

English Translation of Financial Statements and a Report Originally Issued in Chinese

**Ticker: 6251**

**DYNAMIC ELECTRONICS CO., LTD.  
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS  
WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS  
AS OF DECEMBER 31, 2021 AND 2020  
AND FOR THE YEARS THEN ENDED**

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*The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*

English Translation of Financial Statements and a Report Originally Issued in Chinese  
**Parent-company-only financial statements**  
**Index**

Item	Page numbering
1. Cover sheet	1
2. Index	2
3. Report of independent auditors	3-7
4. Parent-company-only balance sheets	8-9
5. Parent-company-only statements of comprehensive income	10
6. Parent-company-only statements of changes in equity	11
7. Parent-company-only statements of cash flows	12
8. Footnotes to the parent-company-only financial statements	
(1)History and organization	13
(2)Date and procedures of authorization of financial statements for issue	13
(3)Newly issued or revised standards and interpretations	13-18
(4)Summary of significant accounting policies	18-41
(5)Significant accounting judgments, estimates and assumptions	41-43
(6)Contents of significant accounts	44-71
(7)Related party transactions	72-74
(8)Assets pledged as collateral	74
(9)Significant contingencies and unrecognized contract commitments	74
(10)Losses due to major disasters	74
(11)Significant subsequent events	74
(12)Others	74-85
(13)Other disclosures	
1.Additional disclosures required by the R.O.C. Securities and Futures Bureau	86
2.Information on investees	86-87
3.Information on investments in Mainland China	88-91
4. Information of major shareholders	91
(14)Segment information	91
9.Details of significant accounts	99-118

English Translation of a Report Originally Issued in Chinese  
**AUDIT REPORT OF INDEPENDENT AUDITORS**

To: The Board of Directors  
Dynamic Electronics Co., LTD.

**Opinion**

We have audited the accompanying parent-company-only balance sheets of Dynamic Electronics Co., LTD. (the “Company”) as of December 31, 2021 and 2020, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together “the parent-company-only financial statements”).

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2021 and 2020, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the 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 (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2021. 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, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$2,626,909 thousand for the year ended December 31, 2021 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

### Provision against inventory (including investments in subsidiaries)

We determine that provision against inventory (including investments in subsidiaries) as of December 31, 2021 is significant to the Company's financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter - provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

## **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 requirements of 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 ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

## **Auditor's 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 auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 accompanying notes, 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 company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 parent-company-only financial statements and are

therefore the key audit matters. We describe these matters in our auditor's 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.

Chang, Chih Ming

Chen, Kuo Shuai

Ernst & Young  
February 23<sup>th</sup>, 2022  
Taipei, Taiwan,  
Republic of China

Notice to Readers

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

*Accordingly, the accompanying parent-company-only financial statements and report of independent accountants 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, Ernst & Young 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.*

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.  
PARENT-COMPANY-ONLY BALANCE SHEETS

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$802,251	12	\$174,616	3
1136	Financial assets carried at amortized cost	4, 6(3)	-	-	200,000	3
1170	Accounts receivable, net	4, 6(4)	622,873	9	1,016,604	16
1200	Other receivables		1,225	-	2,162	-
1210	Other receivables - related parties	7	-	-	121	-
1310	Inventories, net	4, 6(5)	128,573	2	57,975	1
1410	Prepayments		6,189	-	4,950	-
1470	Other current assets		477	-	1,280	-
	Total current assets		<u>1,561,588</u>	<u>23</u>	<u>1,457,708</u>	<u>23</u>
15xx	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2), 6(12)	800	-	-	-
1550	Investment accounted for under equity method	4, 6(6)	5,192,500	77	4,601,376	72
1600	Property, plant and equipment, net	4, 6(7)	1,220	-	1,217	-
1755	Right-of-use assets	4, 6(19)	4,037	-	131	-
1780	Intangible assets, net	4, 6(8)	4,455	-	5,702	-
1840	Deferred tax assets	4, 6(23)	32,004	-	303,866	5
1900	Other non-current assets	6(9)	854	-	2,355	-
	Total non-current assets		<u>5,235,870</u>	<u>77</u>	<u>4,914,647</u>	<u>77</u>
	Total Assets		<u>\$6,797,458</u>	<u>100</u>	<u>\$6,372,355</u>	<u>100</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)



English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS(Continued)

