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Tai-Tech Advanced Electronics Co., Ltd.

2021

Annual Report

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One. Letter to Shareholders

I. 2021 Business Report

Dear Shareholders,

For the year of 2021, despite the impact of the COVID-19 pandemic, the growth of demand was driven by technology innovative applications transformed from home office and living related subjects under the pandemic with respect to the fields drawing greater attention in the industry, such as high speed network, high speed computation, 5G, Internet of Things (IoT) and future automobile. Although the end customers suffered from shortage of chips and the supply chain long period of material shortage effect throughout the year such that the electronic product output was affected, the Company was able to seize opportunities associated with the increase of application field demand, the Company focused on the four main core products of “Multilayer Chip Inductor and Bead”, “Wirewound Inductor”, “Molded Power Inductor” and “Common Mode Choke and LAN Transformer”. All production lines were adjusted to have different level of production capacity expansion to satisfy demands, such that when the customer demand increased rapidly, the Company was able to achieve effective outcome. Particularly, for the new products of “Discrete-type Network Transformer” and “Automotive Grade Molded Power Inductor”, after a long period of planning and development at the customer end, the growth of such products was most prominent. Accordingly, the annual revenue and profit for the year of 2021, continuing from the outcome in 2020, achieved new record highs.

The 2021 consolidated revenue of the Company was NT\$ 6,165,281 thousand, a growth of 37.7% from the consolidated revenue of NT\$ 4,478,004 thousand in 2020. The consolidated product gross profit reached NT\$ 2,135,564 thousand (gross profit margin of 34.6%), a growth of 46.3% from the product gross profit of NT\$ 1,459,493 thousand (gross profit margin of 32.6%) in 2020. In 2021, the operating profit was NT\$ 1,330,196 thousand (operating profit margin of 21.6%), a growth of 49.5% from the operating profit of NT\$ 889,534 thousand (gross profit margin of 19.9%) in 2020. The 2021 net profit after tax was NT\$ 1,197,065 thousand, a growth of 62.9% from the net profit after tax of NT\$ 734,671 thousand in 2020. The basic earnings per share after tax in 2021 was NT\$ 12.08, indicating a significant growth from the basic earnings per share after tax of NT\$ 8.07 in 2020.

In 2021, regarding the product revenue of Tai-Tech Advanced Electronics, the chip products accounted for 17.06% of the total revenue; wire-wound products accounted for 63.86% of the total revenue; LAN transformer products accounted for 18.54% of the total revenue; other products accounted for 0.54% of the total revenue. In terms of the application markets of main product sales, computer related market accounted for 35%; consumer electronics related market accounted for 12%; communication electronics accounted for 30%; automotive grade electronic market accounted for 17%; other markets

(including power management, security and protection, industrial control, etc.) accounted for 6%. 2021 main product line performance is summarized in the following:

1. Multilayer products

Throughout the year of 2021, for the multilayer chip product line, except that due to the uncertainty factors of increasing Omicron pandemic in Q4 and the shortage of IC chips of end customers as well as seasonal inventory control, the output volume obviously declined, the end demand was strong for the first three quarters and the output volume and production line activation rate were also high. The annual output volume was approximately 20.3 billion chips, a growth of 13.4% from the annual output volume of 17.9 billion chips in 2020.

2. Wire-wound products

(1) Precision wirewound inductors

In 2021, the growth of this type of product was relatively prominent in the market of sealed thin power inductors applied to network communication and panel products, and Ultra High Current Beads applied to various types of power management and gaming consoles, such as PS5. Except that the demand for precision wirewound inductor products declined in Q4, the number of orders in the first three quarters were high and the production lines were fully loaded. Accordingly, the annual output volume reached 1.969 billion units, a growth of 14.1% from the 1.726 billion units in 2020.

(2) Molded power inductors

Throughout the year of 2021, for the production line of molded power inductors, the activation rate was still high, and the output volume of products of various sizes showed significant growth. The growth of the end application market of the products applied to notebook computers and automotive grade electronics was most prominent. The annual output volume was 1.024 billion units, a growth of 36.9% in comparison to 2020. It is also the product line accounted for the highest revenue ratio.

(3) Common mode chokes

In 2021, the common mode chokes of the Company were applied to high speed network interface ports of various consumer products, such as HDMI2.1, USB3.0/3.1 etc., and the products were also widely applied to the filtering of common mode noise of various module interface ports of automotive grade electronics. Due to the high end-market demand, the orders were increased significantly. For this type of products, in 2021, the annual output volume was 895 million units, a growth of 25.4% from the 714 million units in 2020.

3. LAN transformer products

Network transformer products are mainly applied to the network communication market. For the first three quarters of 2021, the market demand was strong, and the production capacity of the Company was increased month after month such that the revenue was also increased. However, in Q4, despite that the market demand from the network communication market was still strong, parts of the materials for the network communication chip were in shortage, such that the orders from end network communication customers were affected, and the sales revenue declined in Q4. For such new type of product, in terms of the network communication equipment application, it is able to replace the LAN transformation modules manufactured manually through traditional method, and such trend becomes more prominent. Under the active expansion of production capacity of the Company to satisfy demands of end customers, despite that the orders were slightly reduced in Q4, the annual output volume still reached 2.85 billion units, a significant growth of 175.4% from 1.035 billion units in 2020, making it to be the product with the greatest growth among all product lines of the Company.

In 2021, the product development direction of Tai-Tech Advanced Electronics was mainly for the application demands of growing market in recent years and focused on small size high current multilayer chip beads, low-loss high power inductor, automotive grade common mode filters, etc. The main development outcomes include the following:

1. WCM1513/1211/9070 high-current resistant common mode filter automatic production and mass production.
2. Completion of development of TVMP/TTMA/TTMP vertical and dual line alloy high-current resistant inductors.
3. Completion of development of compact chip high current magnetic bead HFZ1005/1608 series of products.
4. Completion of development of compact wirewound high current inductor AHP160808 series of products.
5. Completion of development of HPC-BMV series of automotive grade inductor products.
6. Completion of development of Power Over Coaxial APO2012/3225/4532 series of products.
7. Completion of automotive grade ACM3225F2DV temperature resistant 150 degree series of products.
8. Completion of development of ACM3225 common mode filter for automotive grade communication high-end OA1000.
9. Successful development of BCM3225 series of balance-unbalance converter.

10. Completion of development of automotive grade high-reliability low-loss power inductor MMIM4030GV.

II. 2022 Business Plan

Looking into the year of 2022, the unexpected outbreak of the war between Russia and Ukraine and the increasing impact of Omicron pandemic in China, the global supply chain showing signs of recovery at the beginning of the year is in difficult situation again, and it may further become a threat to the global economic growth along with the increase of inflation. In comparison to 2021, we are facing greater uncertainties.

Nevertheless, during the post pandemic era, as the global enterprises accelerate their digital transformation, the consumer demand for broadband network continues to increase, and the network service providers accelerates their investment in the construction of large data center, relevant products of network communication equipment, data center and servers are expected to show outstanding growth. In addition, as countries continues to establish their target for carbon reduction and neutralization, relevant incentives and subsidies provided to electric cars are expected to drive global giant car manufacturers to continue to focus on the development of electric cars as the key development item, thereby further increasing the market sale scale of global electric cars. In view of the above, we believe that new growth opportunities are abundant and such opportunities are expected to drive the future growth of the passive component industry.

Tai-Tech Advanced Electronics will seize such growth opportunities and utilize its core capability, in order to not only continuously enhance business and market development, but also focus on the development and promotion of new products, thereby establish solid and stable foundation for continuous future growth of the Company. The 2022 operation key points established by Tai-Tech Advanced Electronics are as follows:

1. Key points for each production line

(1) Multilayer products

Regarding the operation key points for this type of product in 2022, in addition to continuous maintenance of the competitive advantages established, including diverse application market, high market share and outstanding cost structure, the Company will continue to promote miniaturized products of higher technology level and profit margin in the market, and will also develop and promote complete electric series of high current multilayer chip magnetic beads of medium and small sizes, thereby increasing the profit of chip products. In addition, the Company will continue to upgrade key processing equipment, in order to maintain the monthly production capacity at 2 billion units per month.

(2) Wire-wound products

a. Precision wirewound inductor

The sealed thin power inductors mainly applied to network communication, panel, consumer electronics and automotive grade electronic markets are commodity components. For 2022, there is presently no production expansion plan, and the current production capacity will be adopted to satisfy the customer demands. The operation strategy will focus on the cost of the production line, yield rate and quality control, and the total monthly production capacity will be maintained at 110 million units per month. Single wirewound ferrite inductors and ceramic inductors, wirewound low-frequency antenna products are commodity components as well, and the main application markets include such as consumer electronics, TWS wireless earphones, wireless communication, network communication market, IoT application and automotive grade electronics, etc., are fast growing application markets in recent years. For 2022, for this type of product, the monthly production capacity will be maintained at 25 million units per month, and the production capacity will be adjusted flexibly to satisfy the customer demands. The Ultra High Current Beads designed and developed by the Company in recent years are of high output efficiency and stable quality due to automated production, such that they can be used to replace the main stream of manual threading magnetic beads in the market, and the end customer demand increases year after year. In 2022, the monthly production capacity will be able to reach at least 45 million units, and the production capacity can further increased depending upon the customer demands.

b. Molded power inductor

This type of product is centralized for production in Si-Hong Plant. In recent years, the Company has been actively focused on the development directions of thin, low resistance, low loss, high inductance, high temperature resistance, and high energy conversion rate, in order to develop high value added products, targeting at automotive grade electronics and high-end consumer electronic products. For the 2022 product line operation strategy, since the order demand is still high, the Company will satisfy the order demands of customers with best effort as the goal, and the total monthly production capacity will be maintained at 100 million units. In addition, depending upon the customer demands and new market, such as memory module DDR5 mass production demand, the production capacity will be increased. Furthermore, the Company will also accelerate the development of new products of TMPF, TMIM, MMIM, THFD series of special process and will also perform market promotion and customers approval at the same time, in order to expand the market share of such type of differential products, thereby increasing revenue and profit.

c. Common mode choke

For this type of product, in recent years, the Company faces competition from multilayer type common mode filter in market, and the operational strategy of the Company for this type of product has shifted to the planning of high-end products for the end application market, including (i) Dual-line common mode filters applied to high speed signal connection interface USB3.1/USB4.0 / HDMI2.1. (ii). Common mode filters specialized for automotive grade electronics. (iii) High current common mode filters Through the adjustment of aforementioned strategy, despite that the revenue ratio of this type of product over the total revenue of the Company decreases, the orders are mainly for products of high unit price and high profit margin. In 2022, for the production of this type of product line, due to the significant increase of customer demands, the production capacity will be increased to 65 million units per month.

(3) LAN transformer products

In 2021, due to the continuous impact of the COVID-19 pandemic, network communication customers have demonstrated higher acceptance on such new type of LAN transformer. Accordingly the output volume and sales revenue of such type of product have shown significant growth. The operation key point for 2022 will focus on the increase of the mass production capacity for “Capacitive Network Transformer” in order to satisfy customer’s order demand. In addition, the Company continue to promote end customers and to plan the application solutions of “Inductive Network Transformer” in high-end products, as well as to consider the certification of future products at the customer end. Regarding the discrete-type LAN transformer solution of such type of product in 2022, the monthly production capacity of the components will exceed 380 million units. The demand for modules will be maintained at the stable monthly production capacity of 1 million units.

2. New product development plan

- (1) Development or introduction of high temperature resistant (155 degree) high conductivity nickel-zinc material.
- (2) Development of ultra-low loss iron alloy powder.
- (3) Development of micro-LAN transformer module.
- (4) Automatic production and mass production of WCM5550 high-current resistant common mode filter.
- (5) Development of THFD high-current resistant inductors for electric car charging.
- (6) ACM3225 common mode filter for automotive grade communication high-end OA1000 version 2.

- (7) Development of automotive grade high-reliability low-loss power inductor MMIM5030 series of product.

III. Impacts of External Competitive Environment, Legal Environment and Overall Operating Environment

With regard to the external competitive environment, for decades of deep-rooted business development in the constantly changing electronics industry, Tai-Tech Advanced Electronics continues to actively face all challenges and flexibly copes with the market change through risk identification and strategy adjustment. The Company also improves continuously in all aspects in order to establish a certain position and competitive advantages in the inductor industry. In recent years, the trend of increasing scale of giant manufacturers in the passive component industry becomes more prominent, and the competition in the industry is heading toward a higher level. The Company will continue to develop key technical capacities in the design and manufacturing of magnetic materials and ferrite cores, and will face external competition with the core competitive advantages of highly automated production.

With regard to the legal environment, the Company has been established for more than 46 years, and all factories in various locations in both Taiwan and China comply with the laws and are committed to the goal of fulfilling corporate social responsibilities. In addition, for changes of the legal environment, the Company also seeks response from professional managerial officers and assistance of legal experts for each facility site in order to comply with the laws and regulations properly.

Although the current overall economic environment changes constantly and having significant impact on the electronics industry, new end electronic product functions continue to emerge and emerging application fields also develops rapidly, such that the demand for inductor component products continues to be driven to increase, thereby providing continuous growth opportunity for the Company. In the future, the Company will actively engage in R&D and innovation along with the market trend, in order to provide high value added and quality products and to improve customer services, as well as to understand the market competitive status and to increase growth energy. The Company will also continue to adopt the business strategy of diverse products and application markets in order to achieve growth and spread risks, thereby establishing long-term competitive advantages.

IV. Future Company Development Strategy and Outlook

With the competitiveness advantages of more than 46 years of experience in the development of magnetic material technologies, vertical integrated manufacturing capability, development of diverse inductor products, and highly automated production capacity, the Company has established excellent foundation in the inductor and magnetic

component industry. Looking into the future, despite that the pandemic still affects the society and the international political and economic status still changes frequently, nevertheless, new generation of electronic end products and applications continue to emerge and evolve, such development will drive further improvement of the electronic component industry technologies and increase of its demands, which in turn, will continue to provide great opportunity for business growth of the Company. In the next several years, Tai-Tech Advanced Electronics will actively plan and develop automotive grade electronics, network communication, high-speed digital computation related application fields. For product development, the Company will focus on satisfying the demands of the aforementioned application fields and will aim at the development direction of miniaturized products, and products of high frequency, high speed, high current resistant, increased working temperature, as well as increase of product performance and reduction of current loss. The Company will continue to increase the product added value and to optimize product combination, in order to increase the output ratio of niche products, thereby further improving profit margin performance and profit performance. The planning for future product line will also be executed based on the consideration of the international political and economic status change risk. The Company will expand the production line capacity in the headquarter plant in Taiwan and will continue to focus on the core business along with the practical management philosophy, enhancement of ESG implementation, in order to head toward sustainable operation and to achieve the vision of world first-class inductor supplier with best effort.

We sincerely appreciate shareholders' long-term support and care. We wish you all the best.

Good Health and Prosperous

Tai-Tech Advanced Electronics Co., Ltd.

Chairman Ming-Yen Hsieh

Managerial Officer Ming-Liang Hsieh

Accounting Officer Hui-Yu He



Two. Company Profile

I. Registered date of establishment: November 2, 1992.

II. Company History

·November 1992: TAI-TECH Advanced Electronics Co., Ltd. Established with paid-in capital of NT\$26,500 thousand.

·September 1993: Engaged in cash capital increase of NT\$1,000 thousand; after capital increase, paid-in capital amounted to NT\$27,500 thousand.

·July 1995: Engaged in cash capital increase of NT\$27,500 thousand; after capital increase, paid-in capital amounted to NT\$55,000 thousand.

·December 1995: Invested in DongGuan TAI-TECH Advanced Electronics Co., Ltd.

·April 1996: Obtained ISO-9002 quality certification.

·January 1997: In cooperation with the Industrial Technology Research Institute's Institute of Materials, the high-frequency multilayer chip inductor process technology was successfully developed and mass-produced.

·September 1999: Engaged in cash capital increase of NT\$38,500 thousand; after capital increase, paid-in capital amounted to NT\$93,500 thousand.

·August 2000: Capitalization of retained earnings of NT\$16,500 thousand; after capital increase, paid-in capital amounted to NT\$110,000 thousand.

In addition, the investment was transferred to establish Tai Hsiang Technology Co., Ltd.

·November 2000: Merged North West Electrical (NWE) Co., Ltd. to increase capital by NT\$88,127 thousand; capital amount after consolidated capital increase was NT\$198,127 thousand.

·May 2001: Obtained QS-9000 quality certification.

·July 2001: Capitalization of retained earnings of NT\$30,670 thousand; capital reserve was converted into capital of NT\$66,203 thousand, and engaged in cash capital increase of NT\$61,000 thousand; paid-in capital was NT\$356,000 thousand.

·August 2001 Reinvestment in TAI-TECH Advanced Electronics (Kunshan).

·December 2001: Cash capital increase of NT\$100,000 thousand; after capital increase, paid-in capital amounted to NT\$456,000 thousand.

·July 2002: Capitalization of retained earnings of NT\$82,536 thousand. In addition, merged with Tai Hsiang Technology Co., Ltd. and Taito Technology Co., Ltd. to increase capital by NT\$10,240 thousand; capital increased to NT\$548,776 thousand.

·January 2003 Changed Company name to Tai-Tech Advanced Electronics Co., Ltd.

- May 2003: Capitalization of retained earnings of NT\$35,670 thousand and cash capital increase of NT\$25,554 thousand, bringing paid-in capital to NT\$610,000 thousand.
- August 2003: Passed ISO14001 environmental management certification.
- February 2005: Passed EcoPartner supplier certification for Samsung Electronics of South Korea.
- June 2005: Passed the ASUS computer green system management standard. In addition, engaged in capitalization of retained earnings of NT\$61,000 thousand; after capital increase, paid-in capital amounted to NT\$671,000 thousand.
- November 2006: Engaged in cash capital increase of NT\$28,748 thousand. In addition, merged with Taicheng Technology Co., Ltd. to increase capital by NT\$252 thousand. Paid-in capital amounted to NT\$700,000 thousand.
- January 2007: Recognized as Best Supplier of Gigabyte.
- April 2007: Thin inductor products won recognition by the Ministry of Economic Affairs for Leading Product Development Plan and Own Brand Marketing in International Markets promotional program grants.
- June 2008: Hon Hai Precision JIT Outstanding Contribution Award.
- December 2008: Reinvestment in TAIPAQ Electronics (Si-hong) Co., Ltd.
- December 2009: Certified as a Sony Green Partner.
- December 2009: Engaged in cash capital increase of NT\$550 thousand; after capital increase, paid-in capital amounted to NT\$700,550 thousand.
- June 2010: Developed miniaturized 0201 magnetic beads.
- August 2010: Developed common mode filters for DVI, HDMI, and USB3.0.
- January 2011: Engaged in cash capital increase of NT\$79,450 thousand; after capital increase, paid-in capital amounted to NT\$780,000 thousand.
- March 2011: Applied to the Financial Supervisory Commission for a public offering of shares, and the effective notification declared on March 17.
- April 2011: Applied to the Taipei Exchange for stock listing and registered as an Emerging Market listed stock on April 6.
- July 2011: Developed a common mode filter for HSF series USB3.0 (the world's smallest wire-wound common mode filter).
- August 2011: Passed TS-16949 quality certification.
- December 2011: Developed sensor PAS4420 series.
- January 2012: Invested in Jui Hsun Advanced Technology Co. for design and sale of RF parts.
- February 2012: TCM3225 products put into production.
- April 2012: Mass production of the PA4420 and PAS6420 series of hearing aid sensors for the deaf in mobile phones.

- July 2012: Composite wire-wound inductor that can reduce signal distortion certified for patent application in the Republic of China.
- September 2012: Common mode filter certified for patent application in Japan.
- September 2012: Capitalization of retained earnings of NT\$15,600 thousand; after capital increase, paid-in capital amounted to NT\$795,600 thousand.
- December 2012: Composite wire-wound inductor that can reduce signal distortion certified for patent application in Japan.
- July 2013: Wire-wound devices for near field induction for wireless charging or NFC certified for patent application
- December 2013: Merged with Jui Hsun Advanced Technology Co., Ltd.
- January 2014: The Board of Directors passed a resolution to liquidate investment in DongGuan TAI-TECH Advanced Electronics Co., Ltd.
- June 2014: Completed liquidation of Fixed Rock Investment Co., Ltd.
- August 2014: Engaged in cash capital increase of NT\$114,400 thousand; after capital increase, paid-in capital amounted to NT\$910,000 thousand.
- October 2014: Acquired 100% of equity in reinvested business TAIPAQ Electronics (Si-Hong) Co., Ltd.
- January 2015: The Board of Directors passed a resolution to liquidate reinvestment in KamHeng International Ltd.
- June 2015: Mass production of the AHP series of high-electrical specifications encapsulated wire-wound thin power inductors.
- August 2015: Mass production of 4-Lines pulse transformer TXF3532/4532 series
- August 2015: Mass production of automatic type LAN transformer module
- November 2015: Mass production of AWP series of one-piece alloy miniature power inductors.
- November 2015: Developed PAS series of wire-wounds for tire pressure detectors.
- April 2016: Automated production of inductive and capacitive LAN transformer modules.
- June 2016: Mass production of AHP2016/2520 full-series high electrical specifications encapsulated wire wound alloy material wound flat wire power inductors.
- August 2016: Development completed for TXF5353 size 4-lines pulse transformer suitable for POE specification.
- September 2016: Completed development of ACM series of common mode filters for automotive electronic applications.
- September 2016: In respect to automotive electronic applications, completed development of large-size integrated high-current-resistant power inductors.
- December 2016: Applied for approval to acquire subsidiary Yao Tsuan Technology Co., Ltd.

- March 2017: Developed Ui28~30 material, a new alloy materials with high magnetic permeability.
- April 2017: Released TXF3532/4532 auto-winded LAN Transformer for POE+ application.
- July 2017: For the BPH series of high-current threading magnetic beads, development of a full series of automated processes was completed and mass production undertaken.
- August 2017: Mass production of the AWP series of miniature alloy molded power inductors at the Si-Hong plant.
- October 2017: On-board (discrete) solution of LAN transformer already in use by several customers.
- January 2018: Common mode filter for HDMI2.1 specification.
- April 2018: Specialized for automotive electronics, automatic production of medium common mode filters WCM7060 and other series entered mass production.
- July 2018: Fully automated molded power inductor production line was installed in Si-Hong Plant and started mass production.
- July 2018: Miniaturized development of encapsulated wire-wound ferrite-wound flat wire power inductor AHP products.
- July 2018: Completed development of 2.5G/5G product specification of the inductive LAN transformer module and gained recognition from customers.
- November 2018: 10G product specification development completed for inductive LAN transformer modules and samples began to send out.
- April 2019: Released multilayer chip high current power inductors, including the development and mass production of CPI/MPI series products with distinct high, medium, and low specifications.
- April 2019: The Board of Directors approved a proposal for TAI-TECH Advanced Electronics (Kunshan) to allocate equipment price surplus to Best Bliss Investment Ltd. and subsequently to use this equipment price to apply for investment in TAIPAQ Electronics (Si-Hong) Co., Ltd. After completion, Fixed Rock Holdings to hold 92.29% equity of TAIPAQ Electronics (Si-Hong) Co., Ltd. while Best Bliss Investment Ltd. to account for 7.71%.
- June 2019: Developed and mass-produced inductor SWF2012RF/1608RF and HPC201212MF series for true wireless earphones (TWS).
- July 2019: Greater miniaturization of thin-type encapsulated wirewound inductors (including ferrite and alloy materials): development and mass production of AHP121008/121010 and thin AHP201608/252008 products.
- July 2019: Automotive common mode filter ACM4532/ACM3225, suitable for general specifications of CAN FD.

