# FineTek Co., Ltd. and Subsidiaries

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

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates of FineTek Co., Ltd. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, FineTek Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

FINETEK CO., LTD.

By

__________________________________

CHING-DE WU
Chairman

March 30, 2022

Deloitte.

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FineTek Co., Ltd.

## Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We 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 consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is described as follows:

The consolidated operating income of the Group for the year ended December 31, 2021 was $1,272,541 thousand, which represented an increase of 26% compared with the previous year. Out of this amount, sales from customers whose individual sales growth rates exceeded the overall sales growth rate accounted for 22% of the consolidated total sales revenue.

To meet shareholders' and external investors' expectations, the management of the Group may be under pressure to meet the profit target. Therefore, we assessed that the main risk of revenue recognition from the aforementioned group of customers is the validity of occurrence of the sales transactions from such customers, and we identified this as the key audit matter. The accounting policies related to revenue recognition are disclosed in Note 4(m) to the consolidated financial statements.

The audit procedures that we performed in respect of the sales revenue from the aforementioned customers are as follows:

1. We obtained an understanding of the internal controls related to the sales revenue from the aforementioned customers for the year ended December 31, 2021, evaluated the design of the key controls and tested the operating effectiveness of the controls.

2. We obtained the list of the aforementioned customers for the year ended December 31, 2021 and assessed that if their backgrounds, transaction amounts and credit limits granted were reasonable and consistent with their scale.

3. We selected samples of sales transactions from the aforementioned customers and checked the details of the external shipping documents and also for any abnormalities in the transaction terms and collection of receivables, and we confirmed that sales were valid and did occur.

**Other Matter**

We have also audited the parent company only financial statements of FineTek Co., Ltd. as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We 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 consolidated 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 Chao Mei Chen and Keng Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2022

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.*

## FINETEK CO., LTD. AND SUBSIDIARIES

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

| ASSETS | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 550,448 | 26 | $ 526,255 | 27 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 38,330 | 2 | 27,441 | 2 |
| Financial assets at amortized cost - current (Notes 4, 9 and 35) | 83,886 | 4 | 72,580 | 4 |
| Notes receivable (Notes 4, 11 and 25) | 38,001 | 2 | 29,054 | 2 |
| Trade receivables (Notes 4, 11 and 25) | 202,785 | 10 | 140,853 | 7 |
| Other receivables (Notes 4 and 11) | 4,303 | - | 636 | - |
| Current tax assets (Notes 4 and 27) | 9,365 | - | 7,324 | - |
| Inventories (Notes 4 and 12) | 210,027 | 10 | 167,146 | 9 |
| Other current assets (Notes 4 and 19) | 17,486 | 1 | 4,968 | - |
| Total current assets | 1,154,631 | 55 | 976,257 | 51 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 10,573 | - | 9,690 | - |
| Financial assets at amortized cost - non-current (Notes 4, 9, 10 and 35) | 37,460 | 2 | 63,947 | 3 |
| Property, plant and equipment (Notes 4, 14 and 35) | 752,427 | 36 | 740,449 | 39 |
| Right-of-use assets (Notes 4 and 15) | 7,450 | - | 9,884 | 1 |
| Investment properties (Notes 4 and 16) | 13,596 | 1 | 15,118 | 1 |
| Goodwill (Notes 4 and 17) | 34,478 | 2 | 38,435 | 2 |
| Other intangible assets (Notes 4 and 18) | 27,757 | 1 | 32,117 | 2 |
| Deferred tax assets (Notes 4 and 27) | 31,865 | 2 | 26,110 | 1 |
| Other non-current assets (Notes 4, 19 and 23) | 20,979 | 1 | 8,044 | - |
| Total non-current assets | 936,585 | 45 | 943,794 | 49 |
| TOTAL | $ 2,091,216 | 100 | $ 1,920,051 | 100 |

| LIABILITIES AND EQUITY | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4 and 20) | $ - | - | $ 10,000 | 1 |
| Contract liabilities - current (Notes 4 and 25) | 22,685 | 1 | 27,154 | 1 |
| Notes payable (Note 21) | 11,834 | 1 | 3,113 | - |
| Trade payables (Note 21) | 88,913 | 4 | 38,759 | 2 |
| Other payables (Note 22) | 102,212 | 5 | 83,960 | 4 |
| Current tax liabilities (Notes 4 and 27) | 32,869 | 2 | 36,924 | 2 |
| Lease liabilities - current (Notes 4 and 15) | 1,580 | - | 2,169 | - |
| Long-term borrowings due within one year (Notes 4, 20 and 35) | 9,692 | - | - | - |
| Other current liabilities | 1,039 | - | 839 | - |
| Total current liabilities | 270,824 | 13 | 202,918 | 10 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 4, 20 and 35) | 242,308 | 12 | 252,000 | 13 |
| Deferred tax liabilities (Notes 4 and 27) | 51,116 | 2 | 44,701 | 3 |
| Lease liabilities - non-current (Notes 4 and 15) | 193 | - | 1,788 | - |
| Guarantee deposits | 1,270 | - | 1,271 | - |
| Total non-current liabilities | 294,887 | 14 | 299,760 | 16 |
| Total liabilities | 565,711 | 27 | 502,678 | 26 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24) | | | | |
| Share capital | | | | |
| Ordinary shares | 444,779 | 21 | 423,837 | 22 |
| Capital surplus | 327,723 | 16 | 319,889 | 17 |
| Retained earnings | | | | |
| Legal reserve | 246,590 | 12 | 223,547 | 11 |
| Special reserve | 59,645 | 3 | 52,488 | 3 |
| Unappropriated earnings | 551,267 | 26 | 494,109 | 26 |
| Other equity | | | | |
| Exchange differences on translation of foreign operations | (72,812) | (4) | (54,335) | (3) |
| Unrealized valuation gain/(loss) on financial assets at fair value through other comprehensive income | (4,427) | - | (5,310) | - |
| Treasury shares | (27,360) | (1) | (36,973) | (2) |
| Total equity attributable to owners of the Company | 1,525,405 | 73 | 1,417,252 | 74 |
| NON-CONTROLLING INTERESTS (Note 24) | 100 | - | 121 | - |
| Total equity | 1,525,505 | 73 | 1,417,373 | 74 |
| TOTAL | $ 2,091,216 | 100 | $ 1,920,051 | 100 |

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

# FINETEK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED 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 4, 25, 34 and 40) | $ 1,272,541 | 100 | $ 1,006,705 | 100 |
| OPERATING COSTS (Notes 12 and 26) | 548,580 | 43 | 420,602 | 42 |
| GROSS PROFIT | 723,961 | 57 | 586,103 | 58 |
| OPERATING EXPENSES (Notes 4, 26 and 34) | | | | |
| Selling and marketing expenses | 227,300 | 18 | 182,352 | 18 |
| General and administrative expenses | 101,565 | 8 | 89,467 | 9 |
| Research and development expenses | 60,391 | 4 | 54,915 | 5 |
| Expected credit (gain) loss (Notes 4, 10 and 11) | (2,713) | - | 916 | - |
| Total operating expenses | 386,543 | 30 | 327,650 | 32 |
| PROFIT FROM OPERATIONS | 337,418 | 27 | 258,453 | 26 |
| NON-OPERATING INCOME AND EXPENSES (Notes 4 and 26) | | | | |
| Interest income | 6,479 | - | 7,490 | 1 |
| Other income | 24,237 | 2 | 24,126 | 2 |
| Other gains and losses | (22) | - | 8,406 | 1 |
| Finance costs | (2,975) | - | (2,224) | - |
| Total non-operating income and expenses | 27,719 | 2 | 37,798 | 4 |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 365,137 | 29 | 296,251 | 30 |
| INCOME TAX EXPENSE (Notes 4 and 27) | (89,201) | (7) | (66,382) | (7) |
| NET PROFIT FOR THE YEAR | 275,936 | 22 | 229,869 | 23 |

(Continued)

## FINETEK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED 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: | | | | |
| Remeasurement of defined benefit plan (Notes 4 and 23) | $ (149) | - | $ 697 | - |
| Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24) | 883 | - | (5,310) | (1) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27) | 30 | - | (139) | - |
| | 764 | - | (4,752) | (1) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 24) | (23,099) | (2) | (2,319) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 24 and 27) | 4,619 | - | 462 | - |
| | (18,480) | (2) | (1,857) | - |
| Other comprehensive loss for the year, net of income tax | (17,716) | (2) | (6,609) | (1) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 258,220 | 20 | $ 223,260 | 22 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 275,954 | 22 | $ 229,877 | 23 |
| Non-controlling interests | (18) | - | (8) | - |
| | $ 275,936 | 22 | $ 229,869 | 23 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 258,241 | 20 | $ 223,278 | 22 |
| Non-controlling interests | (21) | - | (18) | - |
| | $ 258,220 | 20 | $ 223,260 | 22 |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | $ 6.27 | | $ 5.23 | |
| Diluted | $ 6.24 | | $ 5.21 | |

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

## FINETEK CO., LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | |
| | Share Capital Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Financial Statements of Foreign Operations | Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2020 | $ 423,837 | $ 319,889 | $ 202,136 | $ 29,548 | $ 475,564 | $ (52,488) | $ - | $ (36,973) | $ 1,361,513 | $ 135 | $ 1,361,648 |
| Appropriation of 2019 earnings (Note 24) | | | | | | | | | | | |
| Legal reserve | - | - | 21,411 | - | (21,411) | - | - | - | - | - | - |
| Special reserve | - | - | - | 22,940 | (22,940) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (167,535) | - | - | - | (167,535) | - | (167,535) |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 229,877 | - | - | - | 229,877 | (8) | 229,869 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | 558 | (1,847) | (5,310) | - | (6,599) | (10) | (6,609) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 230,435 | (1,847) | (5,310) | - | 223,278 | (18) | 223,260 |
| Changes in percentage of ownership interests in subsidiaries (Notes 13 and 30) | - | - | - | - | (4) | - | - | - | (4) | 4 | - |
| BALANCE AT DECEMBER 31, 2020 | 423,837 | 319,889 | 223,547 | 52,488 | 494,109 | (54,335) | (5,310) | (36,973) | 1,417,252 | 121 | 1,417,373 |
| Appropriation of 2020 earnings (Note 24) | | | | | | | | | | | |
| Legal reserve | - | - | 23,043 | - | (23,043) | - | - | - | - | - | - |
| Special reserve | - | - | - | 7,157 | (7,157) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (167,535) | - | - | - | (167,535) | - | (167,535) |
| Share dividends distributed by the Company | 20,942 | - | - | - | (20,942) | - | - | - | - | - | - |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 275,954 | - | - | - | 275,954 | (18) | 275,936 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | (119) | (18,477) | 883 | - | (17,713) | (3) | (17,716) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 275,835 | (18,477) | 883 | - | 258,241 | (21) | 258,220 |
| Treasury shares transferred to employees (Note 29) | - | 7,834 | - | - | - | - | - | 9,613 | 17,447 | - | 17,447 |
| BALANCE AT DECEMBER 31, 2021 | $ 444,779 | $ 327,723 | $ 246,590 | $ 59,645 | $ 551,267 | $ (72,812) | $ (4,427) | $ (27,360) | $ 1,525,405 | $ 100 | $ 1,525,505 |