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2130	Contract liability	4, 6(17)	\$-	-	\$1,944	-
2170	Accounts payable		823	-	610	-
2180	Accounts payable - related parties	7	290,160	4	656,661	10
2200	Other payables	6(11)	132,173	2	129,697	2
2220	Other payables - related parties	7	-	-	5,040	-
2230	Current tax liabilities	4	25,008	-	-	-
2280	Lease liabilities	4, 6(19)	2,019	-	444	-
2300	Other current liabilities		14,161	-	16,654	-
2365	Refund liability	4, 6(13)	55,555	1	30,378	1
	Total current liabilities		519,899	7	841,428	13
25xx	Non-current liabilities					
2530	Bonds payable	4, 6(12)	486,152	7	-	-
2570	Deferred tax liabilities	4, 6(23)	266,559	4	397,870	6
2580	Lease liabilities	4, 6(19)	2,045	-	-	-
2640	Net defined benefit liabilities	4	2,007	-	1,791	-
	Total non-current liabilities		756,763	11	399,661	6
	Total liabilities		1,276,662	18	1,241,089	19
31xx	Equity					
3100	Capital	6(15)				
3110	Common stock		2,775,141	42	2,775,141	43
3140	Capital collected in advance		43	-	-	-
3200	Capital surplus	6(15)	1,314,873	19	1,250,883	20
3300	Retained earnings	6(15)				
3310	Legal reserve		599,291	9	531,385	8
3320	Special reserve		299,666	4	299,666	5
3350	Accumulated profit or loss		970,607	14	679,065	11
3400	Other components of equity		(438,825)	(6)	(404,874)	(6)
	Total equity		5,520,796	82	5,131,266	81
	Total liabilities and equity		\$6,797,458	100	\$6,372,355	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(17)	\$2,626,909	100	\$3,868,208	100
5000	Operating costs	6(5), 7	(2,464,019)	(94)	(3,527,777)	(91)
5900	Gross profit		<u>162,890</u>	<u>6</u>	<u>340,431</u>	<u>9</u>
6000	Operating expenses	7				
6100	Sales and marketing expenses		(46,949)	(2)	(148,536)	(4)
6200	General and administrative expenses		(116,164)	(4)	(213,447)	(6)
6300	Research and development expenses		(430)	-	(8,833)	-
6450	Expected credit gains (losses)	4, 6(18)	5,028	-	3,177	-
	Operating expenses total		<u>(158,515)</u>	<u>(6)</u>	<u>(367,639)</u>	<u>(10)</u>
6900	Operating loss		<u>4,375</u>	<u>-</u>	<u>(27,208)</u>	<u>(1)</u>
7000	Non-operating income and expenses	6(21), 7				
7100	Interest income		1,123	-	249	-
7010	Other income		54,927	2	49,003	1
7020	Other gains and losses		5,585	-	405,667	11
7050	Finance costs		(4,791)	-	(6,198)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(6)	574,794	22	317,863	8
	Non-operating income and expenses total		<u>631,638</u>	<u>24</u>	<u>766,584</u>	<u>20</u>
7900	Income from continuing operations before income tax		636,013	24	739,376	19
7950	Income tax expense	4, 6(23)	<u>(165,559)</u>	<u>(6)</u>	<u>(60,311)</u>	<u>(1)</u>
8200	Net income		<u>470,454</u>	<u>18</u>	<u>679,065</u>	<u>18</u>
8300	Other comprehensive income (loss)	6(22)				
8360	May be reclassified to profit or loss in subsequent periods					
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		<u>(33,951)</u>	<u>(1)</u>	<u>53,070</u>	<u>1</u>
	Total other comprehensive income (loss), net of tax		<u>(33,951)</u>	<u>(1)</u>	<u>53,070</u>	<u>1</u>
8500	Total comprehensive income (loss)		<u>\$436,503</u>	<u>17</u>	<u>\$732,135</u>	<u>19</u>
9750	Earnings per share - basic (in NT\$)	6(24)	<u>\$1.70</u>		<u>\$2.58</u>	
9850	Earnings per share - diluted (in NT\$)	6(24)	<u>\$1.61</u>		<u>\$2.55</u>	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Capital 3100	Capital collected in advance 3140	Capital surplus 3200	Retained earnings			Other components of equity	Total equity 3XXX
					Legal reserve 3310	Special reserve 3320	Accumulated profit or loss 3350	Exchange differences arising on translation of foreign operations 3410	
A1	Balance as of January 1, 2020	\$2,810,594	\$-	\$1,061,873	\$531,385	\$299,666	\$(335,453)	\$(457,944)	\$3,910,121
D1	Net income for 2020						679,065		679,065
D3	Other comprehensive income (loss) for 2020							53,070	53,070
D5	Total comprehensive income (loss)	-	-	-	-	-	679,065	53,070	732,135
E1	Capital increase by cash	300,000		178,750					478,750
F1	Capital reduction to offset accumulated deficits	(335,453)					335,453		-
N1	Share-based payment transaction			10,260					10,260
Z1	Balance as of December 31, 2020	<u>\$2,775,141</u>	<u>\$-</u>	<u>\$1,250,883</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$679,065</u>	<u>\$(404,874)</u>	<u>\$5,131,266</u>
A1	Balance as of January 1, 2021	\$2,775,141	\$-	\$1,250,883	\$531,385	\$299,666	\$679,065	\$(404,874)	\$5,131,266
	Appropriation and distribution of 2020 earnings								
B1	Legal reserve				67,906		(67,906)		-
B5	Cash dividends-common shares						(111,006)		(111,006)
C5	Equity component of convertible bonds			63,936					63,936
D1	Net income for 2021						470,454		470,454
D3	Other comprehensive income (loss) for 2021							(33,951)	(33,951)
D5	Total comprehensive income (loss)	-	-	-	-	-	470,454	(33,951)	436,503
I1	Conversion of convertible bonds		43	54					97
Z1	Balance as of December 31, 2021	<u>\$2,775,141</u>	<u>\$43</u>	<u>\$1,314,873</u>	<u>\$599,291</u>	<u>\$299,666</u>	<u>\$970,607</u>	<u>\$(438,825)</u>	<u>\$5,520,796</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020	Code	Items	2021	2020
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$636,013	\$739,376	B00040	Disposal (acquisition) of financial assets at amortised cost	200,000	(198,000)
A20000	Adjustments:			B01800	Acquisition of investment accounted for under equity method	(30,940)	(62,566)
A20010	Profit or loss not effecting cash flows:			B02700	Acquisition of property, plant and equipment	(121)	(14,683)
A20100	Depreciation (inculding right-of-use assets)	2,514	9,840	B02800	Proceeds from disposal of property, plant and equipment	762	650,218
A20200	Amortization	1,463	1,109	B04500	Acquisition of intangible assets	(216)	(6,452)
A20300	Expected credit losses (gain)	(5,028)	(3,177)	B03700	Decrease (increase) in refundable deposits	1,501	863
A20400	Net loss (gain) of financial assets at fair value through profit or loss	(550)	-	BBBB	Net cash provided by (used in) investing activities	170,986	369,380
A20900	Interest expense	4,791	6,198				
A21200	Interest income	(1,123)	(249)				
A21900	Share-based payment cost	-	10,260				
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(574,794)	(317,863)				
A22500	Loss (gain) on disposal of property, plant and equipment	(2,583)	(418,796)				
A23700	Impairment loss (reveral) on non-financial assets	(17,520)	(18,807)				
A29900	Loss (gain) on lease modification	-	511	CCCC	Cash flows from financing activities:		
A30000	Changes in operating assets and liabilities:			C00200	Increase in (repayment of) short-term loans	-	(729,780)
A31130	Notes receivable	-	1,237	C01200	Issuance of corporate bonds	545,297	-
A31150	Accounts receivable	398,759	415,406	C01700	Repayment of long-term loans	-	(600,000)
A31160	Accounts receivable - related parties	-	9,438	C04020	Payments of lease liabilities	(2,057)	(126)
A31180	Other receivables	937	1,657	C04500	Cash dividends	(111,006)	-
A31190	Other receivables - related parties	121	314,960	C04600	Capital increase by cash	-	478,750
A31200	Inventories	(70,598)	16,550	CCCC	Net cash provided by (used in) financing activities	432,234	(851,156)
A31230	Prepayment	(1,239)	10,382				
A31240	Other current assets	803	1,281				
A32125	Contract liability	(1,944)	1,944				
A32150	Accounts payable	213	(74,635)				
A32160	Accounts payable - related parties	(366,501)	(484,596)				
A32180	Other payables	1,786	14,042				
A32190	Other payables - related parties	(5,040)	5,040				
A32230	Other current liabilities	(2,493)	6,424				
A32240	Net defined benefit liabilities	216	216				
A32990	Refund liability	25,177	(19,246)				
A32000	Cash generated from operations	23,380	228,502				
A33100	Interest received	1,123	249	EEEE	Net Increase (decrease) in cash and cash equivalents	627,635	(38,420)
A33200	Dividend received	-	222,115	E00100	Cash and cash equivalents at beginning of period	174,616	213,036
A33300	Interest paid	(88)	(7,510)	E00200	Cash and cash equivalents at end of period	\$802,251	\$174,616
AAAA	Net cash provided by (used in) operating activities	24,415	443,356				

(The accompanying notes are an integral part of the parent-company-only financial statements.)

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS

As of December 31, 2021 and 2020 and for the years then ended

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Dynamic Electronics Co., Ltd. (“the Company”) was incorporated on August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 18, 2009. The Company’s registered office and the main business location is at 6F., No. 50, Minquan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 23, 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The nature and the impact of each new standard and amendment had no material effect on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

I. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

II. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

III. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

IV. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

#### Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

#### Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

#### Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2022. The Company assesses all standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023

d	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(a)IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.



NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

#### 4.Summary of significant accounting policies

##### (1)Statement of Compliance

The Company's parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

##### (2)Basis of Preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousand of New Taiwan Dollars ( "NT\$" ) unless otherwise stated.

##### (3)Foreign Currency Transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company:

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company holds the asset primarily for the purpose of trading;
- (c) The Company expects to realize the asset within twelve months after the reporting period;
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in normal operating cycle;
- (b) The Company holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period;
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(7)Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(A) Financial assets: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. The Company's business model for managing the financial assets and
- b. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(B) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. The time value of money; and
- c. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.



NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(C) Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired
- b. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- c. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- a. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – By actual purchase cost with weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company’s related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Company’s interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the

associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### (11)Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing

the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Machinery and equipment	3~7 years
Transportation equipment	5~6 years
Office equipment	3~5 years
Other equipment	1~5 years
Lease improvement	1 year

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## (12)Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A.the right to obtain substantially all of the economic benefits from use of the identified asset;  
and
- B.the right to direct the use of the identified asset.



For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

#### Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A.fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B.variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C.amounts expected to be payable by the lessee under residual value guarantees;
- D.the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E.payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- 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.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(13)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite

life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software
Useful lives	1~5 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash-generating unit, or Companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

#### (15)Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### (16)Revenue Recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

##### Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is PCB and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the

estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 60 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

#### (17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### (18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employee subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20)Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Company's parent company only financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in

outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (a) The fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

##### (b) Accounts receivable-estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

##### (c) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the financial statements.

(d) Revenue Recognition-sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

## (1) Cash and cash equivalents

	2021.12.31	2020.12.31
Checking and savings	\$602,251	\$174,616
Time deposits	200,000	-
Total	<u>\$802,251</u>	<u>\$174,616</u>

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

	2021.12.31	2020.12.31
Measured at fair value through profit or loss :		
Convertible corporate bonds	<u>\$800</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	<u>800</u>	<u>-</u>
Total	<u>\$800</u>	<u>\$-</u>

No financial assets at fair value through profit or loss were pledged.