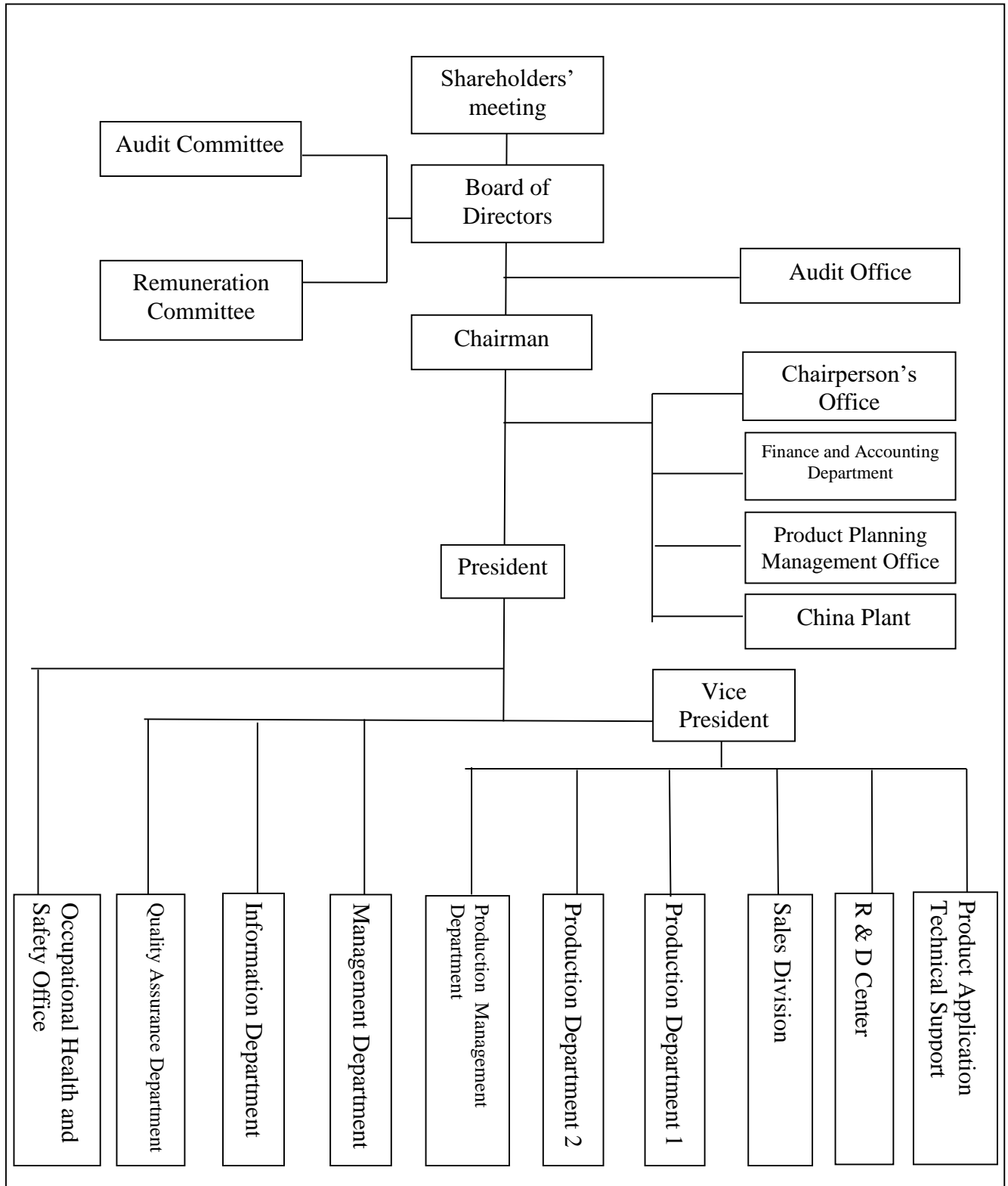
- October 2019: Completed development of LAN transformer TXF5365/TXF4532/TXF3532 series suitable for Power over Ethernet (PoE) specifications of Ethernet power supply.
- October 2019: Passed ISO45001 occupational safety and health management system certification.
- November 2019: Development and certification work applied to the next-generation memory module DDR5 one-piece power inductor TMPF series.
- April 2020: Released three-wire balun transformer BCM3225 series.
- July 2020: Development and mass production of power for true wireless (TWS) earphone use, including UHP160808TF / UHP201208TF/RF / UHP201210RF series for medium and high-end earphone applications, HPC160809TF series for mid-end earphone applications, and FCH160808SF series for low-end earphone applications.
- July 2020: Released medium size BPH853025F8E-101T high resistance automatic wire-wound magnetic beads.
- September 2020: Released TMIM3225/2520 series of high-current-resistant miniaturized and thin molded power inductors.
- October 2020: Applied to the Internet of Vehicles, CAN FD (Controller Area Network Flexible Data-Rate) Class 1, 2, 3 common mode filter ACM4532/3225.
- October 2020: Released Common mode filter APO322523/30 series (POC, Power Over Coaxial) used in vehicle coaxial power supply network systems.
- October 2020: Released high temperature resistance (125 C) DCM3216/3225/4532 series for LAN transformers.
- November 2020: Released LAN transformer TXF536540 6-terminal electrode and 7-terminal electrode series compatible with 5GbE Power over Ethernet PoE/60W specification.
- March 2021: Issued new shares for cash capital increase prior to initial public offering on TPEX; 12,134 thousand common shares were issued. After capital increase, paid-in capital amounted to NT\$1,031,340 thousand.
- April 2021: Listed on TPEX on April 27, 2021.
- June 2021: WCM1513/1211/9070 high-current resistant common mode filter automatic production and mass production.
- August 2021: Completed the development of TVMP/TTMA/TTMP vertical and two-wire alloy type high resistance inductors.
- September 2021: Completed development of miniaturized chip type high resistance magnetic beads HFZ1005/1608 series.
- September 2021: Completed development of AHP160808 series of miniaturized wire-wound high resistance inductors.

- 'October 2021: Completed development of HPC-BMV series of automobile inductor products.
- 'October 2021: Completed automotive grade ACM3225F2DV temperature resistant 150 degree series of products.
- 'November 2021: Completed development of ACM3225 common mode filter for automotive grade communication high-end OA1000.
- 'November 2021: Completed development of automotive grade high-reliability low-loss power inductor MMIM4030GV.

Three. Corporate Governance Report

I. Organizational System

(I) Organization Chart



(II) Business Operations of Major Departments

Department	Primary Function
Audit Committee	<ul style="list-style-type: none"> • Supervise the fair presentation of financial statements; evaluate the management of potential risks. • Supervise the effectiveness of implementing internal controls and compliance with relevant laws and regulations. • Supervise the selection (removal) of CPAs as well as their independence and performance.
Remuneration Committee	<ul style="list-style-type: none"> • Establish and regularly review the reasonableness of the remuneration of directors and managers.
Audit Office	<ul style="list-style-type: none"> • Audit and evaluation of the internal control system. • Audit report preparation and improvement work evaluation. • Evaluation and audit of the internal control systems of overseas subsidiaries.
Chairperson's Office	<ul style="list-style-type: none"> • Formulate business strategy and product development direction. • Supervise each plant's operations.
Finance and Accounting Department	<ul style="list-style-type: none"> • Planning and management of budget compilation, accounting, taxation, and shareholder services. • Fund scheduling, management and financing planning, and handling of accounts and financial reports.
Product Planning Management Office	<ul style="list-style-type: none"> • Development, negotiation, and procurement of domestic and foreign suppliers. • Supplier evaluation and management. • Inventory management of goods on hand.
Product Application Technical Support Department	<ul style="list-style-type: none"> • Product introduction. • Product application introduction. • Application problem solving.
R & D Center	<ul style="list-style-type: none"> • Design, sampling, research, development planning, and implementation of new products and technologies. • Product-related technical support and consultation, and rationalized equipment development.
Sales Division	<ul style="list-style-type: none"> • The planning and execution of business objectives. • Planning and management of market development, customer service, and product sales and collection. • Global customer market research and business information collection and analysis. • Planning and execution of product marketing and development of major overseas sales markets.
Production Department 1 Production Department 2	<ul style="list-style-type: none"> • Product production, quality inspection, trial production, and warehouse management. • Establishment and implementation of quality control and engineering technology. • Planning and implementation of shipping, outsourcing management, and material control systems. • Production automation planning and execution. • Equipment security.

Production Management Department	<ul style="list-style-type: none"> • Order shipping related matters. • Management of incoming and outgoing materials in each warehouse. • Process input and production scheduling plan for each production line. • ProductiVon line reports and performance arrangement.
Management Department	<ul style="list-style-type: none"> • Human resource planning, personnel system, welfare, education, and management of affairs. • Establishment and implementation of administrative and general affairs systems. • Handling of public relations and legal affairs. • Procurement and management of key raw materials, equipment, and various goods. • Third-party development management.
Information Department	<ul style="list-style-type: none"> • Regulate the rights, responsibilities, and independence of computer data processing. • Assist system requirements assessment and development progress control. • Responsible for information education training and system document production. • Handle system issues and related custom requirements adjustments. • Manage data security and information security issues.
Quality Assurance Department	<ul style="list-style-type: none"> • Product inspection and handling of anomalies and customer complaints. • Business planning and implementation of quality audit and certification. • Management of instruments, and after-sales service.
Occupational Health and Safety Office	<ul style="list-style-type: none"> • Regularly convene meetings of the Occupational Health and Safety Committee for communication and recording. • Implement occupational safety and health codes and rules set by the Company. • Prevention and inspection of every type of incident.

II. Information on directors, supervisors, the President, vice presidents, associate managers, and supervisors of various departments and branches

(I) Information on directors and supervisors

(1) Information on shareholdings of directors and supervisors

April 23, 2022; Unit: Shares

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of office	Initial election date Job Assumption Date	Shares held at the time of appointment		Number of shares currently held		Spouse and minor children currently holding shares		Shares held by proxy		Principal Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relations hip	
Chairman	Republic of China	Representative: Ming-Yen Hsieh	Male 51-60	June 25, 2019	3 years	July 21, 2006	2,871,608	3.16%	2,464,829	2.39%	463,371	0.45%	-	-	Master of Business Administration, Pacific Western University (US) Department of Mechanical Engineering, Minghsin University of Science and Technology CEO, Tai-Tech Advanced Electronics Co., Ltd. President, Tai-Tech Advanced Electronics Co., Ltd. Vice President, Tai-Tech Advanced Electronics Co., Ltd. Executive Vice President, TAI-TECH Advanced Electronics Co., Ltd.	Chairman, President and Director, TAIPAQ Electronics (Si-Hong) Co., Ltd. Chairman, President and Director, TAI-TECH Advanced Electronics (Kunshan) Chairman and Director, Fixed Rock Holding Limited Chairman and Director, North Star International Limited Chairman and Director, Best Bliss Investments Limited Director, Superworld Holdings (S) Pte. Ltd. Chairman and Director, Northwest Investment Corporation Director, AIPAQ Technology Co., Ltd.	Director	Yu-Hsiang Hsieh Yu	Mother/S on	
	Republic of China	Northwest Investment Corporation	-	June 25, 2019	3 years	July 21, 2006	6,245,718	6.86%	6,121,718	5.94%	-	-	-	-	-	-	-	-	-	-
Director	Republic of China	Representative: Yu-Hsiang Hsieh Yu	Female 71-80	June 25, 2019	3 years	May 14, 2010	2,207,703	2.43%	1,419,902	1.38%	-	-	-	-	Yang Mei Elementary School	Chairman and Director, Heng Yang Investment Corporation	Chairman	Ming-Yen Hsieh	Mother/S on	
																	President	Ming-Liang Hsieh	Mother/S on	-
																		Director of Sales Division	Ming-Chi Hsieh	Mother/S on
	Republic of China	Heng Yang Investment Corporation	-	June 25, 2019	3 years	May 14, 2010	6,108,995	6.71%	6,467,995	6.27%	-	-	-	-	-	-	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of office	Initial election date Job Assumption Date	Shares held at the time of appointment		Number of shares currently held		Spouse and minor children currently holding shares		Shares held by proxy		Principal Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relations hip	
Director	Singapore	Chin-Sheng Chen	Male 51-60	June 25, 2019	3 years	May 14, 2010	-	-	-	-	-	-	-	-	EMBA, College of Management, National Taiwan University Department of Electrical Engineering, Hwa Hsia University of Technology Director, TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Director, Superworld Holdings (S) Pte. . Chairperson and Director, Superworld Electronics (S) Pte. . Chairperson and Director, TAI-TECH Advanced Electronics (S) Pte. . Chairman and Director, Superworld Electronics Co., Ltd. (Hong Kong) Chairman and Director, Superworld Electronics Co., Ltd. Chairman and Director, Dongguan Chenghan Electronics Co., Ltd. Director, SC Innovation Limited Director, KL Venture Limited Director, Best Merits Ventures Limited Director, SerLink International Ltd.	-	-	-	-
Director	Republic of China	Chien-Jung Lin	Male 71-80	June 25, 2019	3 years	August 7, 2001	1,907,550	2.10%	1,836,610	1.78%	629,810	0.61%	-	-	Department of Electromechanical Engineering, Minghsin University of Science and Technology Chairman's Office Director, Managing Director, Consultant, Tai-Tech Advanced Electronics Co., Ltd. President, Tai-Tech Advanced Electronics Co., Ltd. Technical Vice President, North West Electric Engineering Specialist, TDK Corporation	Supervisor, Northwest Investment Corporation Supervisor, TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	-	-	-	-
Director	Republic of China	Chih-Cheng Hung	Male 51-60	June 25, 2019	3 years	May 14, 2010	1,302,345	1.43%	1,225,615	1.18%	46,650	0.05%	-	-	Master, School of Health Care Administration, Taipei Medical University Bachelor, School of Medicine, Chung Shan Medical University Official Research Fellow, Oregon Health & Science University, U.S.A. Attending Physician, Linkou Chang Gung Medical Cosmetic Center President, Taipei Head Office, Han Fong Cosmetic Clinic	Director, Chimay Plastic Surgery Clinic	-	-	-	-
Director	Republic of China	Kuei-Kuang Huang	Male 71-80	June 25, 2019	3 years	October 16, 2000	2,564,591	2.82%	2,564,591	2.48%	1,109,612	1.08%	-	-	Department of Mechanical Engineering, Taipei Municipal Da-An Vocational High School President, Tai Tuo Technology Co., Ltd. Management Department Vice President, North West Electric Engineering Factory Director, North West Electric Engineering Section Chief, TDK Corporation	-	-	-	-	

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of office	Initial election date Job Assumption Date	Shares held at the time of appointment		Number of shares currently held		Spouse and minor children currently holding shares		Shares held by proxy		Principal Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Republic of China	Wei Luo (Note 1)	Male 61-70	June 25, 2019	3 years	May 31, 2011	-	-	-	-	-	-	-	-	Ph.D., Institute of Management Science, National Chiao Tung University EMBA, National Chiao Tung University Master of Accounting, Oklahoma City University, Oklahoma, USA Bachelor of Accounting, Oklahoma City University, Oklahoma, USA Vice President of Finance and Information Technology, Zyxel Communications Corp. Vice President of Accounting Department, Young Optics Co., Ltd. Vice President of Accounting Department, D-Link Corp.	Senior Vice President, Financial Accounting Supervisor, Spokesperson, Unizyx Holding Corp. Senior Vice President, Financial Accounting Supervisor, Zyxel Communications Corp. Senior Vice President, Financial Accounting Supervisor, MitraStar Technology Corp. Ltd. Legal representative, Wuxi Mengchuang Network Technology Co., Ltd. Supervisor, Wuxi Yanqin Information Technology Co., Ltd. Legal representative, Shanghai Mengtengke Communication Equipment Trading Co., Ltd. Vice Chairperson, Zyxel Iletisim Teknolojileri A.S. Director, Heguan Investment Co., Ltd. Supervisor, Zytpe Communications Corporation Supervisor, Ardorus Networks Corporation Director and Chairperson, Black Cat Inc. Senior Vice President, Financial Accounting Supervisor, Zyxel Networks Corporation Independent Director, Gallant Precision Machining Co., Ltd.	-	-	-	-
Independent Director	Republic of China	Kuang Hui Chu (Note 2)	Male 51-60	June 25, 2019	3 years	May 31, 2011	-	-	-	-	-	-	-	-	Master of Aerospace Engineering, Stanford University (USA) Master of Science in Management, Stanford University (USA) Bachelor of Naval Architecture, National Taiwan University Chairperson, Chuangyi Capital Management Consulting Co., Ltd. Chairperson, Li & Fung Innovation Co., Ltd. Vice President, Jianbang Consulting Co., Ltd. President, Jianbang Venture Capital Co., Ltd. Director, Taiwan Venture Capital Association	Chairperson, Juniver Ventures Ltd. (Ruifeng Investment Co.)	-	-	-	-
Independent Director	Republic of China	Yu-Tsun Li	Male 71-80	June 25, 2019	3 years	October 6, 2015	-	-	-	-	-	-	-	-	Department of Civil Engineering, Taoyuan Municipal Zhongli Commercial High School Independent Director, Tecstar Technology Co., Ltd. Chairperson, TDK Corporation	-	-	-	-	
Independent Director	Republic of China	Yang-Pin Shen (Note 3)	Male 51-60	July 23, 2021	11 months	July 23, 2021	-	-	-	-	-	-	-	-	PhD in Finance, Louisiana State University (USA) Chief Secretary, Yuan Ze University EMBA President, Yuan Ze University Department Chair, Department of Finance of Yuan Ze University Director, Graduate Institute of Management of Yuan Ze	Associate Professor and Director of Human Resources Office, School of Management, Yuan Ze University Director, HanTech Venture Capital Corporation Director, CDIB BioScience Ventures I, Inc. Independent Director, ICP DAS Co., Ltd.	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of office	Initial election date Job Assumption Date	Shares held at the time of appointment		Number of shares currently held		Spouse and minor children currently holding shares		Shares held by proxy		Principal Experience (Education)	Office(s) concurrently held in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
														University Associate Professor, Department of Finance of National Chung Cheng University.						
Independent Director	Republic of China	Yi-Chun Chiang (Note 4)	Female 51-60	July 23, 2021	11 months	July 23, 2021	—	—	—	—	—	—	—	Master in Civil and Commercial Law, National Chengchi University University College of Law EMBA, National Chiao Tung University Project Manager, Legal Department of Vanguard International Semiconductor Corporation Associate Manager/Attorney, PwC Legal	Attorney, Premium Attorneys-at-Law Independent Director, ICP DAS Co., Ltd.	—	—	—	—	

Note 1: Independent Director Mr. Wei Luo resigned on July 23, 2021

Note 2: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021

Note 3: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021

Note 4: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

(2) Major shareholders of corporate shareholders:

December 31, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders
Northwest Investment Corporation	Xie Hengde Investment Co., Ltd. (45.93%), Ruiguang Investment Co., Ltd. (29.49%), Hualan Investment Co., Ltd. (24.58%)
Heng Yang Investment Corporation	Ming-Chi Hsieh (25.91%), Yu-Hsiang Hsieh Yu (22.25%), Ming-Liang Hsieh (21.66%), Ming-Yen Hsieh (21.64%), Ling-Hsia Chou (4.27%), Jui-hsia Tai (4.27%)

(3) Major shareholders of major corporate shareholders: None

(4) Disclosure of information on the professional qualifications of directors and supervisors and the independence of independent directors:

Name	Conditions	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Concurrently serving in other public companies Number of independent directors of the Company
Representative: Ming-Yen Hsieh, Northwest Investment Corporation	Good at leadership, operational judgment, business management, crisis management, and having industry knowledge and international market knowledge	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	
Representative: Yu-Hsiang Hsieh Yu, Heng Yang Investment Corporation	Experience in business management	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	
Chin-Sheng Chen	Good at leadership, operational judgment, business management, crisis management, and having industry knowledge and experience in international markets	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	
Chien-Jung Lin	Experience in business management and industry knowledge	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	
Chih-Cheng Hung	Experience in business management	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	
Kuei-Kuang Huang	Experience in business management and industry knowledge	Not exhibiting any of the circumstances specified under Article 30 of the Company Act.	0	

Wei Luo (Note 4)	Senior Vice President, Financial Accounting Supervisor, Spokesperson, Unizyx Holding Corp.; more than 17 years of professional experience in accounting or finance	<p>During the two years prior to the election and during the term of office, all have met the following independent evaluation criteria:</p> <p>(1) Not an employee of the Company or its affiliates.</p> <p>(2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.</p> <p>(4) Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the Company's Board of Directors. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(7) Not a director, supervisor, or employee of another company or institution whose</p>	1
Kuang Hui Chu (Note 5)	Currently President and Director of Juniver Ventures Ltd.; having experience in international markets and business management		0
Yu-Tsun Li	Chairperson, TDK Corporation; over 37 years of experience in business management and industry knowledge		0
Yang-Pin Shen (Note 6)	Currently an associate professor at the School of Management of Yuan Ze University, a private institution; having than 28 years of teaching experience		1
Yi-Chun Chiang (Note 7)	Currently an attorney at Premium Attorneys-at-Law; having more than nine years of working experience as a lawyer		1

		<p>chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares. (However, if a specific company or institution holds more than 20% of the total issued shares of the Company but not more than 50%, and the established independent director concurrently serves in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(9) Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the Company or any affiliate of the Company for amounts exceeding NT\$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply.</p> <p>(10) He/she is not the spouse or relative within the second degree of kinship of another director.</p> <p>(11) Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p> <p>(12) No provision to be elected by a government or juristic person or their representative under Article 27 of the Company Act.</p>	
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II. Diversity and independence of the Board of Directors:

- (I) Board of Directors' Diversity: Describe the Board of Directors' diversity policies, goals, and achievements. Diversity policies include but are not limited to the composition or ratio director of selection criteria, professional qualifications and experience that the Board of Directors should have in terms of gender, age, nationality and culture, etc.; and the Company's specific goals and our achievement of the previously disclosed policies are described here.
- (II) Independence of the Board of Directors: State the number and proportion of independent directors, and further explain that the Board of Directors is independent while stating with reasons whether any of the circumstances

are present for the Board of Directors as stipulated in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, including a description of any spousal relationship or family relationship within the second degree of kinship among directors or between directors and supervisors.