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

# FINETEK CO., LTD. AND SUBSIDIARIES

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

| | 2021 | 2020 |
|---|---|---|
| CASH AND CASH EQUIVALENTS FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 365,137 | $ 296,251 |
| Adjustments for: | | |
| Depreciation expense | 30,983 | 32,176 |
| Amortization expense | 8,275 | 11,158 |
| Expected credit (gain) loss | (2,713) | 916 |
| Net gain on fair value changes of financial assets designated as at fair value through profit or loss | (1,206) | (6,504) |
| Compensation cost of employee share options | 8,314 | - |
| Finance costs | 2,975 | 2,224 |
| Interest income | (6,479) | (7,490) |
| Dividend income | (1,231) | (936) |
| (Gain) loss on disposal of property, plant and equipment | (6) | 93 |
| Write-downs of inventories | - | 7,358 |
| Net loss (gain) on foreign currency exchange | 845 | (5,258) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (9,683) | (7,661) |
| Notes receivable | (8,947) | 2,316 |
| Trade receivables | (59,872) | 18,850 |
| Other receivables | (3,638) | 268 |
| Inventories | (42,881) | 16,531 |
| Prepayments | (12,524) | 896 |
| Other current assets | 6 | 289 |
| Net defined benefit assets | (344) | (101) |
| Contract liabilities | (4,469) | 8,398 |
| Notes payable | 8,721 | (2,228) |
| Trade payables | 50,438 | (12,133) |
| Other payables | 15,546 | (8,576) |
| Other current liabilities | 200 | (1,449) |
| Cash generated from operations | 337,447 | 345,388 |
| Interest received | 6,420 | 7,984 |
| Dividends received | 1,231 | 936 |
| Interest paid | (2,975) | (2,140) |
| Income tax paid | (89,997) | (78,628) |
| Net cash generated from operating activities | 252,126 | 273,540 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | (22,587) | (41,582) |
| Proceeds from disposal of financial assets at amortized cost | 37,290 | - |
| Payments for property, plant and equipment (Note 31) | (42,677) | (330,151) |
| Proceeds from disposal of property, plant and equipment | 1,882 | - |
| Increase in refundable deposits | (12,520) | - |

(Continued)

## FINETEK CO., LTD. AND SUBSIDIARIES

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

| | 2021 | 2020 |
|---|---|---|
| Decrease in refundable deposits | $ - | $ 1,366 |
| Payments for intangible assets | (5,644) | (5,833) |
| Increase in prepayments for equipment | (350) | (130) |
| Net cash used in investing activities | (44,606) | (376,330) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (10,000) | (55,000) |
| Proceeds from long-term borrowings | - | 252,000 |
| Proceeds from guarantee deposits received | 3 | - |
| Refund of guarantee deposits received | - | (72) |
| Repayment of the principal portion of lease liabilities | (2,106) | (2,044) |
| Dividends paid to owners of the Company | (167,535) | (167,535) |
| Treasury shares transferred to employees (Note 24) | 9,133 | - |
| Net cash (used in) generated from financing activities | (170,505) | 27,349 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | (12,822) | 228 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 24,193 | (75,213) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 526,255 | 601,468 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 550,448 | $ 526,255 |

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

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. GENERAL INFORMATION

FineTek Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company's shares have been listed on the mainboard of the Taipei Exchange ("TPEx") since November 2014.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 18, 2022.

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

a. Initial application of the amendments to 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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the company and its subsidiaries (the "Group").

b. The IFRSs endorsed by the 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, 2021.

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 consolidated financial statements were authorized for issue, the Group assessed the application of the abovementioned standards and interpretations will have no material impact on its 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

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

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

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

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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 an asset or liability.

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 12 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 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.
All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Note 13 and Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, finished goods, work in progress and merchandise 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. The 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 the weighted-average cost on the balance sheet date.

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 intended use.

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.

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. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit 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 for the asset or cash-generating unit in prior years. The reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 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 categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 33.

ii. 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, financial assets at amortized - current, notes receivable, trade receivables, other receivables (not including VAT refund receivables), financial assets at amortized - non-current and refundable deposits, 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

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

Cash equivalents include time deposits 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group 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 Group’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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables, other financial assets - current, financial assets at amortized cost - non-current and refundable deposits).

The Group always recognizes lifetime expected credit losses (ECLs) for notes receivable and trade receivables. For all other financial instruments, the Group 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 Group 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group 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 party.

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. 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The 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.

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transmitters, point switches and electronic terminals. Sales of transmitters, point switches and electronic terminals are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time 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 transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing product repair services to customers.

As the Group provides product repair services, customers simultaneously receive and consume the benefits provided by the Group's satisfaction of performance obligations. Consequently, the related revenue is recognized when services are rendered.

n. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term 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 consolidated 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.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. 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 Group 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, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets 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 consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of depreciation of right-of-use assets, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

o. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs, including current service costs, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

r. Share-based payment arrangements

Employee share options are recognized as expense on a straight-line basis over the vesting period based on the fair value and the expected best estimated quantity of the equity instruments at the grant date, with a simultaneous adjustment to capital surplus - employee share options. If it is immediately vested on the grant date, the full amount will be recognized as expenses. The grant date of treasury shares transferred to employees is the date on which the employees are informed.

s. 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 Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of 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 consolidated 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 to the extent 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 Group 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 assets to be recovered. Any previously unrecognized deferred tax asset are 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 liabilities are settled or the assets are realized, based on tax rates and 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 Group 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 Group'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 to be relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies, estimates and underlying assumptions used by the Group, as evaluated by management, are free of significant accounting judgments, estimates and assumption uncertainties.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Cash on hand | $ 1,281 | $ 1,189 |
| Checking accounts | 4,806 | 1,828 |
| Demand deposits | 299,372 | 288,137 |
| Cash equivalents (investments with original maturities within 3 months) | | |
| Time deposits | 244,989 | 235,101 |
| | $ 550,448 | $ 526,255 |

The market rate ranges of bank deposits at the end of the reporting period were as follows:

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Bank demand deposits and time deposits | 0.001%-1.900% | 0.001%-3.250% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Financial assets at FVTPL - current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Domestic listed shares | $ 38,330 | $ 27,441 |

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Non-current | | |
| Investments in equity instruments | | |
| Unlisted shares - ordinary shares | | |
| Ultracker Technology Co., Ltd. | $ 10,573 | $ 9,690 |

These investments in ordinary shares of Ultracker Technology Co., Ltd. are held for the Group's medium to long-term strategic purposes and expected to profit from long-term investments. Accordingly, the management elected to designate these investments 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 Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Current (Note) | | |
| Time deposit with original maturities of more than 3 months | $ 83,582 | $ 72,277 |
| Pledged bank deposits (Note 35) | 304 | 303 |
| | $ 83,886 | $ 72,580 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Non-current | | |
| Restricted demand deposits (a) (Note) | $ 1,523 | $ 38,814 |
| Corporate bonds - Deutsche Bank (b) | 19,307 | 19,451 |
| Corporate bonds - Société Générale (c) | 5,524 | 5,682 |
| Corporate bonds - AT&T (d) | 11,106 | - |
| | $ 37,460 | $ 63,947 |

(Concluded)

Note: The Group considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on financial assets at amortized cost. As of December 31, 2021 and 2020, the Group has no need to recognize expected credit loss on financial assets at amortized cost.

a. In March 2020, the Group applied to repatriate overseas reinvestment income under the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act". According to the above-mentioned special law, funds not engaged in actual investment and financial investment should be deposited in the foreign exchange deposit account for five years and withdrawn in three years after the expiration of the term. Since September 2020, the Group has withdrawn part of the funds from the special account for real investment with the approval of the Ministry of Economic Affairs. The use of the repatriated funds is restricted by the special law; refer to Note 35.

b. The Group's investments in bonds issued by Deutsche Bank were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Total carrying amount | $ 19,307 | $ 19,451 |
| Total par value (in thousands of U.S. dollars) | $ 700 | $ 700 |
| Coupon rate | 4.50% | 4.50% |
| Effective interest rate | 4.47%-4.61% | 4.47%-4.61% |
| Holding period | 2015.10.21-2025.04.01 | 2015.10.21-2025.04.01 |

c. The Group's investments in bonds issued by Société Générale were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Total carrying amount | $ 5,524 | $ 5,682 |
| Total par value (in thousands of U.S. dollars) | $ 200 | $ 200 |
| Coupon rate | 4.25% | 4.25% |
| Effective interest rate | 4.27% | 4.27% |
| Holding period | 2015.10.21-2025.04.14 | 2015.10.21-2025.04.14 |

d. The Group's investments in bonds issued by AT&T were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Total carrying amount | $ 11,106 | $ - |
| Total par value (in thousands of U.S. dollars) | $ 420 | $ - |
| Coupon rate | 3.65% | - |
| Effective interest rate | 4.01% | - |
| Holding period | 2021.03.11-2059.09.15 | - |

Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| At amortized cost | | |
| Gross carrying amount | $ 35,986 | $ 25,577 |
| Less: Allowance for impairment loss | (49) | (444) |
| Amortized cost | $ 35,937 | $ 25,133 |

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information obtained from independent rating agencies where available. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments for 12 months, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Group's current credit risk grading mechanism and its gross carrying amount are as follows:

| Category | Description | Basis for Recognizing Expected Credit Losses (ECLs) |
|---|---|---|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows | 12m ECLs |
| Doubtful | There has been a significant increase in credit risk since initial recognition | Lifetime ECLs - not credit impaired |
| In default | There is evidence indicating the asset is credit impaired | Lifetime ECLs - credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company have no realistic prospect of recovery | Amount is written off |

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were shown below:

December 31, 2021

| Category | Expected Loss Rate | Gross Carrying Amount At Amortized Cost |
|---|---|---|
| Performing | 0.09%-0.16% | $ 35,986 |
| Doubtful | - | - |
| In default | - | - |
| Write-off | - | - |
| | | $ 35,986 |

December 31, 2020

| Category | Expected Loss Rate | Gross Carrying Amount At Amortized Cost |
|---|---|---|
| Performing | 0.16% | $ 5,692 |
| Doubtful | 2.19% | 19,885 |
| In default | - | - |
| Write-off | - | - |
| | | $ 25,577 |

The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

| | Credit Rating | | |
|---|---|---|---|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit Impaired) | In default (Lifetime ECLs - Credit Impaired) |
| Balance at January 1, 2021 | $ 9 | $ 435 | $ - |
| New financial assets purchased | 11 | - | - |
| Transfers | | | |
| From doubtful to performing | 471 | (471) | - |
| Change in model or risk parameters | (442) | 41 | - |
| Change in exchange rates or others | - | (5) | - |
| Balance at December 31, 2021 | $ 49 | $ - | $ - |
| Balance at January 1, 2020 | $ - | $ - | $ - |
| Transfers | | | |
| From performing to doubtful | - | 944 | - |
| Change in model or risk parameters | 9 | (498) | - |
| Change in exchange rates or others | - | (11) | - |
| Balance at December 31, 2020 | $ 9 | $ 435 | $ - |

The Group considered the credit rating information supplied by independent rating agencies, due to the acquisition of new debt instruments, changes in credit ratings and credit risk parameters, the Group (reversed) recognized expected credit losses of $(390) thousand and $455 thousand in 2021 and 2020, respectively.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Notes receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ 38,001 | $ 29,054 |
| Less: Allowance for impairment loss | - | - |
| | $ 38,001 | $ 29,054 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 204,210 | $ 144,871 |
| Less: Allowance for impairment loss | (1,425) | (4,018) |
| | $ 202,785 | $ 140,853 |
| Other receivables | | |
| VAT refund receivables | $ 3,627 | $ - |
| Interest receivables | 518 | 489 |
| Others | 158 | 147 |
| | $ 4,303 | $ 636 |
| Overdue receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 76 | $ 450 |
| Less: Allowance for impairment loss | (76) | (450) |
| | $ - | $ - |

a. Notes receivable

The Group's average cashing period of notes receivable was 0-180 days.