## (3) Financial assets measured at amortized cost

	2021.12.31	2020.12.31
Fixed-term deposits	<u>\$-</u>	<u>\$200,000</u>
Current	<u>\$-</u>	<u>\$200,000</u>
Non-current	<u>\$-</u>	<u>\$-</u>

The Company transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

No financial assets measured at amortized cost were pledged.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (4) Accounts receivable

(a) Accounts receivable, net consist of the follow:

	2021.12.31	2020.12.31
Accounts receivable, gross	\$626,060	\$1,024,819
Less: loss allowance	(3,187)	(8,215)
Total accounts receivable, net	<u>\$622,873</u>	<u>\$1,016,604</u>

(b) Accounts receivable were not pledged.

(c) Accounts receivable are generally on 60-150 day terms. The total carrying amount for the years ended December 31, 2021 and 2020, are NT\$626,060 and NT\$1,024,819, respectively. Please refer to Note 6(18) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

## (5) Inventories

(a) Details of inventories are as below:

	2021.12.31	2020.12.31
Supplies & parts	\$-	\$4
Finished goods	128,573	57,971
Total	<u>\$128,573</u>	<u>\$57,975</u>

(b) The cost of inventories recognized in expenses amounts to NT\$2,464,019 thousand for the year ended December 31, 2021 while NT\$3,527,777 thousand for the year ended December 31, 2020. The following losses were included in cost of sales:

Item	For the year ended December 31,	
	2021	2020
Inventory valuation losses	<u>\$23,826</u>	<u>\$702</u>

(c) Inventories were not pledged.

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (6) Investments accounted for under the equity method

Investee companies	2021.12.31		2020.12.31	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
WINTEK (MAURITIUS) CO., LTD.	\$4,985,315	100.00%	\$4,444,459	100.00%
Dynamic PCB Electronics Co., Ltd.	1,817	100.00%	1,891	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	356,029	100.00%	325,090	100.00%
Dynamic Electronics Trading Pte. Ltd.	2,600	100.00%	2,538	100.00%
Minus: Unrealized Profit	(153,261)		(172,602)	
Total	<u>\$5,192,500</u>		<u>\$4,601,376</u>	

(a) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(b) No investment accounted for under the equity method was pledged as collaterals.

## (7) Property, plant and equipment

Owner occupied property, plant and equipment	2021.12.31					2020.12.31	
	\$1,220					\$1,217	
						Construction in progress and equipment to be examined	Total
Cost:							
2021.01.01	\$17,520	\$720	\$6,812	\$5,946	\$8,820	\$-	\$39,818
Additions	-	-	367	-	-	-	367
Disposals	(17,520)	-	(952)	(3,871)	-	-	(22,343)
Transfer	-	-	-	-	-	-	-
2021.12.31	<u>\$-</u>	<u>\$720</u>	<u>\$6,227</u>	<u>\$2,075</u>	<u>\$8,820</u>	<u>\$-</u>	<u>\$17,842</u>

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2021.01.01	\$17,520	\$720	\$6,744	\$4,797	\$8,820	\$-	\$38,601
Depreciation	-	-	32	332	-	-	364
Impairment loss	(17,520)	-	-	-	-	-	(17,520)
Disposals	-	-	(952)	(3,871)	-	-	(4,823)
Transfer	-	-	-	-	-	-	-
2021.12.31	\$-	\$720	\$5,824	\$1,258	\$8,820	\$-	\$16,622

  

						Construction in progress and equipment to be examined	
	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset		Total
Cost:							
2020.01.01	\$153,962	\$2,206	\$6,812	\$-	\$-	\$3,529	\$166,509
Additions	-	-	-	-	95	6,639	6,734
Disposals	(127,330)	(1,486)	-	(4,189)	-	(420)	(133,425)
Transfer	(9,112)	-	-	10,135	8,725	(9,748)	-
2020.12.31	\$17,520	\$720	\$6,812	\$5,946	\$8,820	\$-	\$39,818

  

2020.01.01	\$147,204	\$2,134	\$6,713	\$-	\$-	\$-	\$156,051
Depreciation	-	72	31	332	8,820	-	9,255
Impairment loss	(18,807)	-	-	-	-	-	(18,807)
Disposals	(102,223)	(1,486)	-	(4,189)	-	-	(107,898)
Transfer	(8,654)	-	-	8,654	-	-	-
2020.12.31	\$17,520	\$720	\$6,744	\$4,797	\$8,820	\$-	\$38,601

  

2021.12.31	\$-	\$-	\$403	\$817	\$-	\$-	\$1,220
2020.12.31	\$-	\$-	\$68	\$1,149	\$-	\$-	\$1,217

For the year ended December 31, 2021, the NT\$17,520 thousand gain on reversal of impairment loss was recognized in the statement of comprehensive income due to the sale of certain property, plant and equipment in the Company.

For the year ended December 31, 2020, the NT\$18,807 thousand gain on reversal of impairment loss was recognized in the statement of comprehensive income due to the sale of certain property, plant and equipment in the Company.

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (8) Intangible assets

	Computer software
Cost:	
2021.01.01	\$6,452
Additions – acquired separately	216
Derecognized upon retirement	(216)
2021.12.31	<u>\$6,452</u>
2020.01.01	\$6,045
Additions – acquired separately	6,452
Derecognized upon retirement	(6,045)
2020.12.31	<u>\$6,452</u>
Amortization and Impairment:	
2021.01.01	\$750
Amortization	1,463
Derecognized upon retirement	(216)
2021.12.31	<u>\$1,997</u>
2020.01.01	\$5,686
Amortization	1,109
Derecognized upon retirement	(6,045)
2020.12.31	<u>\$750</u>
Net carrying amount as at:	
2021.12.31	<u>\$4,455</u>
2020.12.31	<u>\$5,702</u>

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2021	2020
Operating expenses	<u>\$1,463</u>	<u>1,109</u>



## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (9) Other non-current assets

	2021.12.31	2020.12.31
Refundable deposits	\$854	\$2,355

## (10) Short-term loans

(a) The Company has no short-term loans balances as of December 31, 2021 and 2020.

(b) The Company's unused short-term lines of credits amounts to NT\$93,000 thousand and NT\$548,000 thousand as of December 31, 2021 and 2020, respectively.

## (11) Other payables

Other payables consist of the following:	2021.12.31	2020.12.31
Accrued expenses	\$131,788	\$129,558
Payables to equipment suppliers	385	139
Total	\$132,173	\$129,697

## (12) Bonds payable

A. The Company had no balance of the bonds payable as of December 31, 2020. The details of the bonds payable as of December 31, 2021 is as follows:

	2021.12.31
Liability component:	
Unsecured domestic bonds payable	\$499,900
Discounts on bonds payable	(13,748)
Total	486,152
Less: Current portion	-
Non-current portion	\$486,152
Embedded derivative — redemption and put options	\$800
Equity component — conversion right	\$63,923

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption, put options and the interest expense on the convertible bonds payable, please refer to Note 6(21) to the consolidated financial statement.

B. On May 13, 2021, the Company issued the second unsecured domestic convertible bonds.

The terms of the bonds are as follows:

- |                         |   |
|-------------------------|---|
| (a) Issue amount:       | NT\$500,000 thousand  |
| (b) Issue date:         | May 13, 2021  |
| (c) Issue price:        | Issued in 110.1% of par value   |
| (d) Coupon rate:        | 0%  |
| (e) Issue period:       | May 13, 2021 to May 13, 2024  |
| (f) Settlement:         | A convertible bond holder can convert bonds into the Company's stock or execute put option based on the Company's conversion rules. The Company can also buy back for cancellation from bonds dealers. Otherwise, bonds are repayable at 100.7519% of face value (0.25% income return) by cash when they mature.  |
| (g) Conversion period : | The bondholders will have the right to convert their bonds at any time during the conversion period commencing August 14, 2021 (the next day of three months following the closing date) and ending at the close of business on May 13, 2024 (the maturity date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15 <sup>th</sup> trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date on (and including) such record; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction; (iv) No request for conversion other than the starting date of the stop of conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange. |

- (h) Conversion price and adjustment: The conversion price was originally at NT\$23.5 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
- Because the cash dividend-common stock, distributed in 2021. According to the policies for the second domestic unsecured conversion of corporate bonds issued and conversion, the conversion price was subject to adjustments. Since August 13, 2021, the conversion price was adjusted to NT\$23.1.
- (i) Redemption clauses:
- a. The Company may redeem the convertible bonds from the next day (August 14, 2021) following a three-month period after the bonds are issued to 40 days before the maturity date (April 3, 2024) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.
- b. The Company may redeem the convertible bonds from three months after bond issued to the 40 days before maturity date. The total value of outstanding convertible bonds becomes less than 10% of the total issues for 30 consecutive trading days. The Company will send a bond redeem notification letter via registered mail to the bondholders. (Bondholders list based on redeem notification letter before sending to the bondholders for five business days, but

bondholders merely be announce to acquire convertible bonds for selling, purchasing, or other reasons). And the redemption price would be set as the par value and the bond is purchased by cash and would be announced over Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within five business days after the bond recovery measurement date.