- Note 1: Professional qualifications and experience: Describe the professional qualifications and experience of individual directors and supervisors. If they are members of the Audit Committee and have accounting or finance expertise, they should state their accounting or finance background and work experience. In addition, indicate whether they do not exhibit any of the circumstances specified under Article 30 of the Company Act.
- Note 2: Independent directors should state their conformity to status of independence, including but not limited to whether one's self, spouse, or relatives within the second of kinship serve as directors, supervisors or employees of the Company or its affiliated companies; the number and proportion of the Company's shares held by oneself, a spouse, or relatives within the second degree of kinship (or held under the names of others); whether one serves in the position of director, supervisor, or employee of a company that has a specified relationship with the Company (in reference to Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the last two years.
- Note 3: For disclosure methods, please refer to the Best Practice Reference Examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.
- Note 4: Independent Director Mr. Wei Luo resigned on July 23, 2021
- Note 5: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021
- Note 6: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021
- Note 7: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

(II) Information on the President, vice presidents, associate managers, and supervisors of various departments and branches

April 23, 2022; Unit: Shares

Title	Nationality	Name	Gender	Election (Appointment) Date	Shares held		Spouse and minor children holding shares		Shares held by proxy		Principal Experience (Education)	Current adjunct positions at other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
President and Supervisor of Occupational Health and Safety Office	Republic of China	Ming-Liang Hsieh	Male	February 6, 2009	2,746,868	2.66%	135,027	0.13%	—	—	PhD in Physics, Imperial College of Science, Technology and Medicine, University of London (now renamed as Imperial College London) MSc Semiconductor Science and Technology, Imperial College of Science, Technology and Medicine, University of London (now renamed as Imperial College London) Master's degree, In-service Class (EMBA), Master of Finance, National Taiwan University Master's degree, Institute of Optoelectronic Engineering, National Chiao Tung University Bachelor of Physics, Chung Yuan Christian University Manager of Device 2 Department, Integrated Technology Development Office, United Microelectronics Co., Ltd.	Director, TAI-TECH Advanced Electronics (Kunshan) Heng Yang Investment Corporation Director, TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Sales Division Director	Ming-Chi Hsieh	Brother	—
Vice President	Republic of China	Pao-Lin Shen	Male	December 5, 2016	—	—	106,120	0.10%	—	—	Joint Engineering College Electrical and Electric Power Division TV Manufacturing Engineer, Sampo Corporation Inductor Production Engineer, Prosperity Dielectrics Co., Ltd.	None	—	—	—	—
TAIPAQ Plant Executive Vice President	Republic of China	Lung-Wang Chang	Male	March 15, 2011	596,858	0.58%	—	—	—	—	Mechanical Engineering Department of Jianxing Engineering College Production Technology Engineer, MAG. LAYERS Scientific-Technics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd. Director, TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	—	—	—	—
Kunshan Plant Vice President	Republic of China	Chun-Chih Liu	Male	March 15, 2011	166,135	0.16%	—	—	—	—	Taoyuan Chenggong Vocational College of Electrical Engineering Mechanical technician at Taoyuan wool textile factory Technician, North West Electric Engineering	Vice President and Director, TAI-TECH Advanced Electronics (Kunshan)	—	—	—	—
Director, Product Planning Management Office	Republic of China	Yi-Ju Lin	Male	May 1, 2012	54,258	0.05%	32,356	0.03%	—	—	Kunshan Industrial and Commercial College Engineering Management Department Multilayer products Manufacturing Manager, Tai-Tech Advanced Electronics	Director, TAI-TECH Advanced Electronics (Kunshan) TAIPAQ Electronic Components (Si-Hong) Co., Ltd. Supervisor, Juda International Technology Co., Ltd.	Manager, Production and Management Department	Yi-Ting Huang	Spouse	—
Product Planning Management Office Associate Manager	Republic of China	Chi-Ming Tseng	Male	December 5, 2016	78,600	0.08%	—	—	—	—	Kainan Commercial and Civil Engineering Department Director of Business Department, Bull Will Co., Ltd. President, Yaozuan Technology Co., Ltd.	None	—	—	—	—
Chairperson's Office Chief Engineer	Republic of China	Pai-Hsuan Chung	Male	March 15, 2011	9,000	0.01%	66,000	0.06%	—	—	Bachelor of Biology, Tunghai University R&D Manager, Tai-Tech Advanced Electronics Co., Ltd.	Supervisor, TAI-TECH Advanced Electronics (Kunshan)	—	—	—	—

Title	Nationality	Name	Gender	Election (Appointment) Date	Shares held		Spouse and minor children holding shares		Shares held by proxy		Principal Experience (Education)	Current adjunct positions at other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairperson's Office Chief Engineer	Republic of China	Shao-Hsiung Huang (Note)	Male	March 15, 2011	268,837	0.26%	49,592	0.05%	—	—	Yangmei High School R&D Manager, Tai-Tech Advanced Electronics Co., Ltd.	None	—	—	—	—
Finance and Accounting Department Manager	Republic of China	Hui-Yu Ho	Female	April 1, 2011	50,719	0.05%	—	—	—	—	Bachelor of Business Administration, Chung Yuan Christian University Assistant Accountant, Chain Chon Industrial Co., Ltd. Audit Section Chief, Dessicant Technology Corporation	None	—	—	—	—
Audit Supervisor	Republic of China	Ching-Chi Hsieh	Male	April 1, 2011	3,000	0.00%	—	—	—	—	Electronic Application Department of Universal Engineering College Manufacturing Section Chief, Tecstar Technology Co., Ltd.	None	—	—	—	—
General Manager	Republic of China	Yung-Tzu Li	Male	March 15, 2011	246,810	0.24%	40,175	0.04%	—	—	Master of Business Administration, Chung Yuan Christian University Business Specialist, North West Electric Engineering Tax Specialist, National Tax Administration	Manager, TAI-TECH Advanced Electronics (Kunshan)	—	—	—	—
Sales Division Director	Republic of China	Ming-Yen Hsieh	Male	April 1, 2011	2,750,481	2.67%	611,731	0.59%	—	—	Bachelor of Electrical and Electronic Engineering, Surthers University (UK) R&D Director, TAI-TECH Advanced Electronics	Director, Heng Yang Investment Corporation	President and Supervisor of Occupational Health and Safety Office	Ming-Liang Hsieh	Brother	—
Sales Division Deputy Director	Republic of China	Tze-Chun Chan	Male	March 1, 2016	68,212	0.07%	—	—	—	—	Electronic Department, Dahua Industrial and Commercial College Business Director, Feite Technology Co., Ltd.	None	—	—	—	—
R&D Center Director	Republic of China	Hsiang-Chung Yang	Male	March 15, 2011	28,192	0.03%	—	—	—	—	Master's degree, Materials Research Institute, National Taiwan University Bachelor of Materials Science and Engineering, Tatung University of Technology R&D Associate, Tecstar Technology	None	—	—	—	—
R&D Center Deputy Director	Republic of China	Chun-Te Tsou	Male	July 1, 2011	77,690	0.08%	7,987	0.01%	—	—	Electronics Division, Hsinpu Institute of Technology Papermaking Specialist, Yuen Foong Yu Product Development Manager, Tai-Tech Electronics	None	—	—	—	—
Quality Assurance Department Manager	Republic of China	Jung-Chuan Chang	Male	May 1, 2012	66,000	0.06%	40,316	0.04%	—	—	Master's degree, Institute of Computer Science, National Taiwan University of Science and Technology Mechanical Division, Yatung Engineering College Quality Assurance Manager, Tai-Tech Advanced Electronics R&D Associate, JMIM Precision Industry Co., Ltd.	None	—	—	—	—
Management Department	Republic of China	Chiang Yu Lin Fan	Female	January 1, 2014	79,623	0.08%	—	—	—	—	Yangmei High School Purchasing Specialist, TAI-TECH Advanced	None	—	—	—	—

Title	Nationality	Name	Gender	Election (Appointment) Date	Shares held		Spouse and minor children holding shares		Shares held by proxy		Principal Experience (Education)	Current adjunct positions at other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Manager																
IT Department Manager	Republic of China	Kai-Lun Fan	Male	August 1, 2020	49,000	0.05%	—	—	—	—	Bachelor of Information Management, Chung Yuan Christian University Software Engineer, Data Systems Consulting Customer Service Engineer, Data Systems Consulting	None	—	—	—	—
Product Application Technical Support Department Manager	Republic of China	Chin-Yuan Chen	Male	August 1, 2020	12,000	0.01%	—	—	—	—	Master's Degree, Graduate Institute of Applied Physics, Chung Yuan Christian University R&D Engineer, MAG. LAYERS Scientific-Technics Marketing Manager, Cyntec Co. Business Department Manager, Chilisin	None	—	—	—	—
Manager, Production Department 2	Republic of China	Chia-Hung Chang	Male	August 1, 2020	12,000	0.01%	—	—	—	—	Bachelor of Environmental Engineering, Nanya Institute of Technology Production Department Engineer, Taicheng Technology Section Chief, No. 2 Wire-Wound Section, Tai-Tech Advanced Electronics Deputy Manager, Precision Wire-Wound Section, Tai-Tech Advanced Electronics	None	—	—	—	—
Manager, Production and Management Department	Republic of China	Yi-Ting Huang	Female	August 1, 2020	32,356	0.03%	54,258	0.05%	—	—	Bachelor of Finance, Ching Yun University of Science and Technology Production Management Specialist, Multilayer Product Department, TAI-TECH Advanced Deputy Production Manager, Wire-Wound Department, Tai-Tech Advanced Electronics	None	Director, Product Planning Management Office	Yi-Ju Lin	Spouse	—

Note: Chief Engineer Shao-Hsiung Huang retired on February 1, 2022.

(III) Remuneration paid to directors (including independent directors), supervisors, the president, and vice president(s) in the most recent year

(1) Remuneration paid to directors and independent directors

December 31, 2021; Units: NT\$ thousand; Shares; %

Title	Name	Directors' remuneration								Ratio of the total amount of A, B, C and D vs. net profit after tax		Remuneration from concurrently serving as employees						Ratio of the total amount of A, B, C, D, E, F, and G vs. net profit after tax		Remuneration received from investee companies outside of subsidiaries, or from the parent company		
		Remuneration (A)		Retirement pensions (B)		Remuneration for directors (C)		Business execution expenses (D)		The Company	All companies included in the financial statements	Salaries, bonuses, special expenditures, etc. (E)		Retirement pensions (F)		Employee compensation (G)					The Company	All companies included in the financial statements
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements				
										Amount in cash	Amount in shares					Amount in cash	Amount in shares					
Chairman	Northwest Investment Corporation Representative: Ming-Yen Hsieh	—	—	—	—	8,046	8,046	88	88	8,134	8,134	10,601	14,368	—	—	—	—	—	—	18,735 1.57%	22,502 1.88%	None
Director	Heng Yang Investment Corporation Representative: Yu-Hsiang Hsieh Yu	—	—	—	—	2,682	2,682	88	88	2,770	2,770	—	—	—	—	—	—	—	—	2,770 0.23%	2,770 0.23%	None
Director	Chien-Jung Lin	—	—	—	—	2,682	2,682	88	88	2,770	2,770	—	—	—	—	—	—	—	—	2,770 0.23%	2,770 0.23%	None
Director	Chih-Cheng Hung	—	—	—	—	2,682	2,682	88	88	2,770	2,770	—	—	—	—	—	—	—	—	2,770 0.23%	2,770 0.23%	None
Director	Kuei-Kuang Huang	—	—	—	—	2,682	2,682	88	88	2,770	2,770	—	—	—	—	—	—	—	—	2,770 0.23%	2,770 0.23%	None
Director	Chin-Sheng Chen	—	—	—	—	2,682	2,682	88	88	2,770	2,770	—	—	—	—	—	—	—	—	2,770 0.23%	2,770 0.23%	None
Independent Director	Wei Luo (Note 1)	244	244	—	—	—	—	46	46	290	290	—	—	—	—	—	—	—	—	290 0.02%	290 0.02%	None
Independent Director	Kuang Hui Chu (Note 2)	244	244	—	—	—	—	46	46	290	290	—	—	—	—	—	—	—	—	290 0.02%	290 0.02%	None
Independent Director	Yu-Tsun Li	432	432	—	—	—	—	88	88	520	520	—	—	—	—	—	—	—	—	520 0.04%	520 0.04%	None
Independent Director	Yang-Pin Shen (Note 3)	191	191	—	—	—	—	42	42	233	233	—	—	—	—	—	—	—	—	233 0.02%	233 0.02%	None
Independent Director	Yi-Chun Chiang (Note 4)	191	191	—	—	—	—	42	42	233	233	—	—	—	—	—	—	—	—	233 0.02%	233 0.02%	None

1. Please state the policies, systems, standards and structure of independent directors' remuneration, and, according to the responsibilities, risks, time invested and other factors, describe the relevance to the remuneration amount. The remuneration of independent directors adopts a fixed payment system and does not participate in the distribution of directors' remuneration in accordance with the Articles of Incorporation. The main consideration is to maintain independence to facilitate the performance of supervisory functions. Every year, independent directors of the Company participate in at least four Board of Directors meetings, four Audit Committee meetings, and two Remuneration Committee meetings. Moreover, in order to implement the integrity of business operations, independent directors review internal audit reports every month and regularly communicate with the internal audit supervisor and with CPAs regarding internal controls and financial statements. Please refer to "Operation of the Audit Committee" for details of these communications.

2. Other than the content revealed in the table above, remuneration received by directors of the Company for their services in the most recent year (such as serving as an external consultant to the parent company, to any company listed in the financial statements, or to a reinvested company): None.

Note 1: Independent Director Mr. Wei Luo resigned on July 23, 2021

Note 2: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021

Note 3: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021

Note 4: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

Table of Remuneration Scales

Range of remuneration paid to each director of the Company	Director name			
	The total amount of the first four remuneration items (A+B+C+D)		The total amount of the first seven remuneration items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NT\$1,000,000	Wei Luo (Note 1), Kuang Hui Chu (Note 2) Yu-Tsun Li, Yang-Pin Shen (Note 3), Yi- Chun Chiang (Note 4)	Wei Luo (Note 1), Kuang Hui Chu (Note 2) Yu-Tsun Li, Yang-Pin Shen (Note 3), Yi- Chun Chiang (Note 4)	Wei Luo (Note 1), Kuang Hui Chu (Note 2) Yu-Tsun Li, Yang-Pin Shen (Note 3), Yi- Chun Chiang (Note 4)	Wei Luo (Note 1), Kuang Hui Chu (Note 2) Yu-Tsun Li, Yang-Pin Shen (Note 3), Yi- Chun Chiang (Note 4)
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	—	—	—	—
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	Yu-Hsiang Hsieh Yu, Kuei-Kuang Huang, Chien-Jung Lin, Chih- Cheng Hung, Chin- Sheng Chen	Yu-Hsiang Hsieh Yu, Kuei-Kuang Huang, Chien-Jung Lin, Chih- Cheng Hung, Chin- Sheng Chen	Yu-Hsiang Hsieh Yu, Kuei-Kuang Huang, Chien-Jung Lin, Chih- Cheng Hung, Chin- Sheng Chen	Yu-Hsiang Hsieh Yu, Kuei-Kuang Huang, Chien-Jung Lin, Chih- Cheng Hung, Chin- Sheng Chen
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Ming-Yen Hsieh	Ming-Yen Hsieh	—	—
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	—	—	Ming-Yen Hsieh	Ming-Yen Hsieh
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000	—	—	—	—

(exclusive)				
Over NT\$100,000,000	—	—	—	—
Total	11 individuals	11 individuals	11 individuals	11 individuals

Note 1: Independent Director Mr. Wei Luo resigned on July 23, 2021

Note 2: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021

Note 3: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021

Note 4: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

(2) Remuneration paid to President and vice president(s)

December 31, 2021; Units: NT\$ thousand; Shares; %

Title	Name	Salary (A)		Retirement pensions (B)		Rewards and Special expenses etc. (C)		Employee compensation amount (D)				Ratio of the total amount of A, B, C and D vs. net profit after tax (%)		Remuneration received from investee companies outside of subsidiaries, or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chief Executive Officer	Ming-Yen Hsieh													—
President	Ming-Liang Hsieh	8,536	11,167	216	216	11,634	12,770	4,542	—	4,542	—	24,928 2.08%	28,697 2.40%	—
Vice President	Pao-Lin Shen													—

Table of Remuneration Scales

Range of remunerations paid to President and vice president(s)	Names of President and vice president(s)	
	The Company	All companies included in the financial statements (E)
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Ming-Liang Hsieh, Pao-Lin Shen	Ming-Liang Hsieh, Pao-Lin Shen
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	Ming-Yen Hsieh	Ming-Yen Hsieh
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	3 individuals	3 individuals

(4-1) Remuneration of listed company top five supervisors with the highest remunerations (Note 1)

Title	Name	Salary (A) (Note 2)		Retirement pensions (B)		Rewards and Special expenses, etc. (C) (Note 3)		Employee compensation amount (D) (Note 4)				Ratio of the total amount of A, B, C and D vs. net profit after tax (%) (Note 6)		Remuneration received from investee companies outside of subsidiaries, or from the parent company (Note 7)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Ming-Liang Hsieh	2,672	2,672	108	108	2,611	2,611	2,570	0	2,570	0	7,962 0.67%	7,962 0.67%	
Vice President	Pao-Lin Shen	1,938	1,938	108	108	2,349	2,349	1,972	0	1,972	0	6,367 0.53%	6,367 0.53%	
Vice President	Lung-Wang Chang	1,509	2,029	106	106	3,956	5,589	1,611	0	1,611	0	7,181 0.60%	9,335 0.78%	
Director	Yi-Ju Lin	1,282	1,282	91	91	1,510	1,571	1,398	0	1,398	0	4,343 0.36%	4,343 0.36%	
General Manager	Yung-Tzu Li	1,254	1,254	89	89	1,553	1,553	1,393	0	1,393	0	4,289 0.36%	4,289 0.36%	

Note 1: In the "top five supervisors with the highest remuneration" mentioned here, "supervisor" indicates a manager of the Company, and criteria for identification of the relevant managers are handled in accordance with the scope of the application of "managers" stipulated by the former Securities and Futures Commission of the Ministry of Finance in letter Taicaizheng San Zi No. 0920001301 dated March 27, 2003. As for principles of calculation and determination of the "top five supervisors with the highest compensation," this refers to the total amounts of salaries, retirement pensions, bonuses, special expenses, etc., as well as employee compensation (in other words, the total of four items A+B+C+D) that are received by the Company's managers from all companies in the consolidated financial statements; and after this data is sorted, the top five managers with the highest compensations will be identified. If a director concurrently serves as one of the aforementioned supervisors, this table and the above Table (1-1) should be filled out.

Note 2: Fill in the salaries, position bonuses, and severance pay of the top five supervisors with the highest remunerations in the most recent year.

Note 3: In the series, fill in the amount of each type of bonus, incentive, transportation fees, special expenses, each type allowances, housing, vehicles, and other in-kind provisions and other remuneration amounts provided to the top five supervisors by remuneration amount. For example, when providing housing, vehicles, and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided and the actual or fair market value of rent, fuel, and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver, but do not include it in the remuneration amount. In addition, salary expenses recognized in accordance with IFRS 2 "Share-Based Payments," including employee stock option certificates, employee restricted shares, and participation in cash capital increase subscription shares, etc., should also be included in the remuneration amount.

Note 4: Fill in this amounts of employee compensation of the top five supervisors with the highest compensation as approved by the Board of Directors in the most recent year (including stock and cash). If an estimate cannot be made, the proposed distribution amount for this year shall be calculated according to the proportion of the actual distribution amount of the prior year, and the attached Table 1-3 should be filled out as well.

Note 5: Disclosure should be made of the total amount of remuneration paid by all companies in the consolidated statements (including the Company) to the top five supervisors with the highest remunerations of the Company.

Note 6: Net profit after tax refers to the net profit after tax for the most recent year in the parent company only or individual financial statement.

Note 7: a. This column should clearly fill in the amount of remuneration related to the top five top supervisors of the Company who received the remuneration from reinvested subsidiaries or from or the parent company. (If there is none, then please fill in "none.").

b. Remuneration refers to remuneration and rewards received by the Company's top five supervisors with the highest remunerations in serving as a director, supervisor, or manager of a investee companies outside of subsidiaries, or from the parent company (including remuneration of employees, directors and supervisors) as well as remuneration related to business execution costs and so on.

* The content of remuneration disclosed in this table is different from income defined by income tax laws. Therefore, the purpose of this table is for information disclosure and not for tax purposes.

(3) Names of managerial officers entitled to employee compensation and amounts entitled

December 31, 2021; Units: NT\$ thousand

	Title	Name	Amount in shares	Amount in cash	Total	As percentage of income after tax (%)
Manager	President	Ming-Liang Hsieh	—	22,784	22,784	1.90%
	Vice President	Pao-Lin Shen				
	Executive Vice President, TAIPAQ Plant	Lung-Wang Chang				
	Chief Engineer, Chairperson's Office	Pai-Hsuan Chung				
	Chief Engineer, Chairperson's Office	Shao-Hsiung Huang (Note)				
	Manager, Finance and Accounting Department	Hui-Yu Ho				
	Audit Supervisor	Ching-Chi Hsieh				
	Director, Product Planning Management Office	Yi-Ju Lin				
	General Manager, Product Planning Management Office	Chi-Ming Tseng				
	General Manager	Yung-Tzu Li				
	Director of Sales Division	Ming-Yen Hsieh				
	Deputy Director, Sales Division	Tze-Chun Chan				
	Director, R&D Center	Hsiang-Chung Yang				
	Deputy Director, R&D Center	Chun-Te Tsou				
	Manager, Quality Assurance Department	Jung-Chuan Chang				
	Management Department	Chiang Yu Lin Fan				
Manager, IT Department	Kai-Lun Fan					

	Manager, Product Application Technical Support Department	Chin-Yuan Chen				
	Manager, Production Department	Chia-Hung Chang				
	Manager, Production and Management Department	Yi-Ting Huang				

Note: Chief Engineer Shao-Hsiung Huang retired on February 1, 2022.

(IV) Separate comparison and explanation of the ratios of remuneration paid to directors, supervisors, the President and vice presidents of the Company and of all companies in the consolidated financial statements to net profit after tax in the parent company only or individual financial statements in the last two years. Further explain the correlation between the policies, standards, and combinations of payment, procedures for determination of remuneration, business performance and future risks.

