest rate risk | | |
| Financial assets | 1,050,935 | 402,311 |
| Financial liabilities | - | 3,118,235 |

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to floating interest rates for financial assets and financial liabilities. A 25 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 25 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased by $2,627 thousand and decreased by $6,790 thousand, respectively.

c) Other price risk

The price changes in the Company's financial products, which are engaged in transactions or not for sale, will cause the fair value to change.

Sensitivity analysis

Faced with the risk of changes in the price of financial assets available for sale, the Company uses a 10% increase or decrease in market prices as a reasonable risk assessment to report price changes to management. With all other variables remaining constant, if equity prices had been 10% higher, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased by $530 thousand and $1,000 thousand.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from

a) the carrying amount of the respective recognized financial assets as stated in the balance sheets.

b) the amount of contingent liabilities arising from the provision of financial guarantees by the Company.

The Company had assigned a team to be responsible for determine and approving credit line, and this team evaluated continuously financial situation, industries and region regarding customers generated accounts receivable. In order to reduce credit risk, the Company proceeded to factoring and insure accounts receivable if necessary. In addition, the Company reviewed monthly the overdue amount of each individual accounts receivable and further recovering strategy to ensure that adequate allowances are made for irrecoverable amounts at the balance sheet date. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's concentration of credit risk of 72% of total accounts receivable as of December 31, 2021 and 2020, respectively, were related to the Company's ten largest customers. The concentration of credit risk for the remainder of accounts receivable were immaterial.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities in capital market, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The detailed information of the Company's unused financing facilities as of December 31, 2021 and 2020 is further stated in (b) financing facilities below.

a) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

December 31, 2021

| | 180 Days | 181-270 Days | 271-360 Days | 361+ Days | Total |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Notes payable and accounts payable | $ 322,408 | $ - | $ - | $ - | $ 322,408 |
| Accounts payable - related parties | 553,457 | - | - | - | 553,457 |
| Other payables | 783,624 | - | - | - | 783,624 |
| Other payables - related parties | 8,495 | - | - | - | 8,495 |
| Financial guarantee contracts | 27,774 | - | - | - | 27,774 |
| Lease liabilities | 15,408 | 7,704 | 7,704 | 177,422 | 208,238 |
| | $ 1,711,166 | $ 7,704 | $ 7,704 | $ 177,422 | $ 1,903,996 |

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

| | Less than One Year | 1-5 Years | 5-10 Years |
|---|---|---|---|
| Lease liabilities | $ 30,816 | $ 118,477 | $ 58,945 |

December 31, 2020

| | 180 Days | 181-270 Days | 271-360 Days | 361+ Days | Total |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | $ 1,391,772 | $ - | $ - | $ - | $ 1,391,772 |
| Short-term bills payable | 49,985 | - | - | - | 49,985 |
| Notes payable and accounts payable | 546,510 | - | - | - | 546,510 |
| Accounts payable - related parties | 265,200 | - | - | - | 265,200 |
| Other payables | 482,545 | - | - | - | 482,545 |
| Other payables - related parties | 15,467 | - | - | - | 15,467 |
| Financial guarantee contracts | 21,504 | - | - | - | 21,504 |
| Lease liabilities | 15,376 | 7,688 | 7,688 | 208,238 | 238,990 |
| Long-term borrowings | 61,504 | 34,915 | - | 1,647,189 | 1,743,608 |
| | $ 2,849,863 | $ 42,603 | $ 7,688 | $ 1,855,427 | $ 4,755,581 |

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

| | Less than One Year | 1-5 Years | 5-10 Years |
|---|---|---|---|
| Lease liabilities | $ 30,752 | $ 119,821 | $ 88,417 |

b) Financing facilities

Bank borrowings are a major source for the liquidity of the Company. The Company's financing facilities are as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Unsecured bank borrowings facility | | |
| Amount used | $ 163,783 | $ 3,274,394 |
| Amount unused | 9,789,817 | 6,083,841 |
| | $ 9,953,600 | $ 9,358,235 |

d. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2021 and 2020 were as follows:

| Counterparties | Interest Rates on Advances Received (%) | Receivables Sold | Advances Received at Year-end | Amounts Collected | Credit Line |
|---|---|---|---|---|---|
| December 31, 2021 | | | | | |
| Taishin Bank (Note) | - | $ 157,074 | $ - | $ 157,074 | $ 161,344 |
| KGI Commercial Bank (Note) | - | 3,325 | - | 3,325 | 16,608 |
| | | $ 160,399 | $ - | $ 160,399 | $ 177,952 |
| December 31, 2020 | | | | | |
| Taishin Bank (Note) | - | $ 36,314 | $ - | $ 36,314 | $ 209,552 |
| KGI Commercial Bank (Note) | - | 1,979 | - | 1,979 | 17,088 |
| Bank SinoPac (Note) | - | - | - | - | 213,600 |
| | | $ 38,293 | $ - | $ 38,293 | $ 440,240 |

Note: No advances received at year-end.

The above credit lines may be used on a revolving basis.

Pursuant to the Company's factoring agreements, losses from commercial disputes (such as sales returns and discounts) were borne by the Company, while losses from credit risk were borne by the banks. As of December 31, 2021 and 2020, the Company issued promissory notes with an aggregate amount of $180,344 thousand and $478,552 thousand to the banks as collateral, respectively.

