

TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000226

To the Board of Directors and Shareholders of Teco Image Systems Co., Ltd.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to other matter section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our

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

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

Valuation of inventories

Description

For accounting policies adopted for the valuation of inventories, please refer to Note 4(12). For the significant judgements applied in the accounting policies adopted for the valuation of inventories, please refer to Note 5(2). For details of inventories, please refer to Note 6(5).

Before producing new types of multiple-function printers, the Company will prepare sufficient materials based on the sales forecast. If the actual sales are lower than the expected results, the materials in storage will be excessive and be consumed slowly. The Company estimates net present value of inventories on the balance sheet date, and then writes down inventory cost to net present value. As the valuation of inventories involve judgements, and the valuation amounts are material, we identified the valuation of inventories as one of the key audit matters.

How our audit addressed the matter:

We performed the following audit procedures in relation to the key audit matter:

1. Obtained the policies for inventory valuation and determined whether the policies applied in provision of allowance for inventory valuation losses in the different periods are in agreement.
2. Performed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsalable inventories.
3. Obtained aging statements for each kind of inventory and tested the changes in ages of inventory. For selected samples with inventory number, we verified to changes record and expiration dates, checked the accuracy of classification range of inventory ages and valued the effects on inventories.
4. Obtained net realizable value statement of each kind of inventory and checked whether the applied calculation logic was in agreement for all inventory. Tested relevant parameters and relevant estimate document. Checked and compared allowance for valuation losses that the Company should provision at the lower of cost and net realizable value.

Existence of sales revenue

Description

For accounting policies adopted for the recognition of revenue, please refer to Note 4(28). For details of revenue, please refer to Note 6(15).

The Company mainly traded with established and reputable customers over the years. Since the changes in new top ten customers may materially affect the parent company only financial statements of the Company and sales revenue is high-risk in nature, we identified the existence of sales revenue from new top ten customers as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Understood the internal controls over sales.
2. Verified the appraisal report of new top ten customers by checking relevant information on them.
3. Tested whether the credit terms of new top ten customers have been approved appropriately.
4. Obtained and verified the details of sales and relevant supporting documents.
5. Performed sampling confirmation procedures to new top ten customers to ascertain the existence and accuracy of the receivables.
6. Obtained and verified the subsequent collections details of accounts receivable and relevant supporting documents.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for using the equity method that are included in the parent company only financial statements. The balance of investments accounted for using equity method was NT\$232,729 thousand and NT\$70,907 thousand, constituting 7.46% and 3.00% of the parent company only total assets as of December 31, 2021 and 2020, respectively. The balance of comprehensive income (loss) was NT(\$19,601) thousand and NT\$2,040 thousand for the years ended December 31, 2021 and 2020, constituting (3.51%) and (3.61%) of the parent company only total comprehensive income (loss), respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.



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

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



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1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.



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

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

Huang, Shih-Chun

Huang, Shih-Chun

Yeh, Tsui-Miao

Yeh, Tsui-Miao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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

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

TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | December 31, 2021 | | December 31, 2020 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 237,616 | 8 | \$ 395,529 | 17 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 730 | - | - | - |
| 1150 | Notes receivable, net | 6(4) | 5,193 | - | - | - |
| 1170 | Accounts receivable, net | 6(4) | 396,536 | 13 | 336,669 | 14 |
| 1200 | Other receivables | | 9,552 | - | 7,669 | - |
| 1220 | Current income tax assets | 6(21) | - | - | 2,887 | - |
| 130X | Inventories | 6(5) | 174,488 | 5 | 91,732 | 4 |
| 1410 | Prepayments | 7(2) | 53,686 | 2 | 42,903 | 2 |
| 11XX | Current Assets | | <u>877,801</u> | <u>28</u> | <u>877,389</u> | <u>37</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 1,013,722 | 33 | 1,253,306 | 53 |
| 1550 | Investments accounted for under equity method | 6(6) | 1,151,656 | 37 | 196,838 | 9 |
| 1600 | Property, plant and equipment | 6(7) | 16,560 | 1 | 7,469 | - |
| 1755 | Right-of-use assets | 6(8) | 34,599 | 1 | 6,196 | - |
| 1780 | Intangible assets | | 6,095 | - | 3,215 | - |
| 1840 | Deferred income tax assets | 6(21) | 15,350 | - | 17,769 | 1 |
| 1900 | Other non-current assets | | 2,159 | - | 3,604 | - |
| 15XX | Non-current assets | | <u>2,240,141</u> | <u>72</u> | <u>1,488,397</u> | <u>63</u> |
| 1XXX | Total assets | | <u>\$ 3,117,942</u> | <u>100</u> | <u>\$ 2,365,786</u> | <u>100</u> |

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TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2021 | | December 31, 2020 | |
|--|--|----------------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ 297,000 | 10 | \$ 150,000 | 7 |
| 2120 | Current financial liabilities at fair value through profit or loss | 6(2) | - | - | 1,288 | - |
| 2130 | Current contract liabilities | 6(15) | 25,652 | 1 | 31,542 | 1 |
| 2170 | Accounts payable | | 153,051 | 5 | 90,107 | 4 |
| 2180 | Accounts payable - related parties | 7(2) | 218,613 | 7 | 233,174 | 10 |
| 2200 | Other payables | 6(10) and 7(2) | 117,991 | 4 | 99,021 | 4 |
| 2230 | Current income tax liabilities | 6(21) | 8,072 | - | 621 | - |
| 2250 | Provisions for liabilities - current | 6(12) | 23,166 | 1 | 23,117 | 1 |
| 2280 | Current lease liabilities | 7(2) | 14,213 | - | 3,557 | - |
| 2300 | Other current liabilities | | 2,222 | - | 2,178 | - |
| 21XX | Current Liabilities | | <u>859,980</u> | <u>28</u> | <u>634,605</u> | <u>27</u> |
| Non-current liabilities | | | | | | |
| 2580 | Non-current lease liabilities | 7(2) | 20,460 | 1 | 2,676 | - |
| 2600 | Other non-current liabilities | 6(11) | 13,829 | - | 27,455 | 1 |
| 25XX | Non-current liabilities | | <u>34,289</u> | <u>1</u> | <u>30,131</u> | <u>1</u> |
| 2XXX | Total Liabilities | | <u>894,269</u> | <u>29</u> | <u>664,736</u> | <u>28</u> |
| Equity | | | | | | |
| Share capital | | 6(13) | | | | |
| 3110 | Share capital - common stock | | 1,125,365 | 36 | 1,125,365 | 47 |
| Capital surplus | | 6(6) | | | | |
| 3200 | Capital surplus | | 998 | - | 55 | - |
| Retained earnings | | 6(14) | | | | |
| 3310 | Legal reserve | | 377,261 | 12 | 377,261 | 16 |
| 3320 | Special reserve | | - | - | - | - |
| 3350 | Unappropriated retained earnings | | 585,614 | 19 | 141,189 | 6 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | | 134,435 | 4 | 57,180 | 3 |
| 3XXX | Total equity | | <u>2,223,673</u> | <u>71</u> | <u>1,701,050</u> | <u>72</u> |
| Significant contingent liabilities and unrecognized contract commitments | | 9 | | | | |
| Significant events after the balance sheet date | | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 3,117,942</u> | <u>100</u> | <u>\$ 2,365,786</u> | <u>100</u> |

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

TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| | Items | Notes | Year ended December 31 | | | |
|------|--|-------------------|------------------------|----------------|---------------------|--------------|
| | | | 2021 | | 2020 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(15) and 7(2) | \$ 1,763,473 | 100 | \$ 1,270,701 | 100 |
| 5000 | Operating costs | 6(5)(19) and 7(2) | (1,456,818) | (83) | (1,026,871) | (81) |
| 5900 | Net operating margin | | <u>306,655</u> | <u>17</u> | <u>243,830</u> | <u>19</u> |
| | Operating expenses | 6(19) and 7(2) | | | | |
| 6100 | Selling expenses | | (39,314) | (2) | (51,556) | (4) |
| 6200 | General & administrative expenses | | (136,297) | (8) | (122,866) | (10) |
| 6300 | Research and development expenses | | (127,292) | (7) | (120,831) | (9) |
| 6450 | Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(2) | (30) | - | (46) | - |
| 6000 | Total operating expenses | | <u>(302,933)</u> | <u>(17)</u> | <u>(295,299)</u> | <u>(23)</u> |
| 6900 | Operating profit (loss) | | <u>3,722</u> | <u>-</u> | <u>(51,469)</u> | <u>(4)</u> |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 230 | - | 1,467 | - |
| 7010 | Other income | 6(16) | 78,190 | 4 | 64,748 | 5 |
| 7020 | Other gains and losses | 6(17) | (6,803) | - | 17,214 | 1 |
| 7050 | Finance costs | 6(18) | (3,701) | - | (1,675) | - |
| 7070 | Share of loss of associates and joint ventures accounted for using equity method, net | 6(6) | (15,383) | (1) | (26,446) | (2) |
| 7000 | Total non-operating revenue and expenses | | <u>52,533</u> | <u>3</u> | <u>55,308</u> | <u>4</u> |
| 7900 | Profit before income tax | | <u>56,255</u> | <u>3</u> | <u>3,839</u> | <u>-</u> |
| 7950 | Income tax expense | 6(21) | (4,429) | - | (3,040) | - |
| 8200 | Profit for the year | | <u>\$ 51,826</u> | <u>3</u> | <u>\$ 799</u> | <u>-</u> |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Actuarial gain (loss) on defined benefit plan | 6(11) | \$ 4,547 | - | (\$ 6,838) | - |
| 8316 | Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income | | 501,478 | 29 | (53,730) | (4) |
| 8330 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(6) | 5,589 | - | - | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(21) | (8,981) | - | (1,368) | - |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | <u>502,633</u> | <u>29</u> | <u>(59,200)</u> | <u>(4)</u> |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | (970) | - | 1,910 | - |
| 8380 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | | <u>4,420</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | <u>3,450</u> | <u>-</u> | <u>1,910</u> | <u>-</u> |
| 8300 | Other comprehensive income (loss) for the year | | <u>\$ 506,083</u> | <u>29</u> | <u>(\$ 57,290)</u> | <u>(4)</u> |
| 8500 | Total comprehensive income (loss) for the year | | <u>\$ 557,909</u> | <u>32</u> | <u>(\$ 56,491)</u> | <u>(4)</u> |
| | Basic earnings per share | | | | | |
| 9750 | Total basic earnings per share | 6(22) | <u>\$ 0.51</u> | <u>\$ 0.01</u> | | |
| | Diluted earnings per share | | | | | |
| 9850 | Total diluted earnings per share | 6(22) | <u>\$ 0.51</u> | <u>\$ 0.01</u> | | |

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

TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Capital surplus | Retained earnings | | | Other equity interest | | Total equity | |
|--|-------|------------------------------|--|---------------|-----------------|----------------------------------|--|--------------|---|
| | | Share capital - common stock | Changes in equity of associates and joint ventures accounted for using the equity method | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | | Unrealised gain or loss on valuation of financial assets at fair value through other comprehensive income |
| Year ended December 31, 2020 | | | | | | | | | |
| Balance at January 1, 2020 | | \$ 1,125,365 | \$ 55 | \$ 372,303 | \$ 19,774 | \$ 180,560 | (\$ 9,669) | \$ 118,669 | \$ 1,807,057 |
| Profit for the year | | - | - | - | - | 799 | - | - | 799 |
| Other comprehensive income (loss) for the year | | - | - | - | - | (5,470) | 1,910 | (53,730) | (57,290) |
| Total comprehensive income (loss) | | - | - | - | - | (4,671) | 1,910 | (53,730) | (56,491) |
| Appropriation and distribution of 2019 retained earnings | 6(14) | | | | | | | | |
| Legal reserve appropriated | | - | - | 4,958 | - | (4,958) | - | - | - |
| Special reserve reversed | | - | - | - | (19,774) | 19,774 | - | - | - |
| Cash dividends from retained earnings | | - | - | - | - | (49,516) | - | - | (49,516) |
| Balance at December 31, 2020 | | \$ 1,125,365 | \$ 55 | \$ 377,261 | \$ - | \$ 141,189 | (\$ 7,759) | \$ 64,939 | \$ 1,701,050 |
| Year ended December 31, 2021 | | | | | | | | | |
| Balance at January 1, 2021 | | \$ 1,125,365 | \$ 55 | \$ 377,261 | \$ - | \$ 141,189 | (\$ 7,759) | \$ 64,939 | \$ 1,701,050 |
| Profit for the year | | - | - | - | - | 51,826 | - | - | 51,826 |
| Other comprehensive income for the year | | - | - | - | - | 3,825 | 3,450 | 498,808 | 506,083 |
| Total comprehensive income | | - | - | - | - | 55,651 | 3,450 | 498,808 | 557,909 |
| Appropriation and distribution of 2020 retained earnings | 6(14) | | | | | | | | |
| Cash dividends from retained earnings | | - | - | - | - | (11,254) | - | - | (11,254) |
| Disposal of financial assets at fair value through other comprehensive income | 6(3) | - | - | - | - | 425,003 | - | (425,003) | - |
| Changes in equity of associates and joint ventures accounted for using equity method | 6(6) | - | 943 | - | - | (24,975) | - | - | (24,032) |
| Balance at December 31, 2021 | | \$ 1,125,365 | \$ 998 | \$ 377,261 | \$ - | \$ 585,614 | (\$ 4,309) | \$ 138,744 | \$ 2,223,673 |