The Group measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. The lifetime expected credit losses on notes receivable takes into consideration the past default experience of the debtor and general economic conditions of the industry. As of December 31, 2021 and 2020, the Group assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of receivables were as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Up to 90 days | $ 27,676 | $ 25,370 |
| 91 to 180 days | 10,325 | 3,684 |
| | $ 38,001 | $ 29,054 |

The above aging schedule was based on the number of past due days from the invoice date.

b. Trade receivables

The average credit period of sales of goods was 0-150 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, as well as GDP predictions. As the Group'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 Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group 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 (including overdue receivables) based on the Group's provision matrix.

December 31, 2021

| | Not Past Due | Up to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 360 Days | Over 360 Days | Total |
|---|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.001%-0.11% | 0.002%-0.22% | 0.02%-1.26% | 1.94%-10.95% | 66.75%-89.33% | 100% | |
| Gross carrying amount | $ 172,412 | $ 28,980 | $ 1,293 | $ 410 | $ 71 | $ 1,120 | $ 204,286 |
| Loss allowance (Lifetime ECL) | (97) | (233) | (1) | (3) | (47) | (1,120) | (1,501) |
| Amortized cost | $ 172,315 | $ 28,747 | $ 1,292 | $ 407 | $ 24 | $ - | $ 202,785 |

December 31, 2020

| | Not Past Due | Up to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 360 Days | Over 360 Days | Total |
|---|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.01%-59.60% | 0.06%-66.79% | 0.33%-87.47% | 3.14%-100% | 8.64%-100% | 100% | |
| Gross carrying amount | $ 121,795 | $ 20,657 | $ 1,327 | $ 316 | $ 228 | $ 998 | $ 145,321 |
| Loss allowance (Lifetime ECL) | (1,327) | (1,354) | (338) | (286) | (165) | (998) | (4,468) |
| Amortized cost | $ 120,468 | $ 19,303 | $ 989 | $ 30 | $ 63 | $ - | $ 140,853 |

The movements of the loss allowance of trade receivables (including overdue receivables) were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 4,468 | $ 4,935 |
| Add: Net remeasurement of loss allowance | - | 461 |
| Add: Amounts recovered | 2 | 11 |
| Less: Amounts written off | (536) | (948) |
| Less: Net remeasurement of loss allowance reversed | (2,323) | - |
| Foreign exchange gains and losses | (110) | 9 |
| Balance at December 31 | $ 1,501 | $ 4,468 |

c. Other receivables

Other receivables mainly consist of VAT refund receivables and interest receivables, and the Group's policy is to transact only with creditworthy counterparties. The Group continuously monitors and makes reference to the past default experience of counterparties and analyzes their current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2021 and 2020, the Group assessed that there is no need to recognize expected credit loss on other receivables.

## 12. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Merchandise inventory | $ 7,556 | $ 16,425 |
| Finished goods | 144,369 | 92,674 |
| Work-in-progress | 27,919 | 12,076 |
| Raw materials | 30,183 | 45,971 |
| | $ 210,027 | $ 167,146 |

The nature of the cost of goods sold were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Cost of inventories sold | $ 548,580 | $ 413,244 |
| Inventory write-downs | - | 7,358 |
| | $ 548,580 | $ 420,602 |

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| | | | Proportion of Ownership (%) | | |
|---|---|---|---|---|---|
| | | | December 31 | | |
| **Investor** | **Investee** | **Nature of Activities** | **2021** | **2020** | **Remark** |
| The Company | Powerline Corp. | Investment | 100.00 | 100.00 | Notes 1, 3 and 4 |
| | Golden Land International Corp. | Investment | 100.00 | 100.00 | Note 1 |
| | Gain Access Investment Ltd. | Investment | 100.00 | 100.00 | Note 1 |
| | PT. Finetek Automation Indonesia | Manufactures and sells transmitters, point switches and electronic terminals | 99.70 | 99.70 | Notes 1 and 5 |
| | Finetek GmbH | Sells operating transmitters, point switches and electronic terminals | 100.00 | 100.00 | Notes 1, 6 and 7 |
| Golden Land International Corp. | Aplus Finetek Sensor Inc. | Sells operating transmitters, point switches and electronic terminals | 100.00 | 100.00 | Note 1 |
| Powerline Corp. | Faco International Co., Ltd. | Investment | 100.00 | 100.00 | Notes 1, 3 and 4 |
| Faco International Co., Ltd. | Fine Automation Co., Ltd. | Designs, manufactures and sells transmitters, point switches and electronic terminals | 100.00 | 100.00 | Notes 2 and 3 |
| | Finetek Pte., Ltd. | Sells operating transmitters, point switches and electronic terminals | 100.00 | 100.00 | Note 1 |
| Finetek GmbH | Mutec Instruments GmbH | Sells operating transmitters, point switches and electronic terminals | 100.00 | 100.00 | Notes 1 and 6 |

Note 1: The main operating risk is foreign exchange rate risk.

Note 2: The main operating risks are government policies, political issues between China and Taiwan, and foreign exchange rate risk.

Note 3: In May 2020, the subsidiary Fine Automation Co., Ltd. distributed retained earnings of RMB22,378 thousand (NT$93,227 thousand) to its parent company, Faco International Co., Ltd.. Subsequently, in July 2020, Faco International Co., Ltd. distributed retained earnings to the Company through Powerline Corp.

Note 4: In March 2020, the subsidiary Faco International Co., Ltd. distributed retained earnings of RMB9,639 thousand (NT$41,013 thousand) to the Company through its parent company Powerline Corp.

Note 5: In April 2020, the Company paid US$200 thousand (NT$6,007 thousand) to subscribe for additional new shares of PT. Finetek Automation Indonesia; the subscription was at a percentage different from its existing ownership percentage, and increased its continuing interest from 99.65% to 99.70%. The Company reduced its unappropriated earnings by NT$(4) thousand and accounted for the subscription for the new shares as equity transaction; refer to Note 30.

Note 6: The subsidiary Mutec Instruments GmbH distributed retained earnings of EUR600 thousand (NT$21,012 thousand) and EUR400 thousand (NT$13,260 thousand) to its parent company Finetek GmbH in November 2020 and April 2021, respectively.

Note 7: In December 2021, the subsidiary Finetek GmbH distributed retained earnings of EUR800 thousand (NT$24,888 thousand) to the Company.

## 14. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

| | Freehold Land | Buildings | Machinery and Equipment | Transportation | Office Equipment | Molding Equipment | Other Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2021 | $ 456,154 | $ 393,065 | $ 63,437 | $ 21,529 | $ 20,855 | $ 21,035 | $ 41,630 | $ 10,239 | $ 1,027,944 |
| Additions | - | 24,457 | 9,210 | 2,756 | 3,930 | 1,980 | 3,050 | - | 45,383 |
| Disposals | - | - | (1,405) | (7,061) | (202) | - | (285) | - | (8,953) |
| Reclassified (Note) | - | 10,292 | (50) | - | (276) | 166 | 237 | (10,239) | 130 |
| Effects of foreign currency exchange differences | (1,543) | (3,893) | (545) | (368) | (528) | - | (65) | - | (6,942) |
| Balance at December 31, 2021 | $ 454,611 | $ 423,921 | $ 70,647 | $ 16,856 | $ 23,779 | $ 23,181 | $ 44,567 | $ - | $ 1,057,562 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2021 | $ - | $ 144,882 | $ 51,885 | $ 17,227 | $ 16,233 | $ 20,214 | $ 37,054 | $ - | $ 287,495 |
| Disposals | - | - | (1,314) | (5,435) | (146) | - | (182) | - | (7,077) |
| Depreciation expense | - | 15,964 | 4,067 | 1,671 | 1,699 | 1,441 | 2,349 | - | 27,191 |
| Reclassified | - | 17 | 34 | - | (92) | 2 | 39 | - | - |
| Effects of foreign currency exchange differences | - | (1,896) | (130) | (149) | (265) | 1 | (35) | - | (2,474) |
| Balance at December 31, 2021 | $ - | $ 158,967 | $ 54,542 | $ 13,314 | $ 17,429 | $ 21,658 | $ 39,225 | $ - | $ 305,135 |
| Carrying amount at December 31, 2021 | $ 454,611 | $ 264,954 | $ 16,105 | $ 3,542 | $ 6,350 | $ 1,523 | $ 5,342 | $ - | $ 752,427 |
| Cost | | | | | | | | | |
| Balance at January 1, 2020 | $ 173,637 | $ 367,509 | $ 60,036 | $ 21,377 | $ 18,026 | $ 20,325 | $ 42,802 | $ 2,895 | $ 706,607 |
| Additions | 283,646 | 31,947 | 697 | 107 | 2,786 | 318 | 436 | 10,239 | 330,176 |
| Disposals | - | - | (211) | - | (135) | - | (1,678) | - | (2,024) |
| Reclassified (Note) | - | - | 2,851 | - | - | 392 | - | (2,851) | 392 |
| Transfers to investment properties | - | (8,967) | - | - | - | - | - | - | (8,967) |
| Effects of foreign currency exchange differences | (1,129) | 2,576 | 64 | 45 | 178 | - | 70 | (44) | 1,760 |
| Balance at December 31, 2020 | $ 456,154 | $ 393,065 | $ 63,437 | $ 21,529 | $ 20,855 | $ 21,035 | $ 41,630 | $ 10,239 | $ 1,027,944 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2020 | $ - | $ 133,162 | $ 45,561 | $ 15,184 | $ 14,706 | $ 18,437 | $ 36,181 | $ - | $ 263,231 |
| Disposals | - | - | (121) | - | (135) | - | (1,675) | - | (1,931) |
| Depreciation expense | - | 14,355 | 6,322 | 1,988 | 1,514 | 1,777 | 2,472 | - | 28,428 |
| Transfers to investment properties | - | (4,224) | - | - | - | - | - | - | (4,224) |
| Effects of foreign currency exchange differences | - | 1,589 | 123 | 55 | 148 | - | 76 | - | 1,991 |
| Balance at December 31, 2020 | $ - | $ 144,882 | $ 51,885 | $ 17,227 | $ 16,233 | $ 20,214 | $ 37,054 | $ - | $ 287,495 |
| Carrying amount at December 31, 2020 | $ 456,154 | $ 248,183 | $ 11,552 | $ 4,302 | $ 4,622 | $ 821 | $ 4,576 | $ 10,239 | $ 740,449 |

Note: Transferred from prepayments for equipment.

The Group proposed in the board of directors’ meeting on March 20, 2020 to acquire from non-related parties certain properties located in the Tucheng District of New Taipei City for NT$315,000 thousand.

For the years ended December 31, 2021 and 2020, no impairment assessment was performed as there were no indications of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | |
| Main buildings | 20-35 years |
| Auxiliary equipment | 2-20 years |
| Machinery and equipment | 1-16 years |
| Transportation | 3-5 years |
| Office equipment | 1-5 years |
| Molding equipment | 1-4 years |
| Other equipment | 1-8 years |

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 35.