## 25. TRANSACTIONS WITH RELATED PARTIES

Except as disclosed in other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| WIN Semiconducter Corp. (Win Corporation) | Related party in substance |
| ITEQ International | Subsidiary |
| IPL | Subsidiary |
| IIL | Subsidiary |
| ITEQ (WX) | Subsidiary |
| ITEQ (DG) | Subsidiary |
| ITEX (JX) | Subsidiary |

b. Sales of goods

| | For the Year Ended December 31 | |
|---|---|---|
| **Related Party Category/Name** | **2021** | **2020** |
| ITEQ (DG) | $ 495,621 | $ 1,576,798 |
| ITEQ (JX) | 723,857 | 333,445 |
| ITEQ (WX) | 337,691 | 1,291,196 |
| Others | 2,779 | 13,296 |
| | $ 1,559,948 | $ 3,214,735 |

The sale price to the related party is based on the Company's purchase cost plus fixed profit.

c. Purchases of goods

| | For the Year Ended December 31 | |
|---|---|---|
| **Related Party Category/Name** | **2021** | **2020** |
| ITEQ (DG) | $ 67,617 | $ 269,264 |
| ITEQ (WX) | 1,073,281 | 528,837 |
| ITEQ (JX) | 315,694 | 1,374 |
| Others | 4,490 | 1,934 |
| | $ 1,461,082 | $ 801,409 |

The purchases price to the related party is based on the Company's purchase cost plus fixed profit.

d. Other income

| | December 31 | |
|---|---|---|
| **Related Party Category/Name** | **2021** | **2020** |
| ITEQ (WX) | $ 31,790 | $ 31,790 |

The Company sold the patent rights to ITEQ (WX) for $95,371 thousand in April 2019 and adjusted it to realized profits according to the period of use. Amortization is $31,790 thousand in 2021 and 2020. As of December 31, 2021 and 2020, the deferred unrealized profits was $10,597 thousand and $42,387 thousand.

The other income from related party comes from technical service fees and patent transfer income.

e. Receivables from related parties

| Related Party Category/Name | December 31 2021 | December 31 2020 |
|---|---|---|
| ITEQ International | $ 304,480 | $ 313,280 |
| ITEQ (DG) | 6,369 | 430,884 |
| ITEQ (WX) | 13,015 | 328,864 |
| ITEQ (JX) | 616,072 | 59,870 |
| Others | - | 2,406 |
| | $ 939,936 | $ 1,135,304 |

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

f. Payables to related parties (excluding loans from related parties)

| Related Party Category/Name | December 31 2021 | December 31 2020 |
|---|---|---|
| IPL | $ 4,341 | $ 10,709 |
| IIL | 334,184 | 255,844 |
| ITEQ (DG) | 310 | 8,851 |
| ITEQ (WX) | 159,146 | 1,180 |
| ITEQ (JX) | 63,531 | 1,027 |
| Others | 440 | 3,056 |
| | $ 561,952 | $ 280,667 |

The outstanding trade payables from related parties are unsecured.

g. Lease arrangements

The Company entered into an operating lease agreement with Win Corporation to lease land and plant facility. The lease period is from January 1, 2013 to December 31, 2028 and the rent is payable monthly.

| Line Item | December 31 2021 | December 31 2020 |
|---|---|---|
| Right-of-use assets | $ 198,628 | $ 227,003 |
| Refundable deposits | $ 101,891 | $ 100,782 |
| Lease liabilities - current | $ 26,566 | $ 26,147 |
| Lease liabilities - non-current | 168,563 | 195,129 |
| | $ 195,129 | $ 221,276 |
| Finance costs | $ 3,325 | $ 3,737 |
| Depreciation expense | $ 28,375 | $ 28,375 |
| Interest income | $ 1,109 | $ 1,096 |

h. Compensation of key management personnel

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Short-term employee benefits | $ 63,447 | $ 91,889 |
| Post-employment benefits | 595 | 529 |
| | $ 64,042 | $ 92,418 |

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

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2021 and 2020 were as follows:

a. Significant commitments

1) Unused letters of credit amounted to $137,655 thousand.

2) Total contracted construction equipment fees not yet paid were $591,312 thousand.

b. Contingencies

Contingent liabilities

Contingent liabilities incurred by the Company arising from interests in subsidiaries were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Financial guarantee for subsidiaries loans | | |
| Amount guaranteed | $ 6,195,840 | $ 4,913,760 |
| Amount utilized | 2,692,046 | 1,613,608 |

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Foreign currency asset | | |
| Monetary item | | |
| USD | $ 55,762 | $ 43,785 |
| Exchange rate | 27.68 | 28.48 |
| Carrying amount | 1,543,492 | 1,246,997 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Foreign currency liabilities | | |
| Monetary item | | |
| USD | $ 24,322 | $ 14,233 |
| Exchange rate | 27.68 | 28.48 |
| Carrying amount | 673,233 | 405,356 |

(Concluded)

The significant realized and unrealized foreign exchange losses were as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Exchange Rate | Net Foreign Exchange Losses | Exchange Rate | Net Foreign Exchange Losses |
| USD | 28.01 (USD:NTD) | $ 33,929 | 29.55 (USD:NTD) | $ 51,958 |

## 28. SIGNIFICANT LOSSES FROM DISASTERS

A fire accident broke out at the Company's Xinpu Plant at night on April 13, 2021, causing partial losses to plant, equipment, and inventory. However, the Company was fully insured against fire accidents, and losses after insurance claims as of the date of the report were estimated at NT$64,195 thousand, including NT$146,205 thousand from inventory, NT$261,148 thousand from property, plant, and equipment, and NT$56,842 thousand from other losses. In September 2021, the first installment of $400,000 thousand was received and the Company is still in process of negotiating with the insurance company regarding settlement matters.

