

**Promate Electronic Co., Ltd. and Subsidiaries**

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

	<u>ITEMS</u>	<u>PAGE</u>	<u>FINANCIAL REPORT NOTE NO.</u>
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Declaration of Consolidation of Financial Statements of Affiliates		
IV.	Independent Auditors' Report	3 ~ 7	-
V.	Consolidated Balance Sheet	8	-
VI.	Consolidated Statement of Comprehensive Income	9-10	-
VII.	Consolidated Statement of Changes in Equity	11	-
VIII.	Consolidated Statement of Cash Flow	12 ~ 13	-
IX.	Notes to Consolidated Financial Statements		
	1. General Information	14	1
	2. Approval of Financial Statements	14	2
	3. Application of New, Amended, and Revised Standards and Interpretation	14 ~ 17	3
	4. Summary of Significant Accounting Policies	17 ~ 26	4
	5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty	26	5
	6. Descriptions of Significant Accounting Items	26 ~ 61	6~34
	7. Transaction with Related Parties	62 ~ 64	35
	8. Assets Pledged as Collateral or for Security	65	36
	9. Significant Contingent Liabilities and Unrecognized Commitments	65	37
	10. Significant Events After the Balance Sheet Date	65	38
	11. Information on Foreign Currency Financial Assets and Liabilities with Significant Impact	65 ~ 67	39
	12. Supplementary Disclosures	67 ~ 68 , 71 ~ 79	40
	1). Information Related to Material Transactions		
	2). Intercompany Relationships and Significant Transactions		
	3). Investments in Mainland China		
	4). Information of Major Shareholders		
X.	Segment Information	68 ~ 70	41

DECLARATION OF CONSOLIDATION OF FINANCIAL  
STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2021. Hence, we did not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Promate Electronic Co., Ltd.

By

March 16, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Promate Electronics Co. Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Promate Electronics 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 the 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 identified in the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

#### Occurrence of shipment with revenue gained from specific clients

The Group specializes in trading distributed components, Liquid Crystal Display products,

and image processing IC. Based on the materiality and auditing standards, revenue recognition is presumed to be a significant risk. Therefore, the engaging partner believes that the existence of sales revenue with specific clients would materially affect the occurrence of the financial statement, which is the reason the audit team listed the occurrence of shipment with sales revenue from certain clients as the key audit matter of 2021 audit process. Refer to note 4(12) for more details of revenue recognition policy.

Our main audit procedures performed in respect of above matter include the following:

1. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Group's management.
2. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Group's management.
3. We ascertained sales returns and discounts that occurred after the balance sheet date, to ensure whether there is a material misstatement on sales revenue from specific clients in the group's financial statement.

#### **Other Matters**

We have also audited the parent company only financial statements of Promate Electronics 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 IFRS, IAS, IFRIC, and 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 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 Po-Jen Weng and Hui-Min.Chen.

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.*

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 1,976,856	13	\$ 2,178,947	18
Financial assets at fair value through profit or loss - current (Notes 4, 7, 20, and 34)	13,382	-	19,375	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 34 and 36)	2,236	-	88,075	1
Notes receivable (Notes 4, 11 and 34)	169,019	1	68,817	1
Accounts receivable (Notes 4, 11 and 34)	6,792,763	45	5,513,335	46
Accounts receivable from related parties (Notes 4, 11, 34 and 35)	1,693	-	2,194	-
Other receivables (Notes 4, 11 and 34)	727,041	5	714,080	6
Current tax assets (Notes 4 and 28)	391	-	447	-
Inventories (Notes 4 and 12)	3,489,971	23	2,340,329	19
Other current assets (Notes 18)	23,207	-	9,271	-
Total current assets	13,196,559	87	10,934,870	91
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 34)	166,654	1	78,433	1
Investments accounted for using the equity method (Notes 4 and 14)	-	-	645	-
Property, plant and equipment (Notes 4, 15, 27, 32 and 36)	382,717	2	391,976	3
Right-of-use assets (Notes 4, 16 and 35)	105,289	1	105,340	1
Other intangible assets (Notes 4, 17 and 27)	9,837	-	6,704	-
Deferred tax assets (Notes 4 and 28)	174,778	1	117,562	1
Prepayments for business facilities (Notes 18, 32 and 37)	6,834	-	3,888	-
Refundable Deposits (Notes 18 and 34)	1,169,931	8	404,982	3
Total non-current assets	2,016,040	13	1,109,530	9
<b>TOTAL</b>	<b>\$ 15,212,599</b>	<b>100</b>	<b>\$ 12,044,400</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4, 19, 32, 34, 36 and 37)	\$ 2,645,942	17	\$ 2,405,108	20
Short-term bills payable (Notes 4, 19, 32 and 34)	180,000	1	190,000	2
Contract liabilities - current (Notes 22 and 26)	146,306	1	77,704	1
Notes payable (Notes 21 and 34)	8,447	-	24	-
Accounts payable (Notes 21 and 34)	4,083,540	27	2,739,476	23
Accounts payable to related parties (Notes 21, 34 and 35)	13,893	-	19,899	-
Other payables (Notes 22 and 34)	558,738	4	405,209	3
Current tax liabilities (Notes 4 and 28)	279,163	2	75,105	1
Provisions- current (Notes 4 and 23)	2,938	-	3,285	-
Lease liabilities - current (Notes 4, 16, 32, 34 and 35)	37,289	-	34,528	-
Other current liabilities (Note 22)	492,968	3	309,606	2
Total current liabilities	8,449,224	55	6,259,944	52
<b>NON-CURRENT LIABILITIES</b>				
Bonds Payable (Note 4, 20 and 34)	539,418	4	967,284	8
Provisions- noncurrent (Notes 4 and 23)	1,386	-	2,239	-
Deferred tax liabilities (Notes 4 and 28)	53,883	-	146,866	1
Lease liabilities - noncurrent (Notes 4, 16, 32, 34 and 35)	68,470	1	71,908	1
Net defined benefit liabilities - noncurrent (Notes 4 and 24)	42,643	-	47,559	1
Guarantee Deposits (Notes 22 and 34)	1,051,904	7	284,864	2
Total non-current liabilities	1,757,704	12	1,520,720	13
Total liabilities	10,206,928	67	7,780,664	65
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 25, 29, 30 and 31)</b>				
Share capital				
Ordinary shares	1,934,141	13	1,791,260	15
Capital surplus	1,008,022	7	712,730	6
Retained earnings				
Legal reserve	872,428	6	818,510	7
Special reserve	-	-	15,204	-
Unappropriated earnings	821,907	5	541,910	4
Total retained earnings	1,694,335	11	1,375,624	11
Other equity	2,551	-	6,778	-
Total equity attributable to owners of the Company	4,639,049	31	3,886,392	32
<b>NON-CONTROLLING INTERESTS (Notes 25, 30 and 31)</b>	<b>366,622</b>	<b>2</b>	<b>377,344</b>	<b>3</b>
Total equity	5,005,671	33	4,263,736	35
<b>TOTAL</b>	<b>\$ 15,212,599</b>	<b>100</b>	<b>\$ 12,044,400</b>	<b>100</b>

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



# PROMATE ELECTRONIC 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, 26 and 35)				
Sales	\$ 32,469,053	100	\$ 26,710,813	100
OPERATING COSTS (Notes 4, 12, 27 and 35)				
Cost of sales	( 30,102,015 )	( 93 )	( 24,713,479 )	( 92 )
GROSS PROFIT	<u>2,367,038</u>	<u>7</u>	<u>1,997,334</u>	<u>8</u>
OPERATING EXPENSES (Notes 27 and 35)				
Selling and marketing expenses	( 924,717 )	( 3 )	( 759,411 )	( 3 )
General and administrative expenses	( 137,140 )	-	( 134,483 )	( 1 )
Research and development expenses	( 70,364 )	-	( 70,959 )	-
Total operating expenses	( <u>1,132,221</u> )	( <u>3</u> )	( <u>964,853</u> )	( <u>4</u> )
OPERATING PROFIT	<u>1,234,817</u>	<u>4</u>	<u>1,032,481</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 14, 27, 30 and 35)				
Interest income	2,390	-	5,444	-
Other income- others	10,463	-	7,027	-
Other gains and losses	( 131,210 )	( 1 )	( 219,398 )	( 1 )
Finance costs	( 56,396 )	-	( 74,490 )	-
Share of profit (loss) of associates accounted for using equity method	( <u>607</u> )	<u>-</u>	( <u>3,449</u> )	<u>-</u>
Total non-operating income and expenses	( <u>175,360</u> )	( <u>1</u> )	( <u>284,866</u> )	( <u>1</u> )
PROFIT BEFORE INCOME TAX	1,059,457	3	747,615	3
INCOME TAX EXPENSE (Notes 4 and 28)	( <u>210,553</u> )	<u>-</u>	( <u>142,939</u> )	( <u>1</u> )
NET PROFIT FOR THE PERIOD	<u>848,904</u>	<u>3</u>	<u>604,676</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 24)	3,727	-	( 1,255 )	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 25)	17,224	-	29,879	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	( <u>745</u> )	<u>-</u>	<u>250</u>	<u>-</u>
	<u>20,206</u>	<u>-</u>	<u>28,874</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				

	2021		2020	
	Amount	%	Amount	%
Exchange differences on translating the financial statements of foreign operations (Notes 25)	( 2,439 )	-	( 1,490 )	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income (Notes 4, 9 and 25)	2,788	-	4,044	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>488</u>	<u>-</u>	<u>298</u>	<u>-</u>
	<u>837</u>	<u>-</u>	<u>2,852</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>21,043</u>	<u>-</u>	<u>31,726</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 869,947</u>	<u>3</u>	<u>\$ 636,402</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 793,979	3	\$ 536,016	2
Non-controlling interests	<u>54,925</u>	<u>-</u>	<u>68,660</u>	<u>-</u>
	<u>\$ 848,904</u>	<u>3</u>	<u>\$ 604,676</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 816,037	3	\$ 561,159	2
Non-controlling interests	<u>53,910</u>	<u>-</u>	<u>75,243</u>	<u>-</u>
	<u>\$ 869,947</u>	<u>3</u>	<u>\$ 636,402</u>	<u>2</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 4.31</u>		<u>\$ 2.99</u>	
Diluted	<u>\$ 3.75</u>		<u>\$ 2.73</u>	

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

(Concluded)

**PROMATE ELECTRONIC 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						Other Equity		Total	Noncontrolling Interest	Total Equity
	Issued Capital		Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operation	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income			
	Shares (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	179,045	\$ 1,790,452	\$ 657,690	\$ 771,714	\$ 4,789	\$ 468,168	( \$ 4,025 )	( \$ 11,180 )	\$ 3,677,608	\$ 360,733	\$ 4,038,341
Appropriation of 2019 earnings											
Legal reserve	-	-	-	46,796	-	( 46,796 )	-	-	-	-	-
Special reserve	-	-	-	-	10,415	( 10,415 )	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 408,223 )	-	-	( 408,223 )	-	( 408,223 )
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	( 64,632 )	( 64,632 )
Conversion of convertible bonds to common stock	81	808	1,708	-	-	-	-	-	2,516	-	2,516
Recognition of equity components due to the issuance of convertible corporate bonds-occurred by subscription right	-	-	53,332	-	-	-	-	-	53,332	-	53,332
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	4,073	-	( 4,073 )	-	-	-
Increase in non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,000	6,000
Net profit for the nine months ended December 31, 2020	-	-	-	-	-	536,016	-	-	536,016	68,660	604,676
Other comprehensive income (loss) for the nine months ended December 31, 2020	-	-	-	-	-	( 913 )	( 1,193 )	27,249	25,143	6,583	31,726
Total comprehensive income (loss) for the nine months ended December 31, 2020	-	-	-	-	-	535,103	( 1,193 )	27,249	561,159	75,243	636,402
BALANCE AT DECEMBER 31, 2020	179,126	1,791,260	712,730	818,510	15,204	541,910	( 5,218 )	11,996	3,886,392	377,344	4,263,736
Appropriation of 2020 earnings											
Legal reserve	-	-	-	53,918	-	( 53,918 )	-	-	-	-	-
Special reserve	-	-	-	-	( 15,204 )	15,204	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	( 501,553 )	-	-	( 501,553 )	-	( 501,553 )
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	( 64,632 )	( 64,632 )
Conversion of convertible bonds to common stock	14,288	142,881	295,292	-	-	-	-	-	438,173	-	438,173
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	24,410	-	( 24,410 )	-	-	-
Net profit for the nine months ended December 31, 2021	-	-	-	-	-	793,979	-	-	793,979	54,925	848,904
Other comprehensive income (loss) for the nine months ended December 31, 2021	-	-	-	-	-	1,875	( 1,836 )	22,019	22,058	( 1,015 )	21,043
Total comprehensive income (loss) for the nine months ended December 31, 2021	-	-	-	-	-	795,854	( 1,836 )	22,019	816,037	53,910	869,947
BALANCE AT DECEMBER 31, 2021	193,414	\$ 1,934,141	\$ 1,008,022	\$ 872,428	\$ -	\$ 821,907	( \$ 7,054 )	\$ 9,605	\$ 4,639,049	\$ 366,622	\$ 5,005,671