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Carrying amount | | |
| Land use rights (Note) | $ 5,333 | $ 5,529 |
| Buildings | 2,042 | 3,781 |
| Transportation | 75 | 574 |
| | $ 7,450 | $ 9,884 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Additions to right-of-use assets | $ - | $ 2,545 |
| Depreciation charge for right-of-use assets | | |
| Land use rights | $ 174 | $ 171 |
| Buildings | 1,660 | 1,770 |
| Transportation | 499 | 499 |
| | $ 2,333 | $ 2,440 |

Note: Right-of-use assets - land comprises land use rights in mainland China. The Group has obtained the land use right certificates.

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Carrying amount | | |
| Current | $ 1,580 | $ 2,169 |
| Non-current | $ 193 | $ 1,788 |

Range of discount rates for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Buildings | 4.35%-7.83% | 4.35%-7.83% |
| Transportation | 1.21% | 1.21% |

c. Material leasing activities and terms - as lessee

The Group leases buildings and transportation equipment with lease terms of 1 to 4 years. These arrangements do not contain renewal or purchase options.

The Group's land use rights are depreciated over 50 years.

Because of the market conditions severely affected by COVID-19 in 2020, the Group negotiated with the lessor for rent concessions for the lease of buildings. The lessor agreed to provide unconditional rent concessions. The Group recognized in profit or loss the impact of rent concessions of $131 thousand (presented as deduction of depreciation expense) for the year ended December 31, 2020.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Expenses relating to short-term leases | $ 3,290 | $ 3,876 |
| Total cash outflow for leases | $ (5,557) | $ (6,136) |

The Group's leases of certain offices qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Lease commitments | $ 324 | $ 324 |

## 16. INVESTMENT PROPERTIES

| | **Buildings** |
|---|---|
| Cost | |
| Balance at January 1, 2021 | $ 31,016 |
| Effects of foreign currency exchange differences | (126) |
| Balance at December 31, 2021 | $ 30,890 |
| Accumulated depreciation and impairment | |
| Balance at January 1, 2021 | $ 15,898 |
| Depreciation expense | 1,459 |
| Effects of foreign currency exchange differences | (63) |
| Balance at December 31, 2021 | $ 17,294 |
| Carrying amount at December 31, 2021 | $ 13,596 |

(Continued)

| | Buildings |
|---|---|
| Cost | |
| Balance at January 1, 2020 | $ 21,540 |
| Transfers from assets used by the Group | 8,967 |
| Effects of foreign currency exchange differences | 509 |
| Balance at December 31, 2020 | $ 31,016 |
| Accumulated depreciation and impairment | |
| Balance at January 1, 2020 | $ 9,984 |
| Transfers from assets used by the Group | 4,224 |
| Depreciation expense | 1,439 |
| Effects of foreign currency exchange differences | 251 |
| Balance at December 31, 2020 | $ 15,898 |
| Carrying amount at December 31, 2020 | $ 15,118 |

(Concluded)

The investment properties were leased out for 1-6 years. The lessees do not have bargain purchase options to acquire the investment properties at the end of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Year 1 | $ 1,612 | $ 1,745 |
| Year 2 | 788 | 558 |
| Year 3 | 402 | 385 |
| Year 4 | 414 | 415 |
| Year 5 | - | 415 |
| | $ 3,216 | $ 3,518 |

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Group follows its general risk management strategy.

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | |
| Main buildings | 20 years |

The fair values of investment properties were not assessed by independent appraisers, but were assessed by the Group's management with reference to the current lease arrangements and market evidence of transaction prices of properties in the vicinity. The fair values were appraised as follows:

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Fair value | $ 44,783 | $ 44,965 |

## 17. GOODWILL

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Cost | | |
| Balance at January 1 | $ 38,435 | $ 36,991 |
| Effect of foreign currency exchange differences | (3,957) | 1,444 |
| Balance at December 31 | $ 34,478 | $ 38,435 |

For the years ended December 31, 2021 and 2020, no impairment assessment was performed as there were no indications of impairment on goodwill.

## 18. OTHER INTANGIBLE ASSETS

| | Computer Software | Licenses and Franchises | Specialized Technology | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1, 2021 | $ 49,105 | $ 750 | $ 30,678 | $ 80,533 |
| Additions | 5,644 | - | - | 5,644 |
| Effects of foreign currency exchange differences | (133) | - | (3,241) | (3,374) |
| Balance at December 31, 2021 | $ 54,616 | $ 750 | $ 27,437 | $ 82,803 |
| Accumulated amortization and impairment | | | | |
| Balance at January 1, 2021 | $ 35,472 | $ 161 | $ 12,783 | $ 48,416 |
| Amortization expense | 5,344 | 26 | 2,905 | 8,275 |
| Effects of foreign currency exchange differences | (133) | - | (1,512) | (1,645) |
| Balance at December 31, 2021 | $ 40,683 | $ 187 | $ 14,176 | $ 55,046 |
| Carrying amount at December 31, 2021 | $ 13,933 | $ 563 | $ 13,261 | $ 27,757 |

(Continued)

| | Computer Software | Licenses and Franchises | Specialized Technology | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1, 2020 | $ 43,221 | $ 750 | $ 29,425 | $ 73,396 |
| Additions | 5,833 | - | - | 5,833 |
| Effects of foreign currency exchange differences | 51 | - | 1,253 | 1,304 |
| Balance at December 31, 2020 | $ 49,105 | $ 750 | $ 30,678 | $ 80,533 |
| Accumulated amortization and impairment | | | | |
| Balance at January 1, 2020 | $ 27,241 | $ 136 | $ 9,318 | $ 36,695 |
| Amortization expense | 8,180 | 25 | 2,953 | 11,158 |
| Effects of foreign currency exchange differences | 51 | - | 512 | 563 |
| Balance at December 31, 2020 | $ 35,472 | $ 161 | $ 12,783 | $ 48,416 |
| Carrying amount at December 31, 2020 | $ 13,633 | $ 589 | $ 17,895 | $ 32,117 |

(Concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Computer software | 1-10 years |
| Licenses and franchises | 29 years |
| Specialized technology | 10 years |

An analysis of amortization by function:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Operating costs | $ 1,029 | $ 1,621 |
| Selling and marketing expenses | 3,160 | 4,646 |
| General and administrative expenses | 3,536 | 4,163 |
| Research and development expenses | 550 | 728 |
| | $ 8,275 | $ 11,158 |

## 19. OTHER ASSETS

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Current | | |
| Prepayments for purchases | $ 13,272 | $ 1,340 |
| Prepayments | 4,110 | 3,518 |
| Others | 104 | 110 |
| | $ 17,486 | $ 4,968 |
| Non-current | | |
| Refundable deposits (Note) | $ 16,474 | $ 3,954 |
| Prepayments for equipment | 2,517 | 2,297 |
| Net defined benefit assets (Note 23) | 1,988 | 1,793 |
| | $ 20,979 | $ 8,044 |

Note: The Group considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on refundable deposits. As of December 31, 2021 and 2020, the Group has no need to recognize expected credit loss on refundable deposits.

In July 2021, the Group paid to the Ministry of Economic Affairs (MOEA) the refundable deposit of $11,192 thousand for its participation in a technology research and development project, refer to Note 26(b).

## 20. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Unsecured borrowings | | |
| Line of credit borrowings (Note) | $ - | $ 10,000 |

Note: The interest rates on the line of credit borrowings was 0.90% per annum as of December 31, 2020.

b. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Secured borrowings | | |
| Bank loans | $ 252,000 | $ 252,000 |
| Less: Current portion | (9,692) | - |
| Long-term borrowings | $ 242,308 | $ 252,000 |

The Group's long-term borrowings are as follows:

| Significant Terms | December 31 2021 | December 31 2020 |
| --- | --- | --- |
| Loan period: 2020.6.10-2035.6.10<br>Creditor: Mega International Commercial Bank Co., Ltd.<br>Repayment: The principal is payable monthly in equal amounts after 2 years of grace period. Interest is paid monthly.<br>Interest rate: 1.1% | $ 252,000 | $ 252,000 |

The Group used land and buildings as collateral to acquire a loan from the bank are set out in Note 35.

## 21. NOTES PAYABLE AND TRADE PAYABLES

| | December 31 2021 | December 31 2020 |
| --- | --- | --- |
| Notes payable | | |
| Operating | $ 11,834 | $ 3,113 |
| Trade payables | | |
| Operating | $ 88,913 | $ 38,759 |

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 22. OTHER LIABILITIES

| | December 31 2021 | December 31 2020 |
| --- | --- | --- |
| Current | | |
| Other payables | | |
| Payables for salaries and bonuses | $ 45,320 | $ 43,053 |
| Payables for compensation of employees | 11,000 | 9,600 |
| Payables for remuneration of directors | 8,000 | 8,000 |
| Payables for shipping costs | 7,680 | 2,722 |
| Payables for VAT | 6,628 | 1,904 |
| Payables for labor and health insurance | 3,637 | 3,275 |
| Payables for purchase of equipment (Note 31) | 2,915 | 209 |
| Payables for retirement | 1,816 | 1,819 |
| Payables for annual leave | 701 | 175 |
| Others | 14,515 | 13,203 |
| | $ 102,212 | $ 83,960 |

## 23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group 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.

The employees of the Group in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Other entities in the Group make monthly contributions based on local laws.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 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. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Present value of defined benefit obligation | $ (5,106) | $ (4,876) |
| Fair value of plan assets | 7,094 | 6,669 |
| Net defined benefit assets | $ 1,988 | $ 1,793 |

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 Assets (Liabilities) |
|---|---|---|---|
| Balance at January 1, 2020 | $ (5,259) | $ 6,254 | $ 995 |
| Service costs | | | |
| Current service costs | (284) | - | (284) |
| Net interest (expense) income | (52) | 65 | 13 |
| Recognized in profit or loss | (336) | 65 | (271) |
| Remeasurement | | | |
| Return on plan assets | - | 179 | 179 |
| Actuarial gain (loss) | | | |
| Changes in financial assumptions | (259) | - | (259) |
| Experience adjustments | 777 | - | 777 |
| Recognized in other comprehensive income | 518 | 179 | 697 |
| Contributions from the employer | - | 372 | 372 |
| Benefits paid | 201 | (201) | - |
| Balance at December 31, 2020 | (4,876) | 6,669 | 1,793 |
| Service costs | | | |
| Current service costs | (1) | - | (1) |
| Net interest (expense) income | (24) | 34 | 10 |
| Recognized in profit or loss | (25) | 34 | 9 |
| Remeasurement | | | |
| Return on plan assets | - | 56 | 56 |
| Actuarial gain (loss) | | | |
| Changes in financial assumptions | 74 | - | 74 |
| Experience adjustments | (279) | - | (279) |
| Recognized in other comprehensive income | (205) | 56 | (149) |
| Contributions from the employer | - | 335 | 335 |
| Balance at December 31, 2021 | $ (5,106) | $ 7,094 | $ 1,988 |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Operating costs | $ - | $ - |
| General and administrative expenses | (9) | 271 |
| | $ (9) | $ 271 |

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

1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau 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 and corporate bond interest rates 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Discount rate(s) | 0.65% | 0.50% |
| Expected rate(s) of salary increase | 2.75% | 2.75% |

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 | $ 121 | $ 132 |
| 0.25% decrease | $ (124) | $ (137) |
| Expected rate(s) of salary increase | | |
| 1% increase | $ (510) | $ (561) |
| 1% decrease | $ 451 | $ 492 |

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 changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| The expected contributions to the plan for the next year | $ 340 | $ 325 |
| The average duration of the defined benefit obligation | 11 years | 12 years |

## 24. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| Ordinary shares | **2021** | **2020** |
| Number of shares authorized (in thousands) | 62,000 | 62,000 |
| Shares authorized | $ 620,000 | $ 620,000 |
| Number of shares issued and fully paid (in thousands) | 44,478 | 42,384 |
| Shares issued | $ 444,779 | $ 423,837 |

In the shareholders' meeting on July 6, 2021, the Company's shareholders approved the transfer of retained earnings of $20,942 thousand to issue 2,094 thousand new shares with a par value of NT$10. The above transaction was approved by the FSC on August 2, 2021, and the subscription base date was September 4, 2021, which was determined on August 12, 2021 by the Company's board of directors.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1) | | |
| Premium from issuance of ordinary shares | $ 316,818 | $ 316,818 |
| The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 34 | 34 |
| May be used to offset a deficit only | | |
| Arising from invalid employee share options | 3,037 | 3,037 |
| Treasury share transactions - transferred from employee share options (Note 2) | 2,089 | - |
| May not be used for any purpose (Note 3) | | |
| Employee share options | 5,745 | - |
| | $ 327,723 | $ 319,889 |

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Note 2: The capital surplus of treasury share transactions transferred from the capital surplus generated from employee share options may only be used to offset a deficit.