## 29. OTHER MATTERS

As of December 31 2021, the Company evaluated that the overall business and financial aspects were not significantly impacted by the COVID-19 outbreak. In addition to keeping a close eye on its development, the Company will also continue to assess its potential impact of going concern, asset impairment and financing risks.

## 30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 6)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchase: Note 25 and Table 4.

b) The amount and percentage of sales: Note 25, Tables 4 and 5.

c) The amount of assets disposed of and related gain or loss: None.

d) Endorsement/guarantee provided: Table 2.

e) Financing provided: Table 1.

f) Other transactions that significantly impacted current year’s profit or loss or financial position: None.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

**TABLE 1**

## ITEQ CORPORATION

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Financing Company Name | Borrower | Financial Statement Account | Related Parties | Maximum Balance for the Period (In Thousands) | Ending Balance (In Thousands) | Transaction Amounts (In Thousands) | Interest Rate | Type of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Financing Limit for Each Borrowing Company (Notes 1 and 2) | Financing Amount Limits (Notes 1 and 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | ITEQ | ITEQ (JX) | Accounts receivable - related parties and other receivables - related parties | Yes | $ 336,415 thousand | $ 336,415 thousand | $ 336,415 thousand | - | Short-term financing | $ - | Operating capital | $ - | - | $ - | $ 4,070,892 | $ 4,070,892 |
| 1 | IIL | ITEQ (WX) | Accounts receivable - related parties and other receivables - related parties | Yes | US$ 11,568 thousand | US$ 10,148 thousand | US$ 10,148 thousand | - | Short-term financing | - | Operating capital | - | - | - | 659,669 | 659,669 |
| 2 | ITEQ (DG) | ITEQ (JX) | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 200,000 thousand | RMB 200,000 thousand | RMB 200,000 thousand | 1.5 | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |
| 3 | ITEQ (WX) | ITEQ (JX) | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 993 thousand | RMB - thousand | RMB - thousand | - | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |
| | | ITEQ (JX) | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 150,000 thousand | RMB 150,000 thousand | RMB 130,000 thousand | 1.5 | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |
| | | ITEQ (JX) | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 300,000 thousand | RMB 300,000 thousand | RMB 300,000 thousand | 1.5 | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |
| | | IIL | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 58,784 thousand | RMB 57,698 thousand | RMB 57,698 thousand | - | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |
| 4 | ITEQ (JX) | ITEQ (HJ) | Accounts receivable - related parties and other receivables - related parties | Yes | RMB 104 thousand | RMB - thousand | RMB - thousand | - | Short-term financing | - | Operating capital | - | - | - | 4,070,892 | 4,070,892 |

Note 1: Not exceeding 20% and 40% of the latest net assets of the Company reviewed by auditors.

Note 2: Lower of 600% of the latest net assets of ITEQ subsidiaries audited or reviewed by auditors or 20% of the latest audited or reviewed net assets of the Company

TABLE 2

## ITEQ CORPORATION

**ENDORSEMENT/GUARANTEE PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2) | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Property, Plant and Equipment | Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement | Maximum Endorsement/ Guarantee Amount Allowable (Notes 1 and 2) | Endorsement/ Guarantee Provided by Parent | Endorsement/ Guarantee Provided by Subsidiaries | Endorsement/ Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | |
| 0 | ITEQ | IIL, IPL | Indirect holding 100% by subsidiary | $ 20,354,462 | $ 300,000 (Note 3) | $ 300,000 | $ - | $ - | 1.47% | $ 20,354,462 | Y | N | N |
| | | IIL | Indirect holding 100% by subsidiary | 20,354,462 | 1,011,040 (Note 3) | 844,240 | 136,489 | - | 4.15% | 20,354,462 | Y | N | N |
| | | IPL | Indirect holding 100% by subsidiary | 20,354,462 | 3,005,700 (Note 3) | 2,975,600 | 1,606,352 | - | 14.62% | 20,354,462 | Y | N | N |
| | | ITEQ (JX) | Indirect holding 100% by subsidiary | 20,354,462 | 834,000 (Note 3) | 830,400 | 273,515 | - | 4.08% | 20,354,462 | Y | N | Y |
| | | ITEQ (DG) | Indirect holding 100% by subsidiary | 20,354,462 | 1,251,450 (Note 3) | 1,245,600 | 675,690 | - | 6.12% | 20,354,462 | Y | N | Y |

Note 1: 100% of the latest audited or reviewed equity of the Company.

Note 2: Not exceeding 300% of the latest net assets of ITEQ subsidiaries audited or reviewed by auditors.