- c. If the bondholders do not respond to the Company's stock affair agency in writing (effective upon delivery; postal mail shall be based on the stamp date) prior to the redemption date stated in the notification letter, the Company will redeem such bonds at the par value of the convertible bonds and pay in cash within 5 business days following the redemption date.

- C. As of December 31, 2021, the second unsecured convertible bonds in the amount of NT\$100 thousand was applied to be converted into 4 thousand common shares. The surplus arising from the conversion amounted to NT\$54 thousand and were recorded under additional paid-in capital.

(13) Refund liability

	2021.12.31	2020.12.31
Refund liability	\$55,555	\$30,378

(14) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 amounted to NT\$608 thousand and NT\$5,032 thousand, respectively.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The Company recognized employee pension expenses for services amounted to NT\$68 thousand for the years ended December 31, 2020.

Additional pension expenses recognized for the executives commissioned by the Company amounted to NT\$216 thousand both for the years ended December 31, 2021 and 2020.

(15) Equities

(a) Common stock

As of December 31, 2021 and 2020, the Company's authorized capital was NT\$4,000,000 thousand. As of December 31, 2021 and 2020, the Company's paid-in capital was NT\$2,775,141 thousand, each share at par value of NT\$10, divided into 277,514,032 shares.

On December 18, 2019, the Company's board meeting resolved to increase the capital through an issuance of 30,000 thousand new shares at a price of NT\$16. The application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1080342221. The base date for the cash capital increase was June 18, 2020.

On October 14, 2020, the Company's shareholders' meeting resolved to reduce capital to make up the deficit by NT\$335,453 thousand and cancel 33,545,303 shares to improve the financial structure. The capital reduction rate was 10.784214%. The application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1090372742 on November 16, 2020. The base date for the capital reduction was set on November 20, 2020, and the registration was completed on November 25, 2020.

During 2021, the second unsecured convertible bonds in the amount of NT\$100 thousand were converted into 4 thousand common shares. On December 28, 2021, the Company's board meeting resolved to increase capital and the measurement date was on January 1, 2022. The 4 thousand shares were recorded under capital collected in advance as of December 31, 2021.

## (b)Capital surplus

	2021.12.31	2020.12.31
Additional paid-in capital	\$1,176,745	\$1,176,745
Conversion premium of convertible corporate bonds	67	-
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	6,528	6,528
Share options	83,633	19,710
Total	<u>\$1,314,873</u>	<u>\$1,250,883</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

## (c)Retained earnings and dividend policies

## (1)Earning distribution

According to the Company's Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offsetting prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company may resolve by a special majority vote at a Board meeting to distribute in cash the above-mentioned dividends or capital reserve or/and legal reserve in compliance with the Taiwan Company Act and shall report the distribution in the most recent shareholder's meeting.

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(3) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

(4) Special reserve

The special surplus reserve shall be set aside at the time of the assignment of the distributable surplus, on the basis of the difference between the balance of the special surplus reserve at the time of the first IFRS application and the net amount of other equity deductions. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

Following the adoption of T-IFRS, the FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT\$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of T-IFRS reduced to NT\$299,666 thousand accordingly.

- (5) The appropriations of earnings for the years 2021 was approved through the Board of Directors' meetings held on February 23, 2022 and Shareholders' Meetings held on July 20, 2021. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share	
	2021	2020	2021	2020
Legal reserve	\$47,045	\$67,906		
Special reserve	139,159	-		
Cash dividend	194,263	111,006	\$0.7	\$0.4
Total	<u>\$380,467</u>	<u>\$178,912</u>		

Please refer to Note 6(20) for details on employees' compensation and remuneration to directors and supervisors.

#### (16) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

- (1) On December 18, 2019, the Company's board of directors meetings resolved to increase cash capital. The measurement date was on June 18, 2020 and except for part of new shares for employees to subscribe it.



A. The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31, 2020	
	Number of share outstanding (in thousands)	Weighted-average Exercise Price per Share (NT\$)
Outstanding at beginning of period	-	\$-
Granted	2,626	16
Exercised	(2,626)	16
Outstanding at end of period	-	
Weighted-average fair value of options granted during the period (in NT\$)	\$3.42	

B. The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	2020.05.21
Stock market price	\$19.05
Exercised price	\$16
Expected volatility (%)	50.36%
Expected life (Years)	0.1562 years
Expected dividend yield (%)	0%
Risk free interest rate (%)	0.478%

The stock market price on the grant date is evaluated by the income method and the market method.

The expected volatility is based on the average annualized standard deviation of the company's stock price over 250 trading days.

(2) In 2020, the compensation cost recognized for the cash increase reserved for employees to subscribe was NT\$10,260 thousand.

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (17) Operating revenues

	For the year ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$2,626,804	\$3,868,208
Other revenue	105	-
Total	<u>\$2,626,909</u>	<u>\$3,868,208</u>

Analysis of revenue from contracts with customers during the year ended December 31, 2021 and 2020 are as follows:

## A. Disaggregation of revenue

	For the year ended December 31,	
	2021	2020
	Single department	Single department
Sale of goods	\$2,626,804	\$3,868,208
Others	105	-
Total	<u>\$2,626,909</u>	<u>\$3,868,208</u>

The timing for revenue recognition:

At a point in time	<u>\$2,626,909</u>	<u>\$3,868,208</u>
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## B. Contract balances

## (a) Contract liabilities – current

	2021.12.31	2020.12.31	2020.01.01
Sales of goods	<u>\$-</u>	<u>\$1,944</u>	<u>\$-</u>

For the year ended of December 31, 2021, the decrease in the balance of contract liabilities was due to the fact that part of the performance obligations had been met, and was recognized as income in the current period.

## (18) Expected credit losses (gains)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit losses/(gains)		
Accounts receivable	<u>\$ (5,028)</u>	<u>\$ (3,177)</u>

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2021 and 2020 are as follow:

A. The Company considers the grouping of trade receivables by counter parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

## 2021.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	
Gross carrying amount	\$610,018	\$15,739	\$156	\$-	\$-	\$147	\$626,060
Loss ratio	-%	18.32%	100%	100%	100%	100%	
Lifetime expected credit losses	-	(2,884)	(156)	-	-	(147)	(3,187)
Carrying amount of trade receivables	<u>\$610,018</u>	<u>\$12,855</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$622,873</u>

## 2020.12.31

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	
Gross carrying amount	\$979,332	\$44,813	\$399	\$-	\$105	\$170	\$1,024,819
Loss ratio	-%	16.83%	100%	100%	100%	100%	
Lifetime expected credit losses	-	(7,541)	(399)	-	(105)	(170)	(8,215)
Carrying amount of trade receivables	<u>\$979,332</u>	<u>\$37,272</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,016,604</u>

B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2021	\$-	\$8,215
Addition/(reversal)for the current period	-	(5,028)
Write off	-	-
Ending balance as of December 31, 2021	\$-	\$3,187
Beginning balance as of January 1, 2020	\$-	\$11,392
Addition/(reversal)for the current period	-	(3,177)
Write off	-	-
Ending balance as of December 31, 2020	\$-	\$8,215

#### (19) Leases

##### (a)Company as a lessee

The Company leases various properties, including real estate such as land and buildings, machinery and transport equipment. The lease terms range from 2 to 3 years. The Company is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

##### A. Amounts recognized in the balance sheet

##### a.Right-of-use assets

	Land	Buildings	Machinery and equipment	Transport equipment	Total
Cost :					
2021.01.01	\$-	\$1,047	\$-	\$-	\$1,047
Additions	-	-	-	6,056	6,056