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

# PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,059,457	\$ 747,615
Adjustments for:		
Expected loss on credit impairment	13,216	3,983
Depreciation expenses	62,945	62,004
Amortization expenses	2,932	3,876
Finance costs	56,396	74,490
Share of loss(profit) of associates accounted for using the equity method	607	3,449
Interest income	( 2,390)	( 5,444)
Dividend income	( 6,813)	( 3,486)
Loss (gain) on inventory impairment	130,068	70
Loss (gain) on disposal of property, plant and equipment	( 429)	-
Loss (gain) on Lease Modification	( 1,668)	-
Loss (gain) on disposal of investments	13	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	( 3,242)	( 5,262)
Net loss (gain) on foreign currency exchange	( 8,575)	( 7,209)
Loss (gain) on scrap of inventories	4,081	4,791
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	9,237	( 9,453)
Decrease (increase) notes receivable	( 100,202)	1,731
Decrease (increase) in accounts receivable	( 1,292,634)	( 2,082,950)
Decrease (increase) in accounts receivable due from related parties	501	664,014
Decrease (increase) in other receivable	( 10,173)	( 66,757)
Decrease (increase) in inventories	( 1,283,789)	376,800
Decrease (increase) in other current assets	( 13,936)	8,362
Increase (decrease) in contract liabilities	68,602	( 26,706)
Increase (decrease) in notes payable	8,423	( 6)
Increase (decrease) in accounts payable	1,344,064	816,698
Increase (decrease) in accounts payable to related parties	( 6,006)	( 6,407)
Increase (decrease) in other payable	153,099	44,591
Increase (decrease) in provisions	( 1,200)	( 12,600)
Increase (decrease) in net defined benefit liability	( 1,189)	( 1,115)
Increase (decrease) in other current liabilities	183,362	79,040
Cash generated from (used in) operations	364,757	664,119
Interest paid	( 41,607)	( 68,036)
Income tax paid	( 156,895)	( 71,753)
Net cash generated from (used in) operating activities	<u>166,255</u>	<u>524,330</u>

(Continued)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	( 46,963 )	( 1,428,701 )
Acquisition of financial assets at fair value through other comprehensive income	( 107,878 )	( 31,077 )
Proceeds from disposal of financial assets at amortized cost	133,914	1,342,034
Proceeds from disposal of financial assets at fair value through other comprehensive income	36,881	14,973
Interest received	2,390	5,444
Other dividends received	6,813	3,486
Increase in prepayments for business facilities	( 12,854 )	( 17,175 )
Acquisition of property, plant and equipment	( 7,886 )	( 4,249 )
Acquisition of intangible assets	( 6,065 )	-
Proceeds from disposal of property, plant and equipment	429	-
Increase in refundable deposits	( 764,949 )	( 248,736 )
Acquisition of subsidiary company	-	2,710
Proceeds from capital reduction of investments accounted for using equity method	<u>-</u>	<u>500</u>
Net cash used in investing activities	( <u>766,168</u> )	( <u>360,791</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of corporate bond	-	1,015,887
Increase in short-term loans	248,297	-
Decrease in short-term loans	-	( 298,952 )
Decrease in short-term notes and bills payable	( 10,000 )	( 20,000 )
Repayments of long-term debt	-	( 18,828 )
Payments of lease liabilities	( 40,130 )	( 38,840 )
Increase in guarantee deposits received	767,040	224,624
Payments of cash dividends	( 501,553 )	( 408,223 )
Dividends paid to non-controlling interests	( <u>64,632</u> )	( <u>64,632</u> )
Net cash generated from financing activities	<u>399,022</u>	<u>391,036</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	( <u>1,200</u> )	( <u>994</u> )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	( 202,091 )	553,581
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	<u>2,178,947</u>	<u>1,625,366</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
	<u>\$ 1,976,856</u>	<u>\$ 2,178,947</u>

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

(Concluded)

# PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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

---

### 1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company is mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products, and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) in September 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May 2004.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next reasonable step for the business. With two separate entities, Promate Electronic and Promate Solutions will have the flexibility and agility needed to pursue growth in a concentrated manner. Most importantly, this will enable each entity to serve customers more effectively and deliver values to shareholders.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form a fully-owned subsidiary under Promate Solutions Corporation.

The functional currency of the Company is the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 16, 2022.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by 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)

Note1: 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.

1) Amendments to IFRS 3 “Reference to the Conceptual ”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

2) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of 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. The Group will restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, 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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 that deferred taxes 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.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that result in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or



e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

4) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.)

Except for the above impact, 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

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 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 liabilities 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; and
- 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 the 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their respective interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Note 13, and Tables 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 the 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 not retranslated.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations that are prepared using functional 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 (attributed to

the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 equipments

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates 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.

i. Impairment of property, plant and equipment, right-of-use asset, 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 and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 financial assets are mandatorily classified or designated 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 on such financial assets are recognized in other income; 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 34.

ii. Financial assets at amortized cost

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

- i) The financial assets are 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivable and notes receivable (including related party) at amortized cost, contract assets and other receivables (including related party), 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 asset, 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 asset that is not credit impaired on purchase or origination but has 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.

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 debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. 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 trade receivables), investments in debt instruments that are measured at FVTOCI and operating lease receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and operating lease 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 represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

2) Equity instruments

Debt and equity instruments issued by an entity in 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 an entity in 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 sale, purchase, issuance or cancellation of the Company's own equity instruments.

3) Convertible corporate bonds

The composite financial instruments (convertible corporate bonds) issued by the Group are based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments, and their components are classified into financial liabilities and equity at the time of initial recognition.

At the time of initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate of similar non-convertible instruments, and measured at the amortized cost calculated using the effective interest method before the conversion or maturity date. The component of liability embedded in non-equity derivatives is measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the overall fair value of the compound instrument minus the fair value of the separately determined liability component, which is recognized as equity after deducting the impact of income tax, and will not be measured in the future. When the conversion right is executed, the related liability component and the amount of equity will be transferred to equity and capital reserve—issuance premium. If the conversion right of convertible corporate bonds has not been executed on the maturity date, the amount recognized in equity will be transferred to capital reserve—issuance premium.

The transaction costs related to the issuance of convertible corporate bonds are allocated to the liabilities (included in the carrying amount of the liabilities) and equity components (included in equity) of the instrument in proportion to the total apportionment price.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

k. Provisions

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

Warranty

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

l. 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

The commodity sales revenue comes from the agency distribution of electronic components and the sales of special application display modules, medical touch displays and embedded control system products, which are mainly sold to the computer and peripheral equipment industry and other electronics industries. Since the above products arrive at the customer's designated location or when the shipment is started, the customer has the contractually agreed price and the right to use the product and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the product, the Group recognizes at that point in time list income and accounts receivable. Advance receipts from sales are recognized as contract liabilities before the products arrive or depart.

When the material is removed for processing, the control of the ownership of the processed product has not been transferred, so the revenue is not recognized when the material is removed.

2) Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

m. Leasing

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 (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

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 and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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 lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. 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 service.

2) Retirement benefits



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

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

p. 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 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 and unused loss carryforward 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 and associates 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 tax 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, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

There were no significant uncertainties in the accounting policies, estimates and basic assumptions adopted by the Group after being evaluated by the management of the Group.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 1,395	\$ 2,129
Checking accounts and demand deposits	1,627,123	1,880,482
Cash equivalents (investment with original maturities less than three months)		
Time deposits	348,338	267,819
Repurchase agreements	-	28,517
	<u>\$ 1,976,856</u>	<u>\$ 2,178,947</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits	0.001% ~ 0.35%	0.001% ~ 0.50%
Time deposits	0.13% ~ 2.00%	0.17% ~ 0.35%
Repurchase agreements	-	0.45%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic quoted shares	\$ 13,382	\$ 19,275
Redemption option on convertible bonds	-	100
	<u>\$ 13,382</u>	<u>\$ 19,375</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Investments in equity instruments	\$ <u>166,654</u>	\$ <u>78,433</u>
<u>Investments in equity instruments at FVTOCI:</u>		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
HIGGSTEC Inc.	\$ 65,526	\$ 76,035
Medimaging Integrated Solution Inc.	4,312	-
Unlisted shares		
UPI Semiconductor Corp.	-	1,009
Medimaging Integrated Solution Inc.	-	951
Tricorntech Corp.	438	438
DigiZerocarbon Corp.	500	-
Foreign investments		
Private Funds		
Esquarre IoT Landing Fund,L.P.	95,878	-
	<u>\$ 166,654</u>	<u>\$ 78,433</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 2,236	\$ 2,278
Foreign investments		
Repurchase agreement		
—Bank of China	-	28,515
—CITIC Group Corporation Ltd	-	28,567
—PERTAMINA	\$ -	\$ 28,715
	2,236	88,075
Less: Allowance for impairment loss	-	-
Foreign investments	<u>\$ 2,236</u>	<u>\$ 88,075</u>

- The Group purchased repurchase agreements issued by China Bills Finance Corporation with coupon rates 0.50% as of December 31, 2020.
- Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- Financial assets at amortized cost as collateral for borrowings are set out in Note 36.

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

Investments in debt instruments are classified as at amortized cost.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Gross carrying amount	\$ 2,236	\$ 88,075
Allowance for impairment loss	-	-
Amortized cost	<u>2,236</u>	<u>88,075</u>
Fair value adjustment	-	-
	<u>\$ 2,236</u>	<u>\$ 88,075</u>

In order to minimize credit risk, the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

### At Amortized Cost

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross carrying amount</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Normal	0%-0.01%	<u>\$ 2,236</u>	<u>\$ 88,075</u>

There was no change in the allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2021 and 2020.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 169,019	\$ 68,817
Less: Allowance for impairment loss	-	-
	<u>\$ 169,019</u>	<u>\$ 68,817</u>
From operation	<u>\$ 169,019</u>	<u>\$ 68,817</u>
<u>Accounts receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,835,431	\$ 5,542,797
Gross carrying amount- related parties	1,693	2,194
Less: Allowance for impairment loss	( 42,668 )	( 29,462 )
	<u>\$ 6,794,456</u>	<u>\$ 5,515,529</u>

**December 31, 2021    December 31, 2020**

**Overdue receivables**

At amortized cost

Gross carrying amount	\$ 13,972	\$ 13,972
Less: Allowance for impairment loss	( <u>13,972</u> )	( <u>13,972</u> )
	<u>\$ -</u>	<u>\$ -</u>

**Other receivables**

Accounts receivables at FVTOCI	\$ 596,497	\$ 623,283
Tax refund receivables	109,098	78,196
Customs duty refund receivables	2,104	1,923
Receivables for disposal of financial assets	7,320	-
Others	<u>12,022</u>	<u>10,678</u>
	<u>\$ 727,041</u>	<u>\$ 714,080</u>

**Notes Receivable and Accounts Receivables**

At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. 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 accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. 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 an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts 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 notes receivables and accounts receivable based on the Group's provision matrix.