Note 3: Bank guarantee amount obtained by jointly issuing bills.

# ITEQ CORPORATION

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company (Note 2) | Financial Statement Account | December 31, 2021 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares (Thousands) | Carrying Amount | Percentage of Ownership | Fair Value | |
| ITEQ Corporation | Shares | | | | | | | |
| | Bon-In Biologic Technology Company | - | Financial assets at FVTPL - current | 100 | $ - | 5.0 | $ - | |
| | TMY Technology Inc. | - | Financial assets at FVTOCI - non-current | 357 | 5,304 | 1.1 | 5,304 | |
| Bon Mou Investment Co. | Shares | | | | | | | |
| | Mortech Corporation | - | Financial assets at FVTPL - current | 381 | 4,618 | 1.0 | 4,618 | |
| | Big Sun Energy Technology Inc. | - | Financial assets at FVTPL - non-current | 887 | - | 0.4 | - | |
| | Ding Mou Corporation | - | Financial assets at FVTPL - non-current | 100 | - | 0.4 | - | |
| | TIEF Fund, L.P. | - | Financial assets at FVTOCI - non-current | - | 24,383 | 4.8 | 24,383 | |

Note 1: Marketable securities were shares, bonds, beneficiary certificates and others within the scope of IFRS 9 “Financial Instruments”.

Note 2: Refer to Tables 6 and 7 for the information on subsidiaries and associates.

## ITEQ CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| ITEQ | ITEQ (DG) | Indirect holding 100 by subsidiary | Sale | $ (495,621) | (13) | - | $ - | - | $ 6,322 | 1 | |
| ITEQ (DG) | ITEQ | Indirect holding 100 by subsidiary | Purchase | 495,621 | 4 | - | - | - | (6,322) | - | |
| ITEQ | ITEQ (WX) | Indirect holding 100 by subsidiary | Sale | (337,691) | (9) | - | - | - | 13,015 | 1 | |
| ITEQ (WX) | ITEQ | Indirect holding 100 by subsidiary | Purchase | 337,691 | 3 | - | - | - | (13,015) | - | |
| ITEQ | ITEQ (JX) | Indirect holding 100 by subsidiary | Sale | (723,857) | (20) | - | - | - | 616,072 | 51 | |
| ITEQ (JX) | ITEQ | Indirect holding 100 by subsidiary | Purchase | 723,857 | 10 | - | - | - | (616,072) | (21) | |
| ITEQ (WX) | ITEQ | Indirect holding 100 by subsidiary | Sale | (1,073,281) | (7) | - | - | - | 485,276 | 13 | |
| ITEQ | ITEQ (WX) | Indirect holding 100 by subsidiary | Purchase | 1,073,281 | 16 | - | - | - | (485,276) | (55) | |
| ITEQ (JX) | ITEQ | Indirect holding 100 by subsidiary | Sale | (315,694) | (4) | - | - | - | 63,531 | 100 | |
| ITEQ | ITEQ (JX) | Indirect holding 100 by subsidiary | Purchase | 315,694 | 8 | - | - | - | (63,531) | (7) | |
| ITEQ (DG) | ITEQ (GZ) | Same parent company | Sale | (2,088,599) | (16) | - | - | - | 801,617 | 16 | |
| ITEQ (GZ) | ITEQ (DG) | Same parent company | Purchase | 2,088,599 | 35 | - | - | - | (801,617) | (44) | |
| ITEQ (DG) | ITEQ (WX) | Same parent company | Sale | (162,341) | (1) | - | - | - | 60,860 | 16 | |
| ITEQ (WX) | ITEQ (DG) | Same parent company | Purchase | 162,341 | 1 | - | - | - | (60,860) | (5) | |
| ITEQ (GZ) | ITEQ (DG) | Same parent company | Sale | (1,426,752) | (21) | - | - | - | 451,797 | 13 | |
| ITEQ (DG) | ITEQ (GZ) | Same parent company | Purchase | 1,426,752 | 12 | - | - | - | (451,797) | (12) | |
| ITEQ (WX) | ITEQ (DG) | Same parent company | Sale | (368,368) | (2) | - | - | - | 211,503 | 3 | |
| ITEQ (DG) | ITEQ (WX) | Same parent company | Purchase | 368,368 | 3 | - | - | - | (211,503) | (5) | |