Note 3: The capital surplus generated from employee share options shall not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividend 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 the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 26 (h).

In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

Amounts equal to 10% of the remaining earnings after tax should be appropriated as a legal reserve until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" shall be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for the 2020 and 2019 which were approved in the shareholders' meetings on July 6, 2021 and June 15, 2020, respectively, were as follows:

| | Appropriation of Earnings | |
|---|---|---|
| | For the Year Ended December 31 | |
| | 2020 | 2019 |
| Legal reserve | $ 23,043 | $ 21,411 |
| Special reserve | $ 7,157 | $ 22,940 |
| Cash dividends | $ 167,535 | $ 167,535 |
| Share dividends | $ 20,942 | $ - |
| Cash dividends per share (NT$) | $ 4.0 | $ 4.0 |
| Share dividends per share (NT$) | $ 0.5 | $ - |

The appropriations of earnings for 2021, which were proposed by the Company's board of directors on March 18, 2022, were as follows:

| | For the Year Ended December 31, 2021 |
|---|---|
| Legal reserve | $ 27,583 |
| Special reserve | $ 17,594 |
| Cash dividends | $ 181,949 |
| Share dividends | $ 48,816 |
| Cash dividends per share (NT$) | $ 4.1 |
| Share dividends per share (NT$) | $ 1.1 |

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 10, 2022.

d. Special reserve

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 52,488 | $ 29,548 |
| Appropriation in respect of: | | |
| Reversal of the debit to other equity items | 7,157 | 22,940 |
| Balance at December 31 | $ 59,645 | $ 52,488 |

e. Other equity items

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ (54,335) | $ (52,488) |
| Recognized for the year | | |
| Exchange differences on translation of foreign operations | (23,096) | (2,309) |
| Income tax related to exchange differences arising on translation to the presentation currency | 4,619 | 462 |
| Balance at December 31 | $ (72,812) | $ (54,335) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ (5,310) | $ - |
| Recognized for the year | | |
| Unrealized gain/(loss) - equity instruments | 883 | (5,310) |
| Balance at December 31 | $ (4,427) | $ (5,310) |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Balance at January 1 | $ 121 | $ 135 |
| Share in loss for the year | (18) | (8) |
| Exchange differences on translation of the financial statements of foreign operations | (3) | (10) |
| Non-controlling interests from establishment and capital increase in subsidiaries | - | 4 |
| Balance at December 31 | $ 100 | $ 121 |

g. Treasury shares

| **Purpose of Buy-back** | **Shares Transferred to Employees (In Thousands of Shares)** |
|---|---|
| Number of shares at January 1, 2021 | 500 |
| Decrease during the year | (130) |
| Number of shares at December 31, 2021 | 370 |
| Number of shares at January 1, 2020 | 500 |
| Number of shares at December 31, 2020 | 500 |

From October 2018 to November 2018, for the purpose of transferring shares to employees, the Company bought back 500 thousand shares from the open market amounting to $36,973 thousand.

On May 7, 2021, the board of directors resolved to transfer 130 thousand treasury shares to employees, and set July 9, 2021 as the grant date. The Company recognized $2,569 thousand as compensation cost and capital surplus - employee share options based on the option pricing model.

In July 2021, the Company's employees subscribed 130 thousand ordinary shares at an exercise price of $70.47 per share. After the deduction of the net of $28 thousand in securities transaction taxes and other transaction costs, the total amount was $9,133 thousand. The Company reversed $9,613 thousand of treasury shares and $2,569 thousand of capital surplus - employee share options, and the difference of $2,089 thousand was recognized in capital surplus - treasury share transactions.

On December 20, 2021, the board of directors resolved to transfer 270 thousand treasury shares to employees, and set December 28, 2021 as the grant date. The Company recognized $5,745 thousand as compensation cost and capital surplus - employee share options based on the option pricing model. Subsequently, in January 2022, the Company's employees subscribed 270 thousand ordinary shares at an exercise price of $67.15 per share.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 25. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Revenue from contracts with customers | | |
| Revenue from sale of goods | $ 1,270,429 | $ 1,003,991 |
| Revenue from rendering of services | 2,112 | 2,714 |
| | $ 1,272,541 | $ 1,006,705 |

a. Contract balances

| | **December 31, 2021** | **December 31, 2020** | **January 1, 2020** |
|---|---|---|---|
| Notes receivable (Note 11) | $ 38,001 | $ 29,054 | $ 31,370 |
| Trade receivables (Note 11) | $ 202,785 | $ 140,853 | $ 159,151 |
| Contract liabilities - current | | | |
| Sales of goods | $ 22,685 | $ 27,154 | $ 18,756 |

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| From contract liabilities at the start of the year | | |
| Sale of goods | $ 24,769 | $ 17,525 |

b. Disaggregation of revenue

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Product categories | | |
| Process automated sensor development | $ 1,097,838 | $ 855,022 |
| Pneumatic control system | 89,878 | 86,776 |
| Others | 84,825 | 64,907 |
| | $ 1,272,541 | $ 1,006,705 |

## 26. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Bank deposits | $ 5,076 | $ 6,294 |
| Financial assets at amortized cost | 1,400 | 1,192 |
| Imputed interest | 3 | 4 |
| | $ 6,479 | $ 7,490 |

b. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Government grant income | $ 11,932 | $ 10,905 |
| Rental income | | |
| Other operating leases (Note 16) | 9,125 | 9,475 |
| Dividend income | 1,231 | 936 |
| Others | 1,949 | 2,810 |
| | $ 24,237 | $ 24,126 |

The Group participated in the MOEA’s technology research and development project and obtained approval from the government the amount of subsidy of $27,979 thousand. As of December 31, 2021, the Group has received $11,192 thousand.

The Group paid the refundable deposit for its participation in the aforementioned project, refer to Note 19.

c. Other gains and (losses)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Gain (loss) on disposal of property, plant and equipment | $ 6 | $ (93) |
| Net foreign exchange (losses) gains | (4,903) | 3,113 |
| Fair value changes of financial assets | | |
| Financial assets mandatorily classified as at FVTPL | 1,206 | 6,504 |
| Others | 3,669 | (1,118) |
| | $ (22) | $ 8,406 |

d. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Interest on loans | $ 2,782 | $ 1,991 |
| Interest on lease liabilities | 161 | 216 |
| Other interest expenses | 32 | 17 |
| | $ 2,975 | $ 2,224 |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| An analysis of depreciation by function | | |
| Operating costs | $ 16,238 | $ 16,951 |
| Operating expenses | 13,286 | 13,786 |
| Deductions of other income | 1,459 | 1,439 |
| | $ 30,983 | $ 32,176 |
| An analysis of amortization by function | | |
| Operating costs | $ 1,029 | $ 1,621 |
| Operating expenses | 7,246 | 9,537 |
| | $ 8,275 | $ 11,158 |

f. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Direct operating expenses of investment properties generating rental income | $ 1,578 | $ 1,641 |

g. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Short-term benefits | $ 277,469 | $ 258,477 |
| Post-employment benefits (Note 23) | | |
| Defined contribution plan | 16,145 | 8,652 |
| Defined benefit plans | (9) | 271 |
| Share-based payments (Note 29) | | |
| Equity-settled | 8,314 | - |
| Others benefits | 45,991 | 42,909 |
| Total employee benefits expense | $ 347,910 | $ 310,309 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 112,754 | $ 99,087 |
| Operating expenses | 235,156 | 211,222 |
| | $ 347,910 | $ 310,309 |

h. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 18, 2022 and March 15, 2021, respectively, are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Compensation of employees | 3.09% | 3.28% |
| Remuneration of directors | 2.24% | 2.73% |

Amount

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| | Cash | Cash |
| Compensation of employees | $ 11,000 | $ 9,600 |
| Remuneration of directors | 8,000 | 8,000 |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

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

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

i. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Foreign exchange gains | $ 4,886 | $ 13,430 |
| Foreign exchange losses | (9,789) | (10,317) |
| Net foreign exchange (losses) gains | $ (4,903) | $ 3,113 |

## 27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Current tax | | |
| In respect of the current period | $ 84,677 | $ 82,360 |
| Income tax on unappropriated earnings | 588 | 111 |
| Withholding tax on repatriated offshore funds | - | 3,281 |
| Adjustments for prior years | (1,364) | (662) |
| | 83,901 | 85,090 |
| Deferred tax | | |
| In respect of the current period | 5,300 | (18,708) |
| Income tax expense recognized in profit or loss | $ 89,201 | $ 66,382 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Profit before tax from continuing operations | $ 365,137 | $ 296,251 |
| Income tax expense calculated at the statutory rate | $ 95,364 | $ 77,436 |
| Nondeductible expenses in determining taxable income | (102) | (447) |
| Tax-exempt income | (271) | (613) |
| Income tax on unappropriated earnings | 588 | 111 |
| Deferred tax effect of earnings of subsidiaries | (5,014) | (3,378) |
| Adjustments for prior years' tax | (1,364) | (662) |
| Tax-exempt investment income from repatriated offshore funds | - | (8,203) |
| Withholding tax on repatriated offshore funds | - | 3,281 |
| Investment credits | - | (1,143) |
| Income tax expense recognized in profit or loss | $ 89,201 | $ 66,382 |

In July 2019, the president of the ROC announced "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act". Under the Act, enterprises shall apply for and obtain approval from auditing authority to repatriate their offshore reinvestment income in two years, and the bank may deduct taxes on their behalf in accordance with the tax rates stipulated in the act. The Company has obtained the approval of the auditing authority and repatriated offshore funds in March 2020, with 8% income tax deducted.