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

TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------|------------------------|------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 56,255 | \$ 3,839 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(19) | 21,848 | 22,594 |
| Amortization | 6(19) | 3,295 | 4,930 |
| Net income on financial assets and liabilities at fair value through profit or loss | 6(17) | (5,756) | (29,915) |
| Expected credit loss | 12(2) | 30 | 46 |
| Share of loss of associates and joint ventures accounted for under the equity method | 6(6) | 15,383 | 26,446 |
| Loss on disposal of property, plant and equipment | 6(17) | 50 | - |
| Accrued product warranty provision | 6(12) | 105 | 123 |
| Interest expense | 6(18) | 3,701 | 1,675 |
| Interest income | | (230) | (1,467) |
| Dividend income | 6(16) | (66,709) | (54,360) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets and liabilities at fair value through profit or loss | | 3,738 | 145,096 |
| Notes receivable | | (5,193) | - |
| Accounts receivable | | (59,897) | 65,508 |
| Other receivables | | (1,883) | (3,847) |
| Inventories | | (82,756) | (41,119) |
| Prepayments | | (20,783) | (2,531) |
| Other non-current assets | | - | 229 |
| Changes in operating liabilities | | | |
| Contract liabilities-current | | (5,890) | (38,569) |
| Accounts payable | | 62,944 | (4,496) |
| Accounts payable - related parties | | (14,561) | (15,694) |
| Other payables | | 15,813 | (63,155) |
| Provisions-current | | (56) | (113) |
| Other current liabilities | | 44 | 82 |
| Other non-current liabilities | | (9,079) | (1,733) |
| Cash (outflow) inflow generated from operations | | (89,587) | 13,569 |
| Interest received | | 230 | 1,467 |
| Interest paid | | (3,701) | (1,675) |
| Income tax refund received | | 2,887 | 257 |
| Income tax paid | | (3,540) | (2,936) |
| Net cash flows (used in) from operating activities | | (93,711) | 10,682 |

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TECO IMAGES SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|---|-------|------------------------|--------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease (increase) in prepayments | 7(2) | \$ 10,000 | (\$ 10,000) |
| Acquisition of financial assets at fair value through other comprehensive income - non current | 6(3) | (506,639) | (238,313) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income - non current | 6(3) | 262,508 | - |
| Acquisition of property, plant and equipment | 6(23) | (13,641) | (1,381) |
| Acquisition of intangible assets | | (6,175) | (1,322) |
| Increase in refundable deposits | | (129) | - |
| Decrease in refundable deposits | | - | 997 |
| Increase in prepayments for business facilities | | (1,275) | - |
| Dividends received | 6(16) | 66,709 | 54,360 |
| Net cash flows used in investing activities | | (188,642) | (195,659) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Cash dividends paid | 6(24) | (11,254) | (49,516) |
| Increase in short-term borrowings | 6(24) | 1,008,500 | 250,000 |
| Repayment of short-term borrowings | 6(24) | (861,500) | (100,000) |
| Repayment of the principal portion of lease liabilities | 6(24) | (11,306) | (15,524) |
| Net cash flows from financing activities | | 124,440 | 84,960 |
| Net decrease in cash and cash equivalents | | (157,913) | (100,017) |
| Cash and cash equivalents at beginning of year | | 395,529 | 495,546 |
| Cash and cash equivalents at end of year | | \$ 237,616 | \$ 395,529 |

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

TECO IMAGES SYSTEMS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) Teco Image Systems Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C) on September 8, 1997 and has begun its operations in the same year. The Company is primarily engaged in designing, manufacturing and trading of multi-function printers, fax machines, scanner, etc.
- (2) The Company’s shares have been listed on the Taipei Exchange since June 2000.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 16, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or comparative information' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency.

A. Foreign currency transactions and balances

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

income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income under “other gains and losses”.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the exchange rate prevailing at the dates of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is

immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for under the equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognise loss continuously in proportion to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In

general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.

- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.
- J. The Group applied the treasury stock approach to calculate investments accounted for using equity method when the Group and its associates have reciprocal stock holdings and both the Group and associate accounts for the investment using the equity method.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the

construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|---------|
| Mold equipment | 3 years |
| Machinery and equipment | 8 years |
| Testing equipment | 4 years |
| Transportation equipment | 6 years |
| Office equipment | 4 years |
| Leasehold improvements | 3 years |
| Others | 4 years |

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.
The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, which consists of the amount

of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(16) Intangible assets

Intangible assets mainly refer to computer software and royalty which is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 4 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

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

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

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

(22) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(23) Provisions

Provisions (including contingent liabilities arising from warranties) for warranty are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
 - iii. Past service costs are recognised immediately in profit or loss.
- C. Employees' compensation and directors' and supervisors' remuneration
- Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously. Deferred tax assets is offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority

on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

- A. The Company engages in the manufacture and sale of multi-function printers, fax machines, scanners and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The sales usually are made with a credit term of 60 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates

concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

After assessment, the Company's accounting policies have no significant uncertainty.

(2) Critical accounting estimates and assumptions Evaluation of inventories:

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid innovation of multi-function printers and scanners, the Company may incur losses on decline in market value of these inventories caused by the unexpected decrease in sales revenue and the unusability of the materials for the new products. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$174,488.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------|--------------------------|--------------------------|
| Cash on hand | \$ 362 | \$ 362 |
| Demand deposits | 237,254 | 395,167 |
| | <u>\$ 237,616</u> | <u>\$ 395,529</u> |

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

B. The Company has no cash and cash equivalents pledged to others.

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Beneficiary certificates | <u>\$ 730</u> | <u>\$ -</u> |
| Current items: | | |
| Financial liabilities mandatorily measured at fair value through profit or loss | | |
| Non-hedging derivatives | <u>\$ -</u> | <u>\$ 1,288</u> |

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

| | Year ended December 31, | |
|--|-------------------------|------------------|
| | 2021 | 2020 |
| Financial assets mandatorily measured at fair through profit or loss | | |
| Beneficiary certificates | \$ - | \$ 22,100 |
| Non-hedging derivatives | 5,756 | 7,815 |
| | <u>\$ 5,756</u> | <u>\$ 29,915</u> |

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

| Derivative financial assets/liabilities | December 31, 2021 | |
|---|---|-----------------------|
| | Contract amount (notional principal) | Contract period |
| Current items: | | |
| Foreign exchange swap | USD 2,000 | 2021.11.15~2022.01.18 |
| Foreign exchange swap | USD 1,000 | 2021.11.17~2022.01.19 |
| Foreign exchange swap | USD 2,000 | 2021.11.29~2022.01.27 |
| Foreign exchange swap | USD 1,000 | 2021.11.30~2022.01.28 |
| Foreign exchange swap | USD 2,000 | 2021.12.30~2022.02.24 |
| Foreign exchange swap | USD 1,000 | 2021.12.30~2022.02.23 |

| Derivative financial assets/liabilities | December 31, 2020 | |
|---|---|-----------------------|
| | Contract amount (notional principal) | Contract period |
| Current items: | | |
| Foreign exchange swap | USD 2,000 | 2020.11.23~2021.01.25 |
| Foreign exchange swap | USD 2,000 | 2020.11.27~2021.01.29 |
| Foreign exchange swap | USD 2,000 | 2020.12.25~2021.02.26 |
| Foreign exchange swap | USD 1,000 | 2020.12.30~2021.02.26 |
| Foreign exchange swap | USD 1,000 | 2020.12.15~2021.03.17 |

- C. The Company has no financial assets at fair value through profit or loss pledged or collateralised.
- D. The Company entered into foreign exchange swap to hedge exchange rate risk. However, these foreign exchange swap contracts are not accounted for under hedge accounting.
- E. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(3).

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

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 734,163 | \$ 1,042,150 |
| Unlisted stocks | <u>146,217</u> | <u>146,217</u> |
| | 880,380 | 1,188,367 |
| Valuation adjustment | <u>133,342</u> | <u>64,939</u> |
| | <u>\$ 1,013,722</u> | <u>\$ 1,253,306</u> |

- A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income.
- B. Aiming to satisfy the financial management, the Company sold \$262,508 and \$0 of equity instrument investments at fair value during the years ended December 31, 2021 and 2020, respectively.
- C. Amounts recognised in comprehensive income and transferred to retained earnings in relation to the financial assets at fair value through other comprehensive income are listed below:

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|--------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Equity instruments at fair value through other comprehensive income (losses)</u> | | |
| Fair value change recognised in other comprehensive income (losses) | <u>\$ 501,478</u> | <u>(\$ 53,730)</u> |
| Cumulative gains (losses) reclassified to retained earnings due to derecognition (Note) | <u>\$ 425,003</u> | <u>\$ -</u> |

Note: The amount included transfers to retained earnings amounting to \$257,717 due to reclassification of investments in CREATIVE SENSOR INC and Tien Da Investment Co., Ltd. from financial assets at fair value through other comprehensive income to investments accounted for under the equity method, and the net amount of accumulated gains amounting to \$175,358 less effect from income tax amounting to \$8,072.

- D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

| | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Notes receivable | \$ 5,193 | \$ - |
| Accounts receivable | \$ 396,735 | \$ 336,838 |
| Less: Loss allowance | (199) | (169) |
| | <u>\$ 396,536</u> | <u>\$ 336,669</u> |

A. For information on the ageing analysis, related credit risk of notes receivable and accounts receivable, please refer to Note 12(2).

B. As of December 31, 2021, and 2020, notes and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$402,346.

C. The Company did not hold any collateral for abovementioned notes and accounts receivable.

(5) Inventories

| | December 31, 2021 | | |
|----------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 115,670 | (\$ 14,199) | \$ 101,471 |
| Work in progress | 50,707 | (1,118) | 49,589 |
| Finished goods | 15,985 | (1,230) | 14,755 |
| Merchandise | 9,052 | (2,986) | 6,066 |
| Inventory in transit | 2,607 | - | 2,607 |
| | <u>\$ 194,021</u> | <u>(\$ 19,533)</u> | <u>\$ 174,488</u> |
| | December 31, 2020 | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 48,531 | (\$ 14,614) | \$ 33,917 |
| Work in progress | 44,689 | (140) | 44,549 |
| Finished goods | 1,230 | (1,230) | - |
| Merchandise | 18,115 | (4,881) | 13,234 |
| Inventory in transit | 32 | - | 32 |
| | <u>\$ 112,597</u> | <u>(\$ 20,865)</u> | <u>\$ 91,732</u> |

A. Abovementioned inventories were not pledged or collateralised.

B. The cost of inventories recognised as expense for the period:

| | Years ended December 31, | |
|---|--------------------------|---------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 1,458,150 | \$ 1,018,332 |
| (Gain on reversal of) loss on decline in market value | (1,332) | 8,539 |
| | <u>\$ 1,456,818</u> | <u>\$ 1,026,871</u> |

Gain on reversal was caused by the decrease in allowance for valuation loss arising from sales of inventories with allowance for valuation loss.