(Continued)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| ITEQ (WX) | ITEQ (JX) | Same parent company | Sale | $ (157,903) | (1) | - | $ - | - | $ 37,206 | 1 | |
| ITEQ (JX) | ITEQ (WX) | Same parent company | Purchase | 157,903 | 2 | - | - | - | (37,206) | (1) | |
| ITEQ (WX) | IIL | Same parent company | Sale | (723,542) | (5) | - | - | - | 640,972 | 10 | |
| IIL | ITEQ (WX) | Same parent company | Purchase | 723,542 | 58 | - | - | - | (640,972) | (87) | |
| ITEQ (JX) | ITEQ (DG) | Same parent company | Sale | (4,913,760) | (59) | - | - | - | 1,941,419 | 64 | |
| ITEQ (DG) | ITEQ (JX) | Same parent company | Purchase | 4,913,760 | 43 | - | - | - | (1,941,419) | (50) | |
| ITEQ (JX) | ITEQ (WX) | Same parent company | Sale | (2,296,060) | (27) | - | - | - | 591,183 | 19 | |
| ITEQ (WX) | ITEQ (JX) | Same parent company | Purchase | 2,296,060 | 18 | - | - | - | (591,183) | (15) | |
| ITEQ (JX) | ITEQ (HJ) | Same parent company | Sale | (133,727) | (2) | - | - | - | 2,198 | - | |
| ITEQ (HJ) | ITEQ (JX) | Same parent company | Purchase | 133,727 | 32 | - | - | - | (2,198) | (7) | |
| IPL | ITEQ (DG) | Same parent company | Sale | (513,548) | (34) | - | - | - | 145,196 | 14 | |
| ITEQ (DG) | IPL | Same parent company | Purchase | 513,548 | 4 | - | - | - | (145,196) | (4) | |
| IPL | ITEQ (GZ) | Same parent company | Sale | (562,889) | (37) | - | - | - | 261,886 | 26 | |
| ITEQ (GZ) | IPL | Same parent company | Purchase | 562,889 | 9 | - | - | - | (261,886) | (14) | |
| IPL | ITEQ (JX) | Same parent company | Sale | (365,679) | (24) | - | - | - | 606,162 | 59 | |
| ITEQ (JX) | IPL | Same parent company | Purchase | 365,679 | 5 | - | - | - | (606,162) | (9) | |
| IIL | ITEQ (WX) | Same parent company | Sale | (534,371) | (42) | - | - | - | 614,776 | 64 | |
| ITEQ (WX) | IIL | Same parent company | Purchase | 534,371 | 4 | - | - | - | (614,776) | (16) | |

Note 1: The transactions with ITEQ (DG) were made through IPL. The transactions with ITEQ (WX) were made through IIL.

Note 2: The selling prices and collection terms for products sold to related parties were similar to those products sold to third parties.

(Concluded)

**TABLE 5**

# ITEQ CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20 OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance (Note) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| ITEQ | ITEQ (JX) | Indirect holding 100% by subsidiary | $ 616,072 | - | $ - | - | $ 286,853 | $ - |
| ITEQ (DG) | ITEQ (GZ) | Same parent company | 801,617 | - | - | - | 535,671 | - |
| ITEQ (GZ) | ITEQ (DG) | Same parent company | 451,797 | - | - | - | 296,722 | - |
| ITEQ (WX) | ITEQ | Same parent company | 159,146 | - | - | - | 123,722 | - |
| | IIL | Same parent company | 640,972 | - | - | - | 154,361 | - |
| | ITEQ (DG) | Same parent company | 211,503 | - | - | - | 140,546 | - |
| ITEQ (JX) | ITEQ (DG) | Same parent company | 1,941,419 | - | - | - | 1,069,138 | - |
| | ITEQ (WX) | Same parent company | 591,183 | - | - | - | 267,625 | - |
| IPL | ITEQ (DG) | Same parent company | 145,196 | - | - | - | 98,918 | - |
| | ITEQ (GZ) | Same parent company | 261,886 | - | - | - | 83,162 | - |
| | ITEQ (JX) | Same parent company | 606,162 | - | - | - | 222,989 | - |
| IIL | ITEQ | Same parent company | 326,129 | - | - | - | 154,675 | - |
| | ITEQ (WX) | Same parent company | 614,776 | - | - | - | 172,594 | - |

**TABLE 6**

# ITEQ CORPORATION

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless State Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | As of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of Profits | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares (Thousands) | % | Carrying Amount | | | |
| ITEQ | ITEQ International | Samoa | Investment | US$ 61,719 thousand | US$ 61,719 thousand | 18,500 | 100 | $ 18,191,778 | $ 3,954,220 | $ 3,957,367 | Note 1 |
| | Bon Mou Investment Co. | Hsin Chu, Taiwan | Investment | 70,000 | 70,000 | 7,000 | 100 | 89,278 | (1,686) | (1,686) | |
| ITEQ International | ITEQ Holding | British Cayman Islands | Investment | US$ 61,719 thousand | US$ 61,719 thousand | 18,500 | 100 | US$ 651,931 thousand | US$ 141,277 thousand | US$ 141,277 thousand | |
| ITEQ Holding | ESIC | British Virgin Islands | Investment in PRC | US$ 13,000 thousand | US$ 13,000 thousand | 10,750 | 100 | US$ 248,542 thousand | US$ 56,031 thousand | US$ 56,031 thousand | |
| | IPL | Samoa | Import and export business | US$ 1,000 thousand | US$ 1,000 thousand | 1,000 | 100 | US$ 1,179 thousand | US$ 1,084 thousand | US$ 1,084 thousand | |
| | IIL | Samoa | Import and export business | US$ 1,000 thousand | US$ 1,000 thousand | 1,000 | 100 | US$ 3,006 thousand | US$ (966 thousand) | US$ (966 thousand) | |
| | Eagle Great | British Virgin Islands | Investment in PRC | US$ 8,499 thousand | US$ 8,499 thousand | 8,499 | 100 | US$ 18,990 thousand | US$ 2,198 thousand | US$ 2,198 thousand | |
| | ITEQ (HK) | Hong Kong | Investment in PRC | US$ 24,200 thousand | US$ 24,200 thousand | 24,200 | 100 | US$ 352,902 thousand | US$ 82,938 thousand | US$ 82,938 thousand | |

Note 1: The difference of dividend income tax of the mainland subsidiary recognized by the Company under the equity method was $3,147 thousand.