(1) The proportions to net profits after tax of the total of the remuneration paid to directors, the President, and vice presidents in the most recent two years

Unit: %

Title	Total remuneration in 2020 as a percentage of net profit after tax (%)		Total remuneration in 2021 as a percentage of net profit after tax (%)	
	The Company	All companies in the consolidated statements	The Company	All companies in the consolidated statements
Director	2.61	3.16	2.72	3.04
President and vice president(s)	2.27	2.81	2.08	2.39

(2) Policies, standards and combinations for remuneration payment, and procedures for determining remuneration and directors and supervisors related to business performance:

Procedures for determining remuneration are also stipulated in accordance with the Articles of Incorporation and approval authority of the Company. Remuneration paid by the Company to directors, the President, and to vice presidents also considers operational risks faced by the Company in the future and their positive correlation with operational performance, in order to achieve a balance between sustainable operations and risk control.

A. Directors and supervisors:

The remuneration of directors and supervisors includes remuneration, transportation expenses, business execution expenses, and remuneration for earnings distributions. Remuneration for earnings distributions is clearly stipulated in the Articles of Incorporation of the Company. The Board of

Directors decides on the remuneration distribution plan for directors and submits a report to the shareholders' meeting.

B. President and vice president(s):

Compensation for the president and vice presidents includes salary, bonus, and employee compensation, which are determined by referring to their post, the responsibilities they assume, the contribution they make to the Company, and the general industry standards among industry peers.

III. Corporate Governance Operations

(I) Operation of the Board of Directors

The Board of Directors has met 11 times in the current year and the year immediately preceding (as of April 28, 2022). Director attendance is as follows:

Title	Name	Actual attendance (observation) Number of times	Attendance by proxy Number of times	Actual attendance (observation) rate (%)	Note
Chairperson	Northwest Investment Corporation Representative: Ming-Yen Hsieh	11	0	100	Re-elected
Director	Heng Yang Investment Corporation Representative: Yu-Hsiang Hsieh Yu	11	0	100	Re-elected
Director	Chin-Sheng Chen	11	0	100	Re-elected
Director	Chien-Jung Lin	11	0	100	Re-elected
Director	Chih-Cheng Hung	11	0	100	Re-elected
Director	Kuei-Kuang Huang	11	0	100	Re-elected
Independent Director	Wei Luo	5	0	100	Prior term (Resigned on July 23, 2021)
Independent Director	Kuang Hui Chu	5	0	100	Prior term (Resigned on July 23, 2021)
Independent Director	Yu-Tsun Li	11	0	100	Re-elected
Independent Director	Yang-Pin Shen	6	0	100	New term (Inaugurated on July 23, 2021)
Independent Director	Yi-Chun Chiang	6	0	100	New term (Inaugurated on July 23, 2021)

Other matters to be recorded:

I. If any of the following occurs in the operation of the Board of Directors, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has

established an audit committee in accordance with the law. In accordance with Article 14-5, Paragraph 1 of the Securities and Exchange Act, the provisions of Article 14-3 of the same Act do not apply.

(II) Further to the aforementioned matters, any adverse opinion or qualified opinion of the Independent Directors against the resolutions of the Board of Directors that have been noted in the record or declared in writing.

Period of the Board of Directors	Date	Proposal content	Handling of opinions
The 19th session of the 12th Board of Directors	February 25, 2022	Establishment of the Company's "Remuneration and Reward Measures for Directors."	<p>[Presiding Chair/Chairperson Hsieh] President Ming-Liang Hsieh was requested to explain the resolution of the remuneration meeting. [Explanation by President Hsieh] In this proposal of the Remuneration Committee, Article 4.4 of the Company's "Remuneration and Reward Measures for Directors" refers to directors' business execution expenses including special expenses, travel expenses, and each type of allowance. The Remuneration Committee recommends that the calculation methods should be clear and should align with measures for internal management. It is also suggested to revise the text and incorporate it into 4.4.5 - "Remuneration Received by Part-Time Employees." Separately, in that section of Article 5.3 "Variable Salary: Performance Bonuses" concerning the Chairperson, the text states that "to receive a performance bonus, the Chairperson must simultaneously hold the status of an employee." The Remuneration Committee recommends that the wording "hold the status of an employee" be changed to "participate in daily operations and management." Therefore, in respect to the proposed "Remuneration and Reward Measures for Directors" currently submitted to the Board of Directors, the Remuneration Committee recommends that the Remuneration Committee and the Board of Directors discuss and approve the proposal in their subsequent sessions after the revision of the text of the above proposal is completed.</p> <p>Resolution: Upon consultation by the presiding chair of all directors present, the case is deferred and is to be discussed at the next meeting.</p>

II. For recusal of directors from motions due to conflicts of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting:

Board of Directors Period	Date	Participating director's name	Proposal content	Circumstances of director recusal
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The 10th session of the 12th Board of Directors	January 19, 2021	Ming-Yen Hsieh representing Northwest Investment Corporation, Yu-Hsiang Hsieh Yu representing Heng Yang Investment Corporation, Chin-Sheng Chen, Chien-Jung Lin, Kui-Cheng Huang, Chih-Cheng Hung, Wei Luo, Kuang Hui Chu, Yu-Tsun Li	2020 year-end bonus, 2021 annual salary and performance bonus, revision of some provisions of the "Administrative Measures for the Retirement of Appointed Managers," remuneration of independent directors and reasons for remuneration	When discussing the monthly salary structure and payment plan, year-end bonus, and performance bonus remuneration of the Chairperson, as well as amendments to some provisions of the "Administrative Measures for the Retirement of Appointed Managers," recusals were made in accordance with the law among the Chairperson as well as his or her relatives within the first or second degree of kinship. With independent director Luo Wei serving as acting chair, the proposal was passed without objection by the remaining six directors in attendance. When discussing remuneration for independent directors, recusals were made by independent director Wei Luo, independent director Kuang Hui Chu, and independent director Yu-Tsun Li. The proposal was passed without objection by the remaining directors in attendance.
The 11th session of the 12th Board of Directors	March 2, 2021	Ming-Yen Hsieh representing Northwest Investment Corporation, Yu-Hsiang Hsieh Yu representing Heng Yang Investment Corporation, Chin-Sheng Chen, Chien-Jung Lin, Kui-Cheng Huang, Chih-Cheng Hung, Wei Luo, Kuang Hui Chu, Yu-Tsun Li	Proposed to discuss rationale for lists of allocations granted to managers for cash capital increase and issuance of new shares in 2021	When discussing the lists of allocations granted to managers for cash capital increase and issuance of new shares in 2021, Director Ming-Yen Hsieh gave an explanation and did not participate in discussion and voting in respect to his own remuneration in accordance with the law. Director Yu-Hsiang Hsieh Yu (with kinship of the first degree) and President Ming-Liang Hsieh (with kinship of the second degree) recused in accordance with the law. The proposal was passed without objection by the remaining directors in attendance.
The 15th session of the 12th Board of Directors	August 2, 2021	Ming-Yen Hsieh representing Northwest Investment Corporation, Yu-Hsiang Hsieh Yu representing Heng Yang Investment Corporation, Chin-Sheng Chen, Chien-Jung Lin, Kui-Cheng Huang, Chih-Cheng Hung, Yu-Tsun Li, Yang-Pin Shen, Yi-Chun Chiang	Proposal to select members of the 4th-term Remuneration Committee of the Company	Aside from independent directors Mr. Yang-Pin Shen and Ms. Yi-Chun Chiang recusing themselves from participating in the discussion and voting in accordance with the law, the proposal was passed without objection by the remaining directors in attendance.

The 16th session of the 12th Board of Directors	August 10, 2021	Ming-Yen Hsieh representing Northwest Investment Corporation, Yu-Hsiang Hsieh Yu representing Heng Yang Investment Corporation, Chin-Sheng Chen, Chien-Jung Lin, Kui-Cheng Huang, Chih-Cheng Hung, Yu-Tsun Li, Yang-Pin Shen, Yi-Chun Chiang	The Company's plan for allocation of compensation for directors and allocation of compensation for employees for 2020	When discussing the 2020 remuneration distribution proposal for directors, in the absence of those directors who did not participate in discussion and voting in accordance with the law, independent director Yu-Tsun Li presided as acting chair and the proposal was passed without objection by the remaining three independent directors in attendance. When discussing the 2020 compensation proposal for employees, recusals were made by the Chairperson and by relatives within the first and second degrees of kinship in accordance with the law with independent director Yu-Tsun Li presiding as acting chair. The proposal was passed without objection by the remaining directors in attendance.
The 18th session of the 12th Board of Directors	January 18, 2022	Ming-Yen Hsieh representing Northwest Investment Corporation, Yu-Hsiang Hsieh Yu representing Heng Yang Investment Corporation, Chin-Sheng Chen, Chien-Jung Lin, Kui-Cheng Huang, Chih-Cheng Hung, Yu-Tsun Li, Yang-Pin Shen, Yi-Chun Chiang	The monthly salary structure and payment amounts of the chairperson and managers of the Company and its subsidiaries, the year-end bonus for the chairperson and managers of the Company and its subsidiaries in 2021, the payment of performance bonuses in 2022, remuneration of independent directors and reasons for remuneration	When discussing the monthly salary structure and payment amount of the chairperson and managers of the Company and its subsidiaries, the chairperson as well as those within the first and second degrees of kinship recused in accordance with the law. With independent director Yu-Tsun Li presiding as acting chair, the proposal was passed without objection by the remaining directors in attendance. When discussing the 2021 year-end bonus and the 2022 performance bonus payment case, The chairperson as well as those within the first and second degrees of kinship recused in accordance with the law. With independent director Yu-Tsun Li presiding as acting chair, the proposal was passed without objection by the remaining directors in attendance. When discussing the remuneration of independent directors, recusals were made by independent director Yu-Tsun Li, independent director Yang-Pin Shen, and independent director Yi-Chun Chiang. The proposal was passed without objection by the remaining directors in attendance.

III. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self (or peer) assessment that should be disclosed by TWSE/TPEX listed companies:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once per year	Evaluation of the Board's performance	Including performance evaluations of	Internal self-evaluation of the Board of	(1) Board performance evaluation: This must include at a minimum the degree of participation in the Company's

		from January 1, 2021 to December 31, 2021	the Board of Directors, individual Board members, and functional committees	Directors and self-evaluations of Board members	operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the selection and continuous education of directors, and internal control. (2) Individual Board member performance evaluations: These must include at a minimum the mastery of the Company's goals and tasks, the directors' awareness of responsibilities, the degree of participation in the Company's operations, management and communication of internal relations, directors' professional and continuous education, and internal control. (3) Performance evaluation of functional committees (Audit Committee and Remuneration Committee: degree of participation in the Company's operations, awareness of the functional committee's responsibilities, decision-making quality of the functional committee, composition and member selection of the functional committee, and internal control.
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IV. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g. setting up an Audit Committee, enhancing information transparency, etc.), and measures taken toward achievement thereof: The Company has revised the Rules of Procedure for Board of Directors Meetings; and they are revised regularly to effectively establish the governance system of the Board of Directors, improve its supervisory function, and strengthen its management mechanisms. Furthermore, the Board of Directors established the "Standard Operating Procedures for Handling Directors' Requests" on August 7, 2020 in order to strengthen the functions of the Board of Directors.

(II) Operation of the Audit Committee:

1. Operation of the Audit Committee

The Audit Committee has met nine times in the current year and the year immediately preceding (as of April 28, 2022). The attendance of independent directors is as follows:

Title	Name	Actual number of attendances (B)	Frequency of attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent director / Convener	Wei Luo	4	0	100	Prior term (Resigned on July 23, 2021)
Independent Director	Kuang Hui Chu	4	0	100	Prior term (Resigned on July 23, 2021)
Independent Director	Yu-Tsun Li	9	0	100	Re-elected
Independent	Yang-Pin	5	0	100	New term (Inaugurated

director / Convener	Shen				on July 23, 2021)
Independent Director	Yi-Chun Chiang	5	0	100	New term (Inaugurated on July 23, 2021)

Other matters to be recorded:

I. If any of the following circumstances arises in the operation of the Audit Committee, the meeting date, period, motion content, and any objections of independent directors should be stated, as well as contents of reserved opinions or major recommendations, the results of the audit committee's resolutions, and the Company's handling of the Audit Committee's opinions.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Period of the Board of Directors	Date	Proposal content	Audit Committee Resolution Results	The Company's handling of the Audit Committee's opinions
The 10th session of the 12th Board of Directors	January 19, 2021	Approval of the Company's proposed Statement of Internal Control Systems for 2020.	Approved by all members present	Approved by all directors present
		The Company's intended amendment of its sales and collection cycle, purchase and payment cycle, production cycle, salary cycle, and authorization management measures under its "Internal Control System."		
		Amount renewal for E.Sun Bank and endorsement/guarantee for Fixed Rock Holdings and TAI-TECH Advanced Electronics (Kunshan)		
The 11th session of the 12th Board of Directors	March 2, 2021	Recognition of 2020 business report, financial statements, and consolidated financial statements.	Approved by all members present	Approved by all directors present
		The Company's intended issuance of new shares for cash capital increase through public underwriting before listing on the TPEX market		
		Capital expenditure budget for business use		
		Evaluation of independence of the CPA and appointed remuneration for 2021.		
		Renewal of credit line of Shanghai Commercial Savings Bank and Fixed Rock Holdings endorsement/guarantee		
The 13th session of the 12th Board of Directors	May 4, 2021	Recognition of consolidated financial statements for the first quarter of 2021	Approved by all members present	Approved by all directors present
		The Company's intended amendment of the sales and collection cycle under the "Internal Control System"		
		The Company's intended transactions to purchase land and factory		
The 16th session of the 12th Board of Directors	August 10, 2021	Recognition of consolidated financial statements for the second quarter of 2021	Approved by all members present	Approved by all directors present
		Citibank (Taiwan) line of credit and TAIPAQ Electronic Components (Si-Hong) Co., Ltd. endorsement/guarantee		
The 17th session of	November 10, 2021	Recognition of consolidated financial statements for the third quarter of 2021	Approved by all members	Approved by all directors present

the 12th Board of Directors		2022 annual audit plan	present	
The 18th session of the 12th Board of Directors	January 18, 2022	TAIPAQ Electronic Components (Si-Hong) Co., Ltd. endorsement/guarantee	Approved by all members present	Approved by all directors present
		Approval of the Company's proposed Statement of Internal Control Systems for 2021.		
The 19th session of the 12th Board of Directors	February 25, 2022	Recognition of 2021 business report, financial statements, and consolidated financial statements	Approved by all members present	Approved by all directors present
The 20th session of the 12th Board of Directors	April 28, 2022	Recognition of consolidated financial statements for the first quarter of 2022	Approved by all members present	Approved by all directors present
		Evaluation of independence of the CPA and appointed remuneration for 2022.		
		Loan and agreement for North Star International Co., Ltd.		
		Proposal on execution of private placement of common shares for capital increase.		
		Proposal on amendments to "Procedures for Acquisition or Disposal of Assets."		

(II) Further to the aforementioned matters, motions rejected by the Audit Committee but passed by the Board at the consent of more than 2/3 of the Directors: No such situation.

II. For recusal of independent directors from motions due to conflicts of interest, specify the names of the independent directors, the content of the motions, the reasons for recusal, and the participation in voting: No such situation

III. Communication between independent directors and internal audit supervisors and accountants (including major issues, methods and results of communication about the Company's financial and business conditions): The independent directors of the Company have direct communication channels with the internal audit supervisors and CPAs, and communication is good. In addition, the Company also invites accountants and audit supervisors to attend meetings of the Audit Committee, and invites relevant department heads to attend as needed. Audit supervisors submit audit reports to the independent directors in accordance with the regulations and report to the Audit Committee.

2. Participation of supervisors in the operation of the Board of Directors:

With the establishment of an audit committee, the Company does not have supervisor and this is therefore inapplicable.

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof:

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
I. Has the Company prepared and disclosed Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	v		The Company's Board of Directors formulated the " Corporate Governance Best-Practice Principles" on September 17, 2020. The Board of Directors, functional committees, and management are responsible for their respective responsibilities. An internal control system has been established in accordance with the regulations, and the control function is still sound.	No significant differences
II. Shareholding Structure and Shareholders' Equity				
(I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures?	v		(I) There is a spokesperson and an acting spokesperson, and we disclose their contact information on the Market Observation Post System of TWSE; there are also stock service specialists serving as a conduit for shareholder proposals, doubts, disputes, and litigation matters and to protect shareholders' rights.	No significant differences
(II) Does the Company have a list of the major shareholders who actually control the Company, and the ultimate controllers of the major shareholders?	v		(II) Day-to-day shareholder business is handled by a professional stock agency. There are also stock affairs professionals in the Company who is responsible for related matters. Therefore, the list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders can be accessed at any time.	No significant differences
(III) Has the Company established and implemented the risk management, control and prevention mechanisms for affiliated companies?	v		(III) There are "Administrative Measures for Transactions with Related Persons" to regulate transactions with related companies, and auditors will also regularly supervise the implementation, so that risk control and firewall mechanisms can be achieved.	No significant differences
(IV) Has the Company established internal regulations that prohibit insiders from using unpublished information in the market to buy and sell securities?	v		(IV) The Company has formulated "Preventative Measures for Insider Trading," and Company insiders are prohibited from using unpublished information on the market to buy and sell securities.	No significant differences

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
III. Composition and duties of the Board of Directors				
(I) Has the Board of Directors formulated a diversity policy and specific management objectives, and implemented them?	v		(I) The company has established "Director Selection Procedures" and has relevant selection policies. Currently, there are 9 directors. The members of the Board of Directors are diverse; in addition to those with relevant industry backgrounds, there are those with professional backgrounds in accounting and law, and they regularly take relevant courses.	No significant differences
(II) Has the Company voluntarily set up other functional committees other than the Remuneration Committee and the Audit Committee according to law?	v		(II) In addition to setting up a Remuneration Committee and an Audit Committee in accordance with the law, in the future, various other functional committees will be set up depending on operational conditions and legal requirements.	No significant differences
(III) Does the Company formulate the Board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the Board of Directors, and apply it to individual directors' remuneration and nomination renewal?	v		<p>(III) The Board of Directors of the Company formulated and approved the "Board of Directors Performance Evaluation Measures" on August 7, 2020. Starting from 2021, regular performance evaluations are conducted in accordance with the Measures, and annual performance evaluations are carried out for the Board of Directors as a whole and for individual Board members and for the Audit Committee. Evaluations are carried as self-evaluations via questionnaires.</p> <p>The measurement items of the performance evaluation of the Board of Directors of the Company encompass the following five aspects:</p> <ol style="list-style-type: none"> 1. Degree of participation in company operations 2. Improvement of the quality of Board of Directors' decisions 3. Board of Directors' composition and structure 4. Selection and continuous training of directors 5. Internal control <p>The measurement items for the performance evaluation of individual directors of the Company encompass the following six directions:</p> <ol style="list-style-type: none"> 1. Mastery of the Company's goals and tasks 2. Awareness of directors' responsibilities 3. Degree of participation in company operations 4. Internal relationship management and communication 5. Directors' professional and continuing education 6. Internal control <p>The measurement items of the performance evaluation of the Audit Committee of the Company encompass the following five aspects</p>	No significant differences

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
(IV) Does the Company assess the independence of CPAs at regular intervals?	v		<p>directions:</p> <ol style="list-style-type: none"> 1. Degree of participation in company operations 2. Audit Committee responsibilities 3. Improvement of the decision-making quality of the Audit Committee 4. Audit Committee composition and membership 5. Internal control <p>The measurement items of the performance evaluation of the Remuneration Committee of the Company encompass the following five aspects directions:</p> <ol style="list-style-type: none"> 1. Degree of participation in company operations 2. Awareness of the responsibilities of the Remuneration Committee 3. Improvement of the decision-making quality of the Remuneration Committee 4. Remuneration Committee composition and membership <p>The Company has completed the self-assessment of the performance of the Board of Directors in 2021, evaluating the results and submitting the report to the Board of Directors in the first quarter of 2022 as a basis for review and improvement. The Board's self-evaluation had an overall average score of 96.7 (out of 100 points), while self-evaluations for individual board member performance had an overall average score of 96.5 (out of 100 points); these averages indicate that the overall Board of Directors is functioning well. Performance self-evaluation results of the Audit Committee and of the Remuneration Committee were 97.3 and 97.4 points respectively (out of 100 points), indicating that all members were satisfied with each measurement item.</p> <p>(IV) The Audit Committee and the Board of Directors of the Company review the professional background and independence of the certified public accountants for appointment. The certified public accountants of the Company are internationally renowned accounting firms and have no interest in the Company. They are professional and independent.</p>	No significant differences
IV. Is the TWSE / TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appoint a	v		The Chairperson's Office of the Company is responsible for corporate governance related affairs. All operating procedures are handled in accordance with the governance code. In the future, special units or personnel will be set	No significant differences

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?			up as needed or as required by laws and regulations.	
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special column for stakeholders on the Company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders?	v		The Company has spokesperson and acting spokesperson as a communication channel for stakeholders. In the future, a stakeholder message area will be set up on the Company's website, and a dedicated person will respond to related questions.	No significant differences
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?	v		The Company entrusts the stock agency department of Mega Securities Co., Ltd. to handle the affairs of the shareholders' meeting.	No significant differences
VII. Disclosure of information				
(I) Has the Company installed a website for the disclosure of information on financial position and operation, as well as corporate governance?	v		(I) The Company discloses relevant financial and material information to the Market Observation Post System of TWSE in accordance with laws and regulations; and we set up an investor relations section on the Company's website to disclose financial business and corporate governance information.	No significant differences
(II) Has the Company adopted other means for disclosure (such as the installation of a website in the English language, appointment of designated persons for the collection and disclosure of information on the Company, the implementation of a spokesman system, and videotaping institutional investor conferences)?	v		(II) Since the Company's public offering, it has strictly followed the regulations of the competent authorities and relevant laws and regulations, and announced and declared each category of information; and investors can inquire on each type of information of the Company through the Market Observation Post System of TWSE. In addition, there is a spokesperson and also a designated person who is responsible for the collection and disclosure of Company information. Therefore, the disclosure of information that may affect stakeholders and the stock price is timely and appropriate.	No significant differences

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
(III) Does the Company announce and declare its annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?		v	(III) After the Company listed on the TPEX on April 27, 2021, it announces and reports financial statements for the first, second and third quarters and the operating conditions of each month before the specified deadline in accordance with relevant regulations. Furthermore, on February 25, 2022 (within two months of the end of the fiscal year) we announced and report the Company's first annual financial report after listing on the TPEX. We will follow the same principles in the future. For disclosures of the above information, please refer to the Market Observation Post System of TWSE.	No significant differences
VIII. Is there any other material information that would facilitate an understanding the pursuit of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of directors and supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the directors and supervisors)?	v		<p>(I) Rights and interests of employees: The Company holds regular or intermittent convenings of the Employee Welfare Committee, labor-management meetings, and labor pension meetings. All policy advocacy, employee opinions, and employee suggestions are conducted through two-way communication. We actively respond to and meet the needs of employees under the premise of not violating laws and regulations.</p> <p>(II) Care for employees: The Company attaches great importance to our employees' safety and their physical and mental health. In order to keep employees in the best condition at all times, there are factory attendants who regularly assist in measuring employees' blood pressure and in collecting and communicating health information; we arrange for the visually impaired to give employees shoulder and neck massages; we regularly station doctors in the factory for health consultations; and we arrange for employees to undergo health checks every year.</p> <p>(III) Investor Relations: In order to protect the rights and interests of shareholders and let the investing public understand the Company's operating conditions, the Company's financial, business, and insider shareholding changes and other information are disclosed on the Market Observation Post System of TWSE.</p> <p>(IV) Supplier Relations: The Company adheres to the principle of mutual trust and reciprocity and maintains good and long-term relationships with suppliers in order to create a win-win situation for both parties.</p> <p>(V) Stakeholders' rights: Stakeholders have the right to communicate and make suggestions with the company to safeguard their legitimate rights and interests.</p> <p>(VI) On-the-job training of directors: The directors of the Company have</p>	No significant differences

Evaluation item	Status			Difference from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons
	Yes	No	Summary description	
			<p>relevant professional knowledge and take courses on topics such as securities laws and regulations as required by law, and they meet the requirements of training hours.</p> <p>(VII) The Company has established an internal control system and related management measures and implements them in accordance with procedures in order to reduce and prevent any possible risks.</p> <p>(VIII) Implementation customer policies: The Company has always been customer-oriented, doing our best to meet the needs of customers to maintain good long-term relationships and creating maximum mutual benefit.</p> <p>(IX) The Company's purchases of liability insurance for directors and supervisors: The Company has taken out director and supervisor liability insurance on August 15, 2021; the insured amount is US\$5 million.</p>	
IX. Corrective action taken in response to the result of the Corporate Governance Evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and the priority of action on issues pending for corrective action in the most recent year: The Company has not been rated.				