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 | $ (4,619) | $ (462) |
| Remeasurement of defined benefit plans | (30) | 139 |
| Total income tax recognized in other comprehensive income | $ (4,649) | $ (323) |

c. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Current tax assets | | |
| Tax refund receivable | $ 9,365 | $ 7,324 |
| Current tax liabilities | | |
| Income tax payable | $ 32,869 | $ 36,924 |

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** | **Exchange Differences** | **Closing Balance** |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | $ 10,496 | $ - | $ 4,619 | $ - | $ 15,115 |
| Defined benefit plans | 308 | (63) | 30 | - | 275 |
| Unrealized gains on transactions with associates | 2,800 | 2,453 | - | - | 5,253 |
| Payables for annual leave | 35 | 105 | - | - | 140 |
| Allowance for impairment of receivables | 367 | (321) | - | (2) | 44 |
| Allowance for investments in debt instrument | 27 | (22) | - | - | 5 |
| Unrealized losses on write-down of inventories | 11,834 | (900) | - | (7) | 10,927 |
| Others | 243 | (137) | - | - | 106 |
| | $ 26,110 | $ 1,115 | $ 4,649 | $ (9) | $ 31,865 |
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | $ 44,213 | $ 6,721 | $ - | $ - | $ 50,934 |
| Others | 488 | (306) | - | - | 182 |
| | $ 44,701 | $ 6,415 | $ - | $ - | $ 51,116 |

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | $ 10,034 | $ - | $ 462 | $ - | $ 10,496 |
| Defined benefit plans | 467 | (20) | (139) | - | 308 |
| Unrealized gains on transactions with associates | 3,160 | (360) | - | - | 2,800 |
| Payables for annual leave | 73 | (38) | - | - | 35 |
| Allowance for impairment of receivables | 649 | (288) | - | 6 | 367 |
| Allowance for investments in debt instrument | - | 27 | - | - | 27 |
| Unrealized losses on write-down of inventories | 10,332 | 1,473 | - | 29 | 11,834 |
| Others | 861 | (618) | - | - | 243 |
| | $ 25,576 | $ 176 | $ 323 | $ 35 | $ 26,110 |
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | $ 63,180 | $ (18,967) | $ - | $ - | $ 44,213 |
| Others | 53 | 435 | - | - | 488 |
| | $ 63,233 | $ (18,532) | $ - | $ - | $ 44,701 |

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $142,971 thousand and $117,902 thousand, respectively.

f. Income tax assessments

The tax returns through 2019 have been assessed by the tax authorities. As of December 31, 2021, the Group has no unsettled lawsuits in relation to tax.

## 28. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Basic earnings per share | $ 6.27 | $ 5.23 |
| Diluted earnings per share | $ 6.24 | $ 5.21 |

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 4, 2021. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2020 were as follows:

**Unit: NT$ Per Share**

| | Before Retrospective Adjustment | After Retrospective Adjustment |
|---|---|---|
| Basic earnings per share | $ 5.49 | $ 5.23 |
| Diluted earnings per share | $ 5.47 | $ 5.21 |

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Profit for the year attributable to owners of the Company | $ 275,954 | $ 229,877 |

Weighted average number of ordinary shares outstanding (in thousands of shares)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 44,041 | 43,978 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation or bonuses issued to employees | 147 | 173 |
| Employee share options | 1 | - |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 44,189 | 44,151 |

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that entire amount of the compensation or bonuses will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. SHARE-BASED PAYMENT ARRANGEMENTS

Treasury shares transferred to employees

In order to motivate and enhance the motivation of employees, the Company granted 130 thousand shares and 270 thousand shares of treasury shares to employees in July 2021 and December 2021 respectively, and the related information is as follows:

| | For the Year Ended December 31, 2021 | |
|---|---|---|
| | Number of Options (In Thousands of Units) | Weighted-average Exercise Price ($) |
| Treasury shares transferred to employees | | |
| Balance at January 1 | - | $ - |
| Options granted | 400 | 68.23 |
| Options exercised | (130) | 70.47 |
| Balance at December 31 | 270 | |
| Options exercisable, end of the year | 270 | |
| Weighted-average fair value of options granted ($) | $ 20.79 | |

Information on outstanding options was as follows:

| | December 31, 2021 |
|---|---|
| Range of exercise price ($) | $67.15 |
| Weighted-average remaining contractual life (in years) | 0.04 years |

The estimated fair value of the Company’s equity instruments given on the grant date was separately recognized as compensation costs under the option pricing model. The fair value was determined based on the Black-Scholes option pricing model. The input values to the model were as follows:

| | July 2021 | December 2021 |
|---|---|---|
| Grant-date share price | $90.10 | $88.40 |
| Exercise price | $70.47 | $67.15 |
| Expected volatility | 21.94% | 12.45% |
| Expected life (in years) | 0.04 years | 0.04 years |
| Expected employee subscription rate | 100% | 100% |
| Risk-free interest rate | 0.15% | 0.24% |

The cost of compensation for the transfer of the Company’s treasury shares to employees was $8,314 thousand for the year ended December 31, 2021.

## 30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2020, the Group subscribed for additional new shares of PT. Finetek Automation Indonesia at a percentage different from its existing ownership percentage, and increased its continuing interest from 99.65% to 99.70%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

| | PT. Finetek Automation Indonesia |
|---|---|
| Consideration paid to non-controlling interests | $ - |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests | (4) |
| Differences recognized from equity transactions | $ (4) |
| Line items adjusted for equity transactions | |
| Unappropriated earnings | $ (4) |

## 31. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2021 and 2020, the unsettled payments for the acquisition of property, plant and equipment were $2,915 thousand and $209 thousand, respectively, which were recorded as other payables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

| | | | Non-cash Changes | | | |
|---|---|---|---|---|---|---|
| | Opening Balance | Cash Flows | Exchange Rate Impact | Interest Expense | Others | Closing Balance |
| Short-term borrowings | $ 10,000 | $ (10,000) | $ - | $ - | $ - | $ - |
| Long-term borrowings and long-term borrowings due within one year | 252,000 | - | - | - | - | 252,000 |
| Lease liabilities | 3,957 | (2,106) | (78) | 161 | (161) | 1,773 |
| Guarantee deposits | 1,271 | 3 | (4) | - | - | 1,270 |
| | $ 267,228 | $ (12,103) | $ (82) | $ 161 | $ (161) | $ 255,043 |

For the year ended December 31, 2020

| | Opening Balance | Cash Flows | Non-cash Changes: Exchange Rate Impact | New Leases | Lease Concessions | Interest Expense | Others | Closing Balance |
|---|---|---|---|---|---|---|---|---|
| Short-term borrowings | $ 65,000 | $ (55,000) | $ - | $ - | $ - | $ - | $ - | $ 10,000 |
| Long-term borrowings | - | 252,000 | - | - | - | - | - | 252,000 |
| Lease liabilities | 3,677 | (2,044) | (90) | 2,545 | (131) | 216 | (216) | 3,957 |
| Guarantee deposits | 1,324 | (72) | 19 | - | - | - | - | 1,271 |
| | $ 70,001 | $ 194,884 | $ (71) | $ 2,545 | $ (131) | $ 216 | $ (216) | $ 267,228 |

## 32. CAPITAL MANAGEMENT

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

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

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

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of new debt issued and existing debt redeemed.

## 33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2021

| | Carrying Amount | Fair Value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets at amortized cost | | | | | |
| Foreign corporate bonds | $ 35,937 | $ - | $ 39,058 | $ - | $ 39,058 |

December 31, 2020

| | Carrying Amount | Fair Value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets at amortized cost | | | | | |
| Foreign corporate bonds | $ 25,133 | $ - | $ 27,368 | $ - | $ 27,368 |

The fair values of the financial assets included in the Level 2 category above have been determined in accordance with the income approach based on a discounted cash flow analysis.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | $ 38,330 | $ - | $ - | $ 38,330 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | $ - | $ - | $ 10,573 | $ 10,573 |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | $ 27,441 | $ - | $ - | $ 27,441 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | $ - | $ - | $ 9,690 | $ 9,690 |

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

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

For the year ended December 31, 2021

| | Financial Assets at FVTOCI |
|---|---|
| | Equity Instruments |
| Financial assets | |
| Balance at January 1 | $ 9,690 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | 883 |
| Balance at December 31 | $ 10,573 |

For the year ended December 31, 2020

| | Financial Assets at FVTOCI<br>Equity Instruments |
|---|---|
| Financial assets | |
| Balance at January 1 | $ 15,000 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | (5,310) |
| Balance at December 31 | $ 9,690 |

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

The fair values of domestic unlisted equity securities were assessed using a combination of the market and income approaches. In the market approach, the price multipliers of other similar companies trading on the active market are used as reference for determination of the fair value. In the income approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

The significant unobservable inputs used are as follows:

The value of the investee evaluated by the market approach was relatively lower than that of the equity with control due to the lack of control ability, so 33.33% was listed as the basis for non-control reduction. In addition, the equity was considered to be less liquid in the securities market than the comparable company, so the liquidity discount was 25%.

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Financial assets | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | $ 38,330 | $ 27,441 |
| Financial assets at FVTOCI | 10,573 | 9,690 |
| Financial assets at amortized cost (1) | 929,730 | 837,279 |
| Financial liabilities | | |
| Financial liabilities at amortized cost (2) | 379,127 | 321,277 |

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, other receivables (except for tax refund receivable), financial assets at amortized cost - non-current and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors payable, labor and health insurance payable, taxes payable, payable for retirement and payable for annual leaves), long-term loans (including long-term loans due within one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates risk (see (a) below), interest rates risk (see (b) below), and other prices risk (see (c) below).

There have been no changes to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated upon consolidation) exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 38.

Sensitivity analysis

The Group was mainly exposed to fluctuations in the USD and the RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of several subsidiaries of the Group against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the functional currency of several subsidiaries of the Group weakens 5% against the relevant currency. For a 5% strengthening of the functional currency of several subsidiaries of the Group against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

| | **USD Impact** | | **RMB Impact** | |
|---|---|---|---|---|
| | **For the Year Ended December 31** | | **For the Year Ended December 31** | |
| | **2021** | **2020** | **2021** | **2020** |
| Profit or loss | $ 2,565 | $ 4,996 | $ 2,842 | $ 3,034 |

The profit (loss) above was mainly attributable to the exposure on outstanding USD and RMB bank deposits, receivables, financial assets at amortized cost and payables at the end of the reporting period.

The Group's sensitivity to the USD decreased during the current year mainly because of a decrease in USD bank deposits and receivables.

The Group's sensitivity to the RMB decreased during the current year mainly because of a decrease in RMB bank deposits and receivables.

b) Interest rate risk

The carrying amounts of the Group'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 assets | $ 364,812 | $ 332,814 |
| Financial liabilities | 253,773 | 255,957 |
| Cash flow interest rate risk | | |
| Financial assets | 300,895 | 326,951 |
| Financial liabilities | - | 10,000 |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was 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 a 1% basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by $3,009 thousand and $3,170 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loan.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity prices at the end of the reporting period.

If the equity price of financial assets at FVTPL rises/falls by 1% and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by $383 thousand and $274 thousand, respectively.

If the equity price of financial assets at FVTOCI rises/falls by 1% and all other variables were held constant, the Group's other comprehensive income for the years ended December 31, 2021 and 2020 would increase/decrease by $106 thousand and $97 thousand, respectively.

The Group's sensitivity to equity prices increased during the current year mainly due to the increase in the market price of equity securities held.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, in order to mitigate the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group did not have significant credit risk for any single counterparty or any group of counterparties with similar characteristics. When the counterparties were related companies, the Group defined them as counterparties with similar characteristics.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities set out in (b) below.