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Disposals	-	(1,047)	-	-	(1,047)
2021.12.31	\$-	\$-	\$-	\$6,056	\$6,056
Cost :					
2020.01.01	\$696	\$1,047	\$2,224	\$-	\$3,967
Additions	-	-	-	-	-
Disposals	(696)	-	(2,224)	-	(2,920)
2020.12.31	\$-	\$1,047	\$-	\$-	\$1,047
Depreciation and impairment:					
2021.01.01	\$-	\$916	\$-	\$-	\$916
Depreciation	-	131	-	2,019	2,150
Disposals	-	(1,047)	-	-	(1,047)
2021.12.31	\$-	\$-	\$-	\$2,019	\$2,019
Depreciation and impairment:					
2020.01.01	\$348	\$393	\$1,482	\$-	\$2,223
Depreciation	-	523	62	-	585
Disposals	(348)	-	(1,544)	-	(1,892)
2020.12.31	\$-	\$916	\$-	\$-	\$916
Net carrying amount as at:					
2021.12.31	\$-	\$-	\$-	\$4,037	\$4,037
2020.12.31	\$-	\$131	\$-	\$-	\$131

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## b. Lease liabilities

	2021.12.31	2020.12.31
Lease liabilities	\$4,064	\$444
Current	\$2,019	\$444
Non-current	2,045	-
Total	\$4,064	\$444

Please refer to Note 6(21)(d) for the interest on lease liabilities recognized during the years ended 31 December 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

## B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$3,628	\$5,513

The portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT\$0.

## C. Cash outflow relating to leasing activities

During the year ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounting to NT\$5,685 thousand and NT\$5,639 thousand, respectively.

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2021 and 2020 are as follows:

Function Nature	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$-	\$47,024	\$47,024	\$-	\$107,914	\$107,914
Labor and health insurance	-	1,690	1,690	-	6,998	6,998
Pension	-	608	608	-	5,100	5,100
Directors' remuneration	-	12,671	12,671	-	14,150	14,150
Other employee benefits	-	193	193	-	4,938	4,938
Depreciation	-	2,514	2,514	-	9,840	9,840
Amortization	-	1,463	1,463	-	1,109	1,109

Note:

- 1.The headcounts of the Company amounted to 14 and 78, respectively, as of December 31, 2021 and 2020. Among the Company's directors, there were 4 who were not the employees.
- 2.Companies who have been listed on Taiwan Stock Exchange or Taiwan Over-The Counter Securities Exchange should disclose the following information:
  - (1) Average employee benefits of 2021 and 2020 are NT\$3,537 thousand and NT\$1,602 thousand respectively.
  - (2) Average salaries of 2021 and 2020 are NT\$3,359 thousand and NT\$1,384 thousand respectively.
  - (3) Changes in average salaries are 142.7%.
- 3.Above average employee benefit expenses for the current year are deducted from employee remuneration and distributed to employees of the same group.

4. The average employee benefit of 2020 mentioned above exclude:

- (1) Severance payments and pensions due to mass dismissal of employees.
- (2) Employee compensation was deducted from employee remuneration and distributed to employees of the same group.
- (3) Employee stock options were valued based on appraisal estimates and not actual salary income.

5. The Company has set up an audit committee to replace the supervisor in accordance with the regulations, so the supervisor's remuneration has not been recognized.

6. The salary and remuneration policy of the Company:

According to Article 26 of the Company's Articles of Incorporation, 6%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. In addition to the basic salary, the company will issue bonuses based on operating conditions to motivate morale and retain outstanding employees in a timely manner. The Company formulates position and rank management policies and personnel appraisal committee establishment policies to provide objective and fair evaluations based on the actual conditions by establishing a remuneration system to keep employees motivated. The system will serve as the basis for bonuses, promotions, salary adjustments, and job transfers; directors' remuneration and manager's remuneration are recommended by the remuneration committee in accordance with the Company's policy, after being submitted to the Board of Directors for approval.

The Company's special shareholders meeting held on October 14, 2020 resolved an amendment on the ration of employees' compensation. According to the resolution, 6%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.



Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be not lower than 6% and not higher than 3% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT\$52,386 thousand and NT\$10,483 thousand, respectively.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be not lower than 6% and not higher than 3% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 amount to NT\$47,960 thousand and NT\$11,990 thousand, respectively.

The board of directors of the company resolved to pay the employees' compensation and remuneration to directors and supervisors amount NT\$47,960 thousand and NT\$11,990 thousand respectively on February 26, 2021. There is no difference in the amount of the expense for 2020.

(21)Non-operating income and expenses

(a) Interest income

	For the year ended December 31,	
	2021	2020
Interest income		
Financial assets carried at amortized cost	\$1,123	\$249

(b)Other income

	For the year ended December 31,	
	2021	2020
Rent income	\$2,970	\$270
Other income — others	51,957	48,733
Total	\$54,927	\$49,003

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (c) Other gains and losses

	For the year ended December 31,	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$2,583	\$418,796
Foreign exchange gains (losses), net	(13,703)	(29,537)
Gain on financial assets at fair value through profit or loss	550	-
Impairment reversal on non-financial assets	17,520	18,807
Losses on lease modification	-	(511)
Others losses-others	(1,365)	(1,888)
Total	<u>\$5,585</u>	<u>\$405,667</u>

## (d) Finance costs

	For the year ended December 31,	
	2021	2020
Interest on borrowings from bank	\$88	\$6,191
Interest on lease liabilities	65	7
Interest on Bonds payable	4,638	-
Total	<u>\$4,791</u>	<u>\$6,198</u>

## (22) Components of other comprehensive income (loss)

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	<u>\$(33,951)</u>	<u>\$-</u>	<u>\$(33,951)</u>	<u>\$-</u>	<u>\$(33,951)</u>

For the year ended December 31, 2020

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	\$53,070	\$-	\$53,070	\$-	\$53,070

## (23) Income tax

(a) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2021	2020
Current income tax expense (income):		
Current income tax charge	\$25,008	\$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	140,551	60,311
Total income tax expense	\$165,559	\$60,311

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$636,013	\$739,376
Tax payable at the enacted tax rates	\$127,203	\$147,875
Tax effect of expenses not deductible for tax purposes	1,744	(88,305)
Tax effect of deferred tax assets/liabilities	11,604	741
Income tax on undistributed surplus	25,008	-
Total income tax expense recognized in profit or loss	\$165,559	\$60,311

(c) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized loss on inventory valuation	\$310	\$(310)	\$-	\$-
Investments accounted for using the equity method	(397,870)	131,311	-	(266,559)
Over 2 years payables	86	(86)	-	-
Gain on disposal of property, plant and equipment	34,521	(3,869)	-	30,652
Impairment loss on assets	3,504	(3,504)	-	-
Unrealized exchange loss (gain)	1,913	(1,547)	-	366
Sales returns and allowances	6,075	(5,089)	-	986
Commission expense	11,675	(11,675)	-	-
Unused tax losses	244,441	(244,441)	-	-
Employee benefits	1,341	(1,341)	-	-

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax income/(expense)		<u>\$(140,551)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$ (94,004)</u>			<u>\$(234,555)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$303,866</u>			<u>\$32,004</u>
Deferred tax liabilities	<u>\$(397,870)</u>			<u>\$(266,559)</u>

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2020
Temporary differences				
Unrealized loss on inventory valuation	\$1,734	\$(1,424)	\$-	\$310
Investments accounted for using the equity method	(378,721)	(19,149)	-	(397,870)
Over 2 years payables	86	-	-	86
Gain on disposal of property, plant and equipment	36,836	(2,315)	-	34,521
Impairment loss on assets	7,265	(3,761)	-	3,504
Unrealized exchange loss (gain)	1,928	(15)	-	1,913
Sales returns and allowances	9,924	(3,849)	-	6,075
Commission expense	11,922	(247)	-	11,675
Unused tax losses	274,881	(30,440)	-	244,441
Employee benefits	452	889	-	1,341
Deferred tax income/(expense)		<u>\$(60,311)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$ (33,693)</u>			<u>\$(94,004)</u>

Reflected in balance sheet as follows:

Deferred tax assets	<u>\$345,028</u>	<u>\$303,866</u>
Deferred tax liabilities	<u>\$(378,721)</u>	<u>\$(397,870)</u>

(d) Unrecognized deferred tax assets

As of December 31, 2021 and 2020, the amount of deferred income tax assets unrecognized by the Company was NT\$248,938 thousand and NT\$0, respectively.