(IV) If the Company has set up a Remuneration Committee, it shall disclose the composition, responsibilities and operation thereof:

1. Information of Remuneration Committee Members:

ID classification (Note 1)	Name	Terms Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number concurrently serving as members of the remuneration committees of other publicly issued companies
Independent Director	Wei Luo (Note 4)	Senior Vice President, Financial Accounting Supervisor, Spokesperson, Unizyx Holding Corp.; more than 17 years of professional experience in accounting or finance	<p>During the two years prior to the election and during the term of office, all have met the following independent evaluation criteria:</p> <p>(1) Not an employee of the Company or its affiliates.</p> <p>(2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p>	1
Independent Director	Kuang Hui Chu (Note 5)	Currently President and Director of Juniver Ventures Ltd.; having experience in international markets and business management	<p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.</p> <p>(4) Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.</p>	0
Independent Director	Yu-Tsun Li	Chairperson, TDK Corporation; over 37 years of experience in business management and industry knowledge	<p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors</p>	0

Independent Director	Yang-Pin Shen (Note 6)	Currently an associate professor at the School of Management of Yuan Ze University, a private institution; having than 28 years of teaching experience	<p>established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the Company's Board of Directors. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p>	1
Independent Director	Yi-Chun Chiang (Note 7)	Currently an attorney at Premium Attorneys-at-Law; having more than nine years of working experience as a lawyer	<p>(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares. (However, if a specific company or institution holds more than 20% of the total issued shares of the Company but not more than 50%, and the established independent director concurrently serves in the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with the Securities and Exchange Act or local laws, this limitation shall not apply.)</p> <p>(9) Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the Company or any affiliate of the Company for amounts</p>	1

			<p>exceeding NT\$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply.</p> <p>(10) He/she is not the spouse or relative within the second degree of kinship of another director.</p> <p>(11) Not exhibiting any of the circumstances specified under Article 30 of the Company Act.</p> <p>(12) No provision to be elected by a government or juristic person or their representative under Article 27 of the Company Act.</p>	
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Note 1: In the form, please specify relevant working years, professional qualifications and experience, and independence of each member of the Remuneration Committee; in the case of an independent director, please refer to the relevant content in the information of directors and supervisors (I) in Table 1 on page OO. Please fill in as independent director or other. (If the convener, please note as such.)

Note 2: Professional qualifications and experience: State the professional qualifications and experience of individual Remuneration Committee members.

Note 3: Conformity to status of independence: Specify the conformity to the status of independence of the members of the Remuneration Committee, including but not limited to whether one's self, spouse, or relatives within the second of kinship serve as directors, supervisors or employees of the Company or its affiliated companies; the number and proportion of the Company's shares held by oneself, a spouse, or relatives within the second degree of kinship (or held under the names of others); whether one serves in the position of director, supervisor, or employee of a company that has a specified relationship with the Company (in reference to Article 6, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter); and the amount of remuneration received for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the last two years.

Note 4: Independent Director Mr. Wei Luo resigned on July 23, 2021

Note 5: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021

Note 6: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021

Note 7: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

2. Information on the operation of the Remuneration Committee

(1) There are 3 members of the Remuneration Committee of the Company.

(2) Term of office of the current members: July 30, 2019 to June 24, 2022 The Remuneration Committee held 6 meetings in the current and most recent prior year (A). Member qualifications and attendance are as follows:

Title	Name	Actual number of attendances (B)	Frequency of attendance	Actual attendance rate (%) (B/A)	Remarks
Member/Convener	Wei Luo	2	0	100	Prior term (resigned on

					July 23, 2021)
Member	Kuang Hui Chu	2	0	100	Prior term (resigned on July 23, 2021)
Member/Convenor	Yu-Tsun Li	6	0	100	Re-elected (nominated as convener August 2, 2021)
Member	Yang-Pin Shen	4	0	100	New term (July 23, 2021)
Member	Yi-Chun Chiang	4	0	100	New term (July 23, 2021)

Other matters to be recorded:

I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date and period of the Board of Directors, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee should be stated. (If the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and reasons should be stated):

Period of the Board of Directors	Date	Proposal content	Handling of opinions
The 19th session of the 12th Board of Directors	February 25, 2022	Establishment of the Company's "Remuneration and Reward Measures for Directors."	<p>Presiding Chair Yu-Tsun Li: The content has been discussed, and discussion will be held next time after the subsequent amendment.</p> <p>Member Yi-Chun Chiang: I have two comments on the remuneration method for directors:</p> <p>(1) Under 4.4, operational execution costs are listed in six items, including special expenses, travel expenses, and various allowances. Although there are rules, the calculation method is not specified by the Company or by other regulations.</p> <p>(2) Under what circumstances and conditions can the performance bonus of the variable salary of the Chairperson's remuneration be received? Management is requested to revise it clearly in the text.</p> <p>Presiding Chair Yi-Chun Chiang: The plan proposed by member Yu-Tsun Li has been submitted. Creation of more in-depth amendments will be deferred until the next meeting.</p> <p>Resolution: After consultation by the presiding chair of all members present, the case is deferred for subsequent discussion.</p>

II. On resolutions of the Remuneration Committee, if members have objections or reservations and have records or written declarations, the date, period, proposal content, opinions of all members and the handling of the opinions of the members shall be stated: None.

Note:

- (1) Before the end of the year, if a member of the Remuneration Committee resigns, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during the term of service and the actual number of attendances.
- (2) Before the end of the year, if the Remuneration Committee is re-elected, the new and old Remuneration Committee members should be listed, and the remarks column should indicate whether the member is old, new or re-elected and the date of reelection. The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during the term of service and the actual number of attendances.

(V) Implementation of sustainable development promotions and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
I. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?		v	A governance structure to promote sustainable development has not yet been established, and we have not yet set up a dedicated (part-time) unit project to promote sustainable development.	We formulated "Corporate Social Responsibility Best Practice Principles" on September 17, 2020. In the future, a governance structure to promote sustainable development will be established as needed, and we will set up a dedicated (part-time) unit to promote sustainable development.
II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies?	v		Although the Company does not follow the principle of materiality, we conduct risk assessments on environmental, social and corporate governance issues related to Company operations. However, the Company implements environmental-related policies to manage risks in accordance with the ISO14001:2015 environmental system guidelines. There are also "Preventative Measures for Insider Trading," a "Code of Integrity," "Anti-Corruption Management Measures," and an "Internal Control System," which are formulated for the implementation of risk management policies on social and corporate governance issues. Their content is formulated in accordance with relevant government regulations.	No significant differences
III. Environmental issues				
(I) Has the Company established an appropriate environmental management system based on its industry characteristics?	v		(I) The Company has obtained and passed ISO14001:2015 environmental management system certification, and has clearly formulated environmental policies. All systems related to environmental management are handled in accordance with the environmental management system and environmental protection laws and regulations, and their implementation results are to be reviewed at any time for continuous improvement.	No significant differences
(II) Has the Company committed itself to improving the utilization efficiency of various resources, and to using recycled materials with low impact on the environment?	v		(II) We do our best to improve the utilization of various resources. For example, we implement waste classification management to increase the resource recycling rate and continue to recycle and	No significant differences

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to deal with climate-related issues?	v		<p>reuse raw materials from the process, to reduce costs and alleviate the impact on the environment as well.</p> <p>(III) Although the Company has not yet assessed the potential risks and opportunities of climate change to the Company now and in the future, in practice there are relevant measures to reduce the day-to-day work that may give rise to climate change. Such measures include the use of electronic receipts and introduction of an electronic approval system to make it easier to send and receive documents, saving document delivery time and paperwork costs. We use double-sided paper as much as possible, and set up a recycling container next to the photocopiers to recycle the used paper, significantly reducing resource usage such as paper consumption. In addition, our offices set the air conditioning temperature at 26°C during summer, replace all lights with LED T5 ones, launch a light-off mechanism during lunch breaks and off work to reduce power consumption, thereby slowing down global warming. Moreover, we have replaced old air conditioners and air compressors to achieve the purpose of energy saving and carbon reduction.</p>	No significant differences
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?	v		<p>(IV) The Company features an ISO14001:2015 environmental management system that is announce in accordance with the content of our policy for a circular environment, and under which we make commitments on environmental management issues. In addition, control targets have been set for each item of industrial waste reduction issues. Topics include water consumption in the factory area, reduction of total electricity consumption, waste reduction, and so on. The performance of each target is in line with the preset target value. The Company has dedicated factory personnel who are responsible for data management and analysis of total water consumption, total electricity consumption, total waste tonnage, greenhouse gas CO2 emissions, energy conservation, and so on in the factory, so as to effectively grasp the relevant information. The specific results are summarized as follows:</p> <p>(1) Environmental stewardship commitment</p> <p>1. Establish, implement and maintain an environmental</p>	No significant differences

Promotion item	Implementation		Summary description	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof																
	Yes	No																		
			<p>management system.</p> <p>2. Dedicate to industrial waste reduction, pollution prevention, and continuous improvement work.</p> <p>3. Comply with relevant environmental laws and regulations and customer requirements.</p> <p>4. Promote the concept of green design, implementing waste classification and removal management to improve environmental performance.</p> <p>5. Through communication, advocacy and education training, make all employees aware of the importance of environmental management.</p> <p>6. Communicate environmental protection information to relevant parties.</p> <p>(2) Waste reduction issues and control objectives, promotion measures and achievement status</p> <p>1. Water Reuse <u>Objective:</u> Annual water recovery rate of more than 10%, <u>Promotional measures:</u> Utilize excess ROR wastewater in the plant, introduce water for public toilets, processes with low water quality requirements, and air pollution equipment, etc., and record the results according to the reading value of the water meter <u>Achievements:</u></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="4">Water recycling and reuse</th> </tr> <tr> <th>Year</th> <th>Total tap water consumption (M)</th> <th>Total water reuse (M)</th> <th>Water recovery rate</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>149365</td> <td>23656</td> <td>15.84%</td> </tr> <tr> <td>2021</td> <td>144,553</td> <td>22,057</td> <td>15.26%</td> </tr> </tbody> </table> <p>2. Resource recycling of hazardous waste (including electroplating sludge, waste electronic components, scraps, and defective products) <u>Objective:</u> Reuse rate of more than 90%</p>	Water recycling and reuse				Year	Total tap water consumption (M)	Total water reuse (M)	Water recovery rate	2020	149365	23656	15.84%	2021	144,553	22,057	15.26%	
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			<p><u>Promotional measures:</u> Entrusting waste to various institutions for reuse and disposal to effectively recycle and reuse waste; and record the current annual total volume and treatment volume to achieve the effect of reuse.</p> <p><u>Achievements:</u></p> <table border="1"> <thead> <tr> <th colspan="3">Total amount of sustainable waste recycling (mt)</th> </tr> <tr> <th>Item</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total waste</td> <td>495.114</td> <td>621.344</td> </tr> <tr> <td>Total hazardous waste recycling</td> <td>268.863</td> <td>396.254</td> </tr> <tr> <td>Hazardous waste recycling rate</td> <td>54.30%</td> <td>63.77%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="5">Sustainable waste recycling (unit: metric tons)</th> </tr> <tr> <th>Year</th> <th>Waste designation</th> <th>Total output</th> <th>Total amount of reuse (off-site)</th> <th>Recycling rate</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>Electroplating sludge</td> <td>155.12</td> <td>98.4</td> <td>63.43%</td> </tr> <tr> <td>2021</td> <td>Electroplating sludge</td> <td>191.99</td> <td>187.63</td> <td>97.73%</td> </tr> <tr> <td>2020</td> <td>Waste electronic components, scraps, and defective products</td> <td>13.503</td> <td>10.463</td> <td>77.49%</td> </tr> <tr> <td>2021</td> <td>Waste electronic components, scraps, and defective products</td> <td>8.624</td> <td>8.624</td> <td>100.00%</td> </tr> </tbody> </table>	Total amount of sustainable waste recycling (mt)			Item	2020	2021	Total waste	495.114	621.344	Total hazardous waste recycling	268.863	396.254	Hazardous waste recycling rate	54.30%	63.77%	Sustainable waste recycling (unit: metric tons)					Year	Waste designation	Total output	Total amount of reuse (off-site)	Recycling rate	2020	Electroplating sludge	155.12	98.4	63.43%	2021	Electroplating sludge	191.99	187.63	97.73%	2020	Waste electronic components, scraps, and defective products	13.503	10.463	77.49%	2021	Waste electronic components, scraps, and defective products	8.624	8.624	100.00%	
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IV. Social issues (I) Has the Company established related policies and procedures in accordance with applicable legal rules and the	v		(I) In order to fulfill our corporate social responsibilities and to safeguard and protect basic human rights, the Company agrees to		No significant differences																																		

Promotion item	Implementation		Summary description	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No		
International Convention on Human Rights?			and promises to abide by norms of international human rights conventions including the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the International Labor Convention, and so on. The Company accordingly took the initiative to formulate a human rights policy to reflect our responsibility to respect and protect human rights and comply with local labor and environmental laws and regulations in our places of operation. Announced on March 2, 2022, this policy was formulated in order to prevent any infringements or violations of human rights.	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected business performance or results in employee compensation?	v		(II) Tai-Tech's salary and remuneration policy for employees is subject to individual ability, contribution to the Company, performance, and the consideration for the Company's future operational risks. The Company abides by the Company Act and its Articles of Incorporation to appropriate a certain percentage of pre-tax income as employee compensation, which is distributed in the middle of the following year. The Company also appropriates a fixed percentage of post-tax earnings as employee bonuses, which are distributed before the Chinese New Year's Eve, and is reflective of the Company's business performance and outcomes.	No significant differences
(III) Has the Company provided a safe and healthy work environment for the employees, and related education on occupational safety and health for the employees at regular intervals?	v		(III) In view of the importance of working environment and employee personal safety protection measures, the Company has approved the ISO 45001 Occupational Safety and Health Management, which can effectively ensure the safety and health of employees in the working environment. In formulating occupational safety and health policies for the sake of implementing occupational safety and health protection, so that we might achieve our commitment to protect occupational safety and health and our determination for continuous improvement, the Company provides the following specific measures.	No significant differences
			Occupational safety and health policies	Content

Promotion item	Implementation		Summary description	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No		
			<p>Compliance</p> <p>1. Set up a special unit for occupational safety and health. 2. Have relevant management measures and introduce the ISO 45001 management system 3. Safety and health work codes and management regulations are formulated in accordance with the Occupational Safety and Health Act and its rules for implementation as well as the management requirements of ISO45001.</p>	
			<p>Training and education</p> <p>1. Education and training shall be implemented for newly recruited employees, machinery and equipment operators, special operators, and supervisors in accordance with laws and regulations, and they shall obtain relevant qualification certificates. 2. All dangerous machinery and equipment in the factory are subject to regular inspections according to laws and regulations. Operators have obtained professional licenses and received regular on-the-job training.</p>	
			<p>Continuous improvement</p> <p>On-site audits are carried out monthly to confirm the working environment and employee personal safety protection measures; and appropriate improvement suggestions are given to provide colleagues with a safe working environment.</p>	
			<p>Health care</p> <p>1. Annual health checks are conducted for employees in order to understand the health status of employees and the basis for improving the management of the operating environment. 2. If there are employees with abnormal health checks and they are listed as second-tier management, assessments and health education recommendations will be scheduled. 3. The Company implements operating environment monitoring every six months. to maintain employee health.</p>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(IV) Has the Company provided effective training in career planning for employees?			<p>Risk Management</p> <p>1. Establish emergency response procedures, procurement management, contract management, and change management control related operations to eliminate and reduce risks.</p> <p>2. Investigation, handling and statistical analysis of occupational incidents and false alarms; review and improve personal protective equipment, machine protection, environmental facilities, or improved working methods, preventing recurrence of the same accident.</p>	No significant differences
			<p>(IV) The Company is attentive toward employee career planning and is committed to talent cultivation. We actively encourage employees to participate in various training courses that are based on the functional needs of the Company's employees as they participate in courses or seminars sponsored by external or internal organizations. Employees can also apply for education and training sessions according to their needs at work, to train their abilities for career development. The Company has also formulated "On-the-Job Training Application Methods" for employees, which fully subsidizes tuition and miscellaneous fees and encourages employees to take on-the-job training.</p>	
(V) Regarding issues such as customer health and safety, customer privacy, and marketing and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer and customer protection policies and complaint procedures?	v		(V) The Company does not manufacture end products, but we have "Customer Complaint Handling Procedures" to respond to the situation when customers are dissatisfied with the Company's products or services. For customer health and safety, customer privacy, marketing and labelling of products and services, we follow industry-related regulations and international standards.	No significant differences
(VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	v		(VI) In order to implement our supply chain management strategy, the Company conducts regular evaluations of its suppliers so as to avoid dishonest business activities. We also follow international organization standards and initiative trends by incorporating the spirit of the Responsible Business Alliance (RBA) Code of Conduct into the Company's overall supply chain management strategy. We	No significant differences

Promotion item	Implementation		Summary description	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No		
			have thus formulated the guidelines for the entire supply chain to follow in the five major dimensions of labor, health and safety, environment, ethics, and management systems, to lead our business partners to jointly create the maximum values for the environment and society. In the aspect of occupational safety, we have formulated the Contractor Management Procedures, and the Occupational Safety and Health Office sends emails regularly regarding relevant occupational safety and health matters to engage with supply chain partners. As for environmental protection issues, we have formulated the "Green/Environmental Product Specifications Operating Procedures," which will be requested to suppliers to sign and return when new specifications are recognized, to urge suppliers to follow the latest green standards. During the annual supplier audit, suppliers must fill in the supplier audit checklist and return it. If any records of serious adverse impact on the environment and society are found during the transaction or collaboration period, the business dealings with such suppliers will be terminated immediately.	
V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	v		<p>The Company released our first Corporate Social Responsibility (CSR) report in Chinese in September 2021; and released it in English in December of the same year. (This report will be renamed as the "Sustainability Report" in the future.) This report is prepared voluntarily to mainly present our Company's CSR efforts in 2020 for the reference of our stakeholders. In the future, we will publish a CSR Report (Sustainability Report) on a regular basis every year to meet the public expectations of our sustainable business operations.</p> <p>This report reveals the Company's management policy and execution performance in material topics in the economic, environmental, and social aspects. It is prepared in alignment with the core option of the Global Reporting Initiative Standards (GRI Standards). The information on the financial performance has been audited by a CPA firm.</p> <p>In respect to the Company's 2020 Corporate Social Responsibility Report, no assurance has been obtained from a third-party verification unit. This is scheduled to start in 2021, when the sustainability report will be confirmed by a third-party verification unit.</p>	No significant differences
VI. If the Company has its own sustainable development code in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please				

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
<p>describe the differences between its operation and the Principles:</p> <ol style="list-style-type: none"> 1. On September 17, 2020, the Board of Directors of the Company approved the "Corporate Social Responsibility Best Practice Principles;" and on January 18, 2022, the Board of Directors revised and approved to change its designation to the "Sustainable Development Best Practice Principles." 2. The Company attaches great importance to the fields of industrial safety, environmental protection, and safety and health. In addition to having obtained ISO 14001 and ISO 45001 certifications, the Company regularly monitors air, noise, waste, and energy usage in the factory. If any such measures exceed the standard values, an improvement plan will be carried out immediately. 3. The Company attaches great importance to harmonious labor relations and the employee welfare system. An Employee Welfare Committee has been established; the pension system has been implemented; and we have arranged a range of employee training courses, employee group insurance, and regular health checkups. Meanwhile, regular labor-management meetings are held to emphasize the importance of harmonious labor relations. 				
<p>VII. Other important information helpful to understand the implementation of the promotion of sustainable development:</p> <ol style="list-style-type: none"> 1. The Company complies with the requirements of environmental protection laws in terms of raw material input, product output, exhaust gas, wastewater, and waste treatment. The Company entrusts a professional treatment company to operate the sewage treatment facility at the plants 24/7. To ensure that our wastewater discharged is in compliance with laws and regulations. In 2021, we paid a total of NT\$2,970,000 on the costs of operation by the treatment company, and a total of NT\$1,960,000 on chemicals. 2. Companies of the Group treat their employees as family members, providing various types of emergency assistance and visits to vulnerable families in towns and villages, etc. to offer assistance for living needs. 3. The Company's waste paper recycling is entrusted to Tzu Chi to handle. Funds from the recovered amounts will be given to Tzu Chi for charity. 4. We have engaged in planting and adoption outside the factory areas, pruning flowers and trees; we increased the scope of adoption in 2019. 5. We adopt temperature controls in using air-conditioning to achieve energy savings and carbon reduction. 6. We promote e-concepts with online applications and sign-offs for multiple assignments, reducing paper waste and making good use of the blank surfaces of waste documents for recycling and reuse. 7. In cooperation with the government's promotional requirements, the Company has an electric scooter charging station in the factory to charge electric vehicles. 8. We cooperate with the government's promotion of energy saving among major energy users to declare at least 1% energy saving per year, and the average annual electricity saving rate for the five consecutive years from 2015 to 2021 reached 1.74%, which was in line with government requirements. 9. We donated NT\$30,000 to the Fangzhou Nursing Home to care for the mentally disabled elders 10. In respect to social welfare and care activities in 2021, starting in November 2021 we sponsored the Taitung National Chenggong Commercial Fisheries Vocational School Youth Baseball Team with NT\$50,000 month; meanwhile, starting from December 2021, our monthly sponsorship of the Taipei University of Technology swimming team is NT\$20,000. 				