**December 31, 2021**

	<u>Not Past Due</u>	<u>Less than 30 Days</u>			<u>Over 90 Days</u>	<u>Total</u>
		<u>31 to 60 Days</u>	<u>61 to 90 Days</u>			
Expected credit loss rate	0.00%-0.04%	0.00%-20.12%	0.68%-30.07%	5.93%-37.18%	9.12%-100%	
Gross carrying amount	\$ 6,017,923	\$ 790,741	\$ 168,474	\$ 14,313	\$ 14,692	\$ 7,006,143
Loss allowance (Lifetime ECL)	( <u>1,228</u> )	( <u>16,387</u> )	( <u>14,703</u> )	( <u>1,295</u> )	( <u>9,055</u> )	( <u>42,668</u> )
Amortized cost	<u>\$ 6,016,695</u>	<u>\$ 774,354</u>	<u>\$ 153,771</u>	<u>\$ 13,018</u>	<u>\$ 5,637</u>	<u>\$ 6,963,475</u>

**December 31, 2020**

	<u>Not Past Due</u>	<u>Less than 30 Days</u>			<u>Over 90 Days</u>	<u>Total</u>
		<u>31 to 60 Days</u>	<u>61 to 90 Days</u>			
Expected credit loss rate	0.00%-0.08%	0.27%-8.34%	3.94%-30.21%	18.75%-56.20%	22.22%-100.00%	
Gross carrying amount	\$ 4,949,407	\$ 568,479	\$ 77,127	\$ 7,373	\$ 11,422	\$ 5,613,808
Loss allowance (Lifetime ECL)	( <u>1,093</u> )	( <u>10,943</u> )	( <u>6,095</u> )	( <u>2,294</u> )	( <u>9,037</u> )	( <u>29,462</u> )
Amortized cost	<u>\$ 4,948,314</u>	<u>\$ 557,536</u>	<u>\$ 71,032</u>	<u>\$ 5,079</u>	<u>\$ 2,385</u>	<u>\$ 5,584,346</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Trade Receivables</b>	<b>Overdue Receivables</b>	<b>Trade Receivables</b>	<b>Overdue Receivables</b>
Balance on January 1	\$ 29,462	\$ 13,972	\$ 24,991	\$ 13,969
Business combination	-	-	469	-
Add: Amount of expected loss recognized	13,216	-	3,983	-
Classified to overdue receivable	-	-	( 3 )	3
Foreign exchange gains and losses	( 10 )	-	22	-
Balance on December 31	<u>\$ 42,668</u>	<u>\$ 13,972</u>	<u>\$ 29,462</u>	<u>\$ 13,972</u>

## 12. INVENTORIES

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials and work in process	\$ 277,428	\$ 111,978
Merchandise inventories	<u>3,212,543</u>	<u>2,228,351</u>
	<u>\$ 3,489,971</u>	<u>\$ 2,340,329</u>

Operating cost summarized by nature is listed below.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of Goods Sold	\$ 29,946,169	\$ 24,686,194
Service cost	21,697	22,424
Impairment ( Price recovery )	130,068	70
Write-off	<u>4,081</u>	<u>4,791</u>
	<u>\$ 30,102,015</u>	<u>\$ 24,713,479</u>

## 13. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

The entities included in the consolidated statements are listed below:

<b>Investor</b>	<b>Investee</b>	<b>Nature of Activities</b>	<b>Proportion of Ownership (%)</b>		<b>Remark</b>
			<b>December 31, 2021</b>	<b>December 31, 2020</b>	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Production and sale of electronic products	66.21%	66.21%	a
	PROMATE INTERNATIONAL CO., LTD.	Investment	100%	100%	b
PROMATE INTERNATIONAL CO., LTD.	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and logistic device	100%	100%	c
	PROMATE ELECTRONICS COMPANY USA	Sales of electronic/ electrical components	100%	100%	d
	CT Continental Corporation	International trade	90%	90%	e
	Promate Electronic (Shenzhen) Co., Ltd.	International trade	100%	100%	f
Promate Solutions	Promate Electronic (Shanghai) Co., Ltd	International trade	100%	100%	g
	Promate Japan Inc.	International trade	100%	100%	h

Investor Corporation.	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31, 2021	December 31, 2020	

Remarks:

- a) Promate Solutions Corporation. (Promate Solutions) was incorporated on May 29, 2000 in Taiwan. The Company holds 66.21% ownership in the subsidiary. Main business of Promate Solutions includes manufacturing and sales of information software and electronic parts, as well as services in the supply of electronic information.
  - b) PROMATE INTERNATIONAL CO., LTD. (Promate International) was incorporated in Hong Kong on October 4, 2000 by the Company, who holds 100% ownership. Main business includes is investment operation.
  - c) HAPPY ON SUPPLY CHAIN MANAGEMENT LTD. (Happy on) was incorporated in Hong Kong in February 2006 by the Company, who holds 100% ownership. Main business includes logistics operation.
  - d) PROMATE ELECTRONICS COMPANY USA (PROMATE USA) was incorporated in California, USA in November 2011 by the Company, who holds 100% ownership. Main business includes sale of electronic components.
  - e) CT Continental Corporation (CTC) was incorporated on March 12, 1990. Since June 15, 2020, the Company holds 90% ownership in this subsidiary. Main businesses include manufacturing, distribution, and import and export of computer motherboards and computer peripherals.
  - f) Promate Electronic (Shenzhen) Co., Ltd. was incorporated in February 2009 in Shenzhen, China by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electrical components, economic information consulting, and the development and transfer of electrical products.
  - g) Promate Electronic (Shanghai) Co., Ltd. was incorporated in November 2009 in Shanghai, China by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electrical components and related services.
  - h) Promate Japan Inc. was incorporated in March 2017 in Tokyo, Japan by Promate Solutions Corporation, 100% shareholding..
- b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31, 2021	December 31, 2020
	Promate Solutions and its subsidiaries	33.79%

See Table 6 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Years Ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Promate Solutions and its subsidiaries	\$ 54,833	\$ 68,619	\$ 360,488	\$ 371,303

The summarized financial information below represents amounts before intragroup eliminations.

Promate Solutions and its subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 1,576,278	\$ 1,320,594
Non-current assets	194,502	180,117
Current liabilities	( 668,997)	( 341,446)
Non-current liabilities	( 34,934)	( 60,410)
Equity	<u>\$ 1,066,849</u>	<u>\$ 1,098,855</u>
Equity attributable to:		
The Parent Company	\$ 706,361	\$ 727,552
Non-controlling interests of Promate Solutions	<u>360,488</u>	<u>371,303</u>
	<u>\$ 1,066,849</u>	<u>\$ 1,098,855</u>

	<u>For the Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 1,745,768</u>	<u>\$ 1,771,303</u>
Net income for the period	\$ 162,274	\$ 203,075
Other comprehensive income for the period	( 3,006)	19,481
Total comprehensive income for the period	<u>\$ 159,268</u>	<u>\$ 222,556</u>
Net income attributable to:		
The Parent Company	\$ 107,441	\$ 134,456
Non-controlling interests of Promate Solutions	<u>54,833</u>	<u>68,619</u>
	<u>\$ 162,274</u>	<u>\$ 203,075</u>
Total comprehensive income (loss) attributable to:		
The Parent Company	\$ 105,450	\$ 147,354
Non-controlling interests of Promate Solutions	<u>53,818</u>	<u>75,202</u>
	<u>\$ 159,268</u>	<u>\$ 222,556</u>
Net cash flow from:		
Operating activities	\$ 199,514	\$ 129,110
Investing activities	26,446	( 111,570)
Financing activities	( 136,435)	( 213,508)
Foreign exchange translation	( 428)	2
Net cash inflow (outflow)	<u>\$ 89,097</u>	<u>(\$ 195,966)</u>
Dividends paid to non-controlling interests		
Promate Solutions	<u>\$ 64,632</u>	<u>\$ 64,632</u>

**14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**Investments in associates**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Associates that are not individually material</u>		
Prosperity Venture Capital I, Limited (Note)	<u>\$ -</u>	<u>\$ 645</u>
	<b>Proportion of Ownership and Voting Rights Held by the Company</b>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Name of Associate</u>		
Prosperity Venture Capital I, Limited	-	21.62%

(Note) Prosperity Venture Capital I, Limited has discontinued operations. Therefore, the Company



recognized loss on disposal of associate of NT\$13 thousand and listed in other gains and losses.

Refer to Table 6 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

All the associates were accounted for using the equity method.

Summarized financial information in respect of each of the Company’s material associates is set out below. The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total assets	\$ -	\$ 2,848
Liability	\$ -	(\$ 25)
Equity	\$ -	\$ 2,823
Proportion of the Company's ownership	-	21.62%
Equity attributable to the Company	\$ -	\$ 610
Difference between previous year's investment cost and equity value	-	35
Carry amount	<u>\$ -</u>	<u>\$ 645</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>
Net gain (loss)	(\$ 2,806)	(\$ 15,954)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>(\$ 2,806)</u>	<u>(\$ 15,954)</u>
Dividend received	<u>\$ -</u>	<u>\$ 500</u>

## 15. PROPERTY, PLANT AND EQUIPMENT

### Assets used by the Group

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance on January 1, 2021	\$212,223	\$192,373	\$ 83,678	\$ 20,681	\$ 52,979	\$ 76,970	\$638,904
Additions	-	-	-	1,389	710	5,787	7,886
Disposals	-	-	-	( 1,125)	( 1,708)	( 2,210)	( 5,043)
Reclassifications	-	-	1,360	-	-	8,548	9,908
Effect of foreign currency	-	( 223)	( 1)	( 69)	( 151)	( 18)	( 462)
Balance on December 31, 2021	<u>\$212,223</u>	<u>\$192,150</u>	<u>\$ 85,037</u>	<u>\$ 20,876</u>	<u>\$ 51,830</u>	<u>\$ 89,077</u>	<u>\$651,193</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 73,544	\$ 51,660	\$ 17,834	\$ 42,973	\$ 60,917	\$246,928
Disposals	-	-	-	( 1,125)	( 1,708)	( 2,210)	( 5,043)
Depreciation expense	-	6,646	6,930	723	3,779	8,828	26,906
Effect of foreign currency	-	( 106)	( 1)	( 51)	( 140)	( 17)	( 315)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 80,084</u>	<u>\$ 58,589</u>	<u>\$ 17,381</u>	<u>\$ 44,904</u>	<u>\$ 67,518</u>	<u>\$268,476</u>
Carrying amount on December 31, 2021	<u>\$212,223</u>	<u>\$112,066</u>	<u>\$ 26,448</u>	<u>\$ 3,495</u>	<u>\$ 6,926</u>	<u>\$ 21,559</u>	<u>\$382,717</u>
<u>Cost</u>							
Balance on January 1, 2020	\$205,987	\$187,876	\$ 72,318	\$ 18,771	\$ 51,625	\$ 70,886	\$607,463
Additions	-	-	-	72	3,704	473	4,249
Disposals	-	-	-	-	( 2,534)	( 314)	( 2,848)
Acquired in business combination	6,236	3,808	-	1,780	82	280	12,186
Reclassifications	-	-	11,357	-	285	5,670	17,312
Effect of foreign currency	-	689	3	58	( 183)	( 25)	542
Balance on December 31, 2020	<u>\$212,223</u>	<u>\$192,373</u>	<u>\$ 83,678</u>	<u>\$ 20,681</u>	<u>\$ 52,979</u>	<u>\$ 76,970</u>	<u>\$638,904</u>

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 64,239	\$ 44,389	\$ 16,361	\$ 41,919	\$ 51,748	\$218,656
Disposals	-	-	-	-	( 2,534)	( 314)	( 2,848)
Acquired in business combination	-	2,371	-	630	68	233	3,302
Depreciation expense	-	6,601	7,269	764	3,693	9,274	27,601
Effect of foreign currency	-	333	2	79	( 173)	( 24)	217
Balance on December 31, 2020	<u>\$ -</u>	<u>\$ 73,544</u>	<u>\$ 51,660</u>	<u>\$ 17,834</u>	<u>\$ 42,973</u>	<u>\$ 60,917</u>	<u>\$246,928</u>
Carrying amount on December 31, 2020	<u>\$212,223</u>	<u>\$118,829</u>	<u>\$32,018</u>	<u>\$ 2,847</u>	<u>\$ 10,006</u>	<u>\$ 16,053</u>	<u>\$391,976</u>

There was no indication of an impairment loss in the years ended December 31, 2021 and 2020; therefore, the Group did not perform impairment assessment.