(e) The following table contains information of the net operating loss of the Company:

<u>Year incurred</u>	<u>Net operating loss</u>	<u>Expiration year</u>
2013	\$177,317	2023
2014	224,933	2024
2015	82,157	2025
2016	138,185	2026
2017	194,926	2027
2018	127,096	2028
2019	198,948	2029
Total	<u>\$1,143,562</u>	

(f) The assessment of income tax returns

As of December 31, 2021, the tax assessments on the Company's tax filings have been approved up to the year of 2019.

(24) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2021	2020
(a) Basic earnings per share		
Net income available to common shareholders of the parent	\$470,454	\$679,065
Weighted average number of common stocks outstanding (in thousand shares)	277,515	263,664
Basic earnings per share (in NT\$)	\$1.70	\$2.58
(b) Diluted earnings per share		
Net income available to common shareholders of the parent	\$470,454	\$679,065
Issued domestic bonds payable of valuation through profit or loss on redemption	(440)	-
Interest on convertible bonds	3,710	-
Net income available to common shareholders of the parent after dilution	\$473,724	\$679,065
Weighted average number of common stocks outstanding (in thousand shares)	277,515	263,664
Effect of dilution:		
Employee bonus (compensation)—stock (in thousand shares)	2,703	2,472
conversion of corporate bonds (in thousand shares)	13,818	-
Weighted average number of common stocks outstanding after dilution (in thousand shares)	294,036	266,136
Diluted earnings per share (in NT\$)	\$1.61	\$2.55

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

- (1) Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Dynamic PCB Electronics Co., Ltd.	Subsidiary
Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary
Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary
Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary
Dynamic Electronics Holding Pte. Ltd.	Subsidiary
Dynamic Electronics Co., Ltd. Taiwan branch (Seychelles)	Taiwan branch of Dynamic Electronics Co., Ltd. (Seychelles)

- (2) Significant transactions with related parties

(a) Purchases

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Dynamic PCB Electronics Co., Ltd.	<u>\$2,529,733</u>	<u>\$3,501,139</u>

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies in 2021 and 2020, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90 days after monthly closing while 60~120 days after monthly closing for general suppliers.

- (b) The Company recognized operating expenses for services provided by Dynamic Electronics Co., Ltd. Taiwan branch (Seychelles) of NT\$22,584 thousand and NT\$7,205 thousand for the years ended December 31, 2021 and 2020.

- (c) The Company recognized rent income for plants leased to associate provided by Dynamic Electronics Co., Ltd. Taiwan branch (Seychelles) of NT\$2,970 thousand and NT\$270 thousand for the years ended December 31, 2021 and 2020.



## DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (d) Other receivables from related parties (not including financing)

	2021.12.31	2020.12.31
Dynamic Electronics (Kunshan) Co., Ltd.	\$-	\$121

## (e) Accounts payable to related parties

	2021.12.31	2020.12.31
Dynamic PCB Electronics Co., Ltd.	\$290,160	\$656,661

## (f) Other accounts payable to related parties

	2021.12.31	2020.12.31
Dynamic Electronics Co., Ltd. Taiwan branch (Seychelles)	\$-	\$5,040

(g) As of December 31, 2020, the Company provided receipt under custody to its Dynamic Electronics Co., Ltd. (Seychelles) in total of NT\$2,317 thousand.

(h) As of December 31, 2021 and 2020, Dynamic Electronics Co., Ltd. (Seychelles) provided receipt under custody to the Company in total of USD1,220 thousand and USD365 thousand.

(i) As of December 31, 2021 and 2020, the Company provided endorsement/guarantee to its Dynamic Electronics (Huangshi) Co., Ltd. in total of NT\$1,778,790 thousand and NT\$995,050 thousand, respectively.

(j) As of December 31, 2021 and 2020, the Company provided endorsement/guarantee to its Dynamic Electronics (Kunshan) Co., Ltd. in total of NT\$276,300 thousand and NT\$284,300 thousand, respectively.

(k) As of December 31, 2021, the Company provided endorsement/guarantee to its Dynamic Electronics Co., Ltd. (Seychelles) in total of NT\$82,890 thousand.

## (l) Key management personnel compensation

	For the year ended December 31,	
	2021	2020
Short-term employee benefits	\$49,301	\$62,288
Post-employment benefits	437	1,289
Total	\$49,738	\$63,577

8. Assets pledged as collateral

None.

9. Significant contingencies and unrecognized contract commitments

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

## (1) Categories of financial instruments

Financial assets

	2021.12.31	2020.12.31
Financial assets measured at amortized cost:		
Cash and cash equivalents (not included cash on hand and petty cash)	\$802,251	\$174,616
Financial assets measured at amortized cost	-	200,000
Accounts receivable	622,873	1,016,604

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Other receivables	1,225	2,162
Other receivables – related parties	-	121
Refundable deposits	854	2,355
Subtotal	1,427,203	\$1,395,858
Financial assets measured at fair value through profit or loss :		
Held for trading	800	-
Total	\$1,428,003	\$1,395,858
<u>Financial liabilities</u>		
	2021.12.31	2020.12.31
Financial liabilities at amortized cost:		
Payables	\$423,156	792,008
Bonds payables	486,152	-
Lease liabilities	4,064	444
Total	\$913,372	\$792,452

## (2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

## (3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$4,462 thousand and NT\$4,204 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to decrease/increase by NT\$802 thousand and NT\$174 thousand, respectively.

#### Equity price risk

As of December 31, 2021 and 2020, the Company does not hold equity securities at fair value; therefore the Company is not subject to equity price risk.

#### (4)Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2021 and 2020 accounts receivable from top ten customers represent 87.08% and 63.72% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining

debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

#### (5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

#### Non-derivative financial liabilities

	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
2021.12.31					
Payables	\$423,156	\$-	\$-	\$-	\$423,156
Bonds payables	-	499,900	-	-	499,900
Lease liabilities	2,057	2,057	-	-	4,114
	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
2020.12.31					
Payables	\$792,008	\$-	\$-	\$-	\$792,008
Lease payable	444	-	-	-	444

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## (6) Reconciliation of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2021:

	Bonds payables	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$-	\$444	\$444
Cash flows	545,297	(2,057)	543,240
Non-cash changes			
Lease modification	-	5,612	5,612
Others	(63,783)	-	(63,783)
Interest of lease liabilities	4,638	65	4,703
As of December 31, 2021	<u>\$486,152</u>	<u>\$4,064</u>	<u>\$490,216</u>

Reconciliation schedule of liabilities for the year ended December 31, 2020:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$729,780	\$600,000	\$1,328	\$1,331,108
Cash flows	(729,780)	(600,000)	(126)	(1,329,906)
Non-cash changes				
Lease modification	-	-	(765)	(765)
Interest of lease liabilities	-	-	7	7
As of December 31, 2020	<u>\$-</u>	<u>\$-</u>	<u>\$444</u>	<u>\$444</u>

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using



interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

Other than the item is listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount	
	2021.12.31	2020.12.31
Financial liabilities:		
Bonds payables	\$486,152	\$-
	Fair value	
	2021.12.31	2020.12.31
Financial liabilities:		
Bonds payables	\$486,753	\$-

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

As of December 31, 2020, there was no derivative financial instruments for the Company. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2021 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 for further information on this transaction.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 12/31/2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Convertible bonds	\$-	\$-	\$800	\$800

As of 12/31/2020

None

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>At fair value through profit or loss</u>
Beginning balances as of January 1, 2021	\$-
Acquisition/issues for the period	250
Total gains and losses for the period	
Amount recognized in gains/losses (report on other gains and losses)	550
Ending balances as of December 31, 2021	<u>\$800</u>

Total gains and losses recognized in profit or loss for the ended December 31, 2021 and 2020 in the table above contain gains and losses related to assets or liabilities on hand in the amount of NT\$550 thousand and NT\$0, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	46.12%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$60 thousand

As of December 31, 2020

None

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables (Please refer to the Note6(12))	\$-	\$-	\$486,753	\$486,753

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2020

None

## (10) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2021.12.31			2020.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$26,636</u>	27.68	<u>\$737,273</u>	<u>\$38,046</u>	28.48	<u>\$1,100,626</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$10,517</u>	27.68	<u>\$291,106</u>	<u>\$23,886</u>	28.48	<u>\$680,271</u>

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain (loss) amounted to NT\$(13,703) thousand and NT\$(29,537) thousand for the years ended December 31, 2021 and 2020, respectively.