(6) Investments accounted for under the equity method

| | <u>December 31, 2021</u> | | <u>December 31, 2020</u> | |
|---------------------------------|--------------------------|------------------|--------------------------|------------------|
| | <u>Amount</u> | <u>Ownership</u> | <u>Amount</u> | <u>Ownership</u> |
| Subsidiary: | | | | |
| Atlas Tech Investment Co., Ltd. | \$ 99,685 | 100.00% | \$ 125,931 | 100.00% |
| Associates: | | | | |
| SOLMAX POWER TAIWAN LIMITED | 70,068 | 35.00% | 70,907 | 35.00% |
| CREATIVE SENSOR INC. | 819,242 | 20.64% | - | - |
| Tien Da Investment Co., Ltd. | <u>162,661</u> | 25.17% | <u>-</u> | <u>-</u> |
| | <u>\$ 1,151,656</u> | | <u>\$ 196,838</u> | |

| | <u>Years ended December 31,</u> | | | |
|--|--|---|--|---|
| | <u>2021</u> | | <u>2020</u> | |
| | <u>Share of profit (loss) of associate accounted for under the equity method</u> | <u>Other comprehensive profit and loss (before tax)</u> | <u>Share of profit (loss) of associate accounted for under the equity method</u> | <u>Other comprehensive profit and loss (before tax)</u> |
| Subsidiary: | | | | |
| Atlas Tech Investment Co., Ltd. | (\$ 25,276) | (\$ 970) | (\$ 28,486) | \$ 1,910 |
| Associates | | | | |
| SOLMAX POWER TAIWAN LIMITED | (662) | - | 2,040 | - |
| CREATIVE SENSOR INC. (Note 1) | 9,202 | 30,301 | - | - |
| Tien Da Investment Co., Ltd. (Note 2) | <u>1,353</u> | <u>(20,292)</u> | <u>-</u> | <u>-</u> |
| | <u>(\$ 15,383)</u> | <u>\$ 9,039</u> | <u>(\$ 26,446)</u> | <u>\$ 1,910</u> |

Note 1: The Company continuously increased its investment in the investee - CREATIVE SENSOR INC., as of December 31, 2021, the Company's shareholding ratio amounted to 20.64%, and based on the assessment, the Company had significant influence over the investee when the Company held over than 20% shareholding ratio in August 2021. Thus, the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

Note 2: The Company continuously increased its investment in the investee - Tien Da Investment Co., Ltd., as of December 31, 2021, the Company's shareholding ratio amounted to 25.17%,

and based on the assessment, the Company had significant influence over the investee when the Company held over than 20% shareholding ratio in August 2021. Thus, the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

A. Subsidiaries

Please refer to Note 4(3) in the consolidated financial statements as of and for the year ended December 31, 2021 for the information regarding the Company's subsidiaries.

B. The Company recognised investments accounted for using equity method and comprehensive income amounting to \$232,729 and \$70,907 as at December 31, 2021, and 2020 and (\$19,601) and \$2,040 for the years ended December 31, 2021 and 2020, respectively, based on the investees' financial statements audited by other independent auditors.

C. The Company did not acquire shares proportionally to its interest during SOLMAX POWER TAIWAN LIMITED's capital increase by cash in the third quarter of 2021. The Company decreased 'Capital surplus' to (\$55), 'Retained earnings' to (\$122) and 'Investments accounted for under the equity method' to (\$177) for the change of the equity from SOLMAX POWER TAIWAN LIMITED.

D. The Company did not acquire shares proportionally to its interest during CREATIVE SENSOR INC.'s capital increase by private common stocks in the fourth quarter of 2021. The Company decreased 'Retained earnings' to (\$24,853) and 'Investments accounted for under the equity method' to (\$24,853) for the change of the equity from CREATIVE SENSOR INC.

E. CREATIVE SENSOR INC., purchased shares as treasury stock during the year ended December 31, 2021. The Company increased 'Capital surplus' to \$998 and 'Investments accounted for under the equity method' to \$998 for the change of the equity from CREATIVE SENSOR INC.

F. Significant associates

(a) The basic information of the associates that are material to the Company is as follows:

| Company name | Principal place of business | Shareholding ratio | | Nature of relationship | Methods of measurement |
|------------------------------|-----------------------------|--------------------|-------------------|------------------------|------------------------|
| | | December 31, 2021 | December 31, 2020 | | |
| CREATIVE SENSOR INC. | Taiwan | 20.64% | 17.26% | Associates | Equity method |
| Tien Da Investment Co., Ltd. | Taiwan | 25.17% | - | Associates | Equity method |

(b) The summarised financial information of the associates that are material to the Company is as follows:

i. CREATIVE SENSOR INC.

(i) Balance sheet

| | <u>CREATIVE SENSOR INC.</u> | |
|----------------------------------|-----------------------------|------------------|
| | <u>December 31, 2021</u> | |
| Current assets | \$ | 2,675,797 |
| Non-current assets | | 4,056,724 |
| Current liabilities | (| 2,725,410) |
| Non-current liabilities | (| 36,342) |
| Total net assets | \$ | <u>3,970,769</u> |
| | | |
| Carrying amount of the associate | \$ | <u>819,242</u> |

(ii) Statement of comprehensive income

| | <u>CREATIVE SENSOR INC.</u> | |
|--|-------------------------------------|----------------|
| | <u>Year ended December 31, 2021</u> | |
| Revenue | \$ | 3,951,319 |
| Profit for the year from continuing operations | \$ | 176,681 |
| Other comprehensive income, net of tax | | 268,332 |
| Total comprehensive income | \$ | <u>445,013</u> |
| Dividends received from associates | \$ | <u>32,814</u> |

(iii) The Company's material associate, CREATIVE SENSOR INC., has quoted market prices. As of December 31, 2021, the fair value was \$726,992.

(iv) The Company is the single largest shareholder of CREATIVE SENSOR INC. with a 20.64% equity interest. Considering the participation degree of other shareholders and the voting right record of the significant resolution in the shareholders' meeting of CREATIVE SENSOR INC. and the Company holding 2 out of 7 board seats of the company, which indicates that the Company has no current ability to direct the relevant activities of CREATIVE SENSOR INC., the Company has no control, but only has significant influence, over the investee.

ii. Tien Da Investment Co., Ltd.

(i) Balance sheet

| | <u>Tien Da Investment Co., Ltd.</u> | |
|----------------------------------|-------------------------------------|----------------|
| | <u>December 31, 2021</u> | |
| Current assets | \$ | 70,326 |
| Non-current assets | | 627,257 |
| Current liabilities | (| 644) |
| Non-current liabilities | | - |
| Total net assets | \$ | <u>696,939</u> |
| | | |
| Carrying amount of the associate | \$ | <u>162,661</u> |

(ii) Statement of comprehensive income

| | <u>Tien Da Investment Co., Ltd.</u> | |
|---|-------------------------------------|-----------------|
| | <u>Year ended December 31, 2021</u> | |
| Revenue | \$ | 7,577 |
| Profit for the year from continuing operations | \$ | 3,815 |
| Other comprehensive loss, net of tax | (| 21,876) |
| Total comprehensive loss income | (\$ | <u>18,061</u>) |
| Dividends received from associates | \$ | <u>-</u> |

(iii) The Company's material associate, Tien Da Investment Co., Ltd., has no quoted market prices. Accordingly, there are no fair value information.

E. The Company's associate accounted for using equity method were not material to the financial statements based on the Company's individual assessment. As of December 31, 2021 and 2020, the carrying amount of the Company's individually immaterial associates amounted to \$70,068 and \$70,907, respectively. The Company's share of the operating results are summarised below:

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|-----------------|
| | <u>2021</u> | <u>2020</u> |
| (Loss) profit for the period from continuing operations | (\$ 662) | \$ 2,040 |
| Other comprehensive (loss) income, net of tax | - | - |
| Total comprehensive (loss) income | <u>(\$ 662)</u> | <u>\$ 2,040</u> |

F. The Company has no investments accounted for under the equity method pledged to others.

(7) Property, plant and equipment

| | 2021 | | | | | | | Total |
|---|----------------|-------------------------|-------------------|--------------------------|------------------|------------------------|-----------------|------------------|
| | Mold equipment | Machinery and equipment | Testing equipment | Transportation equipment | Office equipment | Leasehold improvements | Others | |
| | Owner occupied | Owner occupied | Owner occupied | Owner occupied | Owner occupied | Owner occupied | Owner occupied | |
| At January 1 | | | | | | | | |
| Cost | \$ 2,932 | \$ - | \$ 24,439 | \$ 900 | \$ 31,494 | \$ 10,490 | \$ 16,458 | \$ 86,713 |
| Accumulated depreciation and impairment | (2,932) | - | (23,471) | (900) | (31,005) | (9,213) | (11,723) | (79,244) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 968</u> | <u>\$ -</u> | <u>\$ 489</u> | <u>\$ 1,277</u> | <u>\$ 4,735</u> | <u>\$ 7,469</u> |
| Opening net book amount as at January 1 | \$ - | \$ - | \$ 968 | \$ - | \$ 489 | \$ 1,277 | \$ 4,735 | \$ 7,469 |
| Additions | - | 2,050 | 622 | - | 4,028 | 3,072 | 3,957 | 13,729 |
| Disposals | - | - | - | - | - | (50) | - | (50) |
| Depreciation charge | - | (123) | (464) | - | (528) | (2,116) | (4,207) | (7,438) |
| Reclassifications for the period (Note) | - | - | - | - | - | 1,062 | 1,788 | 2,850 |
| Closing net book amount as at December 31 | <u>\$ -</u> | <u>\$ 1,927</u> | <u>\$ 1,126</u> | <u>\$ -</u> | <u>\$ 3,989</u> | <u>\$ 3,245</u> | <u>\$ 6,273</u> | <u>\$ 16,560</u> |
| At December 31 | | | | | | | | |
| Cost | \$ 2,932 | \$ 2,050 | \$ 17,606 | \$ 900 | \$ 34,836 | \$ 14,066 | \$ 22,174 | \$ 94,564 |
| Accumulated depreciation and impairment | (2,932) | (123) | (16,480) | (900) | (30,847) | (10,821) | (15,901) | (78,004) |
| | <u>\$ -</u> | <u>\$ 1,927</u> | <u>\$ 1,126</u> | <u>\$ -</u> | <u>\$ 3,989</u> | <u>\$ 3,245</u> | <u>\$ 6,273</u> | <u>\$ 16,560</u> |

| | | 2020 | | | | | | | |
|---|----|-----------------------|--------------------------------|--------------------------|---------------------------------|-------------------------|-------------------------------|-----------------------|------------------|
| | | <u>Mold equipment</u> | <u>Machinery and equipment</u> | <u>Testing equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Leasehold improvements</u> | <u>Others</u> | |
| | | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Owner occupied</u> | <u>Total</u> |
| <u>At January 1</u> | | | | | | | | | |
| Cost | \$ | 2,932 | \$ - | \$ 23,615 | \$ 900 | \$ 31,746 | \$ 10,490 | \$ 16,405 | \$ 86,088 |
| Accumulated depreciation and impairment | (| 2,932) | - | (23,255) | (900) | (31,271) | (7,261) | (8,511) | (74,130) |
| | \$ | <u>-</u> | \$ <u>-</u> | \$ <u>360</u> | \$ <u>-</u> | \$ <u>475</u> | \$ <u>3,229</u> | \$ <u>7,894</u> | \$ <u>11,958</u> |
| Opening net book amount as at January 1 | \$ | - | \$ - | \$ 360 | \$ - | \$ 475 | \$ 3,229 | \$ 7,894 | \$ 11,958 |
| Additions | | - | - | 825 | - | 461 | - | 95 | 1,381 |
| Depreciation charge | | - | - | (217) | - | (447) | (1,952) | (3,254) | (5,870) |
| Closing net book amount as at December 31 | \$ | <u>-</u> | \$ <u>-</u> | \$ <u>968</u> | \$ <u>-</u> | \$ <u>489</u> | \$ <u>1,277</u> | \$ <u>4,735</u> | \$ <u>7,469</u> |
| <u>At December 31</u> | | | | | | | | | |
| Cost | \$ | 2,932 | \$ - | \$ 24,439 | \$ 900 | \$ 31,494 | \$ 10,490 | \$ 16,458 | \$ 86,713 |
| Accumulated depreciation and impairment | (| 2,932) | - | (23,471) | (900) | (31,005) | (9,213) | (11,723) | (79,244) |
| | \$ | <u>-</u> | \$ <u>-</u> | \$ <u>968</u> | \$ <u>-</u> | \$ <u>489</u> | \$ <u>1,277</u> | \$ <u>4,735</u> | \$ <u>7,469</u> |

Note:Reclassifications for the period were transferred from prepayments for business facilities.

Abovementioned property, plant and equipment were neither pledged nor collateralised and no interest was capitalised.

(8) Leasing arrangements-lessee

A. The Company leases various assets including plants, offices and business vehicles. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for borrowing, subleasing and tenancy disposal right or another way for others using it.