(VI) Ethical business performance conditions, as well as differences and reasons for differences with Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies:

Evaluation item	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
I. Formulation of ethical management policies and plans				
(I) Has the Company formulated the ethical management policy approved by the board of directors, and in the regulations and external documents expressed the policies and practices of operating in good faith, and the commitment of the board of directors and senior management to actively implement business policies?	v		(I) On September 17, 2020, the Board of Directors of the Company approved the "Ethical Corporate Management Best-Practice Principles" in order to establish a corporate culture of honest management and sound development while establishing optimal business operations. The Board of Directors and senior management also undertake to implement it in internal management and business activities.	No significant differences
(II) Has the Company established an assessment mechanism for the risk of dishonesty, regularly analyzing and evaluating business activities with a high risk of dishonesty in the business scope, and formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?"	v		(II) The Company has formulated its Ethical Corporate Management Best Practice Principles taken preventive measures against the business activities with high risk of dishonesty according to the clear specifications of the second paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or within the scope of other business activities. The occurrence of unethical behavior.	No significant differences
(III) Does the Company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	v		(III) On September 17, 2020, the Board of Directors of the Company approved "Procedures for Ethical Management and Guidelines for Conduct." All unethical behavior is strictly prohibited, and it also clearly defines the disciplinary and appeal system for Company personnel involved in unethical behavior. In the future, when the Board of Directors submits its implementation report on the promotion of ethical behavior in the business every year, it shall review the Company's "Ethical Corporate Management Best Practice Principles" to determine whether corrections are required.	No significant differences
II. Implementation of ethical corporate management				
(I) Does the Company assess a trading counterpart's ethical management record and expressly state the ethical management clause in the contract to be signed with the trading counterpart?	v		(I) The Company conducts credit investigations on customers and evaluates suppliers to avoid unethical business activities, and has gradually included the ethical conduct clause in contracts signed with transaction	No significant differences

Evaluation item	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(II) Has the Company set up a special unit under the board of directors to promote corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation?	v		counterparties. (II) On September 17, 2020, after formulation and approval by the Board of Directors of the Company, the Audit Office was clearly designated as the responsible unit under the Procedures for Ethical Management and Guidelines for Conduct. Affiliated with the Board of Directors, this is a full-time unit that promotes the ethics of the business. In the future, it will regularly report to the Board of Directors on its ethical management policies, plans for preventing dishonest behavior, and supervision of their implementation.	No significant differences
(III) Has the Company developed a policy to prevent conflicts of interest, provided a proper presentation channel, and put such policy in place?	v		(III) For conflicts of interest, in addition to reporting to the immediate departmental supervisor, employees can also report directly to the President.	No significant differences
(IV) Has the Company established an effective accounting system for the implementation of ethical management, internal control system, and the evaluation result of the risk of dishonesty by the internal audit unit, to formulate relevant audit plans, and check the compliance with the plan to prevent dishonesty, or entrusted an accountant to perform the audit?	v		(IV) The Company has established an effective accounting system and an internal control system, and the internal audit unit conducts regular audits according to the audit plan. Our CPAs also audit the internal control system on a regular basis.	No significant differences
(V) Does the Company hold education training in ethical corporate management inside and outside the Company on a regular basis?	v		(V) The Company regularly conducts internal and external education and training on the anti-corruption policy, and has promotes this to employees during new employee education and training. The relevant education and training held in 2021, the number of participants, and the number of hours are as follows: 1. The total number of new employees trained is 94; completion rate 100%. 2. For relevant education and training of on-the-job colleagues, a total of 466 participation instances were accumulated.	No significant differences

Evaluation item	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
<p>III. Operation of the Company's whistleblower reporting system</p> <p>(I) Has the Company put in place the specific whistle-blowing and reward system, established a convenient reporting channel, and assigned appropriate personnel to deal with whistle-blowing?</p> <p>(II) Has the Company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?</p> <p>(III) Has the Company taken measures to protect whistle-blowers from retaliation due to reporting?</p>	v		<p>(I) The Company has established its "Employee Reward and Punishment Regulations," and holds reward and punishment meetings from time to time, and the contents of such meetings were kept confidential; the internal reporting mechanism allowed employees to convey information in a safe and confidential manner. In 2020 and 2021, there were 0 reported incidents.</p> <p>(II) As explained above.</p> <p>(III) As explained above.</p>	<p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p>
<p>IV. Strengthening information disclosure</p> <p>Has the company, on its website and on the Market Observation Post System of TWSE, disclosed the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles?</p>	v		<p>The investor area of the Company's website and the Market Observation Post System of TWSE are disclosed in the "Ethical Corporate Management Best Practice Principles."</p>	<p>No significant differences</p>
<p>V. If the Company has enacted the Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the difference between its operation and the Principles: We have formulated the Company's Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and there is no material difference between its operation and the Principles.</p>				
<p>VI. Other information that enables a better understanding of the Company's ethical corporate management (for example, the Company's review and revision the Ethical Corporate Management Best Practice Principles, etc.)</p> <ol style="list-style-type: none"> 1. The Company complies with the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, and relevant regulations of listed companies as the basis for our implementation of ethical management. 2. The Company's "Rules and Procedures of Board of Directors Meetings" establishes a system for director recusals to enable directors to view Board proceedings objectively. 3. The Company has formulated Preventative Measures for Insider Trading" that expressly stipulated that insiders and employees are not allowed to disclose material internal information they know to others. 4. The Company always pays attention to the development of relevant norms of ethical management domestically and abroad, and encourages directors, managers, and employees to make suggestions based on the review of the Company's measures to promote ethical management and in order to improve the effects of the Company's ethical management implementation. 				

(VII) If the Company has established the Corporate Governance Best Practice Principles and the related regulations, it should disclose how to inquire about such principles:

On September 17, 2020, the Board of Directors of the Company formulated our "Corporate Governance Best-Practice Principles." This was also placed on a public website for employees to access at any time.

(VIII) Other important information that is sufficient to improve the understanding of corporate governance operations: None.

(IX) The implementation of the internal control system shall disclose the following matters:

(1) Statement of Internal Control:

Tai-Tech Advanced Electronics Co., Ltd.

Internal Control System Statement

Date: January 18, 2022

For the Company's Internal Control System of 2021, based on the results of self-assessment, the following is hereby declared:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers of the Company, and that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, the company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the company takes corrective action.
- III. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (called the Regulations below). The "Regulations" divide internal control into five constituents in line with the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision. Each constituent contains several criteria. Please refer to the "Regulations" for details.
- IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2021. This system (including supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. The Company shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been approved by the Company's Board of Directors at the meeting held on January 18, 2022, at which this Statement was unanimously endorsed by all 9 attending directors without any opposing opinions.



Tai-Tech Advanced Electronics Co., Ltd.

Chairperson:  Signature

President:  Signature

(2) If a CPA is retained for the conduct of the internal audit system, disclose the Auditor's Report: None.

(X) In the most recent year and up to the date of publication of the annual report, if the Company and its internal personnel have been punished according to law, and the punishment has been imposed on internal personnel by the Company for violation of the internal control systems, major defects and improvements: None.

(XI) In the most recent year and as of the printing date of the annual report, important resolutions of the shareholders meeting and Board of Directors:

Meeting Name	Date	Motion
Board of Directors	January 19, 2021	01. Resolution to approve the operating report for the fourth quarter of 2020
		02. Resolution to approve the financial report for the fourth quarter of 2020
		03. Resolution to approve the audit report for the fourth quarter of 2020
		04. Resolution to approve the proposal on the monthly salary structure and payment amount of the Chairperson and managers of the Company and its subsidiaries
		05. Resolution to approve the 2020 year-end bonus and 2021 performance bonus payment plan for the Chairperson and managers of the Company and its subsidiaries
		06. Resolution passed to amend some provisions of the Company's "Administrative Measures for the Retirement of Appointed Managers"
		07. Resolution to approve directors' attendance at the Board of Directors
		08. Resolution to approve remuneration of independent directors
		09. Resolution to approve of the Company's proposed Statement of Internal Control Systems for 2020.
		10. Resolution to approve the Company's intended amendment of its sales and collection cycle, purchase and payment cycle, production cycle, salary cycle, and authorization management measures under its "Internal Control System."
		11. Resolution to approve and submitted the revision of the 2021 audit plan
		12. Resolution to approve the Company's 2021 annual business plan
		13. Resolution to approve amount renewal for E.Sun Bank and endorsement/guarantee for Pangu Holdings and TAI-TECH Advanced Electronics (Kunshan)
		14. Resolution to approve the renewal of commercial promissory notes issued by Taiwan Securities Finance Co., Ltd.
		15. Resolution to approve the renewal of the credit line of Chang Hwa Bank
		16. Resolution to approve the transaction of safe-haven forward foreign exchange contracts
		17. Resolution to approve the assessment method for the independence and suitability of financial CPAs
Board of Directors	March 2, 2021	01. Resolution to approve the 2020 employee compensation and director compensation distribution plan
		02. Resolution to approve recognition of 2020 business report, financial statements, and consolidated financial statements.
		03. Resolution to approve the 2020 profit distribution plan
		04. Resolution to approve the Company's intended issuance of new shares for cash

Meeting Name	Date	Motion
		capital increase through public underwriting before listing on the TPEx market
		05. Resolution to approve proposal to discuss lists of allocations granted to managers for cash capital increase and issuance of new shares in 2021
		06. Resolution to approve capital expenditure budget for business use
		07. Resolution to approve evaluation of independence of the CPA and appointed remuneration for 2021.
		08. Resolution to approve renewal of credit line of Shanghai Commercial Savings Bank and Pangu Holdings endorsement/guarantee
		09. Resolution to approve the renewal of the credit line of Jih Sheng Bank
		10. Resolution to approve the by-election of independent directors
		11. Resolution to approve the lifting of the non-compete restrictions on newly appointed independent directors
		12. Resolution to approve amendment of a portion of provisions of the Company's " Rules of Procedure for Shareholders Meetings"
		13. Resolution to approve proposal to hold the Company's 2021 general meeting of shareholders on June 10, 2021
Board of Directors	April 29, 2021	01. Resolution to approve amendment to the Company's Articles of Incorporation
		02. Resolution to approve adjustment of 2020 profit distribution plan
		03. Resolution to approve review of qualifications of independent director candidates
		04. Resolutions to approve increase in relevant resolutions of the 2021 General Meeting of Shareholders
Board of Directors	May 4, 2021	01. Resolution to approve the operating report for the first quarter of 2021
		02. Resolution to approve the financial report for the first quarter of 2021
		03. Resolution to approve the audit report for the first quarter of 2021
		04. Resolution to approve the performance evaluation reports of the Company's Board of Directors, directors, and functional committees
		05. Resolution to approve recognition of consolidated financial statements for the first quarter of 2021
		06. Resolution to approve the Company's intended amendment of the sales and collection cycle under the "Internal Control System"
		07. Resolution to approve the Company's intended transactions to purchase land and factory
		08. Resolution to approve the annual credit extension proposal of CTBC
		09. Resolution to approve the renewal of guaranteed issuance of commercial promissory notes issued by Mega Securities Finance Co., Ltd.
Board of Directors	June 23, 2021	01. Resolution to approve to adjust the date of the Company's 2021 General Meeting of Shareholders
Board of Directors	August 2, 2021	01. Resolution to approve proposal to select members of the 4th-term Remuneration Committee of the Company
Board of Directors	August 10, 2021	01. Resolution to approve the operating report for the second quarter of 2021
		02. Resolution to approve the financial report for the second quarter of 2021
		03. Resolution to approve the audit report for the second quarter of 2021
		04. Resolution to approve report on directors' liability insurance
		05. Resolution to approve the Company's 2020 director's remuneration distribution plan (details)

Meeting Name	Date	Motion
		06. Resolution to approve the Company's 2020 employee compensation distribution plan (details)
		07. Resolution to approve recognition of consolidated financial statements for the second quarter of 2021
		08. Resolution to approve Citibank (Taiwan) line of credit and TAIPAQ Electronic Components (Si-Hong) Co., Ltd. endorsement/guarantee
		09. Resolution to approve renewal of credit line
		10. Resolution to approve to apply for real estate mortgage loan
Board of Directors	November 10, 2021	01. Resolution to approve the operating report for the third quarter of 2021
		02. Resolution to approve the financial report for the third quarter of 2021
		03. Resolution to approve self-preparation of financial statements
		04. Resolution to approve the audit report for the third quarter of 2021
		05. Resolution to approve consolidated financial statements for the third quarter of 2021
		06. Resolution to approve the 2022 audit plan
		07. Resolution to approve renewal of credit line
Board of Directors	January 18, 2022	01. Resolution to approve the operating report for the fourth quarter of 2021
		02. Resolution to approve the financial report for the fourth quarter of 2021
		03. Resolution to approve the audit report for the fourth quarter of 2021
		04. Resolution to approve the proposal on the monthly salary structure and payment amount of the Chairperson and managers of the Company and its subsidiaries
		05. Resolution to approve the 2021 year-end bonus and 2022 performance bonus payment plan for the Chairperson and managers of the Company and its subsidiaries
		06. Resolution to approve directors' attendance at the Board of Directors
		07. Resolution to approve remuneration of independent directors
		08. Resolution to approve TAIPAQ Electronic Components (Si-Hong) Co., Ltd. endorsement/guarantee
		09. Resolution to approve of the Company's proposed Statement of Internal Control Systems for 2021.
		10. Resolution to approve the Company's 2022 annual business plan
		11. Resolution to approve amendments to laws and regulations: revision of "C044 Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, 2nd edition;" and of "C047 Sustainable Development Best Practice Principles, 2nd edition"
		12. Resolution to approve renewal of credit line
		13. Resolution to approve the new credit extension of HSBC (Taiwan) Commercial Bank
		14. Resolution to approve new credit extension between Taishin International Bank and TAIPAQ Electronics
		15. Resolution to approve portfolio investment authorization proposal
Board of Directors	February 25, 2022	01. Resolution to approve the 2021 employee compensation and director compensation distribution plan
		02. Resolution to approve establishment of the Company's "Remuneration and Reward Measures for Directors." Resolution: Upon consultation by the presiding chair of all directors present, the case is deferred and is to be discussed at the next meeting.

Meeting Name	Date	Motion
		03. Resolution to approve recognition of 2021 business report, financial statements, and consolidated financial statements.
		04. Resolution to approve the 2021 profit distribution plan
		05. Resolution to approve renewal of credit line of Shanghai Commercial Savings Bank
		06. Resolution to approve the re-election of directors.
		07. Resolution to approve nominated candidacies of directors (independent directors)
		08. Resolution to approve to lift the restriction on non-compete of directors in Article 209 of the Company Act for new directors of the Company
		09. Resolution to approve proposal to hold the Company's 2022 general meeting of shareholders on June 21, 2022
Board of Directors	April 28, 2022	01. Resolution to approve establishment of the Company's "Remuneration and Reward Measures for Directors."
		02. Recognition of consolidated financial statements for the first quarter of 2022.
		03. Resolution to approve evaluation of independence of the CPA and appointed remuneration for 2022.
		04. Resolution to approve loan and agreement for North Star International Co., Ltd.
		05. Resolution to approve the profit distribution plan of TAI-TECH Advanced Electronics (Kunshan)
		06. Resolution to approve capital increase of TAIPAQ Electronic Components (Si-Hong) Co.
		07. Resolution to approve proposal on execution of private placement of common shares for capital increase
		08. Resolution to approve amendments to "Procedures for Acquiring or Disposing of Assets"
		09. Resolution to approve amendment to the Company's Articles of Incorporation
		10. Resolution to approve amendments to "Rules of Procedure for Shareholders' Meeting."
		11. Resolution to approve amendments to the "Corporate Governance Best Practice Principles".
		12. Resolution to approve the Company's greenhouse gas inventory and verification schedule plan
		13. Resolution to approve the annual credit extension proposal of CTBC
		14. Resolution to approve the renewal of the credit line of Chang Hwa Bank
		15. Resolution to approve the renewal of commercial promissory notes issued by Taiwan Securities Finance Co., Ltd.
		16. Resolution to approve to update the list of director nominee candidates
		17. Resolutions to approve increase in relevant resolutions of the 2022 General Meeting of Shareholders
Am-holders Directors	July 23, 2021	01. Resolution to approve the Company's 2020 annual business report
		02. Resolution to approve the Audit Committee's review report on the 2020 financial statements.
		03. Resolution to approve report on the 2020 employee compensation and director compensation distribution plan
		04. Resolution to approve report on distribution of shareholders' dividends and bonuses for 2020.
		05. Resolution to approve adoption of 2020 business report and financial statements.

Meeting Name	Date	Motion
		06. Resolution to approve the 2020 profit distribution plan
		07. Resolution to approve amendments to “Rules of Procedure for Shareholders’ Meeting.”
		08. Resolution to approve amendment to the Company’s Articles of Incorporation
		09. Resolution to approve the by-election of independent directors
		10. Resolution to approve the lifting of the non-compete restrictions on newly appointed independent directors

(XII) In the most recent year and up to the date of publication of the annual report, the major contents of the opposition to or qualified opinions expressed by directors or supervisors about the significant resolutions passed by the Board of Directors that have been noted in the records or declared in writing: None.

(XIII) Resignation and removal of the Company's chairperson, president, chief accountant, treasurer, internal audit supervisor, and R&D supervisor in the most recent year and up to the date of publication of the annual report: None

IV. Information about CPA professional fees:

Accounting firm name	Accountant name	Accountant audit period	Audit remuneration	Non-audit fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Yen-na Li	2021 whole year	3,748	5,015	8,763	
	Wei-hao Wu	2021 whole year				

Note: If the Company changes accountants or accounting firms this year, please list the inspection period separately and explain the reason for the replacement in the remarks column, and disclose the information on audit and non-audit fees paid in sequence. Non-audit should be annotated to explain their service content.

(I) If the proportion of non-audit fees paid to the CPA, the firm to which the CPA belongs, and its affiliated enterprises is more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed:

The contents of non-audit services are: (1) ESG sustainability report service fee, NT\$1,120 thousand; (2) Internal control special audit service fee, NT\$416 thousand;

(3) Undistributed profit revision service fee, NT\$35 thousand; (4) Transfer pricing report service fee, NT\$180 thousand; (5) Consultant service fee, NT\$2,959 thousand; (6) Cash capital increase review and other fees, NT\$55 thousand; (7) Fees for tax certification, NT\$250 thousand.

(II) If the accounting firm has changed and the audit fee paid in the year of change is lower than the audit fee in the year before the change, the amount of audit fees and reasons before and after the replacement should be disclosed: None.

(III) If the audit fees are reduced by more than 10% compared with the previous year, the amount, proportion and reasons for the reduction of audit fees should be disclosed: None.

V. Change of CPA information: None.

VI. The chairperson, president, or the manager responsible for financing or accounting affairs, who has worked for the accounting firm to which CPAs belong or the affiliated enterprises in the past year: None

VII. Information about the shares transferred by and changes to the shares pledged by the directors, supervisors, managers and the shareholders holding more than 10% of shares in the most recent year and up to the date of publication of the annual report:

(I) Changes to the shares held by directors, supervisors, managers, and majority shareholders

Title	Name	2021		Through April 23, 2022	
		Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in	Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in
Chairman	Northwest Investment Corporation	(124,000)	—	—	—
	Representative: Ming-Yen Hsieh	—	—	(484,779)	—
Director	Heng Yang Investment Corporation	—	—	—	—
	Representative: Yu-Hsiang Hsieh Yu	—	—	(705,221)	—
Director	Chien-Jung Lin	—	—	—	—
Director	Chih-Cheng Hung	—	—	—	—
Director	Kuei-Kuang Huang	—	—	—	—
Director	Chin-Sheng Chen	—	—	—	—
Independent Director	Yu-Tsun Li	—	—	—	—
Independent Director	Kuang Hui Chu (Note 1)	—	—	—	—
Independent Director	Wei Luo (Note 2)	—	—	—	—
Independent Director	Yang-Pin Shen (Note 3)	—	—	—	—
Independent Director	Yi-Chun Chiang (Note 4)	—	—	—	—
President	Ming-Liang Hsieh	—	—	—	—
Vice President	Pao-Lin Shen	2,000	—	(106,120)	—
Vice President, TAIPAQ Plant	Lung-Wang Chang	30,000	—	—	—
Chairperson's Office Chief Engineer	Pai-Hsuan Chung	9,000	—	—	—

Title	Name	2021		Through April 23, 2022	
		Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in	Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in
Chairperson's Office Chief Engineer	Shao-Hsiung Huang (Note 5)	0	—	—	—
Audit Supervisor	Ching-Chi Hsieh	(264)	—	3,000	—
Director, Product Planning Management Office	Yi-Ju Lin	2,000	—	—	—
Associate Manager, Product Planning Management Office	Chi-Ming Tseng	18,000	—	—	—
General Manager	Yung-Tzu Li	(14,950)	—	—	—
Director of Sales Division	Ming-Yen Hsieh	25,000	—	—	—
Sales Division Deputy Director	Tze-Chun Chan	2,000	—	—	—
Director, R&D Center	Hsiang-Chung Yang	(2,000)	—	—	—
R&D Center Deputy Director	Chun-Te Tsou	4,000	—	—	—
Manager, Finance and Accounting Department	Hui-Yu Ho	12,000	—	—	—
Quality Assurance Department	Jung-Chuan Chang	17,000	—	—	—
Management Department	Chiang Yu Lin Fan	17,000	—	—	—
Manager, IT Department	Kai-Lun Fan	17,000	—	—	—

Title	Name	2021		Through April 23, 2022	
		Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in	Number of shares held Increase/decrease in	Number of shares pledged Increase/decrease in
Manager, Product Application Technical Support Department	Chin-Yuan Chen	10,000	—	—	—
Vice President, TAIPAQ Plant	Chun-Chih Liu	20,000	—	—	—
Production Department 2 Manager	Chia-Hung Chang	2,000	—	—	—
Manager, Production Department	Yi-Ting Huang	1,000	—	—	—
Major shareholder of more than 10%	Superworld Holdings (S) Pte. Ltd. investment account under custody of First Commercial Bank (Note)	—	—	—	—

Note: Removal of major shareholder from over 10% shareholding - The reason is that Tai-Tech Advanced Electronics Co., Ltd. was listed on the TPEx market on April 27, 2021. Because the original shareholders had to abstain from the subscription in handling this issuance of common shares for cash, the shareholding ratio of 11.22% therefore fell below 10%.