Note 2: Information on investees in mainland China is detailed in Table 7.

TABLE 7

## ITEQ CORPORATION

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investments | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of the Investee (Note 2) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | |
| ITEQ (DG) | Produces and sells prepeg and copper clad lamination | US$ 20,000 thousand | Notes 1 and 4 | US$ 13,000 thousand | $ - | $ - | US$ 13,000 thousand | US$ 41,939 thousand | 100 | US$ 41,939 thousand | US$ 188,025 thousand | $ - |
| ITEQ (WX) | Produces and sells prepeg and copper clad lamination | US$ 41,000 thousand | Notes 1 and 4 | US$ 22,100 thousand | - | - | US$ 22,100 thousand | US$ 65,268 thousand | 100 | US$ 65,268 thousand | US$ 287,468 thousand | US$ 82,231 thousand |
| ITEQ (HJ) | Produces and sells mass lamination | US$ 8,499 thousand | Note 1 | US$ 8,286 thousand | - | - | US$ 8,286 thousand | US$ 2,201 thousand | 100 | US$ 2,201 thousand | US$ 18,451 thousand | - |
| ITEQ (GZ) | Produces and sells prepeg and copper clad lamination | US$ 23,700 thousand | Note 1 | US$ 16,200 thousand | - | - | US$ 16,200 thousand | US$ 17,746 thousand | 100 | US$ 17,746 thousand | US$ 91,909 thousand | US$ 26,610 thousand |
| ITEQ (JX) | Produces and sells prepeg and copper clad lamination | US$ 100,800 thousand | Notes 1 and 4 | - | - | - | - | US$ 28,100 thousand | 100 | US$ 28,100 thousand | US$ 203,146 thousand | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| US$59,586 thousand | US$80,400 thousand | $12,788,843 (Note 3) |

Note 1: Investment in China through incorporating an overseas company.

Note 2: Investment income (loss) was based on financial statements audited by the parent company's auditors.

Note 3: The Company's net asset value or 60% of the consolidated net asset value is based on the regulation issued on August 29, 2008 by the Investment Commission under the Ministry of Economic Affairs.

Note 4: ITEQ (JX) was invested by ESIC, ITEQ (DG), ITEQ (WX). Other companies were invested by the Company by incorporating an overseas company and by the overseas company's own funds.

TABLE 8

# ITEQ CORPORATION

**INFORMATION ON MAJOR SHAREHOLDERS**
**DECEMBER 31, 2021**

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| WIN Semiconductors Corp. | 65,408,733 | 17.07 |
| Fu Cun Construction Co. | 33,198,897 | 8.66 |
| Tian He Xing Ye Corp. | 31,790,591 | 8.30 |
| The special account of the second 2018 new labor pension fund discretionary investment by Capital Securities | 26,120,904 | 6.82 |

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

# ITEQ CORPORATION

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

# ITEQ CORPORATION

**STATEMENT OF CASH AND CASH EQUIVALENTS**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Item | Remark | Amount |
|---|---|---|
| Cash | | $ 74 |
| Checking accounts | | 771 |
| Demand deposits | | 743,521 |
| Foreign currency deposits | US$3,653 thousand exchange rate 27.68 | 101,106 |
| | EUR1,839 thousand exchange rate 31.32 | 57,597 |
| | HK122 thousand exchange rate 3.55 | 433 |
| | JPY20,350 thousand exchange rate 0.24 | 4,894 |
| | RMB33,026 thousand exchange rate 4.34 | 143,384 |
| | | $ 1,051,780 |

**STATEMENT 2**

# ITEQ CORPORATION

**STATEMENT OF NOTES RECEIVABLE**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Client's Name | Amount |
|---|---|
| Non-related party | |
| Company A | $ 32,101 |
| Company B | 30,533 |
| Others (Note) | 3,893 |
| | $ 66,527 |

Note: The amount of each item does not exceed 5% of the account balance.

# ITEQ CORPORATION

**STATEMENT OF ACCOUNTS RECEIVABLE**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Client's Name | Amount |
|---|---|
| Non-related party | |
| Company A | $ 83,246 |
| Company B | 53,821 |
| Company C | 43,636 |
| Company D | 43,272 |
| Company E | 37,963 |
| Company F | 33,276 |
| Company G | 26,806 |
| Others (Note) | 192,568 |
| | 514,588 |
| Less: Allowance for uncollectible accounts - accounts receivable | 3,425 |
| | $ 511,163 |

Note: The amount of each item does not exceed 5% of the account balance.