B. The movements of right-of-use assets of the Company are as follows:

| | 2021 | | |
|---|------------------|-----------------|------------------|
| | Business | | |
| | Buildings | vehicles | Total |
| Opening net book amount as at January 1 | \$ 3,637 | \$ 2,559 | \$ 6,196 |
| Additions | 44,182 | 1,902 | 46,084 |
| Disposals | (2,850) | (421) | (3,271) |
| Depreciation charge | (12,516) | (1,894) | (14,410) |
| Closing net book amount as at December 31 | <u>\$ 32,453</u> | <u>\$ 2,146</u> | <u>\$ 34,599</u> |

| | 2020 | | |
|---|-----------------|-----------------|-----------------|
| | Business | | |
| | Buildings | vehicles | Total |
| Opening net book amount as at January 1 | \$ 2,406 | \$ 4,232 | \$ 6,638 |
| Additions | 15,524 | 874 | 16,398 |
| Disposals | - | (116) | (116) |
| Depreciation charge | (14,293) | (2,431) | (16,724) |
| Closing net book amount as at December 31 | <u>\$ 3,637</u> | <u>\$ 2,559</u> | <u>\$ 6,196</u> |

C. The information on income and expense accounts relating to lease contracts is as follows:

| | Years ended December 31, | |
|---------------------------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 190 | \$ 142 |
| Expense on short-term lease contracts | 3,119 | 3,183 |
| (Gain) loss on lease modification | (13) | 7 |
| | <u>\$ 3,296</u> | <u>\$ 3,332</u> |

D. For the years ended December 31, 2021 and 2020, apart from cash outflow for interest expense on lease liabilities and expense on short-term lease contracts mentioned in Note 6(8)C., the Company's total cash outflow for repayments of the principal portion of lease liabilities was \$11,306 and \$15,524, respectively.

E. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>297,000</u> | 1.10%~1.075% | None |

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>150,000</u> | 1.00% | None |

For the details of interest expense recognised in profit or loss, please refer to Note 6(18).

(10) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Salaries and bonuses payable | \$ 52,033 | \$ 60,655 |
| Service charge payable | 13,446 | 7,950 |
| Employees' compensation and directors' and supervisors' remuneration payable | 7,041 | 460 |
| Insurance payable | 6,514 | 2,619 |
| Research and development expense payable | 3,089 | 4,326 |
| Others payable | 35,868 | 23,011 |
| | <u>\$ 117,991</u> | <u>\$ 99,021</u> |

(11) Pensions

A. Defined benefit pension plans

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the

account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 41,204) | (\$ 63,588) |
| Fair value of plan assets | <u>27,375</u> | <u>36,133</u> |
| Net defined benefit liability (Shown as other non-current liabilities) | (\$ <u>13,829</u>) | (\$ <u>27,455</u>) |

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

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|----------------------------------|--------------------------------------|
| Year ended December 31, 2021 | | | |
| Balance at January 1 | (\$ 63,588) | \$ 36,133 | (\$ 27,455) |
| Current service cost | (318) | - | (318) |
| Interest (expense) income | (166) | <u>87</u> | (79) |
| | <u>(64,072)</u> | <u>36,220</u> | <u>(27,852)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 509 | 509 |
| Change in demographic assumptions | (115) | - | (115) |
| Change in financial assumptions | 1,883 | - | 1,883 |
| Experience adjustments | <u>2,270</u> | <u>-</u> | <u>2,270</u> |
| | <u>4,038</u> | <u>509</u> | <u>4,547</u> |
| Pension fund contribution | - | 2,138 | 2,138 |
| Paid pension | <u>18,830</u> | <u>(11,492)</u> | <u>7,338</u> |
| Balance at December 31 | (\$ <u>41,204</u>) | \$ <u>27,375</u> | (\$ <u>13,829</u>) |

| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
|--|---|--|--|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | (\$ 54,753) | \$ 32,403 | (\$ 22,350) |
| Current service cost | (472) | - | (472) |
| Interest (expense) income | (408) | 251 | (157) |
| | <u>(55,633)</u> | <u>32,654</u> | <u>(22,979)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,117 | 1,117 |
| Change in demographic assumptions | 31 | - | 31 |
| Change in financial assumptions | (2,479) | - | (2,479) |
| Experience adjustments | (5,507) | - | (5,507) |
| | <u>(7,955)</u> | <u>1,117</u> | <u>(6,838)</u> |
| Pension fund contribution | - | 2,362 | 2,362 |
| Balance at December 31 | <u>(\$ 63,588)</u> | <u>\$ 36,133</u> | <u>(\$ 27,455)</u> |

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

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

| | <u>Years ended December 31,</u> | |
|-------------------------|---------------------------------|--------------|
| | <u>2021</u> | <u>2020</u> |
| Discount rate | <u>0.70%</u> | <u>0.30%</u> |
| Future salary increases | <u>2.00%</u> | <u>2.00%</u> |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with future mortality rate estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

| | Discount rate | | Future salary increases | |
|----------------------------|----------------|----------------|-------------------------|----------------|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| <u>December 31, 2021</u> | | | | |
| Effect on present value of | | | | |
| defined benefit obligation | (\$ 1,135) | \$ 1,179 | \$ 1,161 | (\$ 1,123) |
| <u>December 31, 2020</u> | | | | |
| Effect on present value of | | | | |
| defined benefit obligation | (\$ 1,398) | \$ 1,455 | \$ 1,427 | (\$ 1,379) |

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$1,797.
- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

| | Amount |
|---------------|------------------|
| Within 1 year | \$ 852 |
| 1-2 year(s) | 1,200 |
| 2-5 years | 6,024 |
| Over 5 years | 35,398 |
| | <u>\$ 43,474</u> |

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$5,107 and \$5,502, respectively.

(12) Provisions

| | 2021 | 2020 |
|-----------------------|------------------|------------------|
| At January 1 | \$ 23,117 | \$ 23,107 |
| Additional provisions | 105 | 123 |
| Used during the year | (56) | (113) |
| At December 31 | <u>\$ 23,166</u> | <u>\$ 23,117</u> |

Analysis of total provisions:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Current-product warranty | <u>\$ 23,166</u> | <u>\$ 23,117</u> |

The Company provides warranties on multi-function printers sold. Provision for product warranty is estimated based on history warranty data of multi-function printers. It is expected that provision for product warranty will be used in the following years.

(13) Share capital

- A. As of December 31, 2021 the Company's authorised capital was \$2,500,000, consisting of 250 million shares of ordinary stock, and the paid-in capital was \$1,125,365 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the years ended December 31, 2021 and 2020, the number of ordinary shares outstanding at the beginning of the period was consistent with the number at the end of the period which amounted to 112,536,565 shares.
- C. On September 30, 2021, the Company's associate, CREATIVE SENSOR INC, held 33,408,000 shares of the Company.

(14) Retained earnings / Events after the balance sheet date

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (a) Pay all taxes; (b) Offset prior years' losses; (c) Set aside 10% as legal reserve, except when the statutory surplus reserve has reached the total capital of the company. ; (d) Set aside special reserve in accordance with the regulations or resolutions approved by the competent authority or the shareholders; and (e) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. The appropriation of the accumulated distributable earnings shall be proposed by the Board of Directors and resolved by the shareholders as the shareholders' bonus.

In principle, earnings distribution is based on the current year's after-tax net profit, but considering the principle of dividend balance, if the current year's after-tax net profit is insufficient for distribution, the undistributed surplus of previous years may be used for distribution.

Considering the needs of future business expansion and cash flow, the Company will distribute earnings in the form of cash dividends or stock dividends, of which cash dividends shall not be less than 5% of the total dividends.

- B. The Company's dividends policy is summarised below: The Company operates in a steady growth environment with investment made in developing business. In consideration of possible plant expansion and investment, the residual dividend policy is adopted. Cash dividends shall account for at least 5% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. Appropriation of the Company's earnings is as follows:
- (a) Details of appropriation of 2020 and 2019 earnings as resolved by the shareholders on July 19, 2021 and June 24, 2020, respectively, are as follows:

| | Years ended December 31, | | | |
|---|--------------------------|--|------------------|--|
| | 2020 | | 2019 | |
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve appropriated | \$ - | | \$ 4,958 | |
| Reversal of special reserve appropriated | - | | (19,774) | |
| Cash dividends | 11,254 | 0.10 | 49,516 | 0.44 |
| | <u>\$ 11,254</u> | | <u>\$ 34,700</u> | |

- (b) Details of appropriation of 2021 earnings as resolved by the Board of Directors on March 16, 2022 are as follows:

| | Year ended December 31, 2021 | |
|----------------------------|------------------------------|--|
| | Amount | Dividends per share (in dollars) |
| Legal reserve appropriated | \$ 45,568 | |
| Cash dividends | 46,140 | 0.41 |
| | <u>\$ 91,708</u> | |

(15) Operating revenue

- A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point

in time in the following major product lines and geographical regions:

| <u>Year ended December 31,</u> | Revenue from sale of | | Other sales | | <u>Total</u> |
|---------------------------------|------------------------|-----------|-------------|------------|--------------|
| | multi-function printer | | | | |
| | Mainland | | Mainland | | |
| <u>2021</u> | China and | | China and | | |
| | Hong Kong | Others | Hong Kong | Others | |
| Revenue from customer contracts | \$ 1,549,002 | \$ 65,788 | \$ 3,488 | \$ 145,195 | \$ 1,763,473 |

| <u>Year ended December 31,</u> | Revenue from sale of | | Other sales | | <u>Total</u> |
|---------------------------------|------------------------|-----------|-------------|-----------|--------------|
| | multi-function printer | | | | |
| | Mainland | | Mainland | | |
| <u>2020</u> | China and | | China and | | |
| | Hong Kong | Others | Hong Kong | Others | |
| Revenue from customer contracts | \$ 1,148,633 | \$ 40,089 | \$ 54 | \$ 81,925 | \$ 1,270,701 |

B. Contract liabilities

(a) The Company has recognised the following revenue-related contract liabilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|--|--------------------------|--------------------------|------------------------|
| Contract liabilities-sales revenue and other sales | \$ 25,652 | \$ 31,542 | \$ 70,111 |

(b) For the years ended December 31, 2021 and 2020, revenue recognised that was included in the contract liability balance at the beginning of the year was \$15,855 and \$61,271, respectively.

(16) Other income

| | <u>Years ended December 31,</u> | |
|-----------------|---------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Dividend income | \$ 66,709 | \$ 54,360 |
| Others | 11,481 | 10,388 |
| | \$ 78,190 | \$ 64,748 |

(17) Other gains and losses

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Net gains on financial assets/liabilities at fair value through profit or loss | \$ 5,756 | \$ 29,915 |
| Net currency exchange loss | (8,514) | (12,640) |
| Loss on disposals of property, plant and equipment | (50) | - |
| Expense of proxy solicitation (Note) | (3,780) | - |
| Others | (215) | (61) |
| | (\$ 6,803) | \$ 17,214 |

Note: Information on the expense and payment that the Company participated in the allocation in relation to Teco Electric & Machinery Co., Ltd.'s shareholders soliciting proxies which

CREATIVE SENSOR INC. paid on behalf of the Company is provided in Note7(2).

(18) Finance costs

| | Years ended December 31, | |
|-------------------|--------------------------|-----------------|
| | 2021 | 2020 |
| Interest expense: | | |
| Bank borrowings | \$ 3,511 | \$ 1,533 |
| Lease liabilities | 190 | 142 |
| | <u>\$ 3,701</u> | <u>\$ 1,675</u> |

(19) Expenses by nature

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| Employee benefit expenses | <u>\$ 190,928</u> | <u>\$ 192,148</u> |
| Depreciation charges on property, plant, equipment and right-of-use assets | <u>\$ 21,848</u> | <u>\$ 22,594</u> |
| Amortisation charges on intangible assets | <u>\$ 3,295</u> | <u>\$ 4,930</u> |

(20) Employee benefit expenses

| | Years ended December 31, | |
|----------------------------------|--------------------------|-------------------|
| | 2021 | 2020 |
| Wages and salaries | \$ 153,429 | \$ 159,742 |
| Labour and health insurance fees | 13,490 | 11,576 |
| Pension costs | 5,504 | 6,131 |
| Directors' remuneration | 9,938 | 6,595 |
| Others | 8,567 | 8,104 |
| | <u>\$ 190,928</u> | <u>\$ 192,148</u> |

- A. In accordance with the Articles of Incorporation of the Company, in order to motivate employees and the management team, if the company has a profit in the current year, the profit before the distribution of employee remuneration and directors' remuneration shall be deducted from the pre-tax profit of the current year and retained to make up for the accumulated loss. The balance should be allocated to the staff compensation range ratio of 5% to 15% and the director compensation ratio should not be higher than 5%. Employee remuneration, the actual distribution ratio of director and supervisor remuneration, and employee remuneration shall be in stock or cash, which shall be implemented by the board of directors with the presence of more than two-thirds of the directors and a resolution approved by more than half of the directors present, and reported to the shareholders' meeting. Employee remuneration is issued in stock or cash to employees of subordinate companies who meet certain conditions.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$4,410 and \$301, respectively; while directors' and supervisors' remuneration was accrued at \$2,330 and \$159, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2021, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 3.7% of distributable profit of current year as of the end of reporting period.