## (11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

- a. Financing provided to others for the year ended December 31, 2021: None.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2021: Please refer to Attachment 1.
- c. Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2021: Please refer to Attachment 2.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2021: None.
- i. Financial instruments and derivative transactions: None.

(2) Information on investees :

- A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 3.

B. An investor controls operating, investing and financial decisions of an investee. The related information for the investee shall be disclosed in Note13(1) below:

- (a) Financing provided to others for the year ended December 31, 2021: Please refer to Attachment 4.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: None.
- (c) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: Please refer to Attachment 5.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2021: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2021: Please refer to Attachment 6.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2021: Please refer to Attachment 7.
- (i) Financial instruments and derivative transactions: The table below lists the information related to forward currency contracts as of December 31, 2021 :

Items (by contract)	Notional Amount	
	(in thousand dollars)	Contract Period
Forward currency contract	USD 3,000	2021.11.02 ~ 2022.01.26
Forward currency contract	USD 3,500	2021.11.02 ~ 2022.01.26
Forward currency contract	USD 3,500	2021.12.29 ~ 2022.03.28

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.  
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

- a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	\$2,214,400 (Note 2, 3, 6)	(Note10)	\$2,260,265	\$-	\$-	\$2,260,265	\$237,450 (Note 2)	100%	\$237,450 (Note 2, 4, 5)	\$2,897,525 (Note 2, 4, 5)	\$1,699,270 (Note 2)	\$2,260,265	\$2,260,265	No upper limit (Note 9)



English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	\$3,598,400 (Note 2, 7, 8)	(Note 1)	\$504,167	\$-	\$-	\$504,167	\$648,808 (Note 2)	100%	\$329,487 (Note 2, 4,5)	\$4,991,833 (Note 2, 4,5)	\$-	\$504,167	\$504,167
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Note 1: Investment in Mainland China through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd. , companies established in the third area.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment income and carrying value of Dynamic Electronics ((Kunshan) Co. Ltd and Dynamic Electronics (Huangshi) Co. Ltd.

Note 6: The difference between investments remitted from Taiwan in amount of USD69,500 thousand and the received paid-in capital of USD80,000 thousand was a result of a capital injection of USD10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD16,060 thousand remitted from Taiwan and the paid-in capital of USD50,000 thousand is a capital injection of USD33,940 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD130,000 thousand.

Note 9: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 10: The Company previously indirectly invested in its China subsidiary, Dynamic Electronics (Kunshan) Co. Ltd., through Dynamic Electronics Holding Pte. Ltd. The Company now indirectly invests in Dynamic Electronics (Kunshan) Co. Ltd., through Dynamic Electronics (Huangshi) Co., Ltd.

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Dynamic PCB Electronics Co., Ltd.	\$2,529,733	99.93%	\$290,160	99.72%

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90 days after monthly closing while 60~120 days after monthly closing for general suppliers.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

As of December 31 2021, the Company wrote off the profit of property, plant and equipment amounted to NT\$ 153,261 thousand, because of unrealized under the investment balance using the equity method.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 5.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service: None.

(4) Information on major shareholders:

None.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

DYNAMIC ELECTRONICS CO., LTD.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2021

Attachment 1

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note2)										
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Huangshi) Co., Ltd.	2	\$5,520,796	\$1,966,905	\$1,778,790	\$1,695,900	\$-	32.22%	\$5,520,796	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	2	\$5,520,796	\$555,000	\$276,300	\$276,300	\$-	5.00%	\$5,520,796	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	2	\$5,520,796	\$84,000	\$82,890	\$82,890	\$-	1.50%	\$5,520,796	Y	N	N

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2021

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	<u>\$2,529,733</u>	99.93%	90 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable \$290,160	99.72%	

## DYNAMIC ELECTRONICS CO., LTD.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2021

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2021	As of December 31, 2020	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Investing activities	<u>\$2,783,433</u>	<u>\$2,779,262</u>	8,581,000	100.00%	<u>\$4,985,315</u>	<u>\$550,717</u>	<u>\$561,130</u> (Note 1)	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	<u>\$1,555</u>	<u>\$1,555</u>	50,000	100.00%	<u>\$1,817</u>	<u>\$(22)</u>	<u>\$(22)</u>	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	<u>\$1,556</u>	<u>\$1,556</u>	50,000	100.00%	<u>\$356,029</u>	<u>\$13,551</u>	<u>\$13,551</u>	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	<u>\$1,541</u>	<u>\$1,541</u>	50,000	100.00%	<u>\$2,600</u>	<u>\$135</u>	<u>\$135</u>	
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	<u>\$1,559,261</u>	<u>\$1,555,090</u>	141,917,000	100.00%	<u>USD 180,380</u>	<u>USD 19,662</u>	<u>USD 19,662</u> (Note 2)	

Note1: Including investment gain recognized under equity method amounted to NT\$550,717 thousand, realized profit on transaction between subsidiaries amounted to NT\$20,189 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$9,776 thousand .

Note2: Including investment gain recognized under equity method amounted to USD19,662 thousand, realized profit on transaction between subsidiaries amounted to USD35 thousand and unrealized profit on transaction between subsidiaries amounted to USD35 thousand .

## DYNAMIC ELECTRONICS CO., LTD.

Financing provided to others

For the year ended December 31, 2021

Attachment 4

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter- party	Limit of total financing amount
													Item	Value		
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$1,567,150	\$1,122,940	\$1,122,940	4.35%	2	\$-	Business turnover	\$-	-	\$-	\$1,738,515 (Note 3)	\$1,738,515 (Note 3)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1. Need for operating is coded "1".
2. Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2021.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2021.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Acquired of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital

For the year Ended December 31, 2021

Attachment 5

(In Thousands of New Taiwan Dollars)

Acquired Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co., Ltd.	<u>Buildings</u> Huangshi plant land	2021.07.02	RMB 253,980	As of the end of 2021.12.31 Collected RMB102,120	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None
Dynamic Electronics (Huangshi) Co., Ltd.	<u>Buildings</u> Huangshi plant land	2021.09.01	RMB 126,350	As of the end of 2021.12.31 Collected RMB17,436	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	By Bidding	For production capacity expansion and company operation plan.	None



English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock  
For the Year Ended December 31, 2021

Attachment 6  
(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 2,171,853	76.22%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 595,851	67.77%	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 612,604	30.18%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 141,922	23.74%	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Sales	RMB 193,544	6.79%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 84,169	9.57%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	RMB 193,544	15.36%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 84,169	18.85%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 612,604	37.86%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 141,922	34.14%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 630,719	38.98%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 129,810	31.23%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	USD 97,590	22.53%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 20,365	17.89%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	Sales	USD 342,782	79.12%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 103,346	90.79%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 90,439	20.88%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 10,483	9.21%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 335,631	77.47%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 93,464	82.11%	
Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 342,782	99.23%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 103,346	99.67%	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Receivables from Related Parties with Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

As of December 31, 2021

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 595,851 (Note1)	4.29	\$-	-	\$-	\$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 10,483 (Note1)	5.39	\$-	-	\$-	\$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	USD 103,346 (Note1)	4.35	\$-	-	\$-	\$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 129,810 (Note1)	5.80	\$-	-	\$-	\$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	RMB 141,922 (Note1)	3.58	\$-	-	\$-	\$-
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	RMB 84,169 (Note1)	4.58	\$-	-	\$-	\$-

Note1: Accounts receivable.