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

Buildings- Office in China	20 years
Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	3-10 years
Office Equipment	3-10 years
Miscellaneous Equipment	3-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 36.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Buildings	\$ 99,320	\$ 102,075
Transportation equipment	<u>5,969</u>	<u>3,265</u>
	<u>\$ 105,289</u>	<u>\$ 105,340</u>
	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets		
Buildings	\$ 79,038	\$ 8,099
Transportation equipment	<u>5,043</u>	<u>1,433</u>
	<u>\$ 84,081</u>	<u>\$ 9,532</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 33,700	\$ 32,530
Transportation equipment	<u>2,339</u>	<u>1,873</u>
	<u>\$ 36,039</u>	<u>\$ 34,403</u>

Due to the early termination of the lease contract during current period, the Group's right-of-use assets and lease liabilities were reduced by NT\$47,172 thousand and NT\$48,840 thousand respectively. Thus, it resulted in a lease modification benefit of NT\$1,668 thousand.

Expect for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Current	\$ <u>37,289</u>	\$ <u>34,528</u>
Non-current	\$ <u>68,470</u>	\$ <u>71,908</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	2.75%~4.75%	2.75%~6.4%
Transportation equipment	5.69%	5.69%

c. Material lease-in activities and terms

The Group leased a number of cars for use by business personnel or warehouse personnel for 3 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Group also leased certain buildings for use as plant and office for a period 2 to 5 years. The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to low-value asset leases	\$ <u>1,858</u>	\$ <u>3,112</u>
Total cash outflow for lease	( \$ <u>41,988</u> )	( \$ <u>41,952</u> )

The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 23,112
Addition	6,065
Disposal	( 6,262 )
Effect of foreign currency	( 3 )
Balance on December 31, 2021	\$ <u>22,912</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2021	( \$ 16,408 )
Amortization expense	( 2,932 )
Disposal	6,262
Effect of foreign currency	3
Balance on December 31, 2021	( \$ <u>13,075</u> )
Carrying amount on December 31, 2021	\$ <u>9,837</u>

**Computer Software**

**Cost**

Balance on January 1, 2020	\$ 29,119
Disposal	( 6,012)
Effect of foreign currency	<u>5</u>
Balance on December 31, 2020	<u>\$ 23,112</u>

**Accumulated amortization**

Balance on January 1, 2020	(\$ 18,540)
Amortization expense	( 3,876)
Disposal	6,012
Effect of foreign currency	<u>( 4)</u>
Balance on December 31, 2020	<u>(\$ 16,408)</u>

Carrying amount on December 31, 2020	<u>\$ 6,704</u>
--------------------------------------	-----------------

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

Computer Software	3~10 years
-------------------	------------

Amortization expenses summarized by function are as below.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ -	\$ -
Selling and marketing expenses	129	128
General and administrative expenses	2,246	3,377
Research and development expenses	<u>557</u>	<u>371</u>
	<u>\$ 2,932</u>	<u>\$ 3,876</u>

**18. OTHER ASSETS**

	<b><u>December 31, 2021</u></b>	<b><u>December 31, 2020</u></b>
<b><u>Current</u></b>		
Prepayments	\$ 21,224	\$ 9,250
Others	<u>1,983</u>	<u>21</u>
	<u>\$ 23,207</u>	<u>\$ 9,271</u>
<b><u>Non-current</u></b>		
Prepayments for equipment	\$ 6,834	\$ 3,888
Refundable deposits	1,169,931	404,982
Overdue receivables (Note 11)	13,972	13,972
Allowance for impairment loss - Overdue receivables (Note 11)	<u>( 13,972)</u>	<u>( 13,972)</u>
	<u>\$ 1,176,765</u>	<u>\$ 408,870</u>

**Refundable deposits**

Refundable deposits are mainly paid to suppliers as performance bond.

## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured borrowings (Note 36)		
Bank loans (1)	\$ 1,765,000	\$ 2,060,000
Bank loans - letters of credit (2)	804,721	345,108
Bank loans - export letters of credit (3)	<u>76,221</u>	<u>-</u>
	<u>\$ 2,645,942</u>	<u>\$ 2,405,108</u>

- 1) The effective weighted average interest rates for bank loans ranged from 0.577%~0.830% and 0.6035%~0.9371% per annum as of December 31, 2021 and 2020, respectively.
- 2) The effective weighted average interest rate for letters of credit loans was 0.51%~0.7729% and 0.50%~0.8682% per annum as of S December 31, 2021 and 2020, respectively.
- 3) The weighted average effective interest rate for export L/C documentary loan which were secured by the Group's notes receivable (refer to Note 36) with maturity date between April 19, 2022 and May 31, 2022 was 0.786% per annum as of December 31, 2021.

### b. Short-term bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper	\$ 180,000	\$ 190,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>
	<u>\$ 180,000</u>	<u>\$ 190,000</u>

The effective weighted average interest rates for commercial papers ranged from 0.828% and 0.908%~0.958% per annum as of December 31, 2021 and 2020, respectively.

## 20. Convertible Bond

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Domestic unsecured convertible bonds	\$ 549,200	\$ 997,400
Less : Discounts on bonds payable	<u>( 9,782 )</u>	<u>( 30,116 )</u>
	<u>\$ 539,418</u>	<u>\$ 967,284</u>

### Unsecured Domestic Convertible Bonds - Third Issue

On June 8, 2020, the Company issued 10 thousand NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$1,000,000 thousand. In addition, the bond is publicly underwritten by bidding auction, the issue price is \$101, and the actual total issue amount is \$1,020,987 thousand. The annual interest rate of the issuance coupon is 0%, the issuance period is three years, and the maturity date is June 8, 2023.

The major terms are as follows:

- a. In the period of circulation from three months after the issuance of the convertible corporate bonds to forty business days before the maturity of the bonds, the Company may notify the bondholders under the conversion measures and redeem all bonds in cash at the nominal amount when the agreed conditions are met.
- b. When this convertible bond expires, it will be repaid in cash based on the denomination of the bond.
- c. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective

date regulated by the terms. The conversion price at issuance was NT\$ 34.50.

- d. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$32.16 per share to NT\$30.16 per share since August 6, 2021, i.e. the ex-dividend date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.28% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,100 thousand)	\$ 1,015,887
Equity component (less transaction costs allocated to the equity component of \$255 thousand)	( 53,332 )
Redemption right	<u>100</u>
Liability component on the date of issuance (less transaction costs allocated to the liability component of \$4,845 thousand)	962,655
Interest charged at an effective interest rate of 1.28%	7,145
Conversion of corporate bond payable into common shares	( <u>2,516</u> )
Liability component on December 31, 2020	967,284
Interest charged at an effective interest rate of 1.28%	10,307
Conversion of corporate bond payable into common shares	( <u>438,173</u> )
Liability component on December 31, 2021	<u>\$ 539,418</u>

## 21. NOTES AND ACCOUNTS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes payable</u>		
Non-trade	<u>\$ 8,447</u>	<u>\$ 24</u>
<u>Accounts payable</u>		
Accounts payable	<u>\$ 4,083,540</u>	<u>\$ 2,739,476</u>
Accounts payable - related parties	<u>\$ 13,893</u>	<u>\$ 19,899</u>

The average credit period for purchases of goods was between 30-120 days. 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Accrued commissions	\$ 37,923	\$ 16,505
Payables for salaries or bonuses	166,368	111,170
Payables for annual leaves	18,750	17,850
Payables for compensation of employees and remuneration of directors	97,000	62,000
Subsidiaries' payables for compensation of employees and remuneration of directors	19,500	24,700
Accrued freights	\$ 50,965	\$ 46,662
Payables for dividends	519	519
Accrued Interests	3,433	3,003
Others	<u>164,280</u>	<u>122,800</u>
	<u>\$ 558,738</u>	<u>\$ 405,209</u>
Contract liability	<u>\$ 146,306</u>	<u>\$ 77,704</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Others		
Refund liability (1)	\$ 486,610	\$ 291,379
Others	<u>6,358</u>	<u>18,227</u>
	<u>\$ 492,968</u>	<u>\$ 309,606</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits(2)	<u>\$ 1,051,904</u>	<u>\$ 284,864</u>

- 1) Refund liabilities is based on historical experience, management’s judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities are recognized as a reduction of operating income in the periods in which the related goods are sold.
- 2) Guarantee deposits are mainly collected from customers.

## 23. PROVISIONS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Warranties	<u>\$ 2,938</u>	<u>\$ 3,285</u>
<u>Non-current</u>		
Warranties	<u>\$ 1,386</u>	<u>\$ 2,239</u>

The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under sale of goods legislation. The estimate had been made on the basis of historic warranty trends, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 24. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group’s subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plans adopted by the Company and Promate Solutions in accordance with the Labor Standards Law 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 balance sheets in respect of the Group’s defined benefit plans were as

follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 72,699	\$ 76,456
Fair value of plan assets	( 30,056)	( 28,897)
Net defined benefit liabilities (assets)	<u>\$ 42,643</u>	<u>\$ 47,559</u>

	<b><u>Present Value of the Defined Benefit Obligation</u></b>	<b><u>Fair Value of the Plan Assets</u></b>	<b><u>Fair Value of the Plan Assets</u></b>
Balance on January 1, 2021	<u>\$ 76,456</u>	<u>( \$ 28,897 )</u>	<u>\$ 47,559</u>
Service cost			
Service cost of current period	153	-	153
Net interest expense (income)	<u>382</u>	<u>( 148 )</u>	<u>234</u>
Recognized in loss (profit)	<u>535</u>	<u>( 148 )</u>	<u>387</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	<u>( 359 )</u>	<u>( 359 )</u>
Actuarial loss – change in demographic assumptions	1,799	-	1,799
Actuarial loss – changes in financial assumptions	-	-	-
Actuarial loss – experience adjustments	<u>( 5,167 )</u>	<u>-</u>	<u>( 5,167 )</u>
Recognized in other comprehensive loss (gain)	<u>( 3,368 )</u>	<u>( 359 )</u>	<u>( 3,727 )</u>
Contributions from employer	<u>-</u>	<u>( 1,576 )</u>	<u>( 1,576 )</u>
Benefits paid	<u>( 924 )</u>	<u>924</u>	<u>-</u>
Balance on December 31, 2021	<u>\$ 72,699</u>	<u>( \$ 30,056 )</u>	<u>\$ 42,643</u>
Balance on January 1, 2020	<u>\$ 73,662</u>	<u>( \$ 26,243 )</u>	<u>\$ 47,419</u>
Service cost			
Service cost of current period	150	-	150
Net interest expense (income)	<u>553</u>	<u>( 203 )</u>	<u>350</u>
Recognized in loss (profit)	<u>703</u>	<u>( 203 )</u>	<u>500</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	<u>( 836 )</u>	<u>( 836 )</u>
Actuarial loss – change in demographic assumptions	611	-	611
Actuarial loss – changes in financial assumptions	1,910	-	1,910
Actuarial loss – experience adjustments	<u>( 430 )</u>	<u>-</u>	<u>( 430 )</u>
Recognized in other comprehensive loss (gain)	<u>2,091</u>	<u>( 836 )</u>	<u>1,255</u>
Contributions from employer	<u>-</u>	<u>( 1,615 )</u>	<u>( 1,615 )</u>
Balance on December 31, 2020	<u>\$ 76,456</u>	<u>( \$ 28,897 )</u>	<u>\$ 47,559</u>



The amount recognized as profit or loss for the defined benefit plan is summarized by function as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating cost	\$ 19	\$ 26
Selling and marketing expenses	258	313
General and administrative expenses	88	136
Research and development expenses	22	25
	<u>\$ 387</u>	<u>\$ 500</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.00%	2.00%
Death rate	According to the sixth mortality experience table of Taiwan life insurance industry	According to the fifth mortality experience table of Taiwan life insurance industry
Disability rate	According to 10% of expected mortality rate	According to 10% of expected mortality rate

Employee turnover rate

The Company

<b>Age</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
20 years old ~ 30 years old	7%~10%	7%~10%
35 years old ~ 60 years old	0%~4%	0%~4%

Promate Solutions

<b>Age</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
20 years old ~ 30 years old	6%~10%	6%~10%
35 years old ~ 60 years old	0%~4%	0%~4%

Based on the empirical data of the turnover rate of the Company in the past and the future trend, the revised data were adopted.

The turnover rate under 20 years old shall be calculated as 20 years old; the turnover rate of each age Company shall be calculated in the way of internal difference.