On July 19, 2021, employees' compensation and directors' and supervisors' remuneration for 2020 amounting to \$301 and \$159, respectively, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. As of December 31, 2021, employees' compensation and supervisors' remuneration had been distributed in the amounts of \$0 and \$159, respectively.

C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Years ended December 31, | |
|--|--------------------------|------------|
| | 2021 | 2020 |
| Current tax: | | |
| Current income tax assets | \$ - | (\$ 2,887) |
| Current income tax liabilities | 8,072 | 621 |
| Receivables on receipts from income tax in prior years that have not yet been received | - | 2,887 |
| Withholding and provisional tax | - | 122 |
| Offshore income tax expense | 3,187 | 2,814 |
| Tax on undistributed surplus earnings | - | (743) |
| Current tax on profits for the year | 11,259 | 2,814 |
| Prior year income tax (over) estimation | (268) | - |
| Total current tax | 10,991 | 2,814 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 1,510 | (517) |
| Others: | | |
| The income tax charge relating to components of other comprehensive income | (8,072) | - |
| Tax on undistributed surplus earnings | - | 743 |
| | (8,072) | 743 |
| Income tax expense | \$ 4,429 | \$ 3,040 |

(b) The Company did not have income tax charged/(credited) to equity. The income tax expense (profit) relating to components of other comprehensive income (loss) is as follows:

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| Disposal of financial assets at fair value through other comprehensive income | \$ 8,072 | \$ - |
| Remesurements of defined benefit obligations | 909 | (1,368) |
| | <u>\$ 8,981</u> | <u>(\$ 1,368)</u> |

B. Reconciliation between income tax expense and accounting profit:

| | Years ended December 31, | |
|---|--------------------------|-----------------|
| | 2021 | 2020 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 11,251 | \$ 768 |
| Domestic dividend revenue exempted from tax | (13,342) | (10,872) |
| Non-deductible taxable losses caused by income from domestic tax-free dividends | 3,982 | 10,872 |
| Unrecognised deferred tax assets arising from loss on investments abroad | 5,055 | 5,697 |
| Unrecognised deferred tax liabilities arising from gain on domestic investments | (1,979) | (408) |
| Taxable loss unrecognized deferred income tax assets | - | 3,891 |
| Prior year income tax overestimation | (268) | - |
| Tax on undistributed earnings | - | 743 |
| Payable fees (unpaid) payment amount | (3,585) | (4,660) |
| Effect of other adjustments | 3,315 | (2,991) |
| Income tax expense | <u>\$ 4,429</u> | <u>\$ 3,040</u> |

C. Amounts of deferred tax assets as a result of temporary differences, tax losses and investment tax credits are as follows:

| | 2021 | | | |
|--|------------------|-------------------|----------------------|--------------------|
| | Recognised | | Recognised in | |
| | in profit | | other | |
| | or loss | | comprehensive | |
| | <u>January 1</u> | <u>or loss</u> | <u>(loss) income</u> | <u>December 31</u> |
| Deferred tax assets: | | | | |
| Temporary differences: | | | | |
| Loss for market value decline and obsolete and slow-moving inventories | \$ 4,173 | (\$ 266) | \$ - | \$ 3,907 |
| After-sales service guarantee expense | 4,623 | 10 | - | 4,633 |
| Unpaid expenses | 1,184 | 102 | - | 1,286 |
| Unused compensated absences payable | 127 | 55 | - | 182 |
| Pension payable | 5,491 | (1,816) | (909) | 2,766 |
| Unrealised exchange losses | <u>2,171</u> | <u>405</u> | <u>-</u> | <u>2,576</u> |
| Total | <u>\$ 17,769</u> | <u>(\$ 1,510)</u> | <u>(\$ 909)</u> | <u>\$ 15,350</u> |

| | 2020 | | | |
|--|------------------|---|--|--------------------|
| | <u>January 1</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other (loss) comprehensive income</u> | <u>December 31</u> |
| Deferred tax assets: | | | | |
| Temporary differences: | | | | |
| Loss for market value decline and obsolete and slow-moving inventories | \$ 2,465 | \$ 1,708 | \$ - | \$ 4,173 |
| After-sales service guarantee expense | 4,621 | 2 | - | 4,623 |
| Unpaid expenses | 3,304 | (2,120) | - | 1,184 |
| Unused compensated absences payable | 92 | 35 | - | 127 |
| Pension payable | 4,470 | (347) | 1,368 | 5,491 |
| Unrealised exchange losses | 932 | 1,239 | - | 2,171 |
| Total | <u>\$ 15,884</u> | <u>\$ 517</u> | <u>\$ 1,368</u> | <u>\$ 17,769</u> |

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021: None.

| December 31, 2020 | | | | |
|----------------------|---------------------|----------------------|----------------------------|--------------------|
| <u>Year incurred</u> | <u>Amount filed</u> | <u>Unused amount</u> | <u>Deferred tax assets</u> | <u>Expiry year</u> |
| 2020 | \$ 19,456 | \$ 19,456 | \$ 19,456 | 2030 |

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Deductible temporary differences | \$ 87,681 | \$ 62,405 |

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(22) Earnings per share

The Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method. The Company adopted the treasury stock method for the investment in CREATIVE SENSOR INC., and the shares of the Company held by CREATIVE SENSOR INC. should be treated as treasury stocks and be deducted when calculating earnings per share.

| | Year ended December 31, 2021 | | |
|---|------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic (diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 51,826 | 101,421 | \$ 0.51 |

Note: The weighted average number of ordinary shares outstanding was 112,537 thousand shares and the basic (diluted) earnings per share was \$0.46 (in dollars) without considering that the Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

| | Year ended December 31, 2020 | | |
|---|------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic (diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 799 | 112,537 | \$ 0.01 |

(23) Supplemental cash flow information

Investing activities with partial cash payments:

| | Year ended December 31, | |
|--|-------------------------|------|
| | 2021 | 2020 |
| Purchase of property, plant and equipment | \$ 13,729 | \$ - |
| Add: Opening balance of payable on equipment | - | - |
| Less: Ending balance of payable on equipment | (88) | - |
| Cash paid during the year | \$ 13,641 | \$ - |

(24) Changes in liabilities from financing activities

| | Short-term borrowings | Dividend payable (Shown in other payables) | Lease liabilities |
|-------------------------------------|--------------------------|--|----------------------|
| At January 1, 2021 | \$ 150,000 | \$ - | \$ 6,233 |
| Declaration of dividend | - | 11,254 | - |
| Cash dividends paid | - | (11,254) | - |
| Proceeds from debt | 1,008,500 | - | - |
| Repayments of debt | (861,500) | - | - |
| Increase in lease liabilities | - | - | 46,084 |
| Early termination of lease contract | - | - | (3,284) |
| Repayment of the principal portion | - | - | (11,306) |
| Transferred to other payables | - | - | (3,054) |
| At December 31, 2021 | <u>\$ 297,000</u> | <u>\$ -</u> | <u>\$ 34,673</u> |

| | Short-term borrowings | Dividend payable (Shown in other payables) | Lease liabilities |
|-------------------------------------|--------------------------|--|----------------------|
| At January 1, 2020 | \$ - | \$ - | \$ 6,665 |
| Declaration of dividend | - | 49,516 | - |
| Cash dividends paid | - | (49,516) | - |
| Proceeds from debt | 250,000 | - | - |
| Repayments of debt | (100,000) | - | - |
| Increase in lease liabilities | - | - | 16,398 |
| Early termination of lease contract | - | - | (109) |
| Repayment of the principal portion | - | - | (15,524) |
| Transferred to other payables | - | - | (1,197) |
| At December 31, 2020 | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 6,233</u> |

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|---|--|
| SOLMAX POWER TAIWAN LIMITED | Associates |
| CREATE SENSOR INC. | Associates |
| ProMOS TECHNOLOGIES INC. | The director of the securities holding company is the Company's vice chairman |
| Darbe II Venture | The Company is a corporate director of this company |
| KORYO ELECTRONICS CO., LTD. | The Company is a corporate director of this company |
| TECO ELECTRIC & MACHINERY CO., LTD. | This company's director is the Company's associates |
| TAIWAN PELICAN EXPRESS CO., LTD. | This company's director and the Company's chairman are within first degree of kinship |
| Tong An Assets Management & Development Co., Ltd. | The chairman of the securities holding company and the Company's chairman are within first degree of kinship |
| MULTILITE INTERNATIONAL CO., LTD. | Common chairman (Note 3) |
| LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD. | Common chairman (Note 1) |
| KROM ELECTRONICS CO., LTD. | This company is a corporate director of the Company (Note 2) |
| KUANG YUAN CO., LTD. | Common chairman (Note 4) |
| ROYAL HOST TAIWAN CO., LTD. | The chairman of the securities holding company and the Company's chairman are within first degree of kinship |
| AN-SHIN FOOD SERVICES CO., LTD. | This company's director and the Company's chairman are within first degree of kinship |
| Mingxiang Culture Co., Ltd. | This company's director is the Company's vice chairman |
| All directors, president and key management | The Company's key management and governing body |

Note 1: On March 22, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Company since the resignation date.

Note 2: On March 18, 2021, this company transferred more than one half of the Company's shares being held by this company at the time it was elected, and thus, this company shall, ipso facto, be discharged as a corporate director and was no longer a related party of the Company since the discharge date.

Note 3: On May 24, 2021, the chairman of the Company resigned as the chairman of this company.

This company was no longer a related party of the Company since the resignation date.

Note 4: On June 2, 2021, the chairman of the Company resigned as the chairman of this company.

This company was no longer a related party of the Company since the resignation date.

(2) Significant related party transactions and balances

A. Sales

The amount of sales transactions between the Company and the related parties are not disclosed since it is not significant and did not reach \$3,000.

B. Processing and purchases

(a) Processing and purchases

The details of processing expenses paid to related parties and purchases from the related parties are as follows:

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd. | \$ 950,135 | \$ 670,360 |
| Other related parties | 11,411 | 11,942 |
| | <u>\$ 961,546</u> | <u>\$ 682,302</u> |

Goods are purchased from associates on normal commercial terms and conditions. The terms are approximately the same as those to third-party suppliers which is from 30 days after the purchase to 105 days after monthly billing while to related parties is 45 days to 105 days after monthly billing.

(b) Payables

The payables from processing and purchasing with the related parties are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd. | \$ 210,349 | \$ 233,174 |
| Other related parties | 8,264 | - |
| | <u>\$ 218,613</u> | <u>\$ 233,174</u> |

C. Investment

Prepayments

On June 2, 2020, the Company entered into a letter of intent and investment transaction with SOLMAX POWER TAIWAN LIMITED to discuss the investment that the Company participated in. The Company had prepaid \$10,000 to SOLMAX POWER TAIWAN LIMITED in the second quarter of 2020. The prepayment was fully returned after the Company's assessment of not intending to invest in the first quarter of 2021. The prepayments from the transaction mentioned above is as follows:

| | | |
|-----------------------------|--------------------------|--------------------------|
| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
| SOLMAX POWER TAIWAN LIMITED | \$ - | \$ 10,000 |

D. Property transactions - Acquisition of financial assets

| | <u>Year ended December 31, 2021</u> | | | <u>Consideration</u> |
|---|---|----------------------|---|----------------------|
| | <u>Accounts</u> | <u>No. of shares</u> | <u>Objects</u> | |
| LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD | Financial assets at fair value through other comprehensive income - non-current | 4,173,000 | Stocks of TECO ELECTRIC & MACHINERY CO., LTD. | <u>\$ 128,401</u> |

The transaction was traded through after-hours trading. The transaction price was the closing price on the trading day.

For the year ended December 31, 2020: None.