**STATEMENT 4**

# ITEQ CORPORATION

## STATEMENT OF OTHER RECEIVABLES
**DECEMBER 31, 202**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Other receivables - factored accounts receivable | |
| Taishin Bank | $ 157,074 |
| KGI Commercial Bank | 3,325 |
| | 160,399 |
| Other receivables - others | 17,349 |
| | $ 177,748 |

# ITEQ CORPORATION

## STATEMENT OF INVENTORIES
## DECEMBER 31, 2021
## (In Thousands of New Taiwan Dollars)

| Item | Amount | |
|---|---|---|
| | Book Value | Net Realizable Value |
| Finished goods | $ 87,805 | $ 57,673 |
| Work in process | 2,693 | 2,693 |
| Raw materials | 619,128 | 485,272 |
| Supplies | 3,098 | 3,098 |
| Good in transit | 9,466 | 9,466 |
| | $ 722,190 | $ 558,202 |

## ITEQ CORPORATION

**STATEMENT OF INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| | Balance, January 1, 2021 | | Increase (Decrease) | | | | | | Balance, December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Share (In Thousands)** | **Amount** | **Share (In Thousands)** | **Amount** | **Investments Accounted for Using Equity Method** | **Recognize Subsidiary's Gain on Available for Financial Products** | **Financial Guarantee Contracts** | **Cumulative Translation Adjustment** | **Share (In Thousands)** | **Percentage of Ownership (%)** | **Amount** | **Fair Value** | **Note** |
| Bon Mou Investment Co. | 7,000 | $ 93,012 | - | $ - | $ (1,686) | $ (2,049) | $ - | $ - | 7,000 | 100 | $ 89,277 | $ 89,277 | |
| ITEQ International, Ltd. | 18,500 | 14,575,620 | - | (204,109) | 3,957,367 | - | 6,270 | (78,126) | 18,500 | 100 | 18,257,022 | 18,045,462 | Note 3 |
| | | $ 14,668,632 | | $ (204,109) | $ 3,955,681 | $ (2,049) | $ 6,270 | $ (78,126) | | | $ 18,346,299 | $ 18,134,739 | |

Note 1: There is no pledge and mortgage in the equity investment.

Note 2: The equity was calculated based on the financial statements which have been audited during the same period.

Note 3: The difference between the carrying amount and the equity was recognized as $27,774 thousand of financial guarantee contracts of endorsements/guarantees provided for the subsidiaries and $118,542 thousand of the estimated tax of the surplus repatriation.

Note 4: The amount of changes in the current year was $(308,472) thousand due to the declaration of dividends issued by the subsidiaries. The amount of realized gross profit of downstream transactions was $31,790 thousand. The amount of share of capital reserve-employee share options of subsidiaries recognized was $7,329 thousand. The amount of employees compensation payable was $65,244 thousand.

# ITEQ CORPORATION

**STATEMENT OF RIGHT-OF-USE ASSETS**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Balance, January 1, 2021 | Increase | Balance, December 31, 2021 | Note |
|---|---|---|---|---|
| Cost | | | | |
| Buildings | $ 288,801 | $ - | $ 288,801 | |
| Depreciation charge for right-of-use assets | | | | |
| Buildings | $ 58,953 | $ 29,553 | $ 88,506 | |
| | $ 229,848 | | $ 200,295 | |

# ITEQ CORPORATION

**STATEMENT OF ACCOUNTS PAYABLE**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Client's Name | Amount |
|---|---|
| Non-related party | |
| Company A | $ 98,473 |
| Company B | 67,972 |
| Company C | 26,177 |
| Company D | 20,687 |
| Company E | 20,437 |
| Others (Note) | 88,662 |
| | $ 322,408 |

Note: The amount of each item does not exceed 5% of the account balance.

# ITEQ CORPORATION

**STATEMENT OF OTHER PAYABLES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Employees' compensation payable | $ 310,630 |
| Salaries and wages payable | 76,627 |
| Estimated expense payable | 52,759 |
| Compensation due to directors | 50,708 |
| Payables on equipment | 242,429 |
| Others | 50,471 |
| | $ 783,624 |

**STATEMENT 10**

# ITEQ CORPORATION

**STATEMENT OF OTHER CURRENT LIABILITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Financial guarantee contracts | $ 27,774 |
| Deferred credits - unrealized gain or loss | 9,050 |
| Receipts under custody | 14,106 |
| Others | 209 |
| | $ 51,139 |

# ITEQ CORPORATION

**STATEMENT OF LEASE LIABILITIES**
**DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Summary | Lease Period | Discount Rate | Balance, December 31, 2021 | Note |
|---|---|---|---|---|---|
| Buildings | Offices | 2018/1/1-2023/5/31 | 3.20% | $ 1,887 | |
| | Plants | 2013/1/9-2028/12/31 | 1.60% | 195,129 | |
| Less: Due within one year | | | | 27,766 | |
| | | | | $ 169,250 | |

**STATEMENT 12**

# ITEQ CORPORATION

**STATEMENT OF OPERATING REVENUE**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Quantity (In Thousands) | Amount |
|---|---|---|
| Prepreg | 9,401 | $ 865,049 |
| Copper clad laminate | 5,212 | 1,929,376 |
| Others | 4,366 | 895,988 |
| | | 3,690,413 |
| Sales returns | | (1,643) |
| Sales discounts | | (8,759) |
| | | (10,402) |
| | | $ 3,680,011 |