### Voluntary retirement rate

Assuming that Z is the earliest retirement age for individual employees

<u>Age</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Z	15%	15%
Z+1~64	3%	3%
65	100%	100%

However, the voluntary retirement rate of individual employees shall not be less than 1.5 times of the turnover rate for the same age adopted by the Company.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate(s)		
0.25% increase	<u>(\$ 1,758)</u>	<u>(\$ 1,916)</u>
0.25% decrease	<u>\$ 1,826</u>	<u>\$ 1,992</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,769</u>	<u>\$ 1,931</u>
0.25% decrease	<u>(\$ 1,713)</u>	<u>(\$ 1,867)</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The expected contributions to the plan for the next year	\$ 1,588	\$ 1,653
The average duration of the defined benefit obligation	9.6~10.3 Years	9.9~10.2 Years

## 25. Equity

### a. Share capital

#### Common stock

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>193,414</u>	<u>179,126</u>
Shares issued	<u>\$ 1,934,141</u>	<u>\$ 1,791,260</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

As of December 31, 2021, 3,176 thousand of common shares issued from convertible bonds has yet to complete the registration process.

b. Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 291,960	\$ 291,960
Conversion of employee stock options	66,208	66,208
Conversion of bonds	733,444	438,152
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604
Less: transfer to capital	( 267,199 )	( 267,199 )
Less: cash dividends paid	( 73,408 )	( 73,408 )
Less: Treasury stock cancellation	( 9,461 )	( 9,461 )
	<u>787,148</u>	<u>491,856</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	<u>166,292</u>	<u>166,292</u>
<u>May not be used for any purpose</u>		
Employee share options	1,250	1,250
Share options on Convertible Bond	<u>53,332</u>	<u>53,332</u>
	<u>54,582</u>	<u>54,582</u>
	<u>\$ 1,008,022</u>	<u>\$ 712,730</u>

- 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).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a 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 special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 27, h.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than 20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which have been approved in the shareholders' meetings on July 26, 2021 and June 15, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 53,918	\$ 46,796
Special reserve (Reversal)	( \$ 15,204 )	\$ 10,415
Cash dividends	\$ 501,553	\$ 408,223
Cash dividends per share (NT\$)	\$ 2.80	\$ 2.28

The appropriation of earnings for 2021 was proposed by the Company's board of directors on March 16, 2022. The appropriation and dividends per share were as follows:

Legal reserve	\$ 82,026
Cash dividends	737,021
Cash dividends per share (NT\$)	3.78

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 15, 2022.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning on January 1	\$ 15,204	\$ 4,789
Appropriations (reversal) of special reserves In respect of debits to other equity items	( <u>15,204</u> )	<u>10,415</u>
Balance on December 31	<u>\$ -</u>	<u>\$ 15,204</u>

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	( \$ 5,218 )	( \$ 4,025 )
Recognized for the period		
Share from associates accounted for using the equity method	( <u>1,836</u> )	( <u>1,193</u> )
Other comprehensive income recognized for the period	( <u>1,836</u> )	( <u>1,193</u> )
Balance on December 31	<u>( \$ 7,054 )</u>	<u>( \$ 5,218 )</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 11,996	( \$ 11,180)
Recognized for the period		
Unrealized gain (loss) - equity instruments	19,231	23,205
Net remeasurement of loss allowance	2,788	4,044
Other comprehensive income recognized for the period	<u>22,019</u>	<u>27,249</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	( 24,410)	( 4,073)
Balance on S December 31	<u>\$ 9,605</u>	<u>\$ 11,996</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning on January 1	\$ 377,344	\$ 360,733
Share of profit (loss) for the period	54,925	68,660
Other comprehensive income during the period		
Exchange differences arising on translating the foreign operations	( 115)	1
Actuarial profit and loss of defined benefit plans	( 2,007)	6,674
Unrealized gain on FVTOCI financial assets	1,107	( 92)
Cash dividends distributed by subsidiaries	( 64,632)	( 64,632)
Increase in non-controlling interests arising from the acquisition of subsidiary. (Note 30)	-	6,000
Balance on December 31	<u>\$ 366,622</u>	<u>\$ 377,344</u>

**26. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 32,409,869	\$ 26,633,714
Revenue from NRE service	39,319	58,378
Revenue from repair service	<u>12,711</u>	<u>13,012</u>
	32,461,899	26,705,104
Other operating income		
Service revenue	<u>7,154</u>	<u>5,709</u>
	<u>\$ 32,469,053</u>	<u>\$ 26,710,813</u>

a. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components and the sale and manufacture of industrial computer monitors and customized products. Goods are categorized into electronic components (application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs) as well as embedded control systems, medical displays, and application-specific display modules (e.g., medical, factory automation, military, outdoor use, and sports equipment). The Group sells goods at the agreed prices stipulated in contracts, quotations or orders.

### Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

#### b. Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivables (Note 11)	\$ 169,019	\$ 68,817
Accounts receivables (Note 11)	\$ 6,792,763	\$ 5,513,335
Accounts receivables from related parties (Note 11)	\$ 1,693	\$ 2,194
Contract liabilities - current (Note 22)		
Sale of goods	\$ 146,306	\$ 77,704

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

#### c. Disaggregation of revenue

##### For the year ended December 31, 2021

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 6,417,469	\$14,273,300	\$ 6,804,960	\$ 2,641,228	\$ 2,272,912	\$32,409,869
Service revenue	52,030	-	-	-	7,154	59,184
	<u>\$ 6,469,499</u>	<u>\$14,273,300</u>	<u>\$ 6,804,960</u>	<u>\$ 2,641,228</u>	<u>\$ 2,280,066</u>	<u>\$32,469,053</u>

##### For the year ended December 31, 2020

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 5,386,659	\$12,039,535	\$ 5,636,472	\$ 1,930,122	\$ 1,640,926	\$26,633,714
Service revenue	71,390	-	-	-	5,709	77,099
	<u>\$ 5,458,049</u>	<u>\$12,039,535</u>	<u>\$ 5,636,472</u>	<u>\$ 1,930,122</u>	<u>\$ 1,646,635</u>	<u>\$26,710,813</u>

## **27. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)**

#### a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest Income		
Bank deposits	\$ 1,950	\$ 3,825
Financial assets at amortized cost	425	1,597
Imputed interest of deposit	15	22
	<u>\$ 2,390</u>	<u>\$ 5,444</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income		
Other operating lease	\$ 946	\$ 288
Dividend Income		
Financial assets at FVTPL	1,135	661
Financial assets at FVTOCI	<u>5,678</u>	<u>2,825</u>
	<u>6,813</u>	<u>3,486</u>
Other	<u>2,704</u>	<u>3,253</u>
	<u>\$ 10,463</u>	<u>\$ 7,027</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) on financial instruments		
Mandatorily measured at FVTPL	\$ 3,242	\$ 5,262
Gain (loss) on disposal of investment in associations (Note 14)	( 13)	-
Net foreign exchange gains (losses)	( 118,609)	( 215,711)
Gain (loss) on disposal of property, plant and equipment	429	-
Gain on Lease Modification	1,668	-
Bank charge	( 17,745)	( 14,126)
Other	( <u>182</u> )	<u>5,177</u>
	<u>( \$ 131,210)</u>	<u>( \$ 219,398)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 42,037	\$ 62,789
Interest on convertible corporate bond	10,307	7,145
Interest on lease liabilities	<u>4,052</u>	<u>4,556</u>
	<u>\$ 56,396</u>	<u>\$ 74,490</u>

There was no interest capitalization in the Company for the year ended December 31, 2021 and 2020.

e. Impairment losses recognized

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Trade receivables	( \$ <u>13,216</u> )	( \$ <u>3,983</u> )
Inventories (included in operating costs)	( \$ <u>130,068</u> )	( \$ <u>70</u> )

f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of deprecation by function		
Operating costs	\$ 909	\$ 935
Operating expenses	<u>62,036</u>	<u>61,069</u>
	<u>\$ 62,945</u>	<u>\$ 62,004</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>2,932</u>	<u>3,876</u>
	<u>\$ 2,932</u>	<u>\$ 3,876</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	<u>\$ 658,338</u>	<u>\$ 553,262</u>
Post-employment benefits (Note 24)		
Defined contribution plans	24,495	14,916
Defined benefit plans	<u>387</u>	<u>500</u>
	<u>24,882</u>	<u>15,416</u>
Other employee benefits	<u>41,913</u>	<u>41,415</u>
Total employee benefits expense	<u>\$ 725,133</u>	<u>\$ 610,093</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 52,029	\$ 54,497
Operating expenses	<u>673,104</u>	<u>555,558</u>
	<u>\$ 725,133</u>	<u>\$ 610,055</u>

h. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The compensation to employees and remuneration to the directors of 2021 and 2020 were approved by the Company's board of directors on March 16, 2022 and March 24, 2021, respectively.

Accrual rate

	<b>For the Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 80,500	\$ 52,000
Remuneration of directors	16,500	10,500

If there is a change in the amounts after the annual financial statements were 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. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 620,507	\$ 864,082
Foreign exchange losses	( 739,116)	( 1,079,793)
Net foreign exchange gains and losses	<u>( \$ 118,609)</u>	<u>( \$ 215,711)</u>

**28. INCOME TAXES RELATING TO CONTINUING OPERATION**

a. Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current period	\$ 359,533	\$ 155,731
Income tax on unappropriated earnings	-	712
Adjustment for prior years	<u>1,476</u>	<u>( 7,016)</u>
	<u>361,009</u>	<u>149,427</u>
Deferred tax		
In respect of the current period	<u>( 150,456)</u>	<u>( 6,488)</u>
Income tax expense recognized in profit or loss	<u>\$ 210,553</u>	<u>\$ 142,939</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<u>\$ 1,059,457</u>	<u>\$ 747,615</u>
Income tax expense calculated at the statutory rate	\$ 234,424	\$ 178,093
Non-deductible tax loss	-	525
Tax-exempt income	( 23,599)	( 29,316)
Income tax on unappropriated earnings	-	712
Unrecognized deductible temporary differences	( 1,748)	( 59)
Adjustments for prior year	<u>1,476</u>	<u>( 7,016)</u>
Income tax expense recognized in profit or loss	<u>\$ 210,553</u>	<u>\$ 142,939</u>

b. Income tax expense recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	\$ 488	\$ 298
Actuarial profit and loss of defined benefit plans	<u>( 745)</u>	<u>250</u>
Income tax recognized in other comprehensive income (loss)	<u>( \$ 257)</u>	<u>\$ 548</u>

c. Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Tax refund receivable	\$ -	\$ -
Prepaid income tax	<u>391</u>	<u>447</u>
	<u>\$ 391</u>	<u>\$ 447</u>
Current tax liabilities		
Income tax payable	<u>\$ 279,163</u>	<u>\$ 75,105</u>

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

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized sales return and allowance	\$ 58,276	\$ 41,503	\$ -	\$ 99,779
Impairment loss	5,993	( 3,018 )	-	2,975
Provisions s	1,105	( 240 )	-	865
Defined benefit obligation Associates	5,048	( 238 )	( 11 )	4,799
Allowance for write-down of inventories	269	-	-	269
Unrealized foreign exchange loss	24,921	26,000	-	50,921
Exchange differences on translating foreign operations	17,221	( 11,842 )	-	5,379
Valuation on financial assets-current	1,309	-	488	1,797
Convertible bonds payable	240	( 240 )	-	-
Others	-	3,490	-	3,490
	<u>3,180</u>	<u>1,324</u>	<u>-</u>	<u>4,504</u>
	<u>\$ 117,562</u>	<u>\$ 56,739</u>	<u>\$ 477</u>	<u>\$ 174,778</u>

Deferred tax liabilities

Temporary differences				
Defined benefit obligation Associates	\$ -	\$ -	( \$ 734 )	( \$ 734 )
Unrealized purchase allowance	( 10,975 )	629	-	( 10,346 )
Others	( 135,535 )	92,220	-	( 43,315 )
	<u>( 356 )</u>	<u>868</u>	<u>-</u>	<u>512</u>
	<u>( \$ 146,866 )</u>	<u>\$ 93,717</u>	<u>( \$ 734 )</u>	<u>( \$ 53,883 )</u>

For the year ended December 31, 2020

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized sales return and allowance	\$ 26,827	\$ 31,449	\$ -	\$ 58,276
Impairment loss	5,993	-	-	5,993
Provisions s	3,625	( 2,520 )	-	1,105
Defined benefit obligation	5,019	( 221 )	250	5,048

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
Associates	269	-	-	269
Allowance for write-down of inventories	24,907	14	-	24,921
Unrealized foreign exchange loss	4,043	13,178	-	17,221
Exchange differences on translating foreign operations	1,012	( 1 )	298	1,309
Valuation on financial assets-current	-	240	-	240
Others	2,494	686	-	3,180
	<u>\$ 74,189</u>	<u>\$ 42,825</u>	<u>\$ 548</u>	<u>\$ 117,562</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange loss	( \$ 3 )	\$ 3	\$ -	\$ -
Associates	( 7,094 )	( 3,881 )	-	( 10,975 )
Unrealized purchase allowance	( 103,048 )	( 32,487 )	-	( 135,535 )
Others	( 384 )	28	-	( 356 )
	<u>( \$ 110,529 )</u>	<u>( \$ 36,337 )</u>	<u>\$ -</u>	<u>( \$ 146,866 )</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss carryforwards		
Expiry in 2022	<u>\$ 504</u>	<u>\$ 778</u>
Deductible temporary differences	<u>\$ 74</u>	<u>\$ 74</u>

- f. Income tax assessments

The tax returns of the Company and Promate Solutions Corporation through 2019 have been assessed by the tax authorities.