E. Leasing arrangements-lessee

(a) Acquisition of right-of-use assets

The acquisition of right-of-use assets from other related parties for the years ended December 31, 2021 and 2020 above is as follows:

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Tong An Assets Management & Development Co., Ltd. | \$ 38,658 | \$ 9,590 |
| Entities with significant influence to the Company | - | 874 |
| Other related parties | <u>936</u> | <u>901</u> |
| | <u>\$ 39,594</u> | <u>\$ 11,365</u> |

(b) Lease liabilities/Other payables/Finance costs

i. The Company's lease liabilities and other payables generated from lease transactions:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Tong An Assets Management & Development Co., Ltd. | \$ 26,675 | \$ - |
| Other related parties | <u>820</u> | <u>332</u> |
| | <u>\$ 27,495</u> | <u>\$ 332</u> |

ii. The Company's interest expense generated from lease transactions:

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|--------------|
| | <u>2021</u> | <u>2020</u> |
| Entities with significant influence to the Company | \$ - | \$ 7 |
| Other related parties | <u>115</u> | <u>60</u> |
| | <u>\$ 115</u> | <u>\$ 67</u> |

F. Transaction of payment on behalf of others / Other payables

The amounts of advance money (shown as other payables) in relation to other transactions from the entities with the related parties are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd. | \$ 704 | \$ 406 |
| Entities with significant influence to the Company | 3,780 | - |
| Other related parties | <u>3,866</u> | <u>1,767</u> |
| | <u>\$ 8,350</u> | <u>\$ 2,173</u> |

G. Transaction of investment

The details of the other income- dividend income from the Company's investment in related parties are as follows:

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| CREATE SENSOR INC. | \$ 32,814 | \$ 26,314 |
| TECO ELECTRIC & MACHINERY CO., LTD. | 21,704 | 14,553 |
| KORYO ELECTRONICS CO., LTD. | 9,994 | 11,293 |
| Other related parties | <u>2,055</u> | <u>2,200</u> |
| | <u>\$ 66,567</u> | <u>\$ 54,360</u> |

(3) Key management compensation

| | <u>Years ended December 31,</u> | |
|------------------------------|---------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Short-term employee benefits | \$ 29,188 | \$ 36,674 |
| Post-employment benefits | 470 | 581 |
| | <u>\$ 29,658</u> | <u>\$ 37,255</u> |

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. Significant contingent liabilities

None.

B. Significant unrecognised contract commitments

(1) As of December 31, 2021 and 2020, the amounts of the promissory notes issued by the Company for borrowings were both \$580,152.

(2) The Company is required to purchase goods and is guaranteed by the bank for customs accounting. As of December 31, 2021 and 2020, the amount was all \$1,500.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of the appropriation of 2021 retained earnings as resolved by the Board of Directors on March 16, 2022 are provided in Note 6(14).

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt to assets ratio. This ratio is calculated as total debt divided by total assets.

During 2021, the Company's strategy was unchanged from 2020. As of December 31, 2021 and 2020, the Company's debt to assets ratio was 29% and 28%, respectively.

(2) Financial risk of financial instruments

A. Financial instruments by category

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss-current | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 730 | \$ - |
| Financial assets at fair value through other comprehensive income-non-current | | |
| Designation of equity instruments | 1,013,722 | 1,253,306 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 237,616 | 395,529 |
| Notes receivable, net | 5,193 | - |
| Accounts receivable, net | 396,536 | 336,669 |
| Other receivables | 9,552 | 7,669 |
| Other non-current assets-guarantee deposits paid | 884 | 755 |
| | <u>\$ 1,664,233</u> | <u>\$ 1,993,928</u> |

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss-current | | |
| Financial liabilities mandatorily measured value through profit or loss | \$ - | \$ 1,288 |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | 297,000 | 150,000 |
| Accounts payable | 153,051 | 90,107 |
| Accounts payable-related parties | 218,613 | 233,174 |
| Other payables | 117,991 | 99,021 |
| | <u>\$ 786,655</u> | <u>\$ 573,590</u> |
| Lease liabilities-current | <u>\$ 14,213</u> | <u>\$ 3,557</u> |
| Lease liabilities-non-current | <u>\$ 20,460</u> | <u>\$ 2,676</u> |

B. Risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries denominated in various functional currencies, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require Company entities to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is

measured through a forecast of highly probable USD and RMB expenditures. Cross currency swap are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Company hedges foreign exchange rate by using cross currency swap. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2021 | | |
|---|---|------------------|---------------------|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 24,693 | 27.6800 | \$ 683,502 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 16,529 | 27.6800 | 457,523 |
| | | | |
| | December 31, 2020 | | |
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 22,076 | 28.4800 | \$ 628,724 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 13,931 | 28.4800 | 396,755 |

- v. Total exchange (loss) gain, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to (\$8,514) and (\$12,640), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | | Year ended December 31, 2021 | | |
|---|---------|------------------------------|--------------------------|---|
| | | Sensitivity analysis | | |
| | | Degree of variation | Effect on profit or loss | Effect on other comprehensive income (loss) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| | USD:NTD | 1% | \$ 6,835 | \$ - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| | USD:NTD | 1% | (4,575) | - |
| | | Year ended December 31, 2020 | | |
| | | Sensitivity analysis | | |
| | | Degree of variation | Effect on profit or loss | Effect on other comprehensive income (loss) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| | USD:NTD | 1% | \$ 6,287 | \$ - |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| | USD:NTD | 1% | (3,968) | \$ - |

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. Shares and beneficiary certificates issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities and beneficiary certificates had

increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by \$10,137 and \$12,533 respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions at specified intervals to verify that the maximum loss potential is within the limit given by the management.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, pre-tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$2,970 and \$1,500, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be

recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

- vii. Customers that are Companyed as good customers have no significant default record in recent years. However, in accordance with IFRS 9, when measuring expected credit loss, the possibility of default should be taken into consideration even when the possibility of credit loss is remote.

The Company estimated forecast index before adjustment by the default rate in the past years using each parent company only entity as a unit. The Company considered that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, in accordance with the policy, the Company traces the credit risk of customers at any time, the Company refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

| | Without past due | Up to 30 days | Up to 60 days | Up to 90 days | Over 90 days | Total |
|----------------------|---------------------|------------------|------------------|------------------|-----------------|-------------------|
| At December 31, 2021 | | | | | | |
| Expected loss rate | 0.050% | 0.053% | 0.056% | 0.065% | 100% | |
| Total book value | <u>\$ 401,928</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 401,928</u> |
| Loss allowance | <u>\$ 199</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 199</u> |

| | Without past due | Up to 30 days | Up to 60 days | Up to 90 days | Over 90 days | Total |
|----------------------|---------------------|------------------|------------------|------------------|-----------------|-------------------|
| At December 31, 2020 | | | | | | |
| Expected loss rate | 0.050% | 0.053% | 0.056% | 0.065% | 100% | |
| Total book value | <u>\$ 336,551</u> | <u>\$ 287</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 336,838</u> |
| Loss allowance | <u>\$ 169</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 169</u> |

The above ageing analysis was based on past due date.

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

| | 2021 | | |
|--------------------------------------|------------------------|---------------------|---------------|
| | Accounts receivable | Notes receivable | Total |
| At January 1 | \$ 169 | \$ - | \$ 169 |
| Provision of expected credit loss | 30 | - | 30 |
| At December 31 | <u>\$ 199</u> | <u>\$ -</u> | <u>\$ 199</u> |

| | 2020 | | |
|--------------------------------------|------------------------|---------------------|---------------|
| | Accounts receivable | Notes receivable | Total |
| At January 1 | \$ 123 | \$ - | \$ 123 |
| Provision of expected credit loss | 46 | - | 46 |
| At December 31 | <u>\$ 169</u> | <u>\$ -</u> | <u>\$ 169</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in each unit of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by each unit over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities.
- iii. The Company has the following undrawn borrowing facilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Floating rate | | |
| Expiring within one year | <u>\$ 203,000</u> | <u>\$ 350,000</u> |

- iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings except for the table below they are all financial liabilities due for repayment within one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>December 31, 2021</u> | <u>Less than 3 months</u> | <u>Between 3 months and 1 year</u> | <u>Over 1 year</u> | <u>Total</u> |
|---|-------------------------------|--|--------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Lease liabilities-current/non-current | \$ 3,695 | \$ 10,791 | \$ 20,624 | \$ 35,110 |
| <u>December 31, 2020</u> | <u>Less than 3 months</u> | <u>Between 3 months and 1 year</u> | <u>Over 1 year</u> | <u>Total</u> |
| <u>Non-derivative financial liabilities</u> | | | | |
| Lease liabilities-current/non-current | \$ 955 | \$ 2,636 | \$ 2,690 | \$ 6,281 |

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the

entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in unlisted stocks is included in Level 3.

B. Financial instruments not measured at fair value, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, other noncurrent assets (guarantee deposits paid), accounts payable, accounts payable-related parties and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Equity Securities | \$ 847,392 | \$ 158,330 | \$ 8,000 | \$ 1,013,722 |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Non-hedging derivatives | \$ - | \$ 730 | \$ - | \$ 730 |

| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Equity Securities | \$ 1,123,741 | \$ 121,565 | \$ 8,000 | \$ 1,253,306 |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Non-hedging derivatives | \$ - | \$ 1,288 | \$ - | \$ 1,288 |

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:
 - (i) The fair value of listed shares is the closing price at the balance sheet date.
 - (ii) The fair value of beneficiary certificates is the net asset value at the balance sheet date.
 - ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments.
 - iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------------------|-------------------------------------|
| | Non-derivative equity instrument | Non-derivative equity instrument |
| At January 1 | \$ 8,000 | \$ 8,000 |
| Gains or losses recognised in other comprehensive income | - | - |
| At December 31 | <u>\$ 8,000</u> | <u>\$ 8,000</u> |

- F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- G. Financial function is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent

information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other sources and represented as the exercisable price.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| <u>December 31, 2021</u> | <u>Fair value</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
|-----------------------------------|-------------------|-----------------------------|---------------------------------------|---------------------------------|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 8,000 | Market comparable companies | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| Unlisted shares | - | Net asset value | N/A | - | N/A |

| <u>December 31, 2020</u> | <u>Fair value</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
|-----------------------------------|-------------------|-----------------------------|---------------------------------------|---------------------------------|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 8,000 | Market comparable companies | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| Unlisted shares | - | Net asset value | N/A | - | N/A |

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For the years ended December 31, 2021 and 2020, there was no significant effect on other comprehensive income categorised within Level 3 if the net assets had increased/decreased by 0.1%.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

Teco Image Systems Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer (Note) | General ledger account | As of December 31, 2021 | | | | Footnote |
|------------------------------|--|--|---|-------------------------|--------------|---------------|--------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| Teco Image Systems Co., Ltd. | Domestic listed common stock -KORYO ELECTRONICS CO., LTD | (1) | Financial assets at fair value through other comprehensive income - non-current | 9,994,000 | \$ 286,828 | 19.29 | \$ 286,828 | - |
| " | Domestic listed common stock -TECO ELECTRIC & MACHINERY CO., LTD. | (2) | " | 17,073,000 | 540,360 | 0.80 | 540,360 | - |
| " | Domestic non-listed common stock -INTERNATIONAL UNITED TECHNOLOGY CO., LTD. | None | " | 159,335 | - | 0.97 | - | - |
| " | Domestic non-listed common stock -KROM ELECTRONICS CO., LTD. | None | " | 622,408 | 8,000 | 1.86 | 8,000 | - |
| " | Foreign non-listed common stock -Convergence Tech Venture II Ltd. | None | " | 420,000 | - | 5.71 | - | - |
| " | Domestic non-listed common stock -ProMOS TECHNOLOGIES INC. | (3) | " | 5,500,000 | 111,485 | 12.22 | 111,485 | - |
| " | Domestic non-listed common stock -Darbe II Venture | (1) | " | 5,000,000 | 46,845 | 7.14 | 46,845 | - |
| " | Domestic listed common stock -TAIWAN PELICAN EXPRESS CO., LTD. | (4) | " | 281,000 | 20,204 | 0.29 | 20,204 | - |
| | | | Total | | \$ 1,013,722 | | \$ 1,013,722 | |

Note: Relationship with the securities issuer is as follows:

- (1) The Company is a corporate director of this company.
- (2) This company's corporate director is the Company's associates.
- (3) The director of the securities holding company is the Company's vice chairman.
- (4) This company's director and the Company's chairman are within first degree of kinship.