Note 1: Independent Director Mr. Kuang Hui Chu resigned on July 23, 2021

Note 2: Independent Director Mr. Wei Luo resigned on July 23, 2021

Note 3: Independent Director Mr. Yang-Pin Shen took office on July 23, 2021

Note 4: Independent Director Ms. Yi-Chun Chiang took office on July 23, 2021

Note 5: Chief Engineer Shao-Hsiung Huang retired on February 1, 2022

(II) Share transfer information

Name	Reasons for equity transfer (Note)	Transaction date	Trade counterparty	The relationship between the counterparty of the transaction and the Company, directors, supervisors and shareholders holding more than 10% of the shares	Number of Shares (Shares)	Trading price (NT\$)
Yung-Tzu Li	Disposal	December 13, 2021	Chia-Shuo Li	Father and son	16,950	129.50

Pao-Lin Shen	Disposal	March 9, 2022	Hsiang-Chuan Huang	Spouse	106,120	119
Lung-Wang Chang	Disposal	April 12, 2022	Yi-Jou Chang	Father and daughter	21,217	115

(III) Equity pledge information: None

(VIII) Information about the relationships of the ten largest shareholders

April 23, 2022

Name	Number of shares personally held		Spouse and minor children holding shares		Total shares held by proxy		Name of related parties, spouse, or relative within the second degree of kinship, and relationships among top ten shareholders		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name (or designation)	Relationship	
Superworld Holdings (S) Pte. Ltd. investment account under custody of First Commercial Bank	10,207,649	9.90%	—	—	—	—	—	—	
Corporate representative: Chin-Sheng Chen	—	—	—	—	—	—	—	—	
Heng Yang Investment Corporation	6,467,995	6.27%	—	—	—	—	Yu-Hsiang Hsieh Yu Ming-Liang Hsieh Ming-Yen Hsieh	Chairperson and Director of the Company Supervisor of the Company Director of the Company	
Representative: Yu-Hsiang Hsieh Yu	1,419,902	1.38%	—	—	—	—	Heng Yang Investment Corporation Ming-Yen Hsieh Ming-Liang Hsieh Ming-Chi Hsieh	Chairperson and Director of the Company Mother/Son Mother/Son	
Northwest Investment Corporation	6,121,718	5.94%	—	—	—	—	Ming-Yen Hsieh Chien-Jung Lin	Chairperson and Director of the Company Supervisor of the Company	
Representative: Ming-Yen Hsieh	2,464,829	2.39%	463,371	0.45%	—	—	Northwest Investment Corporation Yu-Hsiang Hsieh Yu	Chairperson and Director of the Company Mother/Son	

							Ming-Liang Hsieh Ming-Yen Hsieh	Brother Brother
Ming-Chi Hsieh	2,750,481	2.67%	611,731	0.59%	—	—	Heng Yang Investment Corporation Yu-Hsiang Hsieh Yu Ming-Yen Hsieh Ming-Liang Hsieh	Director of the Company Mother/Son Brother Brother
Ming-Liang Hsieh	2,746,868	2.66%	135,027	0.13%	—	—	Heng Yang Investment Corporation Yu-Hsiang Hsieh Yu Ming-Yen Hsieh Ming-Chi Hsieh	Supervisor of the Company Mother/Son Brother Brother
All Ring Tech Co., Ltd.	2,710,436	2.63%	—	—	—	—	—	—
Representative: Ching-Lai Lu	—	—	—	—	—	—	—	—
Kuei-Kuang Huang	2,564,591	2.49%	1,109,612	1.08%	—	—	—	—
Ming-Yen Hsieh	2,464,829	2.39%	463,371	0.45%	—	—	Northwest Investment Corporation Yu-Hsiang Hsieh Yu Ming-Liang Hsieh Ming-Chi Hsieh	Chairperson and Director of the Company Mother/Son Brother Brother
Chien-Jung Lin	1,836,610	1.78%	629,810	0.61%	—	—	Northwest Investment Corporation	Supervisor of the Company
Yuqin Investment Co., Ltd.	1,775,000	1.72%	—	—	—	—	—	—

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company:

December 31, 2021; Unit:
Thousand shares

Reinvested business	The Company's investment		Director, supervisor, and manager investments and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of Shares	Shareholding Proportion (%)	Number of Shares	Shareholding Proportion	Number of Shares	Shareholding Proportion (%)
Best Bliss Investments Limited	34,250	100.00	—	—	34,250	100.00
North Star International Limited	100	100.00	—	—	100	100.00
TAI-TECH Advanced Electronics (Kunshan)	—	100.00	—	—	—	100.00
Fixed Rock Holding Ltd.	26,450	100.00	—	—	26,450	100.00
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	—	100.00	—	—	—	100.00

Four. Fundraising Status

I. Capital and Shares

(I) Sources of equity

1. Sources of share capital

April 23, 2022; Unit: Thousand shares

Year / Month	Issuance Price (NT\$)	Approved share capital		Paid-up share capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Share capital Source	Property other than cash contributed as equity capital	Other
November 1992	10	2,650	26,500	2,650	26,500	Starting capital	—	Approved by Letter Jing (082) Shang No. 390865 on November 02, 1992
September 1993	10	2,750	27,500	2,750	27,500	Cash capital increase of NT\$1,000 thousand	—	Approved by Letter Jing (082) Shang No. 450582 on September 8, 1993
July 1995	10	5,500	55,000	5,500	55,000	Cash capital increase of NT\$27,500 thousand	—	Approved by Letter Jing (084) Shang No. 501016 on July 08, 1995
September 1999	10	9,350	93,500	9,350	93,500	Cash capital increase of NT\$38,500 thousand	—	Approved by Letter Jing (088) Shang No. 684064 on September 17, 1999
August 2000	10	11,000	110,000	11,000	110,000	Capital increase of NT\$16,500 thousand from capitalization of retained earnings	—	Approved by Letter Jing (089) Shang No. 124051 on August 10, 2000
November 2000	10	19,813	198,127	19,813	198,127	Consolidated capital increase of NT\$88,127 thousand	—	Approved by Letter Jing (089) Shang No. 144108 on November 27, 2000
July 2001	10	35,600	356,000	26,433	264,330	Capitalization of capital reserves of NT\$66,203 thousand	—	Approved by Letter Jing (090) Shang No. 09001382310 on September 26, 2001
July 2001	10	35,600	356,000	29,500	295,000	Capital increase of NT\$30,670 thousand from capitalization of retained earnings	—	Approved by Letter Jing (090) Shang No. 09001382310 on September 26, 2001
July 2001	10	35,600	356,000	35,600	356,000	Cash capital increase of NT\$61,000 thousand	—	Approved by Letter Jing (090) Shang No. 09001382310 on September 26, 2001
December 2001	10	45,600	456,000	45,600	456,000	Cash capital increase of NT\$100,000 thousand	—	Approved by letter Shushang Zi No. 09101001420 on January 7, 2002
July 2002	10	54,878	548,776	53,853	538,536	Capital increase of NT\$82,536 thousand from capitalization of retained earnings	—	Approved by letter Shushang Zi No. 09101371960 on September 18, 2002

July 2002	10	54,878	548,776	54,878	548,776	Consolidated capital increase of NT\$10,240 thousand	—	Approved by letter Shushang Zi No. 09101371960 on September 18, 2002
May 2003	10	65,000	650,000	58,445	584,446	Capital increase of NT\$35,670 thousand from capitalization of retained earnings	—	Approved by letter Shushang Zi No. 09201180690 on June 24, 2003
May 2003	10	65,000	650,000	61,000	610,000	Cash capital increase of NT\$25,554 thousand	—	Approved by letter Shushang Zi No. 09201180690 on June 24, 2003
June 2005	10	75,000	750,000	67,100	671,000	Capital increase of NT\$61,000 thousand from capitalization of retained earnings	—	Approved by letter Shushang Zi No. 09401160490 on August 17, 2005
November 2006	12	75,000	750,000	69,975	699,748	Cash capital increase of NT\$28,748 thousand	—	Approved by letter Shushang Zi No. 09601290900 on January 3, 2007
November 2006	12	75,000	750,000	70,000	700,000	Consolidated capital increase of NT\$252 thousand	—	Approved by letter Shushang Zi No. 09601290900 on January 3, 2007
December 2009	16.9	75,000	750,000	70,055	700,550	Cash capital increase of NT\$550 thousand	—	Approved by letter Shushang Zi No. 09801288710 on December 15, 2009
January 2011	23	80,000	800,000	78,000	780,000	Cash capital increase of NT\$79,450 thousand	—	Approved by Letter Shushang Zi No. 10001018760 on January 31, 2011
September 2012	10	150,000	1,500,000	79,560	795,600	Capital increase of NT\$15,600 thousand from capitalization of retained earnings	—	Approved by Letter Shushang Zi No. 10101193770 on September 18, 2012
August 2014	30	150,000	1,500,000	91,000	910,000	Cash capital increase of NT\$114,400 thousand	—	Approved by Letter Shushang Zi No. 10301160060 on August 4, 2014
March 2021	151.88	300,000	3,000,000	103,134	1,031,340	Cash capital increase of NT\$12,134 thousand	—	Approved by Letter Shushang Zi No. 11001141040 on August 23, 2021

2. Classes of shares

April 23, 2022; Unit: Shares

Shares Class	Approved share capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	103,134,000	196,866,000	300,000,000	TPEX-listed shares

3, Information concerning the collective reporting system: Not applicable

(II) Shareholder structure

April 23, 2022; Units: Individuals; Shares

Shareholder structure Quantity	Government agencies	Financial institution	Other legal persons	Individuals	Foreign institutions and individuals	Total
Number of people	—	—	39	9,994	49	10,082
Number of shares held (shares)	—	—	20,701,073	71,292,029	11,140,898	103,134,000
Shareholding percentage (%)	—	—	20.07	69.13	10.80	100

(III) Distribution of Equity

1. Common stock

April 23, 2022

Shareholding grading	Number of shareholders (individuals)	Number of shares held (shares)	Shareholding percentage (%)
1-999	2,543	396,155	0.38
1,000-5,000	6,388	11,450,144	11.10
5,001-10,000	517	4,065,308	3.94
10,001-15,000	176	2,262,962	2.19
15,001-20,000	107	1,955,580	1.90
20,001-30,000	112	2,823,180	2.74
30,001-40,000	52	1,835,640	1.78
40,001-50,000	36	1,689,731	1.64
50,001-100,000	59	4,066,605	3.94
100,001-200,000	28	3,939,238	3.82
200,001-400,000	27	7,251,672	7.03
400,001-600,000	9	4,798,744	4.65
600,001-800,000	7	4,947,342	4.80
800,001-1,000,000	6	5,227,393	5.07
1,000,001-1,200,000	1	1,109,612	1.08
1,200,001-1,400,000	2	2,568,615	2.49
1,400,001-1,600,000	1	1,419,902	1.38
1,600,001-1,800,000	2	3,455,000	3.35
1,800,001-2,000,000	1	1,836,610	1.78
2,000,001-999,999,999,999	8	36,034,567	34.94
Total	10,082	103,134,000	100.00

2. Preferred shares: None

(IV) List of major shareholders

		April 23, 2022; Units: Shares; %	
Major shareholders	Shares	Number of shares held (shares)	Shareholding percentage (%)
Superworld Holdings (S) Pte. Ltd. investment account under custody of First Commercial Bank		10,207,649	9.90
Hengyang Investment Co., Ltd.		6,467,995	6.27
Northwest Investment Co., Ltd.		6,121,718	5.94
Ming-Yen Hsieh		2,750,481	2.67
Ming-Liang Hsieh		2,746,868	2.66
All Ring Tech Co., Ltd.		2,710,436	2.63
Kuei-Kuang Huang		2,564,591	2.49
Ming-Chi Hsieh		2,464,829	2.39
Chien-Jung Lin		1,836,610	1.78
Yuin Investment Co., Ltd.		1,775,000	1.72

(V) Information about market price, net value, earnings, and dividends per share in the most recent two years

Unit: NT\$ thousand; Thousand shares

Item		Year	
		2020	2021
Per share Market price	Highest	Not listed	184.50
	Lowest	Not listed	108.00
	Average	Not listed	151.72
Net value per share	Before distribution	39.19	62.80
	After distribution	34.54	Not yet distributed
EARNING S PER SHARE	Weighted average number of shares	91,000	99,089
	Earnings per share	8.07	12.08
Per share Dividends	Cash dividends		4.10
	Stock dividends	Stock dividends from capitalization of retained earnings	—
		Additional paid in capital	—
	Accumulated unpaid dividends		—
Return on investment analysis	P/E ratio		Not listed
	Price to dividend ratio		Not listed
	Cash dividend yield		Not listed

(VI) Company dividend policy and implementation status

1. Dividend policy as set out in the Articles of Incorporation

The Company's dividend policy shall be determined based on the factors of the environment of its industry, Company's growth stage, future fund demand, financial structure and capital budget, etc., along with the benefits of shareholders, balance of dividends and the long-term planning of the Company. Within the distributable range, the distribution proposal is to be established by the Board of Directors according to law, and the proposal is to be reported to the shareholders' meeting. No less than 30% of annual earnings are appropriated to shareholders. Shareholder's bonuses may be appropriated in cash or in shares, provided, however, that the appropriation in cash shall not be less than 10% of the total appropriated amount.

2. Proposed (completed) dividend distribution to shareholders for the current year

The Company will distribute a cash dividend of NT\$7.0 per share for 2021. The resolution was submitted to the Board of Directors on February 25, 2022 and will be reported to the shareholders meeting on June 21, 2022.

(VII) The impact of proposed stock dividends this year on the Company's operating performance and earnings per share: There will be no stock dividend.

(VIII) Remuneration of employees, directors, and supervisors

Item	Explanation
The percentage or scope of remuneration for employees, directors, and supervisors as set out in the Articles of Incorporation	Where the Company has a profit for a fiscal year, it shall appropriate not less than 6% as the remuneration of employees, and the board of directors shall reach resolution of the distribution in stock or cash. The distribution subject may include employees of subordinate companies satisfying certain criteria. The Company may appropriate an amount not higher than 2% of the aforementioned profit as the remuneration of directors and supervisors through resolution of board of directors' meeting. The proposal for distribution of the remuneration of employees and the remuneration of directors and supervisors shall be reported to the shareholders' meeting,
The estimated basis for the estimated compensation of employees, directors and supervisors in the current period, the basis for calculating the number of shares for employee compensation distributed by shares, and the accounting treatment if the actual distribution amount is different from the estimated amount:	In accordance with the Company's Articles of Incorporation, not less than 6% of pre-tax profit is to be allocated to employee compensation and not more than 2% is to be allocated to directors' compensation. The corresponding amounts in 2021 were NT\$85,823 thousand and NT\$21,456 thousand, respectively, which were not different from the amounts estimated in the accounts. If there is a difference between the actual distribution amount and the estimated amount, it will be treated as a change in accounting estimates and included in profit or loss for the following year.

Item	Explanation
<p>Approval of the Board of Directors of the distribution of remuneration:</p> <p>(1) Compensation of employees and directors and supervisors distributed in cash or stock. If there is a difference from the estimated amount in the year of recognition of expenses, the number of discrepancies, reasons, and handling should be disclosed:</p>	<p>On February 25, 2022, a resolution of the Board of Directors was passed such that for 2021, employees will be paid NT\$85,823 thousand and directors' compensation will be NT\$21,456 thousand. This does not differ from the estimated amount in the accounts, and all of the above will be paid in cash.</p>
<p>(2) The amount of employee compensation distributed in stock and its proportion to the net profit after tax and total employee compensation in the current period's parent company only or individual financial statements:</p>	<p>No such situation</p>
<p>Shareholders' meeting reports on the situation and results of the distribution of remuneration</p>	<p>The Company's 2021 distribution plan calls for employee compensation of NT\$85,823 thousand and directors' compensation of NT\$21,456 thousand; this proposal should be reported to the shareholders' meeting on June 21, 2022.</p>
<p>Actual distribution of remuneration for employees, directors, and supervisors in the previous year (including the number of shares allotted, amounts, and share prices). If there is a difference with the recognized amount of remuneration for employees, directors, and supervisors, the number of differences, the reasons and the handling circumstances should be stated:</p>	<p>Following a report to the annual General Meeting of Shareholders on July 23, 2021, the Company allocated NT\$52,043 thousand in employee compensation and NT\$13,011 thousand in directors' compensation for 2020. There was no difference from the amount of employee compensation and directors' compensation recognized in the 2020 financial statements.</p>

(IX) Repurchase of shares by the Company: None.

II. Issuances of corporate bonds (including overseas corporate bonds): No such situation.

III. Handling of preferred shares: No such situation.

IV. Participation in the issuance of overseas depository receipts: No such situation.

V. Employee stock options and new restricted employee shares: No such situation.

VI. M&A or transfer of shares of other companies to issue new shares: No such situation.

VII. Implementation status of fund utilization plan:

(I) Plan content: 2021 cash capital increase

1. The total amount of funds required for this plan: NT\$1,842,854 thousand

2. Sources of funds:

12,134 thousand common shares to be issued for capital increase in cash with a par value of NT\$10 per share. The issue price per share is tentatively set at NT\$118.78 and the total amount raised is expected to be NT\$1,842,854 thousand.

3. Plan items and estimated progress of fund utilization:

Unit: NT\$ thousand

Plan item	Scheduled completion date	Required funds Total amount	Scheduled fund utilization progress
			2021
			Second quarter
Repay bank loan	Q2 2021	684,000	684,000
Replenish working capital	Q2 2021	1,158,854	1,158,854
Total		1,842,854	1,842,854

Source: Provided by the Company

(II) Implementation status: The implementation progress of the fundraising plan in the second quarter of 2021 was to repay bank loans totaling NT\$684,000 thousand. In this period, a total of NT\$500,000 thousand was repaid to seven banks in accordance with the fundraising plan's progress, including the Taoyuan branch of Taipei Fubon Bank, the Taoyuan branch of E.Sun Bank, the Zhubei branch of Cathay United Bank, the Taoyuan branch of International Bills Finance Corp., the New Taipei branch of First Commercial Bank, KGI Bank, and the Yangmei branch of Hua Nan Commercial Bank. A repayment of NT\$49,000 thousand was originally estimated to be made to the Yangmei branch of Chang Hwa Bank but the actual repayment was NT\$48,000 thousand primarily because NT\$1,000 thousand had already been repaid on April 12 and April 22, 2021, respectively. In addition, repayment of NT\$135,000 thousand was originally slated for the Business Division of KGI Bank but the actual repayment was NT\$120,000 thousand, primarily because NT\$15,000 thousand had already been paid on April 22. Therefore, the actual disbursement of funds came to NT\$668,000 thousand, and the undisbursed amount of NT\$16,000 thousand was transferred for application in supplementary

working capital and would be used up in the third quarter of 2021.

(III) Evaluation of benefits: The project to replenish working capital was completed in the third quarter of 2021. This has brought a timely injection into the Company's working capital needs, increased the flexible use of funds to maintain normal operations, and helped to increase the Company's operating revenue and generate operating profit. Achievement of these benefits are still in line with expectations.

Five. Overview of Operations

I. Business content

(I) Business scope

1. The Company's principal business activities

The Company is a professional supplier of magnetic materials and inductive components. The main business items are the development, design, manufacture, and sale of different types of magnetic components and inductive components.

2. Revenue Distribution of the Company's current Major Products

Unit: NT\$ thousand

Major products	2020		2021	
	Operating revenue	Proportion	Operating revenue	Proportion
Wire-wound	3,064,957	68.45%	3,937,194	63.86%
Multilayer products	901,111	20.12%	1,051,952	17.06%
LAN transformer	480,948	10.74%	1,143,122	18.54%
Others	30,988	0.69%	33,013	0.54%
Total	4,478,004	100.00%	6,165,281	100.00%

3. The Company's current product items and applications

The magnetic components and inductance components manufactured and sold by the Company are used to suppress electromagnetic interference (EMI) between electronic circuits and various interfaces, and are also widely used in circuits such as those for signal screening, noise filtering, and stabilizing current. Furthermore, inductance is also an indispensable component in every type of power management circuit and system. Their scope of application covers almost the entirety of electronic terminal products, such as personal computers and peripheral products, wired or wireless communication system products, automotive electronics, industrial products, digital audio and video products, televisions, game consoles and other consumer products, security products and other electronic products. After years of hard work, the Company has become one of the few companies in the industry today that has the ability to manufacture and sell various types of inductors and provide customized products to clients. Major product categories and items manufactured and sold by the Company are organized in the following table:

Type	Wire-wound			Multilayer products	LAN transformer	Others
	Precision wire-wound inductors	Molded power inductor	Common mode filter			
Item	1. Wire-wound ferrite inductors 2. High frequency	1. Molded power inductors 2. Miniature molded	1. Two-wire common mode filters	1. Multilayer Chip Beads 2. Multilayer	1. Capacitive type LAN transformer	Nickel-zinc ferrite

Type	Wire-wound			Multilayer products	LAN transformer	Others
	Precision wire-wound inductors	Molded power inductor	Common mode filter			
	wire-wound ceramic inductors 3. Wire-wound ferrite low frequency antenna 4. Sealed wire-wound thin power inductors 5. Wire-wound SMD beads	power inductors 3. High-current-resistant flat wire molded power inductors 4. Integrated electric field shielding molded power inductors	2. Three-wire common mode filters 3. Automotive common mode filters 4. Balanced to unbalanced converters (also known as balun filters) 5. SMD high current common mode filters	chip inductors 3. Multilayer high frequency ceramic chip inductors 4. Multilayer Beads Array 5. Multilayer chip power inductors 6. Multilayer chip common mode filters	modules 2. Inductive type LAN transformer modules 3. Automatic winding type LAN transformers 4. Self-coupling type LAN transformers 5. LAN transformer common mode inductors	cores

3. New product items to be developed

The Company produces a complete range of inductor products and has more than 40 kinds of magnetic material formula technologies, ferrite core design capabilities, high vertical integration, and diversified process options and other core competitiveness, giving us a high degree of independent development capabilities. In addition to continuously improving the electrical characteristics, reliability, and miniaturization of existing products, in terms of new product development we focus on the application needs of recent growth markets such as high-speed digital computing, 5G mobile communication, high-speed networking, cloud applications, Internet of Things, power management, automotive electronics, and other applications. In 2022, we expect to develop new product items listed as follows:

- (1) Develop or introduce high temperature resistant (155 degree) high conductivity nickel-zinc material.
- (2) Develop ultra-low loss iron alloy powder.
- (3) Automatic production and mass production of WCM5550 high-current resistant common mode filter
- (4) Develop THFD high-current resistant inductors for electric car charging
- (5) Develop TLVR (Trans-Inductor Voltage Regulator) for next-generation PC power management.
- (5) Develop series of reliable and low loss power inductors such as MMIM5030 for

vehicles.