## 29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share total	<u>\$ 4.31</u>	<u>\$ 2.99</u>
Diluted earnings per share total	<u>\$ 3.75</u>	<u>\$ 2.73</u>

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

### Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Income for the period attributable to owners of the Company	<u>\$ 793,979</u>	<u>\$ 536,016</u>
Earnings used in the computation of basic earnings per share	\$ 793,979	\$ 536,016
Effect of potentially dilutive ordinary shares:		
The after-tax interest of convertible bonds	<u>8,245</u>	<u>5,716</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 802,224</u>	<u>\$ 541,732</u>

## Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares in computation of basic earnings per share	184,310	179,059
Effect of potentially dilutive ordinary shares:		
Employees' compensation	2,261	1,984
Corporate bond	<u>27,271</u>	<u>17,607</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>213,842</u>	<u>198,650</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

### 30. BUSINESS COMBINATIONS

#### a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
CT Continental Corporation	Agent distribution of computers and peripheral devices	June 15, 2020	50%	<u>\$ 6,000</u>

The Group acquired CT Continental Corporation in order to expand its agent distribution of computers and peripheral devices.

#### b. Consideration transferred

Cash	<u>CT Continental Corporation</u> <u>\$ 6,000</u>
------	--

#### c. Assets acquired and liabilities assumed at the dates of acquisitions

Current assets	<u>CT Continental Corporation</u>
Cash and cash equivalents	\$ 8,710
Accounts receivable and other receivables	69
Prepayments	1,563
Noncurrent assets	
Property, plant, and equipment	8,884
Refundable deposits	130
Current liabilities	
Other payables	( 68 )
Others	( 7,094 )
Noncurrent liabilities	
Guarantee deposits received	( 194 )
	<u>\$ 12,000</u>

The original accounting treatment for the acquisition of CT Continental Corp. on the balance sheet date is adopted temporarily. For the purpose of taxation, the taxation basis of CT Continental Corp.'s assets must be re-determined in accordance with the market value of such assets.

The Group's net value of accounts receivable and payable from sales to other customers through CT Continental Corp. as of December 31, 2020 was NT\$1,076,857 thousand.

d. Non-controlling interests

The non-controlling interest (50% in CTC) recognized on the acquisition date was measured with reference to the fair value of the non-controlling interest in the amount of \$12,000 thousand.

e. Net cash inflow on acquisitions of subsidiaries

	<b>CT Continental Corp</b>
	<u>                    </u>
Consideration paid in cash	(\$ 6,000)
Less: Cash and cash equivalent balances acquired	<u>8,710</u>
	<u>\$ 2,710</u>

f. Net cash inflow on acquisitions of subsidiaries

The results of the acquisition since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	<b>CT Continental Corp</b>
	<u>                    </u>
Revenue	<u>\$ 15,250</u>
Profit	<u>\$ 412</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been NT\$26,712,703 thousand, and the profit from continuing operations would have been NT\$605,411 thousand for the year ended December 31, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020 nor is it intended to be a projection of future results.

When hypothetical operating income and net profit are prepared if the Group acquires CTC from the beginning of the fiscal year to which the acquisition date belongs, the management has taken the following factors into consideration:

- 1) The fair value of the plant and property at the time of original accounting treatment for the merger is adopted as the basis for depreciation calculation, rather than the carrying value recognized in the financial statements before the acquisition;
- 2) The Group's capital status, credit rating, and debt-to-equity ratio after the merger are adopted as the basis for estimation of the borrowing cost.

### 31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended December, 2020

In June 2020, the Group subscribed for additional new shares of CT Continental Corp, and increased its shareholding ratio from 50% to 90%.

	<b>CT Continental Corporation</b>
	For the Year Ended December 31, 2020
Cash consideration received (paid)	(\$ 48,000)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>48,000</u>
Differences recognized to equity transactions	<u>\$ -</u>

### 32. CASH FLOW INFORMATION

#### a. Non-cash transaction

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

The Group reclassified prepayments for equipment in the amount of NT\$9,908 thousand and NT\$17,312 thousand to property, plant and equipment for the year ended December 31, 2021 and 2020, respectively.

#### b. Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2021

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes				Balance as of December 31, 2021
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,405,108	\$ 248,297	\$ -	\$ -	\$ -	(\$ 7,463)	\$ 2,645,942
Short-term bills payable	190,000	( 10,000)	-	-	-	-	180,000
Guarantee deposits received	284,864	767,040	-	-	-	-	1,051,904
Lease liabilities	106,436	( 40,130)	84,081	( 48,840)	4,052	160	105,759
	<u>\$ 2,986,408</u>	<u>\$ 965,207</u>	<u>\$ 84,081</u>	<u>(\$ 48,840)</u>	<u>\$ 4,052</u>	<u>(\$ 7,303)</u>	<u>\$ 3,983,605</u>

For the year ended December 31, 2020

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes				Balance as of December 31, 2020
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,712,284	(\$ 298,952)	\$ -	\$ -	\$ -	(\$ 8,224)	\$ 2,405,108
Short-term bills payable	210,000	( 20,000)	-	-	-	-	190,000
Long-term borrowings	18,828	( 18,828)	-	-	-	-	-
Guarantee deposits received	60,046	224,624	-	-	-	194	284,864
Lease liabilities	136,294	( 38,840)	9,532	( 5,106)	4,556	-	106,436
	<u>\$ 3,137,452</u>	<u>(\$ 151,996)</u>	<u>\$ 9,532</u>	<u>(\$ 5,106)</u>	<u>\$ 4,556</u>	<u>(\$ 8,030)</u>	<u>\$ 2,986,408</u>

### 33. CAPITAL MANAGEMENT

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

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Group engages in

overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Group.

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

### 34. FINANCIAL INSTRUMENTS

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

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	\$ 539,418	\$ 549,200	\$ -	\$ -	\$ 549,200

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost:					
Foreign repurchase agreements	\$ 85,797	\$ -	\$ 85,797	\$ -	\$ 85,797
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	967,284	997,400	-	-	997,400

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk

#### 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
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 13,382	\$ -	\$ -	\$ 13,382
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 69,838	\$ -	\$ -	\$ 69,838
Domestic unlisted shares and domestic emerging market shares	-	-	938	938
Foreign Private Funds	-	-	95,878	95,878
	\$ 69,838	\$ -	\$ 96,816	\$ 166,654

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 19,275	\$ -	\$ -	\$ 19,275
Redemption option on convertible bonds	-	100	-	100
	\$ 19,275	\$ 100	\$ -	\$ 19,375

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 76,035	\$ -	\$ -	\$ 76,035
Domestic unlisted shares and domestic emerging market shares	-	-	2,398	2,398
	<u>\$ 76,035</u>	<u>\$ -</u>	<u>\$ 2,398</u>	<u>\$ 78,433</u>

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

<u>Financial Assets at Fair Value Through Other Comprehensive Income</u>	<u>For the year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Equity Instrument		
Balance at January 1	\$ 2,398	\$ 1,945
Recognized in other comprehensive income	-	
Purchase	96,378	453
Transfer out from Level 3	( 1,960 )	-
Balance at December 31	<u>\$ 96,816</u>	<u>\$ 2,398</u>
Unrealized gain (loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement.

<u>Financial Instruments</u>	<u>Valuation Techniques and Input</u>
Redemption option on convertible bonds	Discounted cash flow method: estimated future cash flow based on stock price volatility and annual bond yield in the most recent year.
Derivative financial instruments- FX Swap contract	Discounted cash flow method: Estimate the future cash flow according to the observable forward exchange rate on the balance sheet date and the exchange rate stipulated in the contract, and discount them respectively at the discount rate that can reflect the credit risk of each counterpart

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of company and the company's operating situation.

c. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 13,382	\$ 19,375



	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets at amortized cost (Note 1)	10,839,539	8,970,430
Financial assets at FVTOCI		
Equity instruments	166,654	78,433
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	9,081,882	7,011,864

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, convertible bonds payable and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debit investments, accounts receivables, accounts payables, borrowings and lease liabilities. The Group's Corporate Treasury monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

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

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Group's policies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 39.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar 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.

	<b>U.S. Dollar Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	<u>\$ 34,926</u> (i)	<u>\$ 42,139</u> (i)

- (i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables, accounts payables and loans, which were not hedged at the end of the reporting period

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Fair value interest rate risk		
Financial assets	\$ 350,574	\$ 384,411
Financial liabilities	719,418	1,157,284
Cash flow interest rate risk		
Financial assets	1,627,123	1,880,482
Financial liabilities	2,645,942	2,405,108

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for nonderivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 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 been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profits for the year ended December 31, 2021 and 2020 would decrease/increase by NT\$5,094 thousand and NT\$2,623 thousand, respectively, mainly attributable to the Group's exposure to the floating-interest rates on bank borrowings and bank deposits

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the year ended December 31, 2021 and 2020 would have increased/decreased by \$401 thousand and \$581 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income of or the year ended December 31, 2021 and 2020 would have increase/decreased by \$5,000 thousand and \$2,353 thousand as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased mainly because of its increase in financial

assets investment in 2021.

## 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. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Group due to financial guarantees provided by the Group, regardless of possibility.

Financial assets are potentially affected by the failure of the Group's counterparties to fulfill their contractual obligations. The Group's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Group's counterparties are financial institutions and companies with sound credit ratings. The Group has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

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 allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

The maximum credit exposure of the Group is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

## 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's available unutilized bank loan facilities set out in section (b) below.

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

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

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

	<b>December 31, 2021</b>			
	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
<u>Non-derivative financial liabilities</u>				

	<b>December 31, 2021</b>			
	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
Short-term borrowings	\$ 2,664,957	\$ -	\$ -	\$ -
Short-term bills payable	180,000	-	-	-
Notes payables	8,447	-	-	-
Accounts payables	4,083,540	-	-	-
Accounts payables to related parties	13,893	-	-	-
Other payables	558,738	-	-	-
Lease liabilities-current	40,581	-	-	-
Lease liabilities-non current	-	55,888	16,756	-
Refund liability	486,610	-	-	-
Bond payable	-	549,200	-	-
	<u>\$ 8,036,766</u>	<u>\$ 605,088</u>	<u>\$ 16,756</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 40,581</u>	<u>\$ 72,644</u>	<u>\$ -</u>

	<b>December 31, 2020</b>			
	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,425,156	\$ -	\$ -	\$ -
Short-term bills payable	190,000	-	-	-
Notes payables	24	-	-	-
Accounts payables	2,739,476	-	-	-
Accounts payables to related parties	19,899	-	-	-
Other payables	405,209	-	-	-
Lease liabilities- current	37,197	-	-	-
Lease liabilities- non current	-	72,012	7,101	-
Refund liability	291,379	-	-	-
Bond payable	-	997,400	-	-
	<u>\$ 6,108,340</u>	<u>\$ 1,069,412</u>	<u>\$ 7,101</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 37,197</u>	<u>\$ 79,113</u>	<u>\$ -</u>

b) Financing facilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank overdraft facilities		
Amount used	\$ 3,964,283	\$ 3,187,442
Amount unused	<u>3,939,567</u>	<u>4,875,502</u>
	<u>\$ 7,903,850</u>	<u>\$ 8,062,944</u>
Secured bank borrowings facility		
Amount unused	<u>\$ -</u>	<u>\$ -</u>

e. Transfers of financial assets

Factored accounts receivables that are not yet overdue at the end of the year were as follows:

December 31, 2021

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at December 31</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 252,365 USD 8,902	\$ 3,888,646 USD 138,597	(\$ 432,873) (USD 14,503)	(\$ 3,581,442) (USD 128,419)	\$ 126,696 USD 4,577	<u>USD 54,000</u>
Taishin International Bank	116,069 USD 4,095	3,330,490 USD 118,687	( 419,709) (USD 14,110)	( 2,744,056) (USD 98,455)	282,794 USD 10,217	<u>USD 50,000</u>
Chang Hwa Bank	16,537 USD 582	603,486 USD 21,488	( 66,914) (USD 2,229)	( 538,180) (USD 19,302)	14,929 USD 539	<u>USD 6,000</u>
E.Sun Bank	80,672 USD 2,846	1,971,780 USD 70,193	( 284,908) (USD 9,732)	( 1,713,843) (USD 61,367)	53,701 USD 1,940	<u>USD 24,800</u>
HSBC Bank	157,640 USD 5,557	1,860,510 USD 66,210	( 272,523) (USD 9,317)	( 1,627,250) (USD 58,173)	118,377 USD 4,277	<u>USD 20,000</u>
	<u>\$ 623,283</u> <u>USD 21,982</u>	<u>\$ 11,654,912</u> <u>USD 415,175</u>	<u>(\$ 1,476,927)</u> <u>(USD 49,891)</u>	<u>(\$ 10,204,771)</u> <u>(USD 365,716)</u>	<u>\$ 596,497</u> <u>USD 21,550</u>	

December 31, 2020

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at December 31</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 227,376 USD 7,672	\$ 3,725,646 USD 126,082	(\$ 371,908) (USD 12,641)	(\$ 3,328,749) (USD 112,211)	\$ 252,365 USD 8,902	<u>USD 54,000</u>
Taishin International Bank	160,591 USD 5,433	2,483,350 USD 83,824	( 213,557) (USD 7,241)	( 2,314,315) (USD 77,921)	116,069 USD 4,095	<u>\$ 1,283,000</u>
Chang Hwa Bank	13,100 USD 441	540,523 USD 18,263	( 216,592) (USD 7,559)	( 320,494) (USD 10,563)	16,537 USD 582	<u>USD 6,000</u>
E.Sun Bank	71,980 USD 2,427	1,366,675 USD 46,021	( 172,498) (USD 5,872)	( 1,185,485) (USD 39,730)	80,672 USD 2,846	<u>USD 21,000</u>
HSBC Bank	103,539 USD 3,487	1,196,122 USD 40,333	( 288,122) (USD 9,908)	( 853,899) (USD 28,355)	157,640 USD 5,557	<u>USD 12,000</u>
	<u>\$ 576,586</u> <u>USD 19,460</u>	<u>\$ 9,312,316</u> <u>USD 314,523</u>	<u>(\$ 1,262,677)</u> <u>(USD 43,221)</u>	<u>(\$ 8,002,942)</u> <u>(USD 268,780)</u>	<u>\$ 623,283</u> <u>USD 21,982</u>	

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

The effective weighted average interest rates for factoring ranged from 0.66%~1.09254% for the year ended December 31, 2021, and 0.77%~2.8541% for the year ended December 31, 2020.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by banks. Refer to Note 36 for information on the use of promissory notes provided by the Group as collateral for the sale of accounts receivable.

### 35. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Categories</u>
Weikeng Industrial Co., Ltd.	Substantive related party
Weikeng International Co., Ltd.	Substantive related party
Prosperity Venture Capital I, Limited	Substantive related party
CT Continental Corp.	Substantive related party (became subsidiary since June 15, 2020)
HIGGSTEC Inc.	The management – The company is a corporate director of the entity.

b. Sales of goods

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Sales	Substantive related parties	\$ 5,228	\$ 12,398
	The management	964	2,284
		<u>\$ 6,192</u>	<u>\$ 14,682</u>

c. Purchases of goods

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Substantive related parties	\$ 53,323	\$ 75,171
The management	13,526	12,494
	<u>\$ 66,849</u>	<u>\$ 87,665</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2021</u>	<u>2020</u>
Accounts receivable	Substantive related parties	\$ 1,048	\$ 2,180
	The management	645	14
		<u>\$ 1,693</u>	<u>\$ 2,194</u>

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

The revenue from sales to other customers through CT Continental Corp. for the years ended December 31, 2021 and 2020 were NT\$2,817,167 thousand, and NT\$2,021,187 thousand respectively.

Its accounts receivable as of December 31, 2021 and 2020 was NT\$1,516,015 thousand, and NT\$1,076,857 thousand respectively.

All inter-company transactions have been eliminated from consolidation, please see Table 5 in Note 40.

- e. Payables to related parties (excluding loans from related parties)

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payables	Substantive related parties	\$ 9,185	\$ 17,985
	The management	<u>4,708</u>	<u>1,914</u>
		<u>\$ 13,893</u>	<u>\$ 19,899</u>

The outstanding accounts payables to related parties are unsecured.

- f. Lease arrangements - the Group is lessee

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Acquisition of right-of-use assets</u>		
Substantive related parties	<u>\$ 14,523</u>	<u>\$ -</u>

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease liabilities - current	Substantive related party	\$ 3,686	\$ 3,441
Lease liabilities - non-current	Substantive related party	<u>7,367</u>	<u>6,877</u>
		<u>\$ 11,053</u>	<u>\$ 10,318</u>

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Interest expense</u>		
Substantive related parties	<u>\$ 353</u>	<u>\$ 329</u>
<u>Gain on Lease Modification</u>		
Substantive related parties	<u>\$ 297</u>	<u>\$ -</u>

<u>Lessor</u>	<u>Location</u>	<u>Lease term and Payment Method</u>
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2021 and ends on December 31, 2025. Rent is paid every six months, where the monthly rent is NT\$334,500.

- g. Lease arrangements - the Group is lessor

Operating leases

<u>Lessor</u>	<u>Location</u>	<u>Lease Term and Payment Method</u>	<u>For the Year ended December 31</u>	
			<u>2021</u>	<u>2020</u>
Prosperity Venture Capital I, Limited	Office building on Huanshan Road, Neihu District	The lease term begins on March 1, 2017 and ends on February 28, 2019, and then begins on March 1, 2019 and ends on February 28, 2021. Rent is paid every six months. (Note)	<u>\$ -</u>	<u>\$ 20</u>

Note: In December 2020, the lease was early terminated with Prosperity Venture Capital I, Limited.

h. Acquisition of financial instruments

For the Year ended December 31, 2020

<u>Related Party Categories/Name</u>	<u>Line Item</u>	<u>Number of shares</u>	<u>Transaction subject</u>	<u>Amount</u>
Prosperity Venture Capital I, Limited	Investments in equity instruments at FVTOCI-non current	48,645	Tricorntech Corp.	\$ 438
		819	Medimaging Integrated Solution Inc.	15
				<u>\$ 453</u>

i. Other transactions with related parties

1) Other revenue

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Other revenue	The management	\$ -	\$ 153

2) Others.

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Research and development fee	Substantive related parties	\$ 579	\$ 424
	The management	1,600	1,033
Other operating expenses	Subsidiaries	-	2,315
		<u>\$ 2,179</u>	<u>\$ 3,772</u>

j. Other transactions with related parties

Due to business needs, the company purchased 600,000 shares of CT Continental Corp. from the chairman at NT\$10 per share and total price is NT\$ 6 million, The proposition was presented on the third board of directors' meetings in 2020, and the chairman left due to avoidance of interests. The case was passed unanimously by other directors.

k. Compensation of key management personnel

<u>Line Items</u>	<u>For the Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 76,375	\$ 69,777
Other long-term employee benefits	691	820
	<u>\$ 77,066</u>	<u>\$ 70,597</u>

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



### 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 212,223	\$ 202,723
Buildings	110,272	118,794
Financial assets at amortized cost	2,236	2,278
Notes Receivable	<u>76,221</u>	<u>-</u>
	<u>\$ 400,952</u>	<u>\$ 323,795</u>

The land and buildings above have been pledged as collateral for bank loans. The Group may not use the pledged assets as collateral for other loans or sell them to other companies.

### 37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

- 1) As of December 31, 2021 and 2020, unused letters of credit for purchases of inventories were as follows:

	<u>December 31,, 2021</u>	<u>December 31, 2020</u>
USD	\$ 7,955	\$ 598
NTD	290,319	150,000

- 2) As of December 31, 2021 and 2020, the Group had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$953,000 thousand and \$903,000 thousand, respectively.
- 3) As of December 31, 2021 and 2020, the Group has issued letters of guarantee for purchase of inventories amounted to \$187,784 thousand and \$218,786 thousand, respectively.
- 4) As of December 31, 2021 and 2020, the Group has all issued letters of guarantee for tariff guarantee amounted to \$18,000 thousand and \$22,000 thousand, respectively.
- 5) As of December 31, 2020 and 2019, commitment for acquisition of property, plant and equipment were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract amount	\$ 17,065	\$ 11,380
Paid amount	( 6,834 )	( 3,888 )
Unpaid amount	<u>\$ 10,231</u>	<u>\$ 7,492</u>

b. Contingent liabilities: None

### 38. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

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

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

December 31, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
<u>Financial assets</u>				
Monetary items				
USD	\$ 322,561	27.68	USD:NTD	\$ 8,928,476
CNY	2,975	4.344	CNY:NTD	12,925
CNY	41	1.2232	CNY:HKD	180
CNY	1,792	0.1569	CNY:USD	7,784
HKD	5,054	3.549	HKD:NTD	17,935
HKD	35	0.2772	HKD:USD	126
EUR	94	31.52	EUR:NTD	2,967
GBP	148	37.50	GBP:NTD	5,549
USD	180	115.02	USD:JPY	4,984
JPY	9,994	0.2405	JPY:NTD	2,404
				<u>\$ 8,983,330</u>

Financial liabilities

Monetary items				
USD	196,384	27.68	USD:NTD	\$ 5,435,902
USD	6,396	6.372	USD:CNY	177,036
CNY	332	4.344	CNY:NTD	1,440
CNY	216	1.2232	CNY:HKD	936
HKD	2,507	3.549	HKD:NTD	8,897
EUR	16	31.52	EUR:NTD	519
USD	125	115.02	USD:JPY	3,458
JPY	1,570	0.2405	JPY:NTD	378
				<u>\$ 5,628,566</u>

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
<u>Financial assets</u>				
Monetary items				
USD	\$ 284,263	28.48	USD:NTD	\$ 8,095,815
CNY	2,659	4.377	CNY:NTD	11,637
CNY	76	1.19215	CNY:HKD	333
CNY	1,758	0.15639	CNY:USD	7,696
HKD	2,415	3.673	HKD:NTD	8,869
HKD	27	0.12897	HKD:USD	101
EUR	168	35.02	EUR:NTD	5,869
JPY	585	0.2763	JPY:NTD	162
				<u>\$ 8,130,482</u>
Nonmonetary items				
USD	\$ 21	28.48	USD:NTD	<u>\$ 645</u>
<u>Financial liabilities</u>				
Monetary items				
USD	136,304	28.48	USD:NTD	\$ 3,881,930
USD	6,424	6.5067	USD:CNY	182,943
CNY	86	4.377	CNY:NTD	375
CNY	187	1.19215	CNY:HKD	819

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
HKD	1,264	3.673	HKD:NTD	4,643
EUR	10	35.02	EUR:NTD	340
				<u>\$ 4,071,050</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed.

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

<u>For the Year ended December 31</u>				
<u>2021</u>			<u>2020</u>	
<u>Functional Currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange (Loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gain (Loss)</u>
NTD	1 (NTD:NTD)	(\$125,543)	1 (NTD:NTD)	(\$225,298)
CNY	4.344(CNY:NTD)	6,714	4.377 (CNY:NTD)	9,809
HKD	3.549 (HKD:NTD)	234	3.673 (HKD:NTD)	( 222 )
JPY	0.2405 (JPY:NTD)	( 14 )	-	-
		<u>(\$118,609)</u>		<u>(\$215,711)</u>

#### 40. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired and 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 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Note 7 and 34)
- 10) Significant transactions between the Company and subsidiaries. (Table 5)

b. Information of investees. (Table 6)

c. Information on investments in mainland China

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 8)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - 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 period and the purposes.
  - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders (Table 9)

#### 41. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the area of operations. The Group’s segment information which is disclosed is as follows:

China region:

Manufacturing and distribution agents established in Mainland China and Hong Kong, including Happy On Supply Chain Management Limited, Promate Electronic (Shenzhen) Co., Ltd., and Promate Electronic (Shanghai) Company Limited.

Non-China region:

Manufacturing and distribution agents established outside Mainland China and Hong Kong, including the Company, Promate Solutions Corporation, CT Continental Corporation, Promate Japan Inc., and Promate Electronics Company USA.

The CODM considers manufacturing and distribution agent as a separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- 1) These operating segments have customers with similar risks;
- 2) These operating segments have the same method of product delivery to customers.

##### a. Segment Revenues and Operating Results

Analysis by reportable segment of revenues and operating results of continuing operations was as follows:

	<b>For the Year ended December 31, 2021</b>		
	<b>China Region</b>	<b>Non-China Region</b>	<b>Total</b>
Segment revenue	<u>\$ 10,086,531</u>	<u>\$ 22,382,522</u>	<u>\$ 32,469,053</u>
Segment income	<u>\$ 417,739</u>	<u>\$ 817,078</u>	\$ 1,234,817
Interest income			2,390
interest expenses			( 56,396)
Share of loss of associates			( 607)
Net foreign exchange gains (losses)			( 118,609)
Other gains and losses			( 2,138)
Profit before income tax			<u>\$ 1,059,457</u>

	<b>For the Year ended December 31, 2020</b>		
	<b>China Region</b>	<b>Non-China Region</b>	<b>Total</b>
Segment revenue	\$ 8,191,814	\$ 18,518,999	\$ 26,710,813
Segment income	\$ 244,700	\$ 787,781	\$ 1,032,481
Interest income			5,444
interest expenses			( 74,490)
Share of loss of associates			( 3,449)
Net foreign exchange gains (losses)			( 215,711)
Other gains and losses			3,340
Profit before income tax			<u>\$ 747,615</u>

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the years ended December 31, 2021 and 2020 had been adjusted and eliminated from the consolidated financial statements.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' and supervisors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Segment assets		
Operating operation segments		
China region	\$ 2,168,609	\$ 2,089,654
Non-China region	<u>8,782,680</u>	<u>6,339,041</u>
Total segment assets	10,951,289	8,428,695
Unallocated assets	<u>4,261,310</u>	<u>3,615,705</u>
Consolidated total assets	<u>\$ 15,212,599</u>	<u>\$ 12,044,400</u>
Segment liabilities		
Operating operation segments		
China region	\$ 254,938	\$ 237,804
Non-China region	<u>5,159,235</u>	<u>2,996,123</u>
Total segment liabilities	5,414,173	3,233,927
Unallocated liabilities	<u>4,792,755</u>	<u>4,546,737</u>
Consolidated total liabilities	<u>\$ 10,206,928</u>	<u>\$ 7,780,664</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) The reportable departments are assessed for performance primarily on the basis of receivables, inventories and immovable property, plant and equipment held and used by them, with no allocation of the remaining assets; and
- 2) All liabilities other than borrowings, other financial liabilities and current and deferred income tax liabilities are allocated to reportable segments. Liabilities shared by reportable segments are apportioned in proportion to the department assets.

c. Revenue from sales of products and services

The Group's operating segment's revenue from sales of products and services are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Application specific and LCD Display Products	\$ 6,469,499	\$ 5,458,049
Linear/Distributed Components	14,273,300	12,039,535
Image Processing ICs	6,804,960	5,636,472
Application specific ICs	2,641,228	1,930,122
Others	<u>2,280,066</u>	<u>1,646,635</u>
	<u>\$ 32,469,053</u>	<u>\$ 26,710,813</u>

d. Geographic information

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 30,175,736	\$ 24,450,451
America	1,504,902	1,541,893
Europe	778,341	715,473
Other	<u>10,074</u>	<u>2,996</u>
	<u>\$ 32,469,053</u>	<u>\$ 26,710,813</u>

e. Information about main customers

No single customers contributed 10% or more to the Group's revenue for the years ended December 31, 2021 and 2020

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Promate Electronic Co., Ltd. and subsidiaries	Promate Electronic (Shanghai) Co., Ltd	(1)	\$1,623,667	\$ 26,304	\$ 25,830	\$ -	\$ -	0.56%	\$2,319,525	Y	N	Y
		Promate Electronic (Shenzhen) Co., Ltd.	(1)	1,623,667	52,608	21,720	-	-	0.47%	2,319,525	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,623,667	26,304	26,064	-	26,064	0.56%	2,319,525	N	N	Y

Note 1 : The 2 types of relationship between a guarantor and a guarantee are set out as follows:

(1) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.

(2) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

Note 2 : The endorsement/guarantee limit is determined by the Company in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for

Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 35% of the net worth of the current period.

(1)According to the above regulations, aggregate Endorsement/Guarantee Limit: shall not exceed forty percent (50%) of net worth NT\$4,639,049 (in thousands) × 50% = \$2,319,525 (in thousands).

(2)According to the above regulations, limits on Endorsement/Guarantee Given on Behalf of Each Party: Shall not exceed thirty percent (35%) of net worth NT\$4,639,049 (in thousands) × 35% = \$1,623,667 (in thousands).

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

AS OF DECEMBER 31, 2021

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

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 30, 2021				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares							
	Higgstec Inc.	The management	Financial assets at fair value through profit or loss - noncurrent	789,000	\$ 27,931	-	\$ 27,931	Publicly traded stocks
	Medimaging Integrated Solution Inc.	None	"	66,551	4,312	-	4,312	Emerging Stock Board Companies
	TricornTech Taiwan Corporation	"	"	48,645	438	-	438	Non-publicly traded equity investments
	DigiZerocarbon Corp.	"	"	50,000	500	-	500	"
	Esquarre IoT Landing Fund	"	"	USD 1,722,592	47,953	-	47,953	Private funds
Promate Solutions Corporation	Higgstec Inc.	The management	"	1,062,000	37,595	-	37,595	Publicly traded stocks
	Esquarre IoT Landing Fund	"	"	USD1,722,592	47,425	-	47,925	Private funds
					<u>\$166,654</u>		<u>\$166,654</u>	
Promate Electronic Co., Ltd. and subsidiaries	Ordinary shares							
	KO JA (CAYMAN) CO., LTD.	None	Financial assets at fair value through profit or loss - current	9,696	\$ 760	-	\$ 760	Publicly traded stocks
	Sports Gear Co., Ltd.	"	"	30,000	2,028	-	2,028	"
Promate Solutions Corporation	LOTES CO., LTD	"	"	1,000	761	-	761	"
	Asia Vital Components Co., Ltd.	"	"	13,000	1,147	-	1,147	"
	INTERNATIONAL GAMES SYSTEM CO.,LTD.	"	"	2,000	1,586	-	1,586	"
	Avalue Technology Incorporation	"	"	12,000	683	-	683	"
	KO JA (CAYMAN) CO., LTD.	"	"	40,000	3,136	-	3,136	"
	Sports Gear Co., Ltd.	"	"	35,000	2,366	-	2,366	"
	NAN YA PRINTED CIRCUIT BOARD CORPORATION	"	"	1,600	915	-	915	"
					<u>\$ 13,382</u>		<u>\$ 13,382</u>	
Promate Electronic Co., Ltd. and subsidiaries	Time deposit with an original maturity of more than three months	None	Financial assets at amortized cost - current	USD 80,792	<u>\$ 2,236</u>	-	<u>\$ 2,236</u>	

Note : Refer to Tables 6 and 7 for information on interests in subsidiaries, associates, and joint ventures.



**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Subsidiary	Sale	\$446,039	1.37%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$168,978	2.41%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	499,658	1.54%	"	-	—	Accounts receivable 98,529	1.41%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	326,975	1.01%	"	-	—	Accounts receivable 78,507	1.12%	

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**AS OF DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Promate Electronic Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	Accounts receivable \$168,978	4.38	-	—	\$ 168,978	\$ -
	CT Continental Corporation	Subsidiary	Accounts receivable 1,516,015	2.17	\$ -	—	548,574	\$ -

Note: All intercompany transactions have been eliminated from consolidation.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**

**FOR THE NINE MONTHS ENDED DECEMBER 31, 2021**

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

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
0	Promate Electronic Co., Ltd	Promate Solutions Corporation.	a	Sale	\$446,039	Transaction terms are not significantly different from those for third parties	1.37%
	"	"	a	Purchase	29,582	"	0.09%
	"	"	a	Accounts receivable	168,978	"	1.11%
	"	CT Continental Corporation	a	Accounts receivable	1,516,015	Sales to other customers through CTC; transaction terms vary depending on each customer.	9.97%
	"	Happy On Supply Chain Management Ltd.	a	Freight expenses	44,345	Transaction terms are not significantly different from those for third parties	0.14%
	"	Promate Electronic (Shenzhen) Co., Ltd	a	Sale	499,658	"	1.54%
	"	"	a	Accounts receivable	98,529	"	0.65%
	"	"	a	Service expenses	26,274	"	0.08%
	"	Promate Electronic (Shanghai) Co., Ltd	a	Sale	326,975	"	1.01%
	"	"	a	Accounts receivable	78,507	"	0.52%
	"	"	a	Service expenses	13,136	"	0.04%
1	Promate Solutions Corporation.	Promate Japan, Inc.	c	Sales	10,090	"	0.03%

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. "0" for the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: The flow of related-party transactions is as follows:

- a. From the parent company to its subsidiary.
- b. From the subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2021, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended December 31, 2021.

Note 4: All intercompany transactions have been eliminated from consolidation.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars/Foreign Currency)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
Promate Electronic Co., Ltd	<u>With control ability</u> Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$ 297,527	\$ 297,527	25,328	66.21	\$ 705,833	\$ 162,275	\$ 107,522	Subsidiary
	Promate International Co., Ltd.	Hong Kong	General investment	52,101	52,101	12,360	100.00	62,373	3,621	3,621	Subsidiary
	Happy On Supply Chain Management Ltd.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	15,633	931	931	Subsidiary
	Promate Electronics Company USA	USA	General trade of electronic components	606	606	20	100.00	8,501	84	84	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	54,000	5,400	90.00	55,204	926	833	Subsidiary
Promate Electronic Co., Ltd	<u>Having significant influence</u> Prosperity Venture Capital I, Limited	Taipei, Taiwan	General investment	-	17,215	-	-	-	( 2,806)	( 607)	Associate
Promate Solutions Corporation	<u>With control ability</u> Promate Japan, Inc.	Japan	General trade of electronic components	2,791	2,791	10	100.00	3,254	679	679	Subsidiary

Note: Refer to Table 7 for information on investment in mainland China.

**TABLE 7****PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES****INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Investee Company	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 30, 2021	Accumulated Repatriation of Investment Income as of December 30, 2021
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD200)	100% Indirectly invested through Promate International Co, Ltd. (Note 1)	\$ 6,782 USD200	\$ -	\$ -	\$ 6,782 USD200	\$ 1,594 (Note 2)	100	\$ 1,594 (Note 2)	\$ 21,009	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD1,000)	Same as above	32,500 USD1,000	-	-	32,500 USD1,000	1,966 (Note 2)	100	1,966 (Note 2)	32,893	-

2. Limit on the amount of investment in China

Accumulated Investment in Mainland China as of December 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 39,282 USD 1,200	\$ 39,282 USD 1,200	\$ 3,003,403

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

Note 3: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's consolidated net worth.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS 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)

Investee Company	Nature of Transaction	Purchase/ Sale		Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
		Amount	Percentage		Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sales	\$ 499,658	1.54%	No significant difference	No significant difference	No significant difference	Accounts receivable \$ 98,529	1.41%	\$ 9
Promate Electronic (Shanghai) Co., Ltd	Sales	326,975	1.01%	"	"	"	Accounts receivable \$ 78,507	1.12%	34

1. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****AS OF DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.