Teco Image Systems Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Purchaser / seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions | | Notes / accounts receivable (payable) | | Footnote | |
|---|---------------------------------------|------------------------------------|-------------------|------------|---------------------------------------|---|------------|---------------------------------------|--------------|----------|---|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | | Percentage of total notes / accounts receivable (payable) |
| Teco Image Systems Co., Ltd. | Teco Image Systems (DongGuan) Co.,Ltd | Subsidiary | Processing cost | \$ 950,135 | 51% | 60 days after next monthly billings | NA | NA | (\$ 210,349) | (57%) | - |
| Teco Image Systems (DongGuan) Co., Ltd. | Teco Image Systems Co., Ltd. | Parent Company | Processing sales | (950,135) | (99%) | 60 days after next monthly billings | NA | NA | 210,349 | 100% | - |

Teco Image Systems Co., Ltd.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|--|------------------------------|---------------------------------------|------------------------------------|---------------|---------------------|----------------|---|------------------------------------|
| | | | | | Amount | Action taken | | |
| Teco Image Systems (DongGuan) Co., Ltd. | Teco Image Systems Co., Ltd. | Parent Company | \$ 210,349 | 4.28 | \$ - | Not applicable | \$ 111,053 | \$ - |

Teco Image Systems Co., Ltd.
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Number (Note 2) | Company name | Counterparty | Relationship (Note 1) | General ledger account | Transaction | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|------------------------------|---|---------------------------------|------------------------|-------------|---|--|
| | | | | | Amount | Transaction terms | |
| 0 | Teco Image Systems Co., Ltd. | Teco Image Systems (DongGuan) Co., Ltd. | Parent company to subsidiary | Cost of sales | \$ 950,135 | In accordance with the agreement between the parties | 54% |
| 0 | " | Teco Image Systems (DongGuan) Co., Ltd. | Parent company to subsidiary | Accounts payable | 210,349 | 60 days after monthly billings | 7% |

Note 1: Individual transactions not reaching \$10,000 and the corresponding transactions of transactions disclosed by presenting parent company's transactions will not be disclosed.

Note 2: Parent company is '0'.

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

Teco Image Systems Co., Ltd.
Information on investees
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 | Investment income (loss) recognised by the Company for the year ended December 31, 2021 | Footnote |
|---------------------------------|------------------------------------|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|-----------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Book value | | | |
| Teco Image Systems Co., Ltd. | Atlas Tech Investment Co., Ltd. | British Virgin Islands | Professional investment company | \$ 196,096 | \$ 196,096 | 6,248,313 | 100.00 | \$ 99,685 | (\$ 25,276) | (\$ 25,276) | Subsidiary |
| " | SOLMAX POWER TAIWAN LITMITED | R.O.C | Renewable energy-based electricity generation | 70,000 | 70,000 | 7,000,000 | 35.00 | 70,068 | (1,888) | (662) | Associate |
| " | CREATIVE SENSOR INC. | " | Manufacturing and sales of electronic components | 547,477 | - | 28,906,260 | 20.64 | 819,242 | 176,681 | 9,202 | " |
| " | Tien Da Investment Co., Ltd. | " | Professional investment company | 180,000 | - | 18,000,000 | 25.17 | 162,661 | 3,815 | 1,353 | " |
| Atlas Tech Investment Co., Ltd. | All-In-One International Co., Ltd. | Samoa | " | 83,648 | 83,648 | 2,410,000 | 100.00 | 7,515 | (3) | - | Sub-subsidiary (Note) |
| " | Image System International Limited | " | " | 148,304 | 148,304 | 4,812,423 | 100.00 | 74,278 | (26,170) | - | Sub-subsidiary (Note) |

Note : The investment income was recognized by a subsidiary company.

Teco Image Systems Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 6

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of | Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of | Net income (loss) of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of | Footnote |
|--|--|-----------------|-------------------------------|--|---|-------------------------|--|--|--|---|---|---|----------|
| | | | | January 1, 2021 | Remitted to Mainland China | Remitted back to Taiwan | December 31, 2021 | | | | | December 31, 2021 | |
| TECO Image Systems (Suzhou) Co., Ltd. | Research, technical service, manufacturing and sales of multi-function printers and related products | \$ 81,528 | (2) | \$ 81,528 | \$ - | \$ - | \$ 81,528 | \$ - | 100 | \$ - | \$ 7,415 | \$ - | Note 5 |
| Teco Pro-Systems (JiangXi) Co., Ltd. | Research, development, manufacturing and sales of multi-function printers and related products | 32,710 | (2) | 32,710 | - | - | 32,710 | 898 | 100 | 898 | 17,837 | - | Note 4 |
| Teco Image Systems (Dong Guan) Co., Ltd. | Research, development, manufacturing and sales of multi-function printers and related products | 88,647 | (2) | 88,647 | - | - | 88,647 | (26,170) | 100 | (26,170) | 74,269 | - | Note 3 |

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The financial statements were audited by R.O.C. parent company's CPA.

Note 3: On December 25, 2012, the Board of Directors resolved for the Company to establish Teco Image Systems (DongGuan) Co., Ltd. in Mainland Area through Image Systems International Limited, the subsidiary is wholly-owned by Atlas Tech Investment Co., Ltd. The shareholding ratio was 100% and the total investment amount was USD3,000 thousand. The registration for the establishment of the investee company had been completed in January 2013.

Note 4: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd. As of March 16, 2022, the liquidation process is still ongoing.

Note 5: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, All-In-One International Co., Ltd. As of March 16, 2022, the liquidation process is still ongoing.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7) |
|------------------------------|--|---|--|
| Teco Image Systems Co., Ltd. | \$ 202,885 | \$ 231,906 | \$ 1,334,204 |

Note 6: As of December 31, 2021, ceiling on investments in Mainland China imposed by the Investment Commission of MOEA amounted to US\$7.4 million.

Note 7: The limitation is \$80,000 or 60% of net worth.

Teco Image Systems Co., Ltd.
 Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area
 Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Investee in Mainland China | Processing cost | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|-----------------|-------|----------------------|---|---------------------------------|-------|---|---------|---|---------------------------------|---------------|--|--------|
| | Amount | % | Amount | % | Balance as at December 31, 2021 | % | Balance as at December 31, 2021 | Purpose | Maximum balance during the year ended December 31, 2021 | Balance as at December 31, 2021 | Interest rate | Interest during the year ended December 31, 2021 | Others |
| Teco Image Systems (DongGuan) Co., Ltd. | (\$ 950,135) | (51) | \$ - | - | (\$ 210,349) | (57) | \$ - | - | \$ - | \$ - | - | \$ - | - |

Teco Image Systems Co., Ltd.
Major shareholders information
December 31, 2021

Table 8

| Name of major shareholders | Shares | | |
|---|---------------------------------------|---|---------------|
| | No. of shares held (common shares) | No. of shares held (preference shares) | Ownership (%) |
| CREATIVE SENSOR INC. | 33,408,000 | - | 29.68% |
| Tien Da Investment Co., Ltd | 10,970,477 | - | 9.74% |
| Anfu International Investment Co., Ltd. | 10,587,505 | - | 9.40% |
| KORYO ELECTRONICS CO., LTD. | 10,074,000 | - | 8.95% |
| Tong-An Investment Co., Ltd. | 8,196,501 | - | 7.28% |
| Teco International Investment Co., Ltd. | 6,377,052 | - | 5.66% |

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Statement 1

| Item | Description | Amount |
|--------------------------------------|---------------------------------------|-------------------|
| Cash on hand | | \$ 362 |
| Cash in banks | | |
| Demand deposits - NTD | | 100,972 |
| Demand deposits - foreign currencies | USD 4,770,269 ; conversion rate 27.68 | 132,041 |
| | Others | 4,241 |
| | | <u>\$ 237,616</u> |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Statement 2

| Client Name | Description | Amount | Note |
|--|---|-------------------|------|
| General customers - | | | |
| Client B | | \$ 331,443 | |
| Client T | | 25,949 | |
| Others | None of the balances of each remaining client greater than 5% of this account balance | 39,343 | |
| | | <u>396,735</u> | |
| Less: Allowance for uncollectible accounts | | (199) | |
| | | <u>\$ 396,536</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 3

| Item | Description | Amount | | Note |
|----------------------|-------------|------------|----------------------|--|
| | | Cost | Net Realizable Value | |
| Raw materials | | \$ 115,670 | \$ 101,742 | Inventories are stated at net realizable value |
| Work in progress | | 50,707 | 49,634 | " |
| Finished goods | | 15,985 | 11,266 | " |
| Merchandise | | 9,052 | 10,189 | " |
| Inventory in transit | | 2,607 | 2,607 | " |
| | | 194,021 | \$ 175,438 | |
| | | (19,533) | | |
| | | \$ 174,488 | | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

| Name | Beginning Balance | | Addition | | Decrease | | Ending balance | | Collateral | Note |
|---|-------------------|----------------|-----------|----------------|---------------|-------------------|----------------|----------------|------------|------|
| | Shares | Fair value | Shares | Amount | Shares | Amount | Shares | Fair value | | |
| CREATIVE SENSOR INC. | 21,928,260 | \$ 349,239 | 6,978,000 | \$ 198,238 | (28,906,260) | (\$ 547,477) | - | \$ - | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | 86,037 | | 170,080 | | (256,117) | | - | | |
| | | <u>435,276</u> | | <u>368,318</u> | | <u>(803,594)</u> | | <u>-</u> | | |
| KORYO ELECTRONIC CO., LTD. | 9,994,000 | 306,917 | - | - | - | - | 9,994,000 | 306,917 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | (85,550) | | 65,461 | | - | | (20,089) | | |
| | | <u>221,367</u> | | <u>65,461</u> | | <u>-</u> | | <u>286,828</u> | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | 14,700,000 | 334,984 | 4,173,000 | 128,401 | (1,800,000) | (44,190) | 17,073,000 | 419,195 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | 71,471 | | 62,352 | | (12,658) | | 121,165 | | |
| | | <u>406,455</u> | | <u>190,753</u> | | <u>(56,848)</u> | | <u>540,360</u> | | |
| INTERNATIONAL UNITED TECHNOLOGY CO., LTD. | 159,335 | 4,450 | - | - | - | - | 159,335 | 4,450 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | (4,450) | | - | | - | | (4,450) | | |
| | | <u>-</u> | | <u>-</u> | | <u>-</u> | | <u>-</u> | | |
| KROM ELETRONICS CO., LTD. | 622,408 | 20,000 | - | - | - | - | 622,408 | 20,000 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | (12,000) | | - | | - | | (12,000) | | |
| | | <u>8,000</u> | | <u>-</u> | | <u>-</u> | | <u>8,000</u> | | |
| Convergence Tech Venture II Ltd. | 420,000 | 4,117 | - | - | - | - | 420,000 | 4,117 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | (4,117) | | - | | - | | (4,117) | | |
| | | <u>-</u> | | <u>-</u> | | <u>-</u> | | <u>-</u> | | |
| TAIWAN PELICAN EXPRESS CO., LTD | 1,781,000 | 51,010 | - | - | (1,500,000) | (42,960) | 281,000 | 8,051 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | 9,633 | | 165,221 | | (162,700) | | 12,153 | | |
| | | <u>60,643</u> | | <u>165,221</u> | | <u>(205,660)</u> | | <u>20,204</u> | | |

TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

| Name | Beginning Balance | | Addition | | Decrease | | Ending balance | | Collateral | Note |
|---|-------------------|---------------------|------------|---------------------|---------------|-----------------------|----------------|---------------------|------------|------|
| | Shares | Fair value | Shares | Amount | Shares | Amount | Shares | Fair value | | |
| ProMOS TECHNOLOGIES INC. | 5,500,000 | \$ 67,650 | - | \$ - | - | \$ - | 5,500,000 | \$ 67,650 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | <u>7,315</u> | | <u>36,520</u> | | <u>-</u> | | <u>43,835</u> | | |
| | | <u>74,965</u> | | <u>36,520</u> | | <u>-</u> | | <u>111,485</u> | | |
| Darbe II Venture | 5,000,000 | 50,000 | - | - | - | - | 5,000,000 | 50,000 | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | <u>(3,400)</u> | | <u>245</u> | | <u>-</u> | | <u>(3,155)</u> | | |
| | | <u>46,600</u> | | <u>245</u> | | <u>-</u> | | <u>46,845</u> | | |
| Tien Da Investment Co., Ltd. | - | - | 18,000,000 | 180,000 | (18,000,000) | (180,000) | - | - | None | None |
| Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income | | <u>-</u> | | <u>1,600</u> | | <u>(1,600)</u> | | <u>-</u> | | |
| | | <u>-</u> | | <u>181,600</u> | | <u>(181,600)</u> | | <u>-</u> | | |
| Total | | <u>\$ 1,253,306</u> | | <u>\$ 1,008,118</u> | | <u>(\$ 1,247,702)</u> | | <u>\$ 1,013,722</u> | | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 5

| Name | Beginning Balance | | Addition | | | | Decrease | | Ending Balance | | | Net Equity | | | |
|--|-----------------------|-------------------|-----------------------|-------------------|--------------------------------|----------------------|-----------------------|-------------|-----------------------|----------------------------|---------------------|----------------------------|-----------------|------------|------|
| | Shares (in shares) | Amount | Shares (in shares) | Amount | Investment income (loss) | Other adjustments | Shares (in shares) | Amount | Shares (in shares) | Percentage of Ownership | Amount | Unit Price (in dollars) | Total Amount | Collateral | Note |
| Atlas Tech Investment Co., Ltd. Ltd. | 6,248,313 | \$ 133,690 | - | \$ - | (\$ 25,276) | \$ - | - | \$ - | 6,248,313 | 100.00% | \$ 108,414 | 15.95 | \$ 99,685 | None | None |
| Add (less):Financial statements translation differences of foreign operations | | (7,759) | | - | - | (970) | | - | | | (8,729) | | 99,685 | | |
| | | <u>125,931</u> | | <u>-</u> | <u>(25,276)</u> | <u>(970)</u> | | <u>-</u> | | | <u>99,685</u> | | | | |
| SOLMAX POWER TAIWAN LIMITED. | 7,000,000 | 70,907 | - | - | (662) | (177) | - | - | 7,000,000 | 35.00% | 70,068 | 10.01 | \$ 70,068 | None | None |
| CREATIVE SENSOR INC. | - | - | 28,906,260 | 803,594 | 9,202 | 2,026 | - | - | 28,906,260 | 20.64% | 814,822 | 29.13 | \$ 819,242 | None | None |
| Add (less):Financial statements translation differences of foreign operations | | - | | - | - | 4,420 | | - | | | 4,420 | | 819,242 | | |
| | | - | | 803,594 | 9,202 | 6,446 | | - | | | 819,242 | | | | |
| Tien Da Investment Co., Ltd. | - | - | 18,000,000 | 181,600 | 1,353 | (20,292) | - | - | 18,000,000 | 25.17% | 162,661 | 9.04 | \$ 162,661 | None | None |
| Total | | <u>\$ 196,838</u> | | <u>\$ 985,194</u> | <u>(\$ 15,383)</u> | <u>(\$ 14,993)</u> | | <u>\$ -</u> | | | <u>\$ 1,151,656</u> | | | | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Statement 6

| <u>Nature</u> | <u>Description</u> | <u>Ending Balance</u> | <u>Contract Period</u> | <u>Range of Interest Rate</u> | <u>Credit Line</u> | <u>Collateral</u> | <u>Note</u> |
|----------------------|--------------------|-----------------------|--------------------------|-------------------------------|--------------------|-------------------|-------------|
| Unsecured borrowings | | \$ 297,000 | Expiring within one year | 1.10~1.075% | \$ 500,000 | None | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Statement 7

| <u>Supplier Name</u> | <u>Description</u> | <u>Amount</u> | <u>Note</u> |
|---|--|-------------------|-------------|
| General supplier - | | | |
| Supplier A | | \$ 37,429 | |
| Supplier C | | 8,220 | |
| Others | None of the balances of each remaining supplier is greater than 5% of this account balance | <u>107,402</u> | |
| | | <u>153,051</u> | |
| Related parties: | | | |
| Teco Image Systems (DongGuan) Co., Ltd. | | 210,349 | |
| KORYO ELECTRONIC CO., LTD. | | <u>8,264</u> | |
| | | <u>\$ 218,613</u> | |
| | | <u>\$ 371,664</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF SALES REVENUE
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 8

| <u>Item</u> | <u>Quantity</u> | | <u>Amount of</u> | <u>Amount of kit</u> | <u>Amount</u> |
|---|-------------------------|------------|-------------------------|----------------------|---------------------|
| | <u>Complete machine</u> | <u>kit</u> | <u>complete machine</u> | | |
| Multifunction printers | 139,087 | 364,694 | \$ 1,372,325 | \$ 247,326 | \$ 1,619,651 |
| Trading goods | - | 11,300 | - | 25,427 | 25,427 |
| Others | 15,387 | 290,512 | 26,220 | 99,937 | 126,157 |
| Total operating revenue | | | <u>\$ 1,398,545</u> | <u>\$ 372,690</u> | 1,771,235 |
| Less: Sales returns, discounts and allowances | | | | | (7,762) |
| Net operating revenue | | | | | <u>\$ 1,763,473</u> |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 9

| Item | Amount | Note |
|---|---------------------|------|
| Beginning raw materials | \$ 48,531 | |
| Beginning inventory in transit | 32 | |
| Add: Raw materials purchased for the year | 726,074 | |
| Work in progress transferred to semi-finished goods and raw materials | 190,327 | |
| Less: Ending raw materials | (115,670) | |
| Ending inventory in transit | (2,607) | |
| Semi-finished goods and raw materials transferred to finished goods | (663,855) | |
| Raw materials reclassified as expenses | (4,234) | |
| Others | (247) | |
| Raw materials used for the year | 178,351 | |
| Direct labor | 3,732 | |
| Manufacturing expense | <u>19,353</u> | |
| Manufacturing cost | 201,436 | |
| Add: Beginning work in Progress | 44,689 | |
| Outsourcing fees | 27,599 | |
| Less: Ending work in Progress | (50,707) | |
| Work in progress transferred to semi-finished goods and raw materials | (190,327) | |
| Cost of finished goods | 32,690 | |
| Add: Finished goods at beginning of year | 1,230 | |
| Warehouse entry of finished goods purchased for the year | 753,865 | |
| Semi-finished goods and raw materials transferred to finished goods | 663,855 | |
| Others | 5,130 | |
| Less: Finished goods at end of year | (15,985) | |
| Finished goods reclassified as expenses | (421) | |
| Manufacturing and selling costs | <u>1,440,364</u> | |
| Cost of goods sold | | |
| Opening balance of tradable merchandise | 18,115 | |
| Add: Purchases during the year | 8,723 | |
| Less: Ending balance of tradable merchandises | (9,052) | |
| Cost of purchasing and selling | <u>17,786</u> | |
| Other adjustments | | |
| Add: Inventory valuation loss | (1,332) | |
| Operating costs | <u>\$ 1,456,818</u> | |

TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 10

| Items | Description | Amount | Note |
|----------------------|---|------------------|------|
| Salary expenses | | \$ 5,428 | |
| Freight | | 5,468 | |
| Depreciation expense | | 3,475 | |
| Other expenses | The balance of each expense account has not exceeded 5% of the manufacturing expense | 4,982 | |
| | | <u>\$ 19,353</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 11

| Item | Description | Amount | Note |
|-----------------------------|--|------------------|------|
| Salary expenses | | \$ 13,612 | |
| Cost of services | | 6,663 | |
| Business promotion expenses | | 5,155 | |
| Freight | | 3,136 | |
| Depreciation expense | | 971 | |
| Other expenses | The balance of each expense account has not exceeded 5% of the selling expense | <u>9,777</u> | |
| | | <u>\$ 39,314</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 12

| Item | Description | Amount | Note |
|----------------------|--|-------------------|------|
| Salary expenses | | \$ 60,489 | |
| Cost of services | | 19,881 | |
| Depreciation expense | | 9,362 | |
| Data processing fee | | 7,343 | |
| Stock service fee | | 8,522 | |
| Other expenses | The balance of each expense account has not exceeded 5% of the administrative expense | <u>30,700</u> | |
| | | <u>\$ 136,297</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Statement 13

| <u>Item</u> | <u>Description</u> | <u>Amount</u> | <u>Note</u> |
|-----------------------------------|---|-------------------|-------------|
| Salary expenses | | \$ 70,314 | |
| Depreciation expense | | 8,040 | |
| Research and development expenses | | 9,293 | |
| Other expenses | The balance of each expense account has not exceeded 5% of the research and development expense | 39,645 | |
| | | <u>\$ 127,292</u> | |

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TECO IMAGES SYSTEMS CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION
YEAR ENDED DECEMBER 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

Statement 14

| Nature \ Function | Year ended December 31, 2021 | | | Year ended December 31, 2020 | | |
|----------------------------------|-------------------------------|----------------------------------|------------|-------------------------------|----------------------------------|------------|
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee Benefit Expense | | | | | | |
| Salary expenses | \$ 9,014 | \$ 144,415 | \$ 153,429 | \$ 12,588 | \$ 147,154 | \$ 159,742 |
| Labour and health insurance fees | 739 | 12,751 | 13,490 | 623 | 10,953 | 11,576 |
| Pension costs | 312 | 5,192 | 5,504 | 445 | 5,686 | 6,131 |
| Directors' remuneration | - | 9,938 | 9,938 | - | 6,595 | 6,595 |
| Other personnel expenses | 512 | 8,055 | 8,567 | 431 | 7,673 | 8,104 |
| Depreciation Expense | 3,475 | 18,373 | 21,848 | 1,336 | 21,258 | 22,594 |
| Amortisation Expense | - | 3,295 | 3,295 | - | 4,930 | 4,930 |

Notes:

- 1.As at December 31, 2021 and 2020, the Company had 134 and 138 employees,including 11 and 8 non-employee directors, respectively.
- 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year was \$1,471 ((Total employee benefit expense in current year - Total directors' compensation in year) / (Number of employees in current year - Number of non-employee directors in current year)).
Average employee benefit expense in previous year was \$1,427 ((Total employee benefit expense in previous year - Total directors' compensation in previous year) / (Number of employees in previous year - Number of non-employee directors in previous year))
 - (2) Average employee salaries in current year were \$1,247 thousand (Total employee salaries in current year / (Number of employees in current year - Number of non-employee directors in current year)).

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Average employee salaries in previous year was \$1,229 thousand (Total employee salaries in previous year / (Number of employees in previous year - Number of non-employee directors in previous year)).

- (3) Adjustment of average employee salaries was 1.46% ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).
- (4) The Company set audit committee in June 2020. Remuneration of supervisors was \$0 and \$1,221 for the years ended December 31, 2021 and 2020, respectively.
- (5) Descriptions of remuneration policy (including directors, supervisors, managers and employees):
- A. Remuneration policy of directors and supervisors: Principles and forms of remuneration distribution comprise remuneration from earnings distribution, service execution fees and rewards.
- (a) Remuneration from earnings distribution: Under Article 25 of the Company's Articles of Incorporation, the current year's earnings, before deducting tax and distribution of employees' compensation and directors' and supervisors' remunerations, shall first be reserved certain amounts for offsetting accumulated deficits, then no higher than 5% of the remaining amount shall be set aside as remuneration to directors and supervisors. Remuneration from earnings distribution shall be paid after obtaining approval from the shareholders.
- (b) Service execution fees: Service execution fees are determined by the Compensation Committee based on domestic and foreign industry standards and distributed after obtaining approval from the Board of Directors.
- (c) Rewards: Rewards of directors and supervisors are paid monthly and determined based on their participation degree, contribution value and responsibility degree, referring to domestic and foreign industry standards. Rewards of directors and supervisors are distributed after obtaining approval from the Board of Directors.
- B. Remuneration policy of managers and employees: Managers and employees of the Company are remunerated based on domestic and foreign industry standards and the principle of the correlation and rationality with respect to the individual's performance, the Company's performance and the future operational risks.
- (a) Remunerations of managers and employees: remunerations of managers and employees include fixed and variable salaries. Fixed salary is the monthly payment, and variable salary is the year-end bonus, performance bonus, employees' compensation and other substantial incentive measures.

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- (b) Salary: Salary is decided based on the Company's compensation administration guidelines and the usual industry standard.
- (c) Employees' compensation: Under Article 25 of the Company's Articles of Incorporation, the current year's earnings, before deducting tax and distribution of employees' compensation and directors' and supervisors' remunerations, shall first be reserved certain amounts for offsetting accumulated deficits, then 5% ~15% of the remaining amount shall be set aside as compensation to employees. Employees' compensation shall be distributed after obtaining approval from the Board of Directors and reporting to the shareholders.