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

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both estimated interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Lease liabilities | $ 177 | $ 255 | $ 1,185 | $ 198 | $ - |
| Fixed interest rate liabilities | 231 | 462 | 11,771 | 88,626 | 188,331 |
| Non-interest bearing liabilities | 25,110 | 100,747 | - | 1,270 | - |
| | $ 25,518 | $ 101,464 | $ 12,956 | $ 90,094 | $ 188,331 |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years |
|---|---|---|---|---|
| Lease liabilities | $ 1,617 | $ 198 | $ - | $ - |
| Fixed interest rate liabilities | 12,464 | 88,626 | 110,783 | 77,548 |
| | $ 14,081 | $ 88,824 | $ 110,783 | $ 77,548 |

December 31, 2020

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Lease liabilities | $ 254 | $ 324 | $ 1,817 | $ 1,867 | $ - |
| Variable interest rate liabilities | 10,000 | - | - | - | - |
| Fixed interest rate liabilities | 231 | 462 | 2,079 | 78,934 | 210,488 |
| Non-interest bearing liabilities | 16,134 | 41,872 | - | 1,271 | - |
| | $ 26,619 | $ 42,658 | $ 3,896 | $ 82,072 | $ 210,488 |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years |
|---|---|---|---|---|
| Lease liabilities | $ 2,395 | $ 1,867 | $ - | $ - |
| Variable interest rate liabilities | 10,000 | - | - | - |
| Fixed interest rate liabilities | 2,772 | 78,934 | 110,783 | 99,705 |
| | $ 15,167 | $ 80,801 | $ 110,783 | $ 99,705 |

b) Loan commitments

| | December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Unsecured bank credit | | |
| Amount used | $ - | $ 10,000 |
| Amount unused | 360,000 | 350,000 |
| | $ 360,000 | $ 360,000 |
| Secured bank credit which may be extended by mutual agreement: | | |
| Amount used | $ 252,000 | $ 252,000 |
| Amount unused | - | - |
| | $ 252,000 | $ 252,000 |

## 34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

| Related Party Name | Relationship with the Group |
|---|---|
| Morn Sun Feed Mill Corp. | Related party in substance (the Chairman of the entity is the Chairman of the Company) |
| Yilan Wu Sha Culture Foundation | Related party in substance (the Chairman of the entity is the managing director of the Company) |
| Yilan County Sijie National Primary School Education Foundation | Related party in substance (the Chairman of the entity is the Chairman of the Company) |
| Taiwan Fluid Power Association | Related party in substance (the supervisor of the entity is the managing director of the Company) |
| Ultracker Technology Co. | Related party in substance (the Company was corporate director of the entity before September 2020) |
| Wu, Ding-Guo | Key management personnel (the managing director of the Company) |

b. Revenue

| | | For the Year Ended December 31 | |
|---|---|---|---|
| Line Item | Related Party Category | 2021 | 2020 |
| Sales revenue | Related party in substance | $ 826 | $ - |

The Group’s selling prices for the sale of goods to related parties were negotiated with reference to the market prices in the respective regions, and the selling prices for non-related parties were determined based on the general market. The credit period for the sale of goods to related parties and non-related parties was 90 days after the month-end closing and date of advance collection till 150 days after the month-end closing, respectively.

c. Lease arrangements

| Related Party Category/Name | For the Year Ended December 31 2021 | 2020 |
|---|---|---|
| Lease expense | | |
| Related party in substance Wu, Ding-Guo | $ 1,042 | $ 1,028 |

In 2021 and 2020, the rental expenses, which were payable monthly, were based on current market prices.

d. Other transactions with related parties

| Line Item | Related Party Category/Name | For the Year Ended December 31 2021 | 2020 |
|---|---|---|---|
| General and administrative expenses - donation | Related party in substance Yilan Wu Sha Culture Foundation | $ 4,500 | $ 3,800 |
| | Others | 130 | - |
| | | $ 4,630 | $ 3,800 |
| Research and development expenses - research and development | Related party in substance | $ - | $ 240 |

e. Compensation of key management personnel

| | For the Year Ended December 31 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 26,225 | $ 25,002 |
| Post-employment benefits | 341 | 341 |
| Share-based payments | 1,575 | - |
| | $ 28,141 | $ 25,343 |

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

## 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, government grant projects, guarantee for tariffs and funds restricted by "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act":

| | December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Pledged bank deposits (classified as financial assets at amortized cost - current) | $ 304 | $ 303 |
| Demand deposits (classified as financial assets at amortized cost - non-current) | 1,523 | 38,814 |
| Freehold land and buildings (classified as property, plant and equipment) | 346,357 | 324,430 |
| | $ 348,184 | $ 363,547 |

## 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the end of the reporting period were as follows:

As of December 31, 2021, unrecognized commitments for purchases of property, plant and equipment amounted to $5,001 thousand.

## 37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE

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

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

| | Foreign Currency (thousand) | Exchange Rate | | Carrying Amount |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary items | | | | |
| USD | $ 2,043 | 27.680 | (USD:NTD) | $ 56,550 |
| USD | 89 | 1.353 | (USD:SGD) | $ 2,467 |
| USD | 4 | 13,979.798 | (USD:IDR) | $ 107 |
| RMB | 13,082 | 4.344 | (RMB:NTD) | $ 56,830 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 282 | 27.680 | (USD:NTD) | $ 7,818 |

December 31, 2020

| | Foreign Currency (thousand) | Exchange Rate | | Carrying Amount |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary items | | | | |
| USD | $ 3,527 | 28.480 | (USD:NTD) | $ 100,449 |
| USD | 89 | 1.321 | (USD:SGD) | $ 2,539 |
| USD | 29 | 14,029.557 | (USD:IDR) | $ 825 |
| RMB | 13,864 | 4.377 | (RMB:NTD) | $ 60,684 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 136 | 28.480 | (USD:NTD) | $ 3,886 |

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gain (losses) were $(4,903) thousand and $3,113 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

## 39. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)

4) Marketable securities acquired or disposed of at costs or prices of 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 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 6)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

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 7)

e. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items of affiliates are as follows:

1) The names of the subordinate companies and their relationships to the controlling company, the nature of their businesses, and the controlling company’s shareholding or capital contribution ratio in each. (Note 13)

2) Changes in the subordinate companies included in the current consolidated financial statements of the affiliates. (Note 13)

3) The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons they are not included in the consolidated statements. (None)

4) The adjustment method and treatment adopted if the opening and closing dates of the subordinate company’s accounting year are different from those of the controlling company. (None)

5) An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China. (None)

6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations. (Note 13)

7) Statutory or contractual restrictions on distribution of earnings by the various affiliates. (Note)

8) Amortization methods and period for consolidated borrowings (loans). (None)

9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates. (None)

Note: If Fine Automation Co., Ltd., the subsidiary of Faco International Co., Ltd., made a profit in a fiscal year after paying taxes, the profit shall be first used to offset losses of previous years, set aside as legal reserve not lower than 10% of the net income (until the legal reserve reaches 50% of Fine Automation Co., Ltd.'s registered capital), and then any remaining profit shall be used as the basis for proposing a distribution plan, which should be resolved in Fine Automation Co., Ltd.'s board of directors' meeting for the distribution of dividends and bonuses to shareholders.

f. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items from each individual affiliate are as follows:

1) Information related to financing, endorsements, and guarantees. (None)

2) Information related to derivative instrument transactions. (None)

3) Significant contingencies. (None)

4) Significant events after the reporting period. (Note 37)

5) Names of bills and securities held, and their quantities, cost, market value (if not available, the net worth per share is disclosed), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period. (Tables 1, 4 and 5)

6) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates (None)

g. The subsidiaries holding the parent company's shares should list clearly their Company's name, number of shares held, the total amounts and the reasons for holding the shares: (None)

## 40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The chief operating decision maker treats regional-direct-sale units as separate operating segments. However, in the preparation of financial statements, segments are identified according to the following:

- Similarity of the product nature and manufacturing process.

- Similarity of pricing strategy and sales models.

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Process automated sensor development | $ 1,097,838 | $ 855,022 |
| Pneumatic control system | 89,878 | 86,776 |
| Others | 84,825 | 64,907 |
| | $ 1,272,541 | $ 1,006,705 |

b. Geographical information

The Group operates in four principal geographical areas, China, Taiwan, USA and Germany.

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below:

| | Revenue from External Customers | | Non-current Assets | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| China | $ 500,286 | $ 456,601 | $ 73,432 | $ 78,195 |
| Taiwan | 397,598 | 364,790 | 657,197 | 637,958 |
| USA | 221,473 | 80,194 | 2,029 | 3,039 |
| Germany | 114,525 | 81,612 | 41,639 | 49,034 |
| Others | 38,659 | 23,508 | 29,450 | 31,639 |
| | $ 1,272,541 | $ 1,006,705 | $ 803,747 | $ 799,865 |

Non-current assets exclude financial assets at FVTOCI - non-current, financial assets at amortized cost - non-current, goodwill, deferred tax assets, other non-current assets (refundable deposits and net defined benefit assets).

c. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| Customer A | $ 211,922 | $ 70,542 |

TABLE 1

# FINETEK CO., LTD. AND SUBSIDIARIES

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Highest Shareholding Proportion in the Period (In Thousands of Shares) | Collateral Pledged | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares (In Thousands of Shares) | Carrying Amount | Percentage of Ownership (%) | Fair Value | | | |
| The Company | Domestic listed shares | | | | | | | | | |
| | Morn Sun Feed Mill Corp. | The Chairman of the entity is the Chairman of the Company | Financial assets at FVTPL - current | 479 | $ 24,613 | 1.30 | $ 24,613 | 479 | None | |
| | Mega Financial Holding Company Limited | None | Financial assets at FVTPL - current | 205 | 7,288 | - | 7,288 | 205 | None | |
| | Cathay Financial Holding Co., Ltd. | None | Financial assets at FVTPL - current | 25 | 1,562 | - | 1,562 | 25 | None | |
| | Taiwan Chelic Co., Ltd. | None | Financial assets at FVTPL - current | 49 | 2,617 | 0.07 | 2,617 | 49 | None | |
| | Value Valves Co., Ltd. | None | Financial assets at FVTPL - current | 25 | 2,250 | 0.06 | 2,250 | 25 | None | |
| | Domestic unlisted shares | | | | | | | | | |
| | Ultracker Technology Co., Ltd. | None | Financial assets at FVTOCI - non-current | 1,250 | 10,573 | 9.14 | 10,573 | 1,250 | None | Note 1 |
| | Foreign investments | | | | | | | | | |
| | Corporate bonds - Deutsche Bank | None | Financial assets at amortized cost - non-current | 1 | 5,532 | - | 5,847 | 1 | None | Note 2 |
| | Corporate bonds - Société Générale | None | Financial assets at amortized cost - non-current | 1 | 5,524 | - | 5,831 | 1 | None | Note 2 |
| | Corporate bonds - AT&T | None | Financial assets at amortized cost - non-current | 1 | 8,241 | - | 8,774 | 1 | None | Note 2 |
| Faco International Co., Ltd. | Foreign investments | | | | | | | | | |
| | Corporate bonds - Deutsche Bank | None | Financial assets at amortized cost - non-current | 1 | 13,775 | - | 15,864 | 1 | None | Note 2 |
| | Corporate bonds - AT&T | None | Financial assets at amortized cost - non-current | 1 | 2,865 | - | 2,742 | 1 | None | Note 2 |

Note 1: Refer to Note 33 (b) for information relating to the fair value measurement of domestic investments.