**STATEMENT 13**

# ITEQ CORPORATION

**STATEMENT OF COST OF GOODS SOLD**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---|
| Direct and indirect material | |
| Material, beginning | $ 611,344 |
| Material purchased | 1,931,670 |
| Used material | (48,866) |
| Material, ending | (622,227) |
| | 1,871,921 |
| Direct labor | 180,518 |
| Manufacturing overhead | 59,855 |
| Manufacturing costs | 2,112,294 |
| Work in process, beginning | 1,699 |
| Work in process, ending | (2,693) |
| Finished goods costs | 2,111,300 |
| Finished goods, beginning | 141,539 |
| Purchased goods costs | 1,461,082 |
| Reclassified to sample expense | (21,368) |
| Used finished goods | (17,828) |
| Finished goods, ending | (97,271) |
| Others | 296,012 |
| | 3,873,466 |
| Revenue on sells the scraps | (21,403) |
| Inventory write-downs | 73,051 |
| Disaster losses | (146,205) |
| | $ 3,778,909 |

# ITEQ CORPORATION

**STATEMENT OF OPERATING EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

| Item | Selling and Marketing Expenses | General and Administrative Expenses | Research and Development Expenses | Amount |
|---|---|---|---|---|
| Salaries and bonus | $ 10,497 | $ 213,578 | $ 58,100 | $ 282,175 |
| Commission expense | 20,663 | - | - | 20,663 |
| Sample expense | 10,541 | - | 10,827 | 21,368 |
| Inspection and test expense | - | 5,710 | 20,013 | 25,723 |
| Depreciation expense | 2 | 32,768 | 24,996 | 57,766 |
| Compensation due to directors | - | 50,952 | - | 50,952 |
| Used material | - | 3 | 28,772 | 28,775 |
| Shipping expenses | 27,026 | 18 | 170 | 27,214 |
| Consulting fee | 25,000 | - | - | 25,000 |
| Others (Note) | 8,672 | 97,169 | 30,285 | 136,126 |
| | $ 102,401 | $ 400,198 | $ 173,163 | $ 675,762 |

Note: The amount of each item does not exceed 5% of the amount of account balance.

# ITEQ CORPORATION

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Classified as Cost of Revenue | Classified as Operating Expenses | Total | Classified as Cost of Revenue | Classified as Operating Expenses | Total |
| Labor cost | | | | | | |
| Salary and bonus | $ 179,177 | $ 282,175 | $ 461,352 | $ 220,945 | $ 311,847 | $ 532,792 |
| Labor and health insurance | 17,934 | 17,649 | 35,583 | 17,914 | 14,961 | 32,875 |
| Pension | 6,623 | 7,326 | 13,949 | 7,334 | 6,599 | 13,933 |
| Remuneration of directors | - | 50,952 | 50,952 | - | 44,283 | 44,283 |
| Others | 16,017 | 12,525 | 28,542 | 15,382 | 41,153 | 56,535 |
| | $ 219,751 | $ 370,627 | $ 590,378 | $ 261,575 | $ 418,843 | $ 680,418 |
| Depreciation | $ 115,063 | $ 57,766 | $ 172,829 | $ 175,875 | $ 55,382 | $ 231,257 |
| Amortization | $ 5,812 | $ 3,617 | $ 9,429 | $ 2,630 | $ 1,673 | $ 4,303 |

Note 1: As of December 31, 2021 and 2020, the Company had 453 and 468 employees, respectively. There were 6 and 5 non-employee directors for 2021 and 2020.

Note 2: Companies whose shares are listed on the Taiwan Stock Exchange or the Taipei Exchange should disclose the following additional information:

a. The average employee welfare expense for the current year is $1,207 thousand. The average employee welfare expense for the previous year is $1,374 thousand.

b. The average employee salary expenses for the current year is $1,032 thousand. The average salary of the previous year is $1,151 thousand.

c. Average employee salary expense reduced by 10.26%.

d. The Company has established an audit committee, and the remuneration of independent directors has been incorporated into the remuneration of the directors for disclosure.

e. The Company's salary and remuneration policy (including directors, managers and employees)

1. Directors: The remuneration of the directors of the Company, according to the Company's articles of association, the compensation committee makes recommendations to the board of directors for the reference of the board of directors, and authorizes the board of directors to follow the directors' participation in the Company's operations, the value of their contributions, and reference to the usual standards of the same trade concerned. If the directors are both employees, remuneration will be paid in accordance with the following regulations for managers and employees.

2. Managers: The remuneration of the Company's managers is in accordance with the Company's articles of association, including salary, bonuses and employee remuneration, agreed with the position, the responsibilities and the contribution to the Company, and reference to the usual standards of the same trade concerned, After review by the compensation committee, submit it to the board of directors for approval before implementation.

3. Employees: The salary of the employees is based on the salary payment standards and their academic experience, professional knowledge, technology and professional experience. There is no difference due to their age, gender, race, religion, political slant, and marital status. Bonuses are determined based on the Company's operational performance and employees' personal performance. Salary payment standards are determined with reference to the market pay, company operating conditions and organizational structure, and adjusted in a timely manner based on market pay dynamics, changes in the overall economic and prosperity, and government regulations.

4. Employee remuneration and remuneration of directors and supervisors: According to the Company's articles of association, the Company shall allocate at least 2% and no more than 2% of the pre-tax benefits of the current year before deducting the remuneration of employees and directors and supervisors, respectively.