DYNAMIC ELECTRONICS CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENT

AS OF DECEMBER 31, 2021

(All the currencies are denominated in thousands of New Taiwan Dollars, EUR, and USD unless otherwise specified)

Item	Description	Amount	Note
Checking accounts :		<u>\$287</u>	Exchange Rate
Savings accounts :			USD : NTD=27.68 : 1
— NTD		470,895	EUR : NTD=31.32 : 1
— USD	USD 4,702	130,148	
— EUR	EUR 29	<u>921</u>	
Subtotal		601,964	
Time deposits :		<u>200,000</u>	
Total		<u><u>\$802,251</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

2.STATEMENT OF ACCOUNTS RECEIVABLE, NET

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Client Name	Amount	Note
Customer A	\$80,491	1.The amount of individual client included in others does not exceed 5% of the account balance.
Customer B	70,552	
Customer C	52,860	2.Accounts receivable were not pledged.
Customer D	50,180	
Customer E	36,828	
Others	335,149	
Subtotal	626,060	
Less : loss allowance	(3,187)	
Net	<u>\$622,873</u>	

DYNAMIC ELECTRONICS CO., LTD.

3.STATEMENT OF OTHER RECEIVABLES, NET

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Vat Refund	<u>\$1,225</u>	

## DYNAMIC ELECTRONICS CO., LTD.

## 4.STATEMENT OF INVENTORIES

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods	\$150,843	<u>\$156,178</u>	1.Inventories are valued at lower of cost or net realizable value.  2.Inventories were not pledged.
Less: allowance for inventory valuation losses	<u>(22,270)</u>		
Net	<u>\$128,573</u>		

DYNAMIC ELECTRONICS CO., LTD.

5.STATEMENT OF PREPAYMENTS

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Prepaid Insurance	\$4,765	
Overpaid sales tax	780	
Others	<u>644</u>	
Total	<u><u>\$6,189</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

6.STATEMENT OF OTHER CURRENT ASSETS

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary payments	\$475	
Payment on behalf of others	<u>2</u>	
Total	<u><u>\$477</u></u>	



DYNAMIC ELECTRONICS CO., LTD.

7.STATEMENT OF CHANGES IN INVESTMENT ACCOUNTED FOR UNDER THE EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2021		Additions		Decrease		As of December 31, 2021			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
WINTEK (MAURITIUS) CO., LTD.	8,566,000	\$4,444,459	15,000	\$540,856 (Note1)	-	\$-	8,581,000	100.00%	\$4,985,315	\$58.21	\$4,995,091	None	
Dynamic PCB Electronics Co.,Ltd.	50,000	1,891	-	-	-	(74) (Note2)	50,000	100.00%	1,817	36.34	1,817	None	
Dynamic Electronics Co., Ltd (Seychelles)	-	325,090	-	30,939 (Note3)	-	-	-	100.00%	356,029	7,120.58	356,029	None	
DYNAMIC ELECTRONICS TRADING PTE. LTD.	-	2,538	-	62 (Note4)	-	-	-	100.00%	2,600	52.00	2,600	None	
Unrealized Profit		(172,602)				19,341			(153,261)				
Total		<u>\$4,601,376</u>		<u>\$571,857</u>		<u>\$19,267</u>			<u>\$5,192,500</u>		<u>\$5,355,537</u>		

Note1: Including acquisition of investment accounted for under equity method amounted to NT\$4,171 thousand, investment gain recognized amounted to NT\$550,717 thousand, realized profit on transaction between subsidiaries amounted to NT\$20,189 thousand, unrealized profit on transaction between subsidiaries amounted to NT\$9,776 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$(24,445) thousand.

Note2: Including investment gain recognized amounted to NT\$(22) thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$(52) thousand.

Note3: Including acquisition of investment accounted for under equity method amounted to NT\$26,769 thousands, investment gain recognized amounted to NT\$13,551 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$(9,381) thousand.

Note4: Including investment gain recognized amounted to NT\$135 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$(73) thousand.



DYNAMIC ELECTRONICS CO., LTD.

9.STATEMENT OF ACCOUNTS PAYABLE

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Supplier A	<u>\$823</u>	<p>1.The amount of individual vendor included in others does not exceed 5% of the account balance.</p> <p>2.Non related parties.</p>

DYNAMIC ELECTRONICS CO., LTD.

10.STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Dynamic PCB Electronics Co., Ltd.	<u>\$290,160</u>	Purchase of goods.

DYNAMIC ELECTRONICS CO., LTD.

11.STATEMENT OF OTHER PAYABLES

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued Commission Expenses	\$20,395	
Accrued Employee Compensation	90,362	
Accrued Directors and Supervisors Compensation	10,483	
Accrued Payroll	4,764	
Accrued Professional Service Fees	2,871	
Payables On Equipment	385	
Others	<u>2,913</u>	
Total	<u><u>\$132,173</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

12. STATEMENT OF CHANGES IN CURRENT TAX LIABILITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2021	\$-	
Add : Surtax rate on undistributed earnings accrual for 2020	<u>25,008</u>	
Balance as of December 31, 2021	<u><u>\$25,008</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

13. STATEMENT OF OTHER CURRENT LIABILITIES

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary receipts	\$13,912	
Receipts under custody	<u>249</u>	
Total	<u><u>\$14,161</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

14.STATEMENT OF DETAILS BONDS PAYABLE

AS OF DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Description	Trustee	Issuance date	Interest payment date	Interest rate	Amount			Repayment method	Collateral	Note
					Issue Amount	Converted or redeemed Amount	As of December 31, 2021			
2nd Domestic Unsecured Convertible Bond.	Fubon Securities Co.	2021.5.13	-	-%	\$500,000	\$(100)	\$499,900	According to the terms of conversion. Please Refer to Note 6.(12).	None	
Less : Discount on bonds payable							(13,748)			
Net							<u>\$486,152</u>			



DYNAMIC ELECTRONICS CO., LTD.

15.STATEMENT OF CHANGES IN NET DEFINED BENEFIT LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
As of January 1, 2021	\$1,791	
Add : Pension cost for executives	216	
As of December 31, 2021	<u>\$2,007</u>	

DYNAMIC ELECTRONICS CO., LTD.

16.STATEMENT OF OPERATING REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Square Feet	Amount	Note
Sale of goods			
2 Layers	556,657	\$138,793	
Multilayers	4,514,174	1,946,582	
Others		541,534	
Operating Revenues		<u>\$2,626,909</u>	

## DYNAMIC ELECTRONICS CO., LTD.

## 17.STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning of year	\$-	
Add : Raw materials purchased	-	
Less : End of year	-	
Direct Materials used	-	
Supplies and parts		
Beginning of year	34	
Add : Supplies and parts purchased	27	
Less : End of year	-	
Transferred to manufacturing overhead and operating expenses	(61)	
Supplies and Parts used	-	
Direct labor	-	
Manufacturing overhead	-	
Manufacturing cost	-	
Add : Work in process, beginning of year	-	
Less : Work in process, end of year	-	
Cost of finished goods	-	
Add : Finished goods, beginning of year	59,486	
Finished goods purchased	2,531,357	
Less : Finished goods, end of year	(150,843)	
Transferred to manufacturing overhead and operating expenses	(146)	
Scrapped	(3,101)	
Cost of goods sold at normal production level	2,436,753	
Loss from inventory valuation	23,826	
Other costs - Export freight	495	
Other costs - Outsourcing processing fee	2,799	
Other costs - Sample fee	146	
Total	<u>\$2,464,019</u>	

DYNAMIC ELECTRONICS CO., LTD.

18.STATEMENT OF SALES AND MARKETING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Payroll expense	\$1,032	
Insurance expense	1,270	
Commission expense	40,338	
Others	<u>4,309</u>	
Total	<u><u>\$46,949</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

19.STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Payroll expense	\$54,315	
Rent expense	3,628	
Insurance expense	6,239	
Depreciation	2,514	
Amortization	1,463	
Employee benefits	1,335	
Professional service fees	7,037	
Others	39,633	
Total	<u>\$116,164</u>	

DYNAMIC ELECTRONICS CO., LTD.

20.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of New Taiwan Dollars)

Item	Amount	Note
Payroll expense	\$415	
Insurance expense	<u>15</u>	
Total	<u><u>\$430</u></u>	