(6) ACM3225 common mode filter for automotive grade communication high-end OA1000 version 2

(7) Develop Small size LAN transformer modules.

(II) Industry overview

1. Industry status and development

The Company's main products are magnetic and inductive components. Classified by industry, we fall within the passive component industry. According to the manufacturing process and product structure, inductance components can be divided into multilayer type, wire-wound type, molded type, and manual assembly. In respect to materials used to manufacture inductors, they can be divided into ferrite type, ceramic material type, metal alloy type, and so on. The Company is one of the few professional domestic inductor manufacturers that can provide the above-mentioned different types, different materials, and different application fields at the same time.

Inductors have the function of filtering and removing noise, suppressing transient current, reducing electromagnetic interference (EMI), and power conversion. They are widely used, especially in consumer electronics and 3C electronic products such as smartphones, tablet computers, notebook computers, desktop computers, servers, digital set-top boxes, handheld game consoles, wearable devices, GPS navigation devices, and many others. Due to the above end products, products are widely used by consumers and are constantly innovating with their functions changing with each passing day; this also indirectly drives the demand for inductor components. In recent years, innovative technologies have been continuously applied in the automotive industry, communication industry and industrial related industries, increasing demand for the relevant key components including inductive components, driving the development of the industry. Although passive components (including inductor components) are classified as mature segments in the electronics industry, demand for components has grown because the functions of end-application products have been upgraded and become more complex, and this in turn drives the development of the entire industry chain.

A. Overview of the global passive component industry

(a) Passive component industry overview

In 2019, factors such as the US-China trade war and the turbulent political and economic situation in Europe affected global demand for end-use electronic products. Coupled with inventory factors, the prices of multi-layer ceramic capacitors (MLCCs) continued to decline; and this in turn affected the performance of the overall passive component industry. In 2019, the overall output value of global passive components was US\$47.5 billion, marking a 3.4%

decline from the 2018.

In 2020, affected by the impact of stagnant market economic activities in major countries, such as Europe, the United States, and mainland China, due to the COVID-19 pandemic, as well as with the disappearance of incentives, such as the postponement of the Tokyo Olympic Games 2020 and Apple's delayed launch of 5G smartphones, the global demand for electronic products was not as high as expected; as such, the output value of the global passive component industry dropped to US\$45.5 billion, with an annual decline of 4.1%

In the first half of 2021, pandemic prevention controls were gradually loosened as countries in Europe as well as the United States began to administer the COVID-19 vaccine one after another; and this in turn led to a gradual recovery in end market demand. Against this setting, growth trends were seen in shipments of information and communication products such as notebook computers, smart phones, and network communication products, and this also drove growth in market demand for passive components. However, with lockdowns gradually being lifted in Europe and the Americas, pandemic-driven business opportunities in the stay-at-home economy are not as favorable as before. Moreover, port cargo congestion has delayed launches in end-use sales channels, leading to significantly weaker sales in the second half of the year. In addition, the IC chip shortages that plagued the electronics industry for almost the whole year also affected the shipment performances of end-use products, resulting in a gradual increase in end inventory levels starting from the fourth quarter. Consequently, the shipment performances of passive component manufacturers tended to cool down.

Going into 2022, the Omicron strain of COVID-19 is raging but it appears to be mostly mild and asymptomatic. With the gradual easing of the COVID-19 pandemic, operations among global businesses and schools and other on-site activities have gradually returned to normal, gradually bringing the stay-at-home economy's influence to an end. Shipments of information products such as notebook computers, desktop computers, and tablet computers are thus foreseen as declining in 2022. The global smartphone market has a relatively high penetration rate in the 5G market. Product function development is facing bottlenecks, and shipment growth is expected to slow significantly in 2022. As for LCD TVs, shipments will also face a continued decline in 2022 in the absence of obvious growth momentum. In the face of declining shipments for information products such as laptops and LCD TVs, and with mobile phone shipments lacking obvious growth potential, this impact end manufacturers for passive components to undercut their momentum. In contrast, global businesses are accelerating their investments in digital transformation. Moreover, consumer demand for broadband networks continues to increase, and network service companies are accelerating

their investments in the construction of large data centers. These trends are expected to boost global shipments of servers and network communications equipment in 2022. Elsewhere, major automakers are accelerating the development and mass production of electric vehicles and self-driving cars, and this will also provide another opportunity for growth for global passive component manufacturers at a time when the market for telecommunications and consumer product applications is declining.

(b) Product application analysis

The application range of passive components covers information, communication, consumer electronics, and other industrial products. It is an indispensable and important component of the downstream 3C industry. With the vigorous development of the electronics industry and the expansion of information products, market demand for passive components is increasing steadily.

In the past, passive components were mostly used in consumer electronic products such as notebook computers, smartphones, and network communications. However, IEK data of the Industrial Technology Research Institute indicates that the proportion of passive components in non-traditional 3C applications in the global passive component application market gradually increased in 2021 in areas like global industrial control, automobiles, smart meters, and the Internet of Things. This demonstrates that demand continues to increase for passive components among non-traditional 3C applications, and there is still considerable room for growth in the future.

(c) Distribution of main supply sources

According to data from the Taiwan Institute of Economic Research, current global passive component makers mainly comprise manufacturers from Japan, Taiwan, South Korea and mainland China (see table below). About 60% of the market demand is supplied by Japanese manufacturers (Murata, Nippon Chemicon, TDK, Taiyo Yuden, etc.), while Taiwanese manufacturers have a market share of about 10% (including Yageo, Walsin Technology, Holystone Enterprise, and Ta-I). Meanwhile, South Korean manufacturer SEMCO is supported by its parent group and its market share has exceeded 7%. Market demand for information and communication products has been steadily declining in recent years and Chinese manufacturers have continued to expand their production capacities. To avoid damaging their operating performances with vicious price competition, Japanese and Korean manufacturers have gradually phased out commodity passive components used in information and communication products. Instead, they focus on emerging application fields

such as high-end communications, automotive, industrial control, and the Internet of Things while commodity passive components shift to Taiwanese and Chinese manufacturers. In order to supply nearby end assembly manufacturers and EMS manufacturers, the main production bases of global passive component manufacturers are located in China. Among them, the proportion of global multi-layer ceramic capacitors and r-chips in China is as high as 50%-70% (see table below). It is obvious that the global passive component industry is highly dependent on Chinese manufacturing.

Overview of major passive component capacity supply worldwide

	Multi-layer ceramic capacitor (MLCC)	R-Chip
China production share	50%–60%	60%–70%
Top five manufacturers	Murata (Japan) SEMCO (South Korea) Yageo (Taiwan) Taiyo Yuden (Japan) TDK (Japan)	Yageo (Taiwan) KOA (Japan) Rohm (Japan) Panasonic (Japan) Vishay (US)

Sources: The companies, ITRI Industrial Economics and Knowledge Center, KGI Investment Advisors; data organized by the Taiwan Industry Economics Services database of the Taiwan Institute of Economic Research, March 2020

Facing the progressive spread of the COVID-19 pandemic in recent years, global passive component manufacturers have also sought to effectively maintain their production capacities by substantially increasing their production capacities outside of China. As shown in the following table based on data from the Taiwan Institute for Economic Research, the world's major passive component makers are actively expanding production capacities in Southeast Asia to diversify the risk of over-reliance on Chinese manufacturing.

Listing of global passive component manufacturer production capacity outside of China

Manufacturer	Main production bases	Proportion of production capacity
Murata	China, Japan, Philippines, Thailand, Malaysia, Singapore	Capacitors: China (40%–50%), the Philippines (10%–15%), Japan (30%–40%) Inductors: Japan (90%–100%), Malaysia (<10%)

Manufacturer	Main production bases	Proportion of production capacity
Taiyo Yuden (Taiyo Yuden)	China, Japan, Malaysia, South Korea, Philippines	Capacitors: China (50%), the Philippines (25%)
SEMCO	China, South Korea, Philippines	Capacitors: China (40%), the Philippines (40%), South Korea (20%)
Yageo	China, Taiwan (Kaohsiung)	China (70%), Taiwan (30%)
Chilisin (merged with Yageo)	China, Vietnam, Malaysia, Taiwan Kaohsiung, Hsinchu and Taoyuan, Poland	Resistors (Wang Quan) : Malaysia (60%–75%), China (25%–40%) Inductors: Vietnam (80%)
Walsin Technology	China, Japan, Malaysia, Taiwan (Taoyuan and Kaohsiung)	Capacitors: China (50%–60%), Taiwan (40%–50%) Resistors: China (70%), Malaysia (20%–25%), Japan (5%–10%)

Sources: The companies, KGI Investment Advisors; data organized by the Taiwan Industry Economics Services database of the Taiwan Institute of Economic Research, April 2020

B. Analysis of Taiwan's current passive component industry status

According to a survey of Taiwan's passive component industry undertaken by CRIF China Credit Information Service (as shown below), Taiwan's technology in passive components is still about one to two generations behind that of Japan. In 2018, Japanese manufacturers phased out of the general passive component market and turned to markets for higher-end use passive components. Meanwhile, Yageo has actively pursued M&A with related component factories from Kaimei, Pulse Electronics of the US, Brightking, and so on. In addition, Taiwanese products are mainly used in information applications (NB, DT). Therefore, in facing the transition from the electronic end-use market to mobile devices, Taiwanese manufacturers have proactively devoted resources to R&D momentum by actively acquiring related component factories. In addition to establishing a complete product line of components, Yageo has simultaneously expanded the market for passive components related to non-3C applications. This made Yageo the leading major player in 2020, followed by Japanese manufacturer Taiwan Murata.

Ranking of the top 10 manufacturers in the passive component industry in the past five years

Source: CRIF China Credit Information Service

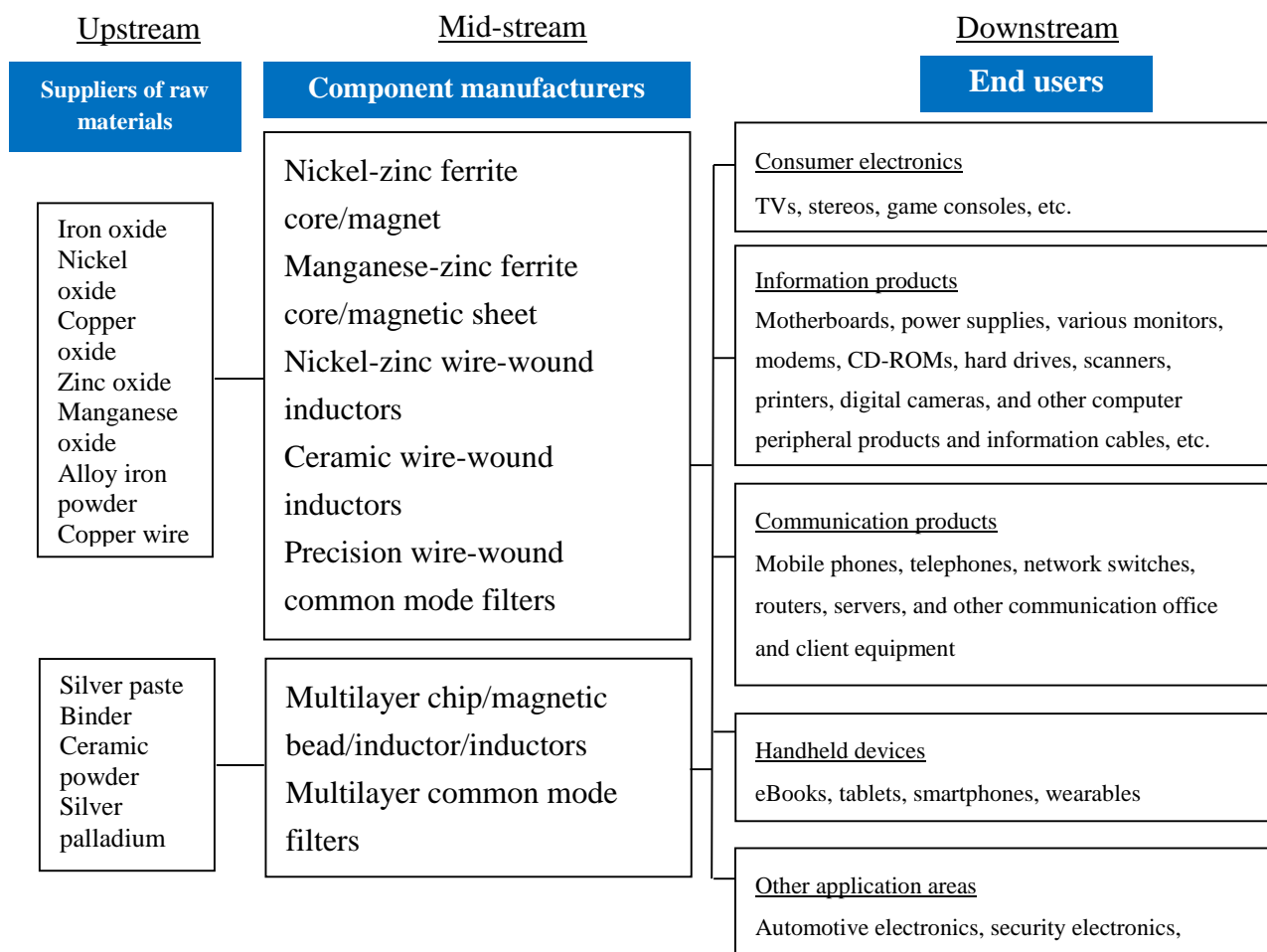
Ranking	2020	2019	2018	2017	2016
1	Yageo	Yageo	Yageo	TAIWAN TAIYO YUDEN CO., LTD.	Taiwan Murata Electronics Co., Ltd.
2	Taiwan Murata Electronics Co., Ltd.	Taiwan Murata Electronics Co., Ltd.	Walsin Technology Corp.	Yageo	TAIWAN TAIYO YUDEN CO., LTD.
3	TAIWAN TAIYO YUDEN CO., LTD.	TAIWAN TAIYO YUDEN CO., LTD.	Taiwan Murata Electronics Co., Ltd.	Walsin Technology Corp.	Yageo
4	Walsin Technology Corp.	Walsin Technology Corp.	TAIWAN TAIYO YUDEN CO., LTD.	TDK Corporation	TDK Corporation
5	Holystone Enterprise	TDK Corporation	TDK Corporation	Holystone Enterprise	Walsin Technology Corp.
6	TDK Corporation	Holystone Enterprise	Holystone Enterprise	Chilisin Electronics Corp.	Chilisin Electronics Corp.
7	Chilisin Electronics Corp.	Chilisin Electronics Corp.	Prosperity Dielectrics Co., Ltd.	Thinking Electronic	Thinking Electronic
8	Ta-i Technology Co. Ltd.	Prosperity Dielectrics Co., Ltd.	Ta-i Technology Co. Ltd.	Lelon Electronics Corp.	Holystone Enterprise
9	Prosperity Dielectrics Co., Ltd.	Ta-i Technology Co. Ltd.	Chilisin Electronics Corp.	Ta-i Technology Co. Ltd.	Ta-i Technology Co. Ltd.
10	Tai-Tech Advanced Electronics Co., Ltd.	Thinking Electronic	Thinking Electronic	Prosperity Dielectrics Co., Ltd.	Lelon Electronics Corp.

the Taiwan Institute for Economic Research indicates that despite continuous disruptions from COVID-19, the pandemic has been properly controlled in China since 2021 and so production capacities of Taiwan manufacturers that still use the mainland as their main production bases have not been affected. In Europe and the United States, meanwhile, demand for end-use applications has gradually recovered on the back of successive introductions of COVID-19 vaccines and the gradual loosening of pandemic prevention measures. Out of this, computer applications have found support in the evolving influence of the stay-at-home economy. Moreover, consumers' increasing demand for the Internet and trends such as accelerated business investment in digital transformation have effectively driven the further growth of applications such as servers and network communications equipment. In addition, the further expansion of the global sales of electric vehicles has become one of the important driving forces for the demand for passive components. At the end of the third quarter of 2021, however, some regions in China faced mandatory power curtailment and production shutdowns in response to strict implementation of dual control measures for energy consumption, and this in turn caused temporary interruptions of production capacity. In addition, factors such as continuous IC chip shortages and port congestion have impacted the willingness of end customers to purchase goods, and this had a certain level of impact on the operating performances of Taiwan's passive component manufacturers in the fourth quarter. Nonetheless, Taiwan's passive component manufacturers on the whole could still grasp growth opportunities in 2021 and keep up the growth trend that had been seen since 2020. According to surveys and estimates released by the ITRI Industrial Economics and Knowledge Center and the ITIS planning team, the output value of Taiwan's

passive electronic components manufacturing industry reached NT\$265.5 billion in 2021 for an annual growth rate of 21.6%.

Looking forward to 2022, the gradual easing of the pandemic will cause the effects of the stay-at-home economy to clearly subside, and market demand for applications will become weaker including notebook computers, desktop computers, and tablet computers. Moreover, future growth opportunities of the passive component industry will be driven by factors including continued deployment of 5G infrastructure among countries and a new wave of upgrades in Wi Fi 6 wireless communication, coupled with accelerated development of electric vehicles and self-driving cars among major global automakers as well as their increased market penetration. Fervor over the stay-at-home economy has subsided, however, and with the relatively tight supply of chips, the willingness of end customers to purchase goods has been affected. Moreover, the 2021 base period is relatively high, and it is estimated that the output value of Taiwan's passive component manufacturing industry will exhibit a slight decline in 2022. All the same, since manufacturers will focus on the above-mentioned emerging application markets and continue to increase the proportion of niche product shipments by improving product added value and optimizing the product mix, these moves should further push up gross margins and support profit performances. Therefore, Taiwan's passive component manufacturing industry is expected to experience a flat trend in 2022.

2. Relationships between the industry's upstream, mid-stream, and downstream



3. Various product development trends

The functions of electronic system products are continually evolving, which in turn advances continuous improvements in product specifications among inductance components. With the increasing trend of electronic products to be faster, lighter, thinner, shorter, and smaller, development leans toward high frequency, miniaturization/thinning, low loss, high power, and high resistance. This is the case no matter whether the product is a magnetic core, a multilayer chip bead/multilayer chip inductor, a wire-wound coil, or a power inductor. Separately, in response to the trend of automated production, related material technology, ferrite core design, mold design and production, etc., each product's early-stage development design is based on the consideration of whether production can be automated. Environmental awareness has risen in recent years, and the requirements for environmental protection and greening of electronic parts are getting higher and higher. The above development trends will dominate the future development of the Company's inductor products.

4. Industry competition

The world's major inductor manufacturers currently are listed as follows:

Japan manufacturers	TDK, Murata, Taiyo Yuden, Panasonic
US manufacturers	Vishay, Coilcraft
South Korean manufacturers	Samsung Electro-Mechanics, Samwha
Taiwan manufacturers	Yageo (merged with Chilisin, stock code 2327); Delta (merged with Cyntec, stock code 2308); TAI-TECH Advanced Electronics (stock code 3357); ABC Taiwan Electronics (stock code 3236); King Core Electronics (stock code 6155); Arlitech Electronic (stock code 6432); Inpaq Technology (stock code 6284)
Mainland China-based manufacturers	Sunlord Electronics, Fenghua Hi-Tech

The top global inductor suppliers are still dominated by Japanese manufacturers. After merging with Mag Layers Scientific Technics and Magic Technology, Taiwanese manufacturer Chilisin Electronics entered the world's top five. Meanwhile, mainland-based manufacturers have experienced substantial growth in the domestic market in recent years; and with the support of the capital market and local governments, and abundant capital injections, the scale of major manufacturers has grown rapidly. In recent years, due to the rise of a consolidation trend, the inductor industry ecology has trended toward ever-larger players; and the living spaces of small and medium-sized

manufacturers have become increasingly compressed. Developing unique business strategies is inevitable in order to avoid being eliminated.

In addition to expanding production capacities of our original products, the Company continues to develop various components to meet the needs of the market. In recent years, a number of new products have successively been introduced in terms of sales content, such that downstream customers are distributed in high-tech electronic industries such as consumer electronic products, information products, communication products, and automotive electronics. With diversified products and diversified customer groups, we will diversify our operations, diversify the risk of selling in a single industry, enhance our competitiveness, and respond to the rapidly changing market trends.

(III) Technology and R&D overview

In response to the continuous development of electronic system products towards characteristics of being light, thin, short, and small, and having high functionality and automated production, coupled with the increasing demand for automotive electronics applications in recent years, required specifications of automotive components are more stringent than those of general commercial components. Therefore, the Company's inductor manufacturing technology is matched with core material engineering technology that has been developed for many years, developing new products that are also light, thin, short, small and high performance, having rated current, that are suitable for high frequency working ranges, featuring vibration resistance (required for handheld devices and automotive electronics), wider operating temperature ranges (required for automotive electronics), and the concept of automatable production as the basis for the development of new products.

1. Technology level and research development

(1) Wire-wounds

A. Precision wire-wound inductors

Precision wire-wound inductor components are available in many different forms. Their main components are all wrapped with metal wires on a body made of magnetic materials, coupled with magnetic shielding or packaging; basically, however, nearly all are made as a surface mount type in order to meet user needs to achieve rapid assembly using automated machinery. The technical level and research and development of the Company's precision wire wound inductor products, not only feature high frequency, smallness/thinness, high performance, and current resistance, but also focus on precision and automation.

Compared with other types of commonly used multilayer chip inductors, precision coil inductors feature the ability to withstand higher currents along with a high quality factor (Q value). Therefore, they are mainly used in electronic product

circuit featuring high currents, such as filters at the power supply end. The Company's wire-wound ferrite inductor SWF series products can meet the needs of such electronic product applications. This type of wire-wound ferrite inductor has characteristics of miniaturization, current resistance and high quality factor (Q value). This makes it ideal for true wireless stereo (TWS), a popular consumer product in recent years, such as AirPods and similar products from other brands. The product's mainstream size has also been reduced to 1.6 mm x 0.8 mm. The Company integrates technologies such as materials, ferrite core development, and mass production processes to successfully catch up with this wave of demand. In the future, we will continue to meet the needs of end customers and keep developing products for related applications.

A variety of portable electronic products have a place in our daily lives, such as smartphones, tablet computers, handheld game consoles, and notebook computers. These electronic products must be powered by batteries, and each machine is equipped with multiple power supply voltage conversion circuits (DC-DC converters), which can convert the battery voltage into the voltage required by the module. The number of DC-DC converters used varies depending on the electronic product system. With the use of multiple DC-DC converters, the number of required power inductors increases as well. Given the continuous development of new electronic products, and in addition to the increase in the number of power inductors required, the need