Note 2: Refer to Note 33 (a) for information relating to the fair value measurement of domestic investments.

## FINETEK CO., LTD. AND SUBSIDIARIES

**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 Receivable (Payable)/Trade Receivables (Payables) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price (Note 2) | Payment Terms | Ending Balance | % of Total | |
| FineTek Co., Ltd. | Fine Automation Co., Ltd. | Parent company to subsidiary | (Sale) | $ (266,432) | (30) | 90 days after the month-end closing when invoice is issued | Price set based on cost-plus pricing | Date of advance collection till 150 days after the month-end closing when invoice is issued | $ 51,205 | 24 | Note 1 |
| | Aplus Finetek Sensor Inc. | Parent company to subsidiary | (Sale) | (188,068) | (21) | 90 days after the month-end closing when invoice is issued | Price set based on cost-plus pricing | Date of advance collection till 150 days after the month-end closing when invoice is issued | 54,814 | 26 | Note 1 |
| Fine Automation Co., Ltd. | The Company | Subsidiary to parent company | Purchase | 266,432 | 81 | 90 days after the month-end closing when invoice is issued | Price set based on cost-plus pricing | 30-180 days after the month-end closing when invoice is issued when invoice is issued | (51,205) | (78) | Note 1 |
| Aplus Finetek Sensor Inc. | The Company | Subsidiary to parent company | Purchase | 188,068 | 97 | 90 days after the month-end closing when invoice is issued | Price set based on cost-plus pricing | 30-60 days after the month-end closing when invoice is issued when invoice is issued | (54,814) | (99) | Note 1 |

Note 1: The listed amounts were eliminated upon consolidation.

Note 2: Selling prices to general customers were determined based on the general market, and the purchase prices from general vendors were determined based on negotiation with counterparties.

# FINETEK CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % of Total Sales or Assets (Note 3) |
| 0 | FinTek Co., Ltd. | Fine Automation Co., Ltd. | a | Sales | $ 266,432 | Prices set based on cost-plus pricing | 21 |
| | | Fine Automation Co., Ltd. | a | Trade receivables | 51,205 | 90 days after the end of the month when invoice is issued | 2 |
| | | Fine Automation Co., Ltd. | a | Purchases | 13,930 | Prices set based on cost-plus pricing | 1 |
| | | Fine Automation Co., Ltd. | a | Trade payables | 5,132 | The transaction terms are not significantly different with other companies | - |
| | | Finetek Pte., Ltd. | a | Sales | 11,231 | Prices set based on cost-plus pricing | 1 |
| | | Finetek Pte., Ltd. | a | Trade receivables | 7,160 | 90 days after the end of the month when invoice is issued | - |
| | | Finetek GmbH | a | Sales | 5,460 | Prices set based on cost-plus pricing | - |
| | | Finetek GmbH | a | Trade receivables | 578 | 90 days after the end of the month when invoice is issued | - |
| | | Aplus Finetek Sensor Inc. | a | Sales | 188,068 | Prices set based on cost-plus pricing | 15 |
| | | Aplus Finetek Sensor Inc. | a | Trade receivables | 54,814 | 90 days after the end of the month when invoice is issued | - |
| | | Mutec Instruments GmbH | a | Purchases | 4,128 | Prices set based on market prices in the respective regions | - |
| | | Mutec Instruments GmbH | a | Trade payables | 1,182 | The transaction terms are not significantly different with other companies | - |
| | | PT. Finetek Automation Indonesia | a | Sales | 13,937 | Prices set based on cost-plus pricing | 1 |
| | | PT. Finetek Automation Indonesia | a | Trade receivables | 12,666 | 90 days after the end of the month when invoice is issued | 1 |
| | | Finetek GmbH | a | Investments accounted for using the equity method | 24,888 | Earnings distributions | 1 |
| 3 | Finetek GmbH | Mutec Instruments GmbH | c | Investments accounted for using the equity method | 13,260 | Earnings distributions | 1 |

Note 1: The Company and its subsidiaries are numbered as follows:

a. The Company is numbered “0.”
b. The subsidiaries are numbered consecutively beginning from “1” in the order presented in the table above.

Note 2: The relationships between the parties of the transactions are numbered as follows:

a. The Company to the subsidiary.
b. The subsidiary to the Company.
c. Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenue or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the interim period to consolidated total operating revenue for income statement accounts.

Note 4: The intercompany transactions listed above were eliminated upon consolidation.

# FINETEK CO., LTD. AND SUBSIDIARIES

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2021 | | | Net Income/(Loss) of the Investee | Share of Profit/(Loss) of Investee | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Number of Shares (In Thousands of Shares) | % | Carrying Amount | | | |
| The Company | Powerline Corp. | Samoa | Investment activities | $ 72,578 (US$ 2,211) | $ 72,578 (US$ 2,211) | 1,811 | 100.00 | $ 400,633 | $ 64,730 | $ 64,730 | Subsidiary (Note 1) |
| | Golden Land International Corp. | Samoa | Investment activities | 10,176 (US$ 340) | 10,176 (US$ 340) | 340 | 100.00 | 57,232 | 8,255 | 8,255 | Subsidiary (Note 1) |
| | Gain Access Investments Ltd. | Samoa | Investment activities | 66,941 (US$ 1,875) | 66,941 (US$ 1,875) | 1,875 | 100.00 | 52,089 | 194 | 194 | Subsidiary (Note 1) |
| | PT. Finetek Automation Indonesia | Indonesia | Manufacturing and selling of transmitters, point switches and electronic terminals | 48,335 (US$ 1,596) | 48,335 (US$ 1,596) | 1,725 | 99.70 | 33,308 | (5,851) | (5,833) | Subsidiary (Note 1) |
| | Finetek GmbH | Germany | Sale of transmitters, point switches and electronic terminals | 128,655 (US$ 4,129) | 128,655 (US$ 4,129) | - | 100.00 | 123,353 | 16,217 | 16,217 | Subsidiary (Note 1) |
| Golden Land International Corp. | Aplus Finetek Sensor Inc. | U.S.A. | Sale of transmitters, point switches and electronic terminals | 9,995 (US$ 331) | 9,995 (US$ 331) | 500 | 100.00 | 56,995 | 8,255 | 8,255 | Second-tier subsidiary (Note 1) |
| Powerline Corp. | Faco International Co., Ltd. | British Virgin Islands | Investment activities | 59,240 (US$ 1,811) | 59,240 (US$ 1,811) | 1,811 | 100.00 | 426,697 | 64,730 | 64,730 | Second-tier subsidiary (Note 1) |
| Faco International Co., Ltd. | Finetek Pte., Ltd. | Singapore | Sale of transmitters, point switches and electronic terminals | 24,247 (US$ 745) | 24,247 (US$ 745) | 1,672 | 100.00 | 8,143 | 1,165 | 1,165 | Third-tier subsidiary (Note 1) |
| Finetek GmbH | Mutec Instruments GmbH | Germany | Sale of transmitters, point switches and electronic terminals | 112,425 (EUR 3,256) | 112,425 (EUR 3,256) | 450 | 100.00 | 111,371 | 15,778 | 12,458 | Second-tier subsidiary (Note 1) |

Note 1: The investment income or loss of the investee company and the investment income or loss recognized in the current period were recognized based on the audited financial statements.

Note 2: The transactions were eliminated in the consolidated financial statements.

Note 3: The amounts above are listed in the New Taiwan dollars. Foreign currencies are translated into NTD using the spot exchange rate at the balance sheet date, and the profits/losses are translated into NTD using the average exchange rate in the reporting period.

Note 4: Refer to Table 5 for information relating to investments in mainland China.

Note 5: The greatest number of shares held or capital investments in marketable securities of the remaining investor companies in the interim period were the same as that at the end of the reporting period.

# FINETEK CO., LTD. AND SUBSIDIARIES

**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 Investment (Note 4) | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021 (Notes 3 and 4) | Remittance of Funds | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021 (Note 3) | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 2 and 6) | Carrying Amount as of December 31, 2021 (Notes 2 and 6) | Accumulated Repatriation of Investment Income as of December 31, 2021 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Fine Automation Co., Ltd. | Designing, manufacturing and selling of transmitters, point switches and electronic terminals | $ 70,950 (US$ 2,230) | Note 1 (b) | $ 24,372 (US$ 720) | $ - | $ - | $ 24,372 (US$ 720) | $ 62,801 | 100 | $ 62,801 | $ 396,766 | $ 139,116 | Note 7 |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|---|---|---|
| $ 24,372 (US$ 720) (Note 3) | $ 70,950 (US$ 2,230) (Note 4) | $ 915,303 (Note 5) |

Note 1: The methods of investment in mainland China are categorized into the following:

a. Direct investment in mainland China.
b. Indirect investment in mainland China through companies registered in a third region (Powerline Corp.'s reinvestment in mainland China through investment in Faco International Co., Ltd.).
c. Other methods.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: The amounts were translated into foreign currencies using the exchange rates prevailing on the remittance dates.

Note 4: Approval letter No. 092044421, 10100385930 and 10300286220. The original investment amount as of December 31, 2021 was $70,950 thousand (US$2,230 thousand), which consisted of accumulated outward remittance from Taiwan for investments amounting to $24,372 thousand (US$720 thousand) and capitalization of retained earnings amounting to $46,578 thousand (US$1,510 thousand).

Note 5: Pursuant to Order No. 09704604680 issued by the FSC, the amount above was calculated based on 60% of the Group's net equity as of December 31, 2021. ($1,525,505 thousand × 60% = $915,303 thousand)

Note 6: The listed amounts were eliminated upon consolidation.

Note 7: The amounts of paid-in capital held by investee companies were the same as the ending balance, and all the amounts above were not pledged as collateral.

# FINETEK CO., LTD. AND SUBSIDIARIES

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

a. The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the year, and

b. The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the year:

| Investee Company | Transaction Type | Purchase/Sale | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss (Note) |
|---|---|---|---|---|---|---|---|---|---|
| | | Amount | % | | Payment Terms | Comparison with Normal Transactions | Ending Balance | % | |
| Fine Automation Co., Ltd. | Sales | $ 266,432 | 30 | Price set based on cost-plus pricing | 90 days after the month-end closing when invoice is issued | Not significantly different from those of sales to third parties | $ 51,205 | 24 | $ 25,396 |
| | Purchases | 13,930 | 4 | Price set based on cost-plus pricing | 90 days after the month-end closing when invoice is issued | Not significantly different from those of purchases from third parties | (5,132) | 6 | - |

Note: The listed amounts were eliminated upon consolidation.

c. The amount of property transactions and the amount of the resultant gains or losses: None.

d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and their purposes: None.

e. The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.

f. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

# FINETEK CO., LTD.

## INFORMATION OF MAJOR SHAREHOLDERS
## DECEMBER 31, 2021

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Wu, Ding-Guo | 4,442,399 | 9.98 |
| UBS AG, Taipei - Wu, Ding-Guo Trust Account | 3,800,000 | 8.54 |
| Lin, Mi | 3,639,630 | 8.18 |
| Wu, Kuei-Yong | 3,439,343 | 7.73 |
| Wu, Shao-Pei | 3,032,688 | 6.81 |
| Yung Yi Chemical Co., Ltd. | 2,936,006 | 6.60 |
| Yida Investment Co., Ltd. | 2,887,488 | 6.49 |
| Wu, Shao-Jyuan | 2,528,502 | 5.68 |

Note 1: 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.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.