

ZENITRON CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Zenitron Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Zenitron Corporation (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Valuation of allowance for uncollectible accounts receivable

Description

Refer to Note 4(7)(8), Note 5(1) and Note 6(4) for accounting policies on accounts receivable, accounting estimates and assumptions on impairment assessment as well as details of related impairment, respectively.

The Company assesses impairment of accounts receivable based on historical experience and takes into consideration the customers' historical default records and current financial conditions to estimate expected loss rate in recognising loss allowance. In addition, the Company provides for full allowance for uncollectible accounts from individual customers where there is an indication that they are individually identified as impaired or a credit impairment actually occurred. As the assessment of allowance for uncollectible accounts is subject to management's judgment and estimates in determining the future collectability, such as management's assessment of customer's credit risk, we considered the valuation of allowance for uncollectible accounts receivable from individual customers a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and evaluated related policies and internal controls on credit risk management and accounts receivable impairment.
2. Assessed the calculation logic of year-end accounts receivable ageing report provided by management, reviewed the related supporting documents and verified it against the accounting records to ascertain the accuracy of the ageing classification.
3. For those material accounts receivable individually identified by the management to have been impaired, reviewed the supporting documents of impairment assessment provided by the management to assess the reasonableness of collectability.
4. Sampled significant overdue accounts receivable amounts and examined their subsequent collections.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11), Note 5(2) and Note 6(5) for accounting policies on inventory valuation, accounting estimates and assumptions and details of allowance for valuation losses, respectively.

The Company is mainly engaged in sales of electronic components. The Company measures ending inventories at the lower of cost and net realisable value and provides allowance for inventory valuation losses based on usable condition of inventories that were individually identified as obsolete. As the life cycle of such inventories is short, the market is competitive, and the assessment of allowance for valuation of inventories individually identified as obsolete often involves management's subjective judgment, we considered the estimation of inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and evaluated the internal control procedures over the Company's inventories individually identified as obsolete.
2. Understood the Company's warehousing control procedures, reviewed the annual physical inventory count plan as well as participated and observed the annual physical inventory count in order to assess the effectiveness of the procedures the management used to identify and control obsolete inventories.
3. Obtained the details of inventories that were individually identified as obsolete by the management, reviewed the related supporting documents and verified it against the accounting records.

Appropriateness of warehouse revenue cut-off

Description

Refer to Note 4(23) for accounting policies on revenue recognition.

The Company has two revenue types, including direct shipment from its own warehouses and shipment from distribution warehouses. For shipment from distribution warehouses, revenue is recognised when goods are picked up by customers. The Company's responsible unit regularly obtains the inventory movement records generated from the inventory warehousing system of the customer's distribution warehouses. The supporting documents for revenue recognition include inventory movement records.

As the distribution warehouses are located separately in various regions in China, the process of revenue recognition involves numerous manual procedures. Considering the appropriateness of the timing of distribution warehouses' sales revenue recognition, we considered the recognition of distribution warehouses sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood the procedures of revenue recognition for shipment from distribution warehouses, evaluated and sampled the internal controls over two parties' daily reconciliation.
2. Obtained the inventory movement records generated from the inventory warehousing system of the customer's distribution warehouses for a certain period before and after the balance sheet date and checked whether the timing of revenue recognition was reasonable.
3. Observed the physical inventory count or sent out confirmation letters to the distribution warehouses with significant inventory amount.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chen, Chin-Chang

Yi-Fan Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ZENITRON CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 664,500	4	\$ 562,899	4
Financial assets at fair value through profit or loss - current	6(2)	19,524	-	14,626	-
Financial assets at fair value through other comprehensive income - current	6(3)	727	-	858,856	6
Notes receivable, net	6(4)	7,352	-	11,770	-
Accounts receivable, net	6(4)	4,817,950	29	4,357,461	30
Accounts receivable - related parties	7	1,189,835	7	1,141,133	8
Other receivables		110,238	1	98,069	1
Other receivables - related parties	7	256,356	1	224,194	2
Inventory	6(5)	5,088,935	31	4,297,237	29
Other current assets		104,694	1	72,449	-
Total current assets		12,260,111	74	11,638,694	80
Non-current assets					
Financial assets at fair value through other comprehensive income - non-current	6(3)	938,896	6	46,111	-
Investments accounted for using equity method	6(6)	2,940,529	18	2,536,286	17
Property, plant and equipment	6(7)	369,344	2	376,212	3
Right-of-use assets	6(8)	1,761	-	764	-
Investment property - net	6(10) and 8	36,492	-	37,036	-
Deferred income tax assets	6(23)	55,472	-	50,424	-
Other non-current assets	8	48,396	-	48,442	-
Total non-current assets		4,390,890	26	3,095,275	20
Total assets		\$ 16,651,001	100	\$ 14,733,969	100

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ZENITRON CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(11)	\$ 6,919,778	42	\$ 6,381,379	43
Short-term notes and bills payable	6(12)	699,361	4	549,506	4
Notes payable		2,525	-	2,496	-
Accounts payable		2,486,003	15	2,506,644	17
Accounts payable - related parties	7	37,779	-	44,694	-
Other payables		362,451	2	250,499	2
Current income tax liabilities		61,267	-	-	-
Current lease liabilities	6(8)	1,055	-	406	-
Other current liabilities		15,095	-	11,973	-
Total current liabilities		<u>10,585,314</u>	<u>63</u>	<u>9,747,597</u>	<u>66</u>
Non-current liabilities					
Bonds payable	6(13)	577,835	3	-	-
Deferred income tax liabilities	6(23)	115,882	1	114,468	1
Non-current lease liabilities	6(8)	706	-	354	-
Other non-current liabilities	6(14)	79,032	1	69,992	-
Total non-current liabilities		<u>773,455</u>	<u>5</u>	<u>184,814</u>	<u>1</u>
Total liabilities		<u>11,358,769</u>	<u>68</u>	<u>9,932,411</u>	<u>67</u>
Equity					
Share capital	6(15)				
Common stock		2,138,249	13	2,138,249	15
Capital surplus	6(16)				
Capital surplus		1,036,486	6	958,734	7
Retained earnings	6(17)				
Legal reserve		766,625	5	718,200	5
Unappropriated retained earnings		1,066,524	6	643,662	4
Other equity interest					
Other equity interest		284,348	2	342,713	2
Total equity		<u>5,292,232</u>	<u>32</u>	<u>4,801,558</u>	<u>33</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant subsequent events	6(17) and 11				
Total liabilities and equity		<u>\$ 16,651,001</u>	<u>100</u>	<u>\$ 14,733,969</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(18) and 7	\$ 21,536,590	100	\$ 20,128,205	100
Operating Costs	6(5) and 7	(20,471,462)	(95)	(19,479,725)	(97)
Gross Profit		1,065,128	5	648,480	3
Unrealised gain from sales		(1,600)	-	(1,600)	-
Realised gain from sales		1,600	-	1,600	-
Net Gross Profit		1,065,128	5	648,480	3
Operating expenses	6(21)				
Selling expenses		(464,050)	(2)	(421,985)	(2)
General and administrative expenses		(212,958)	(1)	(204,174)	(1)
Total operating expenses		(677,008)	(3)	(626,159)	(3)
Operating Profit		388,120	2	22,321	-
Non-operating income and expenses					
Interest income		4,862	-	6,054	-
Other income	6(19)	53,152	-	60,443	-
Other gains and losses	6(20)	67,059	-	100,790	1
Finance costs	6(22)	(62,464)	-	(67,696)	-
Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	503,877	2	355,842	2
Total non-operating income and expenses		566,486	2	455,433	3
Profit before income tax		954,606	4	477,754	3
Income tax expense	6(23)	(76,896)	-	(5,729)	-
Profit for the year		<u>\$ 877,710</u>	<u>4</u>	<u>\$ 472,025</u>	<u>3</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans	6(14)	(\$ 10,595)	-	(\$ 5,623)	-
Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	19,523	-	217,244	1
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	2,119	-	1,124	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements		(69,535)	-	(75,020)	-
Other Comprehensive (Loss) Income for the Year		<u>(\$ 58,488)</u>	<u>-</u>	<u>\$ 137,725</u>	<u>1</u>
Total Comprehensive Income for the Year		<u>\$ 819,222</u>	<u>4</u>	<u>\$ 609,750</u>	<u>4</u>
Earnings per Share (in dollars)	6(24)				
Basic earnings per share		\$ 4.10		\$ 2.21	
Diluted earnings per share		\$ 3.94		\$ 2.20	

The accompanying notes are an integral part of these parent company only financial statements.

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings		Other Equity Interest		
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>Year ended December 31, 2020</u>								
Balance at January 1, 2020		\$ 2,138,249	\$ 965,034	\$ 695,154	\$ 390,067	(\$ 90,671)	\$ 307,875	\$ 4,405,708
Net income for the year		-	-	-	472,025	-	-	472,025
Other comprehensive income (loss)		-	-	-	(4,499)	(75,020)	217,244	137,725
Total comprehensive income (loss)		-	-	-	467,526	(75,020)	217,244	609,750
Appropriations and distribution of 2019 earnings	6(17)							
Legal reserve		-	-	23,046	(23,046)	-	-	-
Cash dividends		-	-	-	(207,600)	-	-	(207,600)
Cash payment from capital surplus		-	(6,300)	-	-	-	-	(6,300)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	16,715	-	(16,715)	-
Balance at December 31, 2020		\$ 2,138,249	\$ 958,734	\$ 718,200	\$ 643,662	(\$ 165,691)	\$ 508,404	\$ 4,801,558
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 2,138,249	\$ 958,734	\$ 718,200	\$ 643,662	(\$ 165,691)	\$ 508,404	\$ 4,801,558
Net income for the year		-	-	-	877,710	-	-	877,710
Other comprehensive income (loss)		-	-	-	(8,476)	(69,535)	19,523	(58,488)
Total comprehensive income (loss)		-	-	-	869,234	(69,535)	19,523	819,222
Appropriations and distribution of 2020 earnings	6(17)							
Legal reserve		-	-	48,425	(48,425)	-	-	-
Cash dividends		-	-	-	(406,300)	-	-	(406,300)
Equity component of convertible bonds issued by the Company	6(13)	-	75,605	-	-	-	-	75,605
Overdue and unclaimed shareholder dividends		-	2,147	-	-	-	-	2,147
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	8,353	-	(8,353)	-
Balance at December 31, 2021		\$ 2,138,249	\$ 1,036,486	\$ 766,625	\$ 1,066,524	(\$ 235,226)	\$ 519,574	\$ 5,292,232

The accompanying notes are an integral part of these parent company only financial statements.

ZENITRON CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 954,606	\$ 477,754
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised gain from sales		1,600	1,600
Realised gain from sales		(1,600)	(1,600)
Net gain on financial assets at fair value through profit or loss	6(2)(20)	(2,961)	(2,568)
Expected credit (gain) loss	6(4)	(19,242)	(5,674)
Share of profit of subsidiaries and joint ventures accounted for using equity method	6(6)	(503,877)	(355,842)
Depreciation and amortisation	6(21)	15,790	17,743
Loss (gain) on disposal of property, plant and equipment	6(20)	7	(74)
Interest expense	6(22)	62,464	67,696
Interest income		(4,862)	(6,054)
Dividend income	6(19)	(18,360)	(24,105)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(7,799)	20,138
Notes and accounts receivable		(436,829)	(721,124)
Accounts receivable - related parties		(48,702)	(641,903)
Other receivables (including related parties)		(15,731)	(20,367)
Inventories		(791,698)	(1,904,274)
Other current assets		(32,245)	23,909
Changes in operating liabilities			
Notes and accounts payable (including related parties)		(27,527)	774,500
Other payables		112,695	88,815
Other current liabilities		3,121	3,821
Other non-current liabilities		(1,555)	(1,216)
Cash outflow generated from operations		(756,783)	(2,197,477)
Interest received		4,862	6,054
Interest paid		(59,787)	(68,497)
Income tax paid		(14,851)	(49,712)
Net cash flows used in operating activities		(826,559)	(2,309,632)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(29,840)	(74)
Proceeds from disposal of financial assets at fair value through other comprehensive income		13,571	25,892
Proceeds from capital reduction of investments accounted for using equity method		1,136	100,833
Acquisition of property, plant and equipment	6(7)	(4,025)	(6,380)
Proceeds from disposal of property, plant and equipment		71	200
Decrease (increase) in refundable deposits		1,700	(999)
Increase in other receivables - related parties		(794)	(3,000)
Increase in other non-current assets		(5,037)	(1,982)
Dividends received		18,360	25,177
Net cash flows (used in) from investing activities		(4,858)	139,667
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(25)	538,399	2,431,895
Increase in short-term notes and bills payable	6(25)	149,855	50,025
Issuance of corporate bonds	6(13)(25)	649,960	-
Payments of lease liabilities	6(25)	(1,043)	(1,088)
Cash dividends paid	6(17)	(406,300)	(213,900)
Overdue and unclaimed shareholder dividends		2,147	-
Net cash flows from financing activities		933,018	2,266,932
Net increase in cash and cash equivalents		101,601	96,967
Cash and cash equivalents at beginning of year		562,899	465,932
Cash and cash equivalents at end of year		\$ 664,500	\$ 562,899

The accompanying notes are an integral part of these parent company only financial statements.

ZENITRON CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Zenitron Corporation (the “Company”) was incorporated as a company limited by shares in October 1982. The Company has been listed on the Taiwan Stock Exchange and started trading since August 26, 2002. The Company is primarily engaged in the sales of electrical components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 21, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts — cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – 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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollars, which is the presentation currency of the primary economic environment in which the Company operates (the “functional currency”).

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(10) Leasing arrangements (lessor) – lease receivables / operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	1 ~ 55 year(s)
Transportation equipment	1 ~ 5 year(s)
Office equipment	1 ~ 5 year(s)

(14) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise short-term bank borrowings and other short-term loans.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Group classifies the bonds payable upon issuance as a financial asset or financial liability in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at the residual value of total issue price less the amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to the 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on the defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the accrued amounts and the subsequently actual distributed amounts resolved by the shareholders is accounted for as changes in estimates.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Revenue recognition

Sales of goods - agency

- A. The Company is an agency of electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the timing based on trade terms that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Valuation of allowance for uncollectible accounts receivable

The assessment of accounts receivable impairment relies on the Company's judgement and assumption about the recoverable amount of the accounts receivable in the future, taking into account various factors such as client's financial status, the Company's internal credit rating, transaction history, current economic condition and others which might affect the client's repayment ability. Where there is suspicion of recoverability, the Company needs to assess the possible recoverable amount and recognise reasonable allowance. The assessment of impairment depends on reasonable expectation about future events on the basis of the conditions existing at the balance sheet date. The estimation may differ from the actual result and may lead to significant changes.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 192	\$ 192
Checking accounts and demand deposits	664,308	562,707
	<u>\$ 664,500</u>	<u>\$ 562,899</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 27,301	\$ 22,951
Financial assets designated at fair value through profit or loss		
Non-hedging derivatives - redemption of convertible bonds	60	-
	<u>27,361</u>	<u>22,951</u>
Valuation adjustments	(7,837)	(8,325)
	<u>\$ 19,524</u>	<u>\$ 14,626</u>

A. The Company recognised net (loss) gain amounting to (\$2,961) and \$2,568 on financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to financial assets at fair value through profit or loss is provided in Note 12(3).

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items		
Equity instruments		
Listed stocks	\$ -	\$ 347,990
Emerging stocks	<u>2,462</u>	<u>2,462</u>
	2,462	350,452
Valuation adjustment	(<u>1,735</u>)	<u>508,404</u>
	<u>\$ 727</u>	<u>\$ 858,856</u>
Non-current items		
Equity instruments		
Listed stocks	\$ 342,773	\$ -
Unlisted stocks	<u>74,814</u>	<u>46,111</u>
	417,587	46,111
Valuation adjustments	<u>521,309</u>	<u>-</u>
	<u>\$ 938,896</u>	<u>\$ 46,111</u>

- A. The Company has elected to classify stock investments with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$939,623 and \$904,967 for the years ended December 31, 2021 and 2020, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.
- B. Aiming to adjust strategic investments for long-term business, the Company reclassified investments in equity instruments amounting to \$858,283 from current to non-current during the year ended December 31, 2021, and sold stock investments at fair value amounting to \$13,571 and \$25,892 which resulted to a cumulative gain on disposal of \$8,353 and \$16,715 during the years ended December 31, 2021 and 2020, respectively.
- C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>19,523</u>	\$ <u>217,244</u>
Cumulative gains reclassified to retained earnings due to derecognition	(\$ <u>8,353</u>)	(\$ <u>16,715</u>)

- D. The Company has no financial assets at fair value through other comprehensive income pledged

to others as collateral.

- E. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 7,352	\$ 11,770
Accounts receivable	\$ 4,869,264	\$ 4,428,017
Less: Allowance for uncollectible accounts	(51,314)	(70,556)
	<u>\$ 4,817,950</u>	<u>\$ 4,357,461</u>

- A. The Company uses historical experience and takes into consideration the customers' historical default records, current financial conditions and economic conditions of the industry to estimate expected loss rate in recognising loss allowance. In addition, the Company provides for adequate allowance for uncollectible accounts from individual customers where there is an indication that they are impaired based on specific identification or a credit impairment actually occurred and the customers did not provide any collateral.

- B. The ageing analysis of accounts and notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 4,734,882	\$ 7,352	\$ 4,293,105	\$ 11,770
Up to 30 days	8,868	-	4,294	-
31 to 90 days	79,722	-	78,043	-
Over 90 days	45,792	-	52,575	-
	<u>\$ 4,869,264</u>	<u>\$ 7,352</u>	<u>\$ 4,428,017</u>	<u>\$ 11,770</u>

The above ageing analysis was based on past due date.

- C. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$4,876,616, \$4,439,787 and \$3,718,663, respectively. Without considering any collateral held or other credit enhancements, until the end of the reporting period, the maximum credit risk in relation to the financial loss arising from unsatisfied performance obligation of the counterparties is the carrying amount of financial assets.
- D. The Company applies the simplified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss taking into consideration various factors including geographic area, product types and credit rating of customers.

E. The Company adjusts historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of December 31, 2021 and 2020, the provision matrix based on the roll rate methodology is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2021</u>					
Expected loss rate	0.11%	0.11%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 4,734,882</u>	<u>\$ 8,868</u>	<u>\$ 79,722</u>	<u>\$ 45,792</u>	<u>\$ 4,869,264</u>
	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2020</u>					
Expected loss rate	0.11%	0.11%-0.13%	0.11%-100%	0.11%-100%	
Total accounts receivable	<u>\$ 4,293,105</u>	<u>\$ 4,294</u>	<u>\$ 78,043</u>	<u>\$ 52,575</u>	<u>\$ 4,428,017</u>

F. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 70,556	\$ 64,882
(Reversal of) provision for impairment loss	(19,242)	5,674
At December 31	<u>\$ 51,314</u>	<u>\$ 70,556</u>

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 5,103,647	(\$ 239,389)	\$ 4,864,258
Inventories in transit	224,677	-	224,677
	<u>\$ 5,328,324</u>	<u>(\$ 239,389)</u>	<u>\$ 5,088,935</u>
	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Merchandise inventories	\$ 4,175,374	(\$ 224,747)	\$ 3,950,627
Inventories in transit	346,610	-	346,610
	<u>\$ 4,521,984</u>	<u>(\$ 224,747)</u>	<u>\$ 4,297,237</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2021	2020
Cost of goods sold	\$ 20,437,592	\$ 19,416,759
Loss on decline in market value	33,870	62,966
	<u>\$ 20,471,462</u>	<u>\$ 19,479,725</u>

(6) Investments accounted for using equity method

A. Subsidiaries accounted for using equity method

	December 31, 2021	December 31, 2020
Supertronic International Corp.	\$ 2,838,459	\$ 2,414,819
Zenitron (HK) Limited	9,542	33,316
Yo-Teh Investment Corporation	66,264	57,676
Zenicom Corporation	26,264	30,475
	<u>\$ 2,940,529</u>	<u>\$ 2,536,286</u>

B. Share of profit of subsidiaries accounted for using equity method

	Year ended December 31	
	2021	2020
Supertronic International Corp.	\$ 492,234	\$ 301,241
Zenitron (HK) Limited	7,266	4,448
Yo-Teh Investment Corporation	8,588	47,832
Zenicom Corporation	(4,211)	2,321
	<u>\$ 503,877</u>	<u>\$ 355,842</u>

Refer to Note 4(3) the consolidated financial statements for the year ended December 31, 2021 for the information regarding the Company's subsidiaries.

(7) Property, plant and equipment

	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2021</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,864	\$ 61,002	\$ 691,685
Accumulated depreciation	-	(235,707)	(28,105)	(51,661)	(315,473)
	<u>\$ 252,592</u>	<u>\$ 98,520</u>	<u>\$ 15,759</u>	<u>\$ 9,341</u>	<u>\$ 376,212</u>
<u>2021</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 98,520	\$ 15,759	\$ 9,341	\$ 376,212
Additions	-	-	758	3,267	4,025
Disposals	-	-	(68)	(10)	(78)
Depreciation charge	-	(3,443)	(3,915)	(3,457)	(10,815)
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 95,077</u>	<u>\$ 12,534</u>	<u>\$ 9,141</u>	<u>\$ 369,344</u>
<u>At December 31, 2021</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,037	\$ 63,747	\$ 693,603
Accumulated depreciation	-	(239,150)	(30,503)	(54,606)	(324,259)
	<u>\$ 252,592</u>	<u>\$ 95,077</u>	<u>\$ 12,534</u>	<u>\$ 9,141</u>	<u>\$ 369,344</u>
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
<u>At January 1, 2020</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,704	\$ 60,445	\$ 690,968
Accumulated depreciation	-	(230,928)	(29,306)	(48,023)	(308,257)
	<u>\$ 252,592</u>	<u>\$ 103,299</u>	<u>\$ 14,398</u>	<u>\$ 12,422</u>	<u>\$ 382,711</u>
<u>2020</u>					
Opening net book amount as at January 1	\$ 252,592	\$ 103,299	\$ 14,398	\$ 12,422	\$ 382,711
Additions	-	-	5,740	640	6,380
Disposals	-	-	(126)	-	(126)
Depreciation charge	-	(4,779)	(4,253)	(3,721)	(12,753)
Closing net book amount as at December 31	<u>\$ 252,592</u>	<u>\$ 98,520</u>	<u>\$ 15,759</u>	<u>\$ 9,341</u>	<u>\$ 376,212</u>
<u>At December 31, 2020</u>					
Cost	\$ 252,592	\$ 334,227	\$ 43,864	\$ 61,002	\$ 691,685
Accumulated depreciation	-	(235,707)	(28,105)	(51,661)	(315,473)
	<u>\$ 252,592</u>	<u>\$ 98,520</u>	<u>\$ 15,759</u>	<u>\$ 9,341</u>	<u>\$ 376,212</u>

The significant components of buildings and structures include main building and auxiliary building, which are depreciated over 55 and 15 years, respectively.

(8) Lease arrangements – lessee

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use assets:		
Buildings and structures	\$ 1,761	\$ 764
Lease liabilities:		
Current	\$ 1,055	\$ 406
Non-current	706	354
	<u>\$ 1,761</u>	<u>\$ 760</u>

- A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise transportation equipment, buildings and structures. Low-value assets comprise office equipment. Right-of-use asset and lease liabilities were not recognised for these leases.
- C. The depreciation charges on right-of-use assets are as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Buildings and structures	\$ 1,048	\$ 1,086

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$2,044 and \$854, respectively.
- E. Except for the depreciation charge, the information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 21	\$ 15
Expense on short-term leases and leases of low-value assets	690	489

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$1,754 and \$1,592, respectively.

(9) Lease arrangements — lessor

For the years ended December 31, 2021 and 2020, the Company recognised rent income in the amounts of \$7,235 and \$6,897, respectively, based on the operating lease agreement, which does not include variable lease payments.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,961)	(25,371)
	<u>\$ 17,056</u>	<u>\$ 19,980</u>	<u>\$ 37,036</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 19,980	\$ 37,036
Depreciation charge	-	(544)	(544)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
<u>December 31, 2021</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(10,505)	(25,915)
	<u>\$ 17,056</u>	<u>\$ 19,436</u>	<u>\$ 36,492</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2020</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,418)	(24,828)
	<u>\$ 17,056</u>	<u>\$ 20,523</u>	<u>\$ 37,579</u>
<u>2020</u>			
Opening net book amount as at January 1	\$ 17,056	\$ 20,523	\$ 37,579
Depreciation charge	-	(543)	(543)
Closing net book amount as at December 31	<u>\$ 17,056</u>	<u>\$ 19,980</u>	<u>\$ 37,036</u>
<u>December 31, 2020</u>			
Cost	\$ 32,466	\$ 29,941	\$ 62,407
Accumulated depreciation and impairment	(15,410)	(9,961)	(25,371)
	<u>\$ 17,056</u>	<u>\$ 19,980</u>	<u>\$ 37,036</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2021	2020
Rental revenue from investment property	\$ 2,629	\$ 2,546
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 544	\$ 543

- B. The fair value of the investment property held by the Company were \$99,370 and \$95,101 as of December 31, 2021 and 2020, respectively, which were based on the trading prices of nearby areas.

- C. Refer to Note 8 for further information on investment property pledged to others as collateral.

(11) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured borrowings	\$ 6,919,778	\$ 6,381,379
Interest rate range	0.58%~1.1%	0.64%~1.21%

- A. For the years ended December 31, 2021 and 2020, the interest expense recognised in profit or loss amounted to \$55,884 and \$64,592, respectively.

- B. As of December 31, 2021 and 2020, the Company provided collaterals for the financing facility of short-term borrowings and issued guaranteed notes as collateral in the amount of \$13,241,800 and \$11,309,510, respectively.

(12) Short-term notes and bills payable

	December 31, 2021	December 31, 2020
Short-term notes and bills payable	\$ 700,000	\$ 550,000
Discount on short-term notes and bills payable	(639)	(494)
	\$ 699,361	\$ 549,506
Coupon rate	0.9%~1.1%	1%~1.2%

The abovementioned commercial paper was secured by financial institutions.

(13) Bonds payable

	December 31, 2021
Bonds payable	\$ 600,000
Less: Discount on bonds payable	(22,165)
	\$ 577,835

The Company had no bonds payable as of December 31, 2020.

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the fourth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$600,000, 0% fourth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (August 3, 2021~ August 3, 2024) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 3, 2021.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price is \$29.
- iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (November 4, 2021) to 40 days before the maturity date (June 24, 2024), or (ii) the outstanding balance of the bonds is less than 10% of the total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
- v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2021, there were no convertible bonds converted to ordinary shares and no corporate bonds repurchased.

B. Regarding the issuance of convertible bonds, the equity conversion options of the fourth domestic unsecured convertible bonds amounting to \$75,605 as of December 31, 2021 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.46%.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 87,812	\$ 84,217
Fair value of plan assets	(13,500)	(18,965)
Net defined benefit liability	<u>\$ 74,312</u>	<u>\$ 65,252</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	(\$ 84,217)	\$ 18,965	(\$ 65,252)
Current service cost	-	-	-
Interest (expense) income	(250)	53	(197)
	<u>(84,467)</u>	<u>19,018</u>	<u>(65,449)</u>
Remeasurements:			
Return on plan assets	-	272	272
Change in demographic assumptions	(946)	-	(946)
Change in financial assumptions	3,128	-	3,128
Experience adjustments	(13,049)	-	(13,049)
	<u>(10,867)</u>	<u>272</u>	<u>(10,595)</u>
Pension fund contribution	-	180	180
Paid pension	7,522	(5,970)	1,552
Balance at December 31	<u>(\$ 87,812)</u>	<u>\$ 13,500</u>	<u>(\$ 74,312)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2020</u>			
Balance at January 1	(\$ 80,044)	\$ 19,246	(\$ 60,798)
Current service cost	1,444	-	1,444
Interest (expense) income	(592)	137	(455)
	(79,192)	19,383	(59,809)
Remeasurements:			
Return on plan assets	-	632	632
Change in demographic assumptions	(465)	-	(465)
Change in financial assumptions	(3,702)	-	(3,702)
Experience adjustments	(2,088)	-	(2,088)
	(6,255)	632	(5,623)
Pension fund contribution	-	180	180
Paid pension	1,230	(1,230)	-
Balance at December 31	(\$ 84,217)	\$ 18,965	(\$ 65,252)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2021	2020
Discount rate	0.70%	0.30%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with statistics and experience of the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,921)	\$ 1,989	\$ 1,959	(\$ 1,901)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 2,061)	\$ 2,139	\$ 2,097	(\$ 2,032)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$180.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 3,141
1-2 year(s)	3,425
2-5 years	27,792
Over 5 years	57,844
	<u>\$ 92,202</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount not lower than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were \$15,735 and \$14,710, respectively.

(15) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$3,500,000, consisting of 350 million shares of ordinary stock (including 20 million shares reserved for employee stock options), and the paid-in capital was \$2,138,249 with a par value of \$10 (in dollars) per share.
- B. As of December 31, 2021 and 2020, the beginning and ending number of outstanding shares were both 213,825 thousand shares.

(16) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The shareholders at their meeting in June 2020 approved to distribute cash from capital surplus of \$0.0294 (in dollars) per share, totaling \$6,300.

(17) Retained earnings / events after the balance sheet date

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal of special reserve in accordance with related laws, if any. The remaining earnings are the distributable earnings for the year.
- B. Dividend policy:
 - (a) The distribution of dividends shall be above 50% of the current year's distributable earnings and the cash dividends distributed shall not be lower than 20% of the current actual earnings distributed.
 - (b) The Board of Directors is authorised to distribute all or part of the dividends and bonus in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.
 - (c) When the Company has no deficit, the Board of Directors is authorised to distribute all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act in cash through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the shareholders during their meeting.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2020 and 2019 earnings as resolved by the shareholders on July 5, 2021 and June 12, 2020, respectively are as follows:

	2020		2019	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal surplus	\$ 48,425		\$ 23,046	
Cash dividends	406,300	\$ 1.90	207,600	\$ 0.9708
	<u>\$ 454,725</u>		<u>\$ 230,646</u>	

F. Events after the balance sheet date

The appropriations of 2021 earnings as resolved by the Board of Directors on March 21, 2022 are as follows:

	2021	
	Amount	Dividend per share (in dollars)
Legal surplus	\$ 87,759	
Cash dividends	748,387	\$ 3.50
	<u>\$ 836,146</u>	

The aforementioned appropriation of 2021 earnings has not yet been reported to the shareholders' meeting.

(18) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers	<u>\$ 21,536,590</u>	<u>\$ 20,128,205</u>

The Company derives revenue from the transfer of goods at a point in time in the following geographical regions:

Year ended December 31, 2021	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 16,779,522</u>	<u>\$ 3,695,461</u>	<u>\$ 1,061,607</u>	<u>\$ 21,536,590</u>
Year ended December 31, 2020	China	Taiwan	Others	Total
Revenue from external customer contracts	<u>\$ 16,190,543</u>	<u>\$ 3,171,880</u>	<u>\$ 765,782</u>	<u>\$ 20,128,205</u>

(19) Other income

	Year ended December 31	
	2021	2020
Dividend income	\$ 18,360	\$ 24,105
Advertising income	11,875	13,131
Rent income	7,235	6,897
Other income	15,682	16,310
	<u>\$ 53,152</u>	<u>\$ 60,443</u>

(20) Other gains and losses

	Year ended December 31	
	2021	2020
Foreign exchange gains	\$ 70,027	\$ 98,148
(Losses) gains on financial assets at fair value through profit or loss	(2,961)	2,568
(Losses) gains on disposals of property, plant and equipment	(7)	74
	<u>\$ 67,059</u>	<u>\$ 100,790</u>

(21) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense		
Salary expenses	\$ 396,163	\$ 354,698
Labour and health insurance fees	29,743	25,237
Pension costs	15,932	13,721
Directors' remuneration	30,350	15,350
Other personnel expenses	16,484	16,039
	488,672	425,045
Depreciation	12,407	14,382
Amortisation	3,383	3,361
	<u>\$ 504,462</u>	<u>\$ 442,788</u>

As at December 31, 2021 and 2020, the Company had 366 and 361 employees, respectively. There were 6 non-employee directors for both years.

Note: The abovementioned expenses were all operating expenses.

A. (a) Average employee benefit expense were \$1,273 and \$1,154 for the years ended December 31, 2021 and 2020, respectively.

(b) Average employees' salaries were \$1,100 and \$999 for the years ended December 31, 2021 and 2020, respectively.

(c) Adjustment of average employees' salaries was 10% for the year ended December 31, 2021.

B. The Company has no supervisors' remuneration as it has set up an audit committee.

C. Remuneration policy of the Company (including directors, managers and employees):

(a) Directors' remuneration policy

In accordance with the Articles of Incorporation of the Company, remuneration of the Company's directors is determined by the Board of Directors based on the assessment of the remuneration committee according to their participation in the operations of the Company and the value of their contribution and by reference to general pay levels in the industry. The Articles of Incorporation of the Company also prescribes that no more than 3% of the profit of the current year shall be distributed as directors' remuneration.

(b) Managers' remuneration policy:

Remuneration of the Company's managers is proposed by the remuneration committee and discussed and determined by the Board of Directors based on individual performance and contribution to the overall operations of the Company, taking into consideration the Company's future operating risk and general pay levels in the industry.

(c) Employees' compensation policy

- i. The Company follows the Labor Standards Act and related regulations to formulate salaries and benefits for employees. Employees' compensation includes monthly salaries, quarterly sales bonuses, employees' compensation and performance bonus which are distributed based on a certain percentage of the Company's distributable profit.
- ii. In accordance with the Articles of Incorporation of the Company, 3%~12% of the current year's earnings, if any, shall be distributed as employees' compensation. If the Company has accumulated deficit, earnings should be reserved to cover losses before calculating the distribution. The employees' compensation shall be distributed in the form of shares or in cash to employees including the employees of subsidiaries who meet certain specific requirements.

D. The Company's directors' remuneration and employees' compensation accounted as operating expenses were as follows:

	Year ended December 31	
	2021	2020
Directors' remuneration	\$ 30,000	\$ 15,000
Employees' compensation	36,000	18,000
	<u>\$ 66,000</u>	<u>\$ 33,000</u>

- E. For the year ended December 31, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on a certain percentage of distributable profit of current year as of the end of reporting period.
- F. The employees' compensation of \$18,000 and directors' remuneration of \$15,000 for 2020 were resolved by the Board of Directors and were in agreement with those amounts recognised in the 2020 financial statements.
- G. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Finance costs

	Year ended December 31	
	2021	2020
Interest expense	\$ 55,884	\$ 64,592
Convertible bonds	3,420	-
Other interest expense	3,160	3,104
	<u>\$ 62,464</u>	<u>\$ 67,696</u>

(23) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 73,199	\$ 21,150
Prior year income tax under (over) estimation	5,212	(1,664)
Total current tax	<u>78,411</u>	<u>19,486</u>
Deferred tax:		
Origination and reversal of temporary differences	(1,515)	(13,757)
Total deferred tax	<u>(1,515)</u>	<u>(13,757)</u>
Income tax expense	<u>\$ 76,896</u>	<u>\$ 5,729</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2021	2020
Remeasurement of defined benefit obligations	<u>\$ 2,119</u>	<u>\$ 1,124</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 190,921	\$ 95,551
Effects from items disallowed by tax regulation	(119,237)	(88,158)
Prior year income tax under (over) estimation	5,212	(1,664)
Income tax expense	<u>\$ 76,896</u>	<u>\$ 5,729</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences is as follows:

2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets (liabilities):				
Unrealised loss on valuation loss and slow-moving inventories	\$ 44,949	\$ 2,929	\$ -	\$ 47,878
Unrealised actuarial loss on defined benefit plan	5,475	-	2,119	7,594
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
Unrealised loss on doubtful debts	-	(1,414)	-	(1,414)
	<u>(\$ 64,044)</u>	<u>\$ 1,515</u>	<u>\$ 2,119</u>	<u>(\$ 60,410)</u>

2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets (liabilities):				
Unrealised loss on valuation loss and slow-moving inventories	\$ 31,192	\$ 13,757	\$ -	\$ 44,949
Unrealised actuarial loss on defined benefit plan	4,351	-	1,124	5,475
Share of profit of subsidiaries accounted for using equity method	(114,468)	-	-	(114,468)
	<u>(\$ 78,925)</u>	<u>\$ 13,757</u>	<u>\$ 1,124</u>	<u>(\$ 64,044)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 106,570</u>	<u>\$ 184,415</u>

E. The Company's income tax returns through 2019, except for 2018, have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2021		
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 877,710	213,825	\$ 4.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 877,710	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,183	
Convertible bonds	2,544	8,503	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 880,254	223,511	\$ 3.94
	Year ended December 31, 2020		
	Profit after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 472,025	213,825	\$ 2.21
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 472,025	213,825	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	946	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 472,025	214,771	\$ 2.20

(25) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2021	\$ 6,381,379	\$ 549,506	\$ -	\$ 760	\$ 6,931,645
Changes in cash flow from financing activities	538,399	149,855	649,960	(1,043)	1,337,171
Changes in other non-cash items	-	-	(72,125)	2,044	(70,081)
December 31, 2021	<u>\$ 6,919,778</u>	<u>\$ 699,361</u>	<u>\$ 577,835</u>	<u>\$ 1,761</u>	<u>\$ 8,198,735</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2020	\$ 3,949,484	\$ 499,481	\$ 994	\$ 4,449,959
Changes in cash flow from financing activities	2,431,895	50,025	(1,088)	2,480,832
Changes in other non-cash items	-	-	854	854
December 31, 2020	<u>\$ 6,381,379</u>	<u>\$ 549,506</u>	<u>\$ 760</u>	<u>\$ 6,931,645</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Refer to Note 4(3)B of the consolidated financial statements.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Zenitron (HK) Limited	\$ 6,796,830	\$ 7,259,607
Others	954,489	614,648
	<u>\$ 7,751,319</u>	<u>\$ 7,874,255</u>

The sales price to related parties was determined based on initial cost plus a certain mark-up. The collection term was 60~90 days after monthly billings for related parties and 30~120 days after monthly billings for third parties.

B. Purchases

	Year ended December 31	
	2021	2020
Zenicom (HK) Limited	\$ 198,487	\$ 72,447
Zenitron (HK) Limited	99,681	242,132
	<u>\$ 298,168</u>	<u>\$ 314,579</u>

The price and term for purchases from related parties were the same with third parties. The payment term was 60~90 days after monthly billings for related parties and approximately 10~75 days after monthly billings for general suppliers.

C. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable		
Zenitron (HK) Limited	\$ 1,082,574	\$ 1,065,084
Others	107,261	76,049
	<u>\$ 1,189,835</u>	<u>\$ 1,141,133</u>
Other receivables		
ZTHC (Shanghai) Co., Ltd.	\$ 218,394	\$ 217,600
Others	37,962	6,594
	<u>\$ 256,356</u>	<u>\$ 224,194</u>

D. Payables to related parties

	December 31, 2021	December 31, 2020
Accounts payable		
Zenicom (HK) Limited	\$ 21,511	\$ 19,506
Zenitron (HK) Limited	13,641	25,170
Other payables	2,627	18
	<u>\$ 37,779</u>	<u>\$ 44,694</u>

E. Loans to / from related parties

Loans to related parties

(i) Outstanding balance:

	December 31, 2021	December 31, 2020
ZTHC (Shanghai) Co., Ltd.	<u>\$ 215,950</u>	<u>\$ 217,600</u>

(ii) Interest income

	Year ended December 31	
	2021	2020
ZTHC (Shanghai) Co., Ltd.	\$ 4,518	\$ 5,335

F. Endorsements and guarantees provided to related parties

	December 31, 2021	December 31, 2020
Zenitron (HK) Limited	\$ 1,093,977	\$ 997,208
Zenitron (Shanghai) International Trading Co., Ltd.	313,548	294,079
Zenitron (Shenzhen) Technology Co., Ltd.	181,800	158,856
	<u>\$ 1,589,325</u>	<u>\$ 1,450,143</u>

G. Key management compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$ 73,718	\$ 46,314

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged assets	Book value		Purpose
	December 31, 2021	December 31, 2020	
Investment property	\$ 2,867	\$ 2,945	Short-term borrowings
Guarantee deposits paid (shown as 'other non-current assets')	10,000	10,000	Court deposits
	<u>\$ 12,867</u>	<u>\$ 12,945</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2021, other significant commitments were as follows:

As a requirement for the release of imported goods before duty and customs clearance, the Company

has applied for customs guarantee with certain banks in the amount of \$20,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The distribution of 2021 earnings was resolved by the Company's Board of Directors on March 21, 2022. Refer to Note 6(17) for more details.

12. OTHERS

(1) Capital risk management

The Company's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operations and to maximize stockholders' equity. Refer to the parent company only balance sheet of each period for related liabilities and capital ratio.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 19,224	\$ 14,626
Financial assets designated as at fair value through profit or loss	300	-
	<u>\$ 19,524</u>	<u>\$ 14,626</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	<u>\$ 939,623</u>	<u>\$ 904,967</u>
Financial assets at amortised cost/receivables		
Cash and cash equivalents	\$ 664,500	\$ 562,899
Notes receivable	7,352	11,770
Accounts receivable (including related parties)	6,007,785	5,498,594
Other receivables (including related parties)	366,594	322,263
Guarantee deposits paid (shown as 'other non-current assets')	41,637	43,337
	<u>\$ 7,087,868</u>	<u>\$ 6,438,863</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 6,919,778	\$ 6,381,379
Short-term notes and bills payable	699,361	549,506
Notes payable	2,525	2,496
Accounts payable (including related parties)	2,523,782	2,551,338
Other accounts payable	362,451	250,499
Bonds payable	577,835	-
Guarantee deposits received (shown as 'other non-current liabilities')	3,120	3,139
	<u>\$ 11,088,852</u>	<u>\$ 9,738,357</u>
Lease liabilities	<u>\$ 1,761</u>	<u>\$ 760</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's entire risk management policies is to identify and analyse all the risks by examining the impact of the macroeconomics, industrial developments, market competition and the Company's business development so as to achieve the optimised risk position, to maintain adequate liquidity position and to centralise the management of all market risks.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets, liabilities and net investments in foreign operations.

ii. The Company's businesses involve some non-functional currency operations. The information on assets, liabilities denominated in foreign currencies and market risk whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021							
(Foreign currency: functional currency)	Sensitivity analysis						
	Foreign currency amount	Exchange	Book value	Degree of	Effect on	Effect on	
	(In thousands)	rate	(In thousands of NTD)	variation	profit or loss	other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 227,375	27.63	\$ 6,282,371	1%	\$ 62,824	\$ -	
JPY	355,401	0.24	85,296	1%	853	-	
RMB	56,083	4.32	242,279	1%	2,423	-	
<u>Investments accounted for using equity method</u>							
USD	\$ 102,545	27.68	\$ 2,838,459	-	-	-	
HKD	2,687	3.55	9,542	-	-	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$ 284,151	27.73	\$ 7,879,507	1%	\$ 78,795	\$ -	
JPY	189,833	0.24	45,560	1%	456	-	
December 31, 2020							
(Foreign currency: functional currency)	Sensitivity analysis						
	Foreign currency amount	Exchange	Book value	Degree of	Effect on	Effect on	
	(In thousands)	rate	(In thousands of NTD)	variation	profit or loss	other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 199,209	28.43	\$ 5,663,512	1%	\$ 56,635	\$ -	
JPY	230,186	0.27	62,150	1%	622	-	
RMB	55,091	4.35	239,646	1%	2,396	-	
<u>Investments accounted for using equity method</u>							
USD	\$ 84,790	28.48	\$ 2,414,819	-	-	-	
HKD	9,075	3.67	33,317	-	-	-	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$ 281,890	28.53	\$ 8,042,322	1%	\$ 80,423	\$ -	
JPY	53,597	0.28	15,007	1%	150	-	

iii. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$70,027 and \$98,148, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their clients. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to customers, including outstanding receivables.
- ii. The Company adopts the following assumptions to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- iii. The default occurs when the contract payments are past due over 60 days.
- iv. The Company classifies customer's accounts receivable in accordance with the credit rating of the customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.
- v. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Please refer to Note 6(4) for details of the provision matrix and movements in loss allowance for the years ended December 31, 2021 and 2020.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

- ii. Except for those listed in the table below, the Company's non-derivative financial liabilities will expire within 1 year. As of December 31, 2021 and 2020, the cash flows within 1 year of short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties) and other payables are undiscounted and are in agreement with the balance of each account in the balance sheet.

December 31, 2021	<u>Less than 1 year</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>			
Lease liabilities	\$ 1,070	\$ 711	\$ -
Bonds payable	\$ -	\$ 600,000	\$ -
December 31, 2020	<u>Less than 1 year</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>			
Lease liabilities	\$ 413	\$ 356	\$ -

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market in which transactions for an asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and OTC stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(10).

- C. Financial instruments not measured at fair value

- (a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes

payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2021			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities				
Bonds payable	<u>\$ 577,835</u>	<u>\$ -</u>	<u>\$ 578,222</u>	<u>\$ -</u>

There was no such transaction as of December 31, 2020.

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date.

D. Financial and non-financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 19,224	\$ -	\$ -	\$ 19,224
Redemption of convertible bonds	-	-	300	300
Financial assets at fair value through other comprehensive income				
Listed stocks	864,082	-	-	864,082
Emerging stocks	727	-	-	727
Unlisted stocks	-	-	74,814	74,814
	<u>\$ 884,033</u>	<u>\$ -</u>	<u>\$ 75,114</u>	<u>\$ 959,147</u>

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 14,626	\$ -	\$ -	\$ 14,626
Financial assets at fair value through other comprehensive income				
Listed stocks	858,283	-	-	858,283
Emerging stocks	573	-	-	573
Unlisted stocks	-	-	46,111	46,111
	<u>\$ 873,482</u>	<u>\$ -</u>	<u>\$ 46,111</u>	<u>\$ 919,593</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company uses the closing price as market quoted price.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- iv. The Group considers adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. As of December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

- F. The following chart is the movement of Level 3 for the year ended December 31, 2021 and there was no transfer into or out from Level 3 for the year ended December 31, 2020:

	Year ended December 31, 2021	
	Unlisted stocks	Redemption of convertible bonds
At January 1	\$ 46,111	\$ -
Acquired during the year	29,840	300
Proceeds from capital reduction	(1,137)	-
At December 31	<u>\$ 74,814</u>	<u>\$ 300</u>

- G. Investment segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 74,814	Net asset value	Not applicable	Not applicable	Not applicable
Redemption of convertible bonds	<u>300</u>	Binomial model	Volatility	22.02%	The higher the volatility, the higher the fair value
	<u>\$ 75,114</u>				
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	<u>\$ 46,111</u>	Net asset value	Not applicable	Not applicable	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.

- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Notes (1) A, B and J.

(4) Major shareholders information

The Company has no shareholders with a shareholding ratio above 5%.

14. SEGMENT INFORMATION

None.

Zenitron Corporation

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	Other receivables	Yes	\$ 613,760	\$ 604,660	\$ 215,950	2.50%	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,116,893	\$ 2,116,893	
0	Zenitron Coporation	Zenicom Corporation	Other receivables	Yes	27,800	27,630	-	-	2	-	Operating capital	-	-	-	2,116,893	2,116,893	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	87,680	86,800	-	-	2	-	Operating capital	-	-	-	683,268	683,268	
1	ZTHC (Shanghai) Co., Ltd.	Zenitron (Shenzhen) Technology Co., Ltd.	Other receivables	Yes	263,040	260,400	86,800	2.50%	2	-	Operating capital	-	-	-	683,268	683,268	
2	Shanghai Zenitron Electronic Trading Co., Ltd	Zenitron (Shanghai) International Trading Co., Ltd.	Other receivables	Yes	52,608	52,080	43,400	4.35%	2	-	Operating capital	-	-	-	177,814	177,814	
3	Supertronic International Corp.	Zenitron Coporation	Other receivables	Yes	83,880	83,040	55,360	0.0038	2	-	Operating capital	-	-	-	5,676,918	5,676,918	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: The name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The maximum outstanding balance of loans to others for the year.

Note 4: The nature of the loan as follows:

- (1)‘1’ for business transaction.
- (2)‘2’ for short-term financing.

Note 5: The amount of business transactions when nature of the loan is 1, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Purpose of loan when nature of loan is 2, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, the calculation and amount are as follows:

- (1) Limit on loans granted to a single party is 40% of the creditor company’s net assets based on the latest financial statements.
- (2) Ceiling on total loans granted is 40% of the creditor company’s net assets based on the latest financial statements.
- (3) Limit on loans granted between foreign companies which the Company directly or indirectly holds 100% of their voting shares is 200% of the creditor company’s net assets based on the latest financial statements.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Table 2

Zenitron Corporation

Provision of endorsements and guarantees to others

Year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name		outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)									
0	Zenitron Coporation	Zenitron (HK) Limited	3	\$ 7,938,348	\$ 2,090,720	\$ 1,462,032	\$ 1,093,977	\$ -	27.63%	\$ 7,938,348	Y	N	N	
0	Zenitron Coporation	Zenitron (Shenzhen) Technology Co., Ltd.	3	7,938,348	536,510	529,000	181,800	-	10.00%	7,938,348	Y	N	Y	
0	Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	3	7,938,348	783,180	778,020	313,548	-	14.70%	7,938,348	Y	N	Y	
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	3	7,938,348	455,300	448,180	-	-	8.47%	7,938,348	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation for and amount of limit on endorsements/guarantees are as follows: (If any contingent loss is recognised in the financial statements, the recognised amount should be indicated)

(1) Limit on endorsements/guarantees provided for a single party is 150% of the Company’s net assets.

(2) Ceiling on total amount of endorsements/guarantees is 150% of the Company's net assets.

Note 4: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Zenitron Corporation

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in NTD

(Except as otherwise indicated)

					As of December 31, 2021				
Securities held by	Marketable securities (Note 1)		Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (Share/Unit)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zenitron Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	153,834	\$ 9,691,542	0.14	\$ 9,691,542	
Zenitron Corporation	Stock	Dynapack International Technology Corporation	-	Current financial assets at fair value through profit or loss	93,000	9,532,500	0.06	9,532,500	
Zenitron Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through other comprehensive income	39,462	727,285	0.02	727,285	
Zenitron Corporation	Stock	ADLINK TECHNOLOGY INC.	-	Non-current financial assets at fair value through other comprehensive income	13,334,592	864,081,562	6.13	864,081,562	
Zenitron Corporation	Stock	NU INC.	-	Non-current financial assets at fair value through other comprehensive income	1,022,727	7,474,468	7.89	7,474,468	
Zenitron Corporation	Stock	Quadlink Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,000,000	3.62	10,000,000	
Zenitron Corporation	Stock	MEAN WELL ENTERPRISES CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	200,000	57,340,000	0.13	57,340,000	
Zenicom Corporation	Stock	Yeong Guan Group	-	Current financial assets at fair value through profit or loss	51,087	3,218,481	0.05	3,218,481	
Zenicom Corporation	Stock	Orient Pharma Co., Ltd.	-	Current financial assets at fair value through profit or loss	17,454	321,677	0.01	321,677	
Supertronic International Corp	Stock	Capital Investment Development Corp.	-	Non-current financial assets at fair value through other comprehensive income	1,520,000	35,098,683	3.57	35,098,683	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Zenitron Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 2)	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 3)
Zenitron Coporation	Zenitron (HK) Limited	1	Sales	(\$ 6,796,830)	(32)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	\$ 1,082,574	18	
Zenitron (HK) Limited	Zenitron Coporation	2	Purchases	6,796,830	29	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(1,082,574)	(36)	
Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	(601,986)	(3)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	83,635	1	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron Coporation	2	Purchases	601,986	38	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(83,635)	(44)	
Zenitron Coporation	Zenitron (Shenzhen) Technology Co., Ltd.	1	Sales	(352,428)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	23,626	0	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron Coporation	2	Purchases	352,428	32	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(23,626)	(25)	
Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	(612,836)	(2)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	49,442	1	
Zenitron (Shenzhen) Technology Co., Ltd.	Zenitron (HK) Limited	3	Purchases	612,836	56	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(49,442)	(52)	
Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	(645,329)	(3)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	50,091	1	
Zenitron (Shanghai) International Trading Co., Ltd.	Zenitron (HK) Limited	3	Purchases	645,329	41	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(50,091)	(26)	
Zenicom (HK) Limited	Zenitron Coporation	2	Sales	(198,487)	(99)	Approximately 60~90 days after monthly billings	Selling price is based on initial cost plus necessary profit	Approximately 30~120 days after monthly billings for third parties	21,511	97	
Zenitron Coporation	Zenicom (HK) Limited	1	Purchases	198,487	1	Approximately 60~90 days after monthly billings	Approximately the same as the normal price	Approximately 10~75 days after monthly billings for third parties	(21,511)	(1)	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Zenitron Corporation
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty (Note 2)	Balance as at	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2021 (Note 1)		Amount	Action taken		
<u>Accounts receivable</u>								
Zenitron Coporation	Zenitron (HK) Limited	1	\$ 1,082,574	6.33	\$ -	-	\$ 378,266	\$ -
<u>Other receivables</u>								
Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	1	218,394	-	-	-	-	-
SUPERTRONIC INT'L. CORP.	Zenitron (HK) Limited	3	2,017,508	-	-	-	-	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties....

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Table 6

Zenitron Corporation

Significant inter-company transactions during the reporting period

Year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms		
0	Zenitron Coporation	Zenitron (HK) Limited	1	Sales	\$ 6,796,830	Selling price has no obvious difference from the third parties		16
0	Zenitron Coporation	Zenitron (HK) Limited	1	Accounts receivable	1,082,574	60~90 days after monthly billings		5
0	Zenitron Coporation	Zenitron (Shanghai) International Trading Co., Ltd.	1	Sales	601,986	Selling price has no obvious difference from the third parties		1
0	Zenitron Coporation	ZTHC (Shanghai) Co., Ltd.	1	Other receivables	218,394	In accordance with mutual agreements		1
1	Zenitron (HK) Limited	Zenitron (Shenzhen) Technology Co., Ltd.	3	Sales	612,836	Selling price has no obvious difference from the third parties		1
1	Zenitron (HK) Limited	Zenitron (Shanghai) International Trading Co., Ltd.	3	Sales	645,329	Selling price has no obvious difference from the third parties		2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Zenitron Corporation

Information on investees

Year ended December 31, 2021

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 7

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares (in thousand)	Ownership (%)	Book value			
Zenitron Coporation	Zenicom Corporation	Taiwan	Trading of electronic components and assembly	\$ 55,854	\$ 55,854	1,520	100.00	\$ 26,264	(\$ 4,211)	(\$ 4,211)	Subsidiary
Zenitron Coporation	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	2,008	2,008	510	1.47	9,542	494,272	7,266	Second-tier subsidiary
Zenitron Coporation	Supertronic International Corp.	B. V. I.	Reinvested holding company	618,023	618,023	18,704	100.00	2,838,459	492,234	492,234	Subsidiary
Zenitron Coporation	Yo-Teh Investment Corporation	Taiwan	Reinvested holding company	84,167	84,167	7,700	100.00	66,264	8,588	8,588	Subsidiary
Supertronic International Corp.	Zenitron (HK) Limited	Hong Kong	Trading of electronic components and assembly	471,639	471,639	34,272	98.53	639,592	494,272	487,006	Subsidiary
Supertronic International Corp.	Zenicom (HK) Limited	Hong Kong	Trading of electronic components and assembly	92,780	92,780	23,800	100.00	87,555	2,957	2,957	Subsidiary

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2021’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2) The ‘Net profit (loss) of the investee for the year ended December 31, 2021’ column should fill in amount of net profit (loss) of the investee for this period.

(3) The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2021’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Zenitron Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland		Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income (loss) of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
China	Main business activities				Remitted to Mainland China	Remitted back to Taiwan							
Zenitron (Shanghai) International Trading Co., Ltd.	Trading of electronic components and assembly	\$ 157,730	(2)	\$ 97,270	\$ -	\$ -	\$ 97,270	\$ 9,105	100.00	\$ 9,105	\$ 188,625	\$ -	
ZTHC (Shanghai) Co., Ltd.	Selling computer memory equipment and related components and providing technical support	116,601	(2)	116,601	-	-	116,601	18,074	100.00	18,074	341,634	-	
Zenitron (Shenzhen) Technology Co., Ltd.	Trading of electronic components and assembly	93,080	(2)	32,620	-	-	32,620	10,728	100.00	10,728	78,548	-	
Shanghai Zenitron Electronic Trading Co., Ltd.	Trading of electronic components and assembly	94,760	(2)	-	-	-	-	45	100.00	45	88,907	-	
Company name		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA							
Zenitron Corporation		\$	246,491	\$	443,484	\$	3,175,339						

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in Zenitron (HK) Limited, an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others

Note 2: Basis for investment income (loss) recognition is the financial statements that are audited and attested by R.O.C. parent company’s CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

ZENITRON CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description				Amount
Cash on hand and revolving funds					\$ 192
Cash in banks					
Checking accounts					28,285
Demand deposits - NTD					199,361
Demand deposits - foreign currency	USD	14,174	thousand	Exchange rate 27.63	391,614
	JPY	84,140	thousand	Exchange rate 0.24	20,067
	HKD	327	thousand	Exchange rate 3.52	1,152
	RMB	5,517	thousand	Exchange rate 4.32	23,829
					<u>\$ 664,500</u>

ZENITRON CORPORATION
NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Name of Financial Instrument	Description	Shares in thousands/thousand units	Face Value	Total Amount	Interest Rate	Cost	Fair Value		Note
							Unit Price (in dollars)	Total Amount	
Listed stocks	ADLINK TECHNOLOGY INC.	13,334,592	\$ 10	\$ 864,082	-	\$ 342,773	\$ 64.80	\$ 864,082	
Unlisted stocks	NU INC.	1,022,727	10	7,474	-	7,474	-	7,474	
Unlisted stocks	Quadlink Technology Inc.	500,000	10	10,000	-	10,000	-	10,000	
Unlisted stocks	MEAN WELL ENTERPRISES CO., LTD.	200,000	10	57,340	-	57,340	-	57,340	
						<u>\$ 417,587</u>		<u>\$ 938,896</u>	

ZENITRON CORPORATION
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 3

Client Name	Amount	Note
<u>Non-related parties</u>		
Company A	\$ 314,848	
Others	4,554,416	Balance of each client has not exceeded 5% of total account balance.
	4,869,264	
Less: Allowance for uncollectible accounts	(51,314)	
	<u>\$ 4,817,950</u>	

ZENITRON CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan Dollars)

Statement 4

Item	Amount		Note
	Cost	Net Realizable Value	
Merchandise	\$ 5,103,647	\$ 4,864,258	
Inventory in transit	224,677	224,677	
	5,328,324	<u>\$ 5,088,935</u>	
Less: Allowance for market value decline and loss on obsolete and slow-moving inventories	(239,389)		
	<u>\$ 5,088,935</u>		

ZENITRON CORPORATION
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 5

Name of Investee	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares		Shares	Amount	Shares	Amount	Shares	Percentage of					
	(in thousands)	Amount	(in thousands)	(Note 1)	(in thousands)	(Note 2)	(in thousands)	Ownership	Amount	Unit Price	Total Amount	Collateral	Note
Supertronic International Corp.	18,704	\$ 2,414,819	-	\$ 423,640	-	\$ -	18,704	100%	\$ 2,838,459	\$ 151.76	\$ 2,838,459	None	
Zenitron (HK) Limited	510	33,316	-	6,326	-	(30,100)	510	1.47%	9,542	18.71	9,542	"	
Yo-Teh Investment Corporation	7,700	57,676	-	8,588	-	-	7,700	100%	66,264	8.61	66,264	"	
Zenicom Corporation	1,520	30,475	-	-	-	(4,211)	1,520	100%	26,264	17.28	26,264	"	
		\$ 2,536,286		\$ 438,554		(\$ 34,311)			\$ 2,940,529				

Note 1: It included exchange differences on translation of financial statements and share of profit or loss or other comprehensive income of subsidiaries accounted for using the equity method.

Note 2: It referred to cash dividends distributed by the subsidiaries and profit or loss of subsidiaries accounted for using the equity method.

ZENITRON CORPORATION
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

STATEMENT 6

Creditor	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Line	Collateral	Note
Hua Nan Bank	Unsecured borrowings	\$ 1,113,973	2021/11/23~2022/3/30	Note	\$ 1,800,000	Note 8	Undrawn secured borrowing facilities
Taiwan Cooperative Bank	"	768,945	2021/7/23~2022/6/13	"	1,000,000	None	"
Land Bank of Taiwan	"	575,791	2021/8/16~2022/6/13	"	600,000	"	"
Taiwan Business Bank	"	530,334	2021/8/31~2022/5/29	"	600,000	"	"
Far Eastern International Bank	"	377,300	2021/9/15~2022/3/23	"	500,000	"	"
Mega International Commercial Bank	"	362,263	2021/10/15~2022/2/24	"	600,000	"	"
Cathay United Bank	"	360,490	2021/12/15~2022/1/14	"	450,000	"	"
Bank of Taiwan	"	356,322	2021/11/17~2022/3/17	"	645,000	"	"
First Commercial Bank	"	320,000	2021/10/18~2022/2/23	"	700,000	"	"
SCSB	"	306,031	2021/7/29~2022/5/13	"	450,000	"	"
Yuanta Bank	"	300,000	2021/11/30~2022/3/16	"	600,000	"	"
Taipei Fubon Bank	"	284,249	2021/11/24~2022/6/13	"	330,000	"	"
E.SUN Bank	"	277,300	2021/10/28~2022/4/26	"	500,000	"	"
Taishin Bank	"	269,762	2021/8/10~2022/1/21	"	850,000	"	"
Taichung Commercial Bank	"	248,903	2021/11/10~2022/3/10	"	400,000	"	"
Bank SinoPac	"	202,720	2021/12/29~2022/1/5	"	750,000	"	"
Jih Sun Bank	"	200,000	2021/12/23~2022/3/13	"	300,000	"	"
EnTie Bank	"	65,395	2021/12/27~2022/3/25	"	300,000	"	"
		<u>\$ 6,919,778</u>					

Note: Range of interest rate of the Company's borrowings was 0.58%~1.10%.

ZENITRON CORPORATION
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 7

<u>Supplier Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related parties</u>			
Company A		\$ 631,903	
Company B		584,283	
Company C		241,661	
Company D		184,373	
Company E		165,954	
Company F		142,780	
			Balance of each supplier
			has not exceeded 5% of
Others		535,049	total account balance.
		<u>\$ 2,486,003</u>	

ZENITRON CORPORATION
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 8

Item	Volume (in thousands)	Amount	Note
Sales revenue			
Memory cards	40,857	\$ 8,411,287	
Linear integrated circuit	477,301	4,063,875	
Digital integrated circuit	128,077	1,991,815	
Power field effect transistors	923,474	2,170,111	
Logic integrated circuit	95,939	1,633,955	
Diodes	1,241,827	776,319	
Others	1,666,276	2,489,228	
Net operating revenue		<u>\$ 21,536,590</u>	

ZENITRON CORPORATION
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 9

Item	Amount
Beginning inventory	\$ 4,521,984
Add: Net purchases for the year	21,257,145
Processing fees	11,473
Less: Ending inventory	(5,328,324)
Obsolete and slow-moving inventory sold	(19,228)
Transferred to operating expenses	(5,458)
Cost of goods sold	20,437,592
Loss on decline in market value	33,870
	<u>\$ 20,471,462</u>

ZENITRON CORPORATION
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Statement 10

Item	Selling	Administrative	Total	Note
Wages and salaries	\$ 293,699	\$ 148,746	\$ 442,445	
Export (customs) expense	60,385	-	60,385	
Insurance	21,924	11,879	33,803	
Other expenses	88,042	52,333	140,375	
	<u>\$ 464,050</u>	<u>\$ 212,958</u>	<u>\$ 677,008</u>	Balance of each account has not exceeded 5% of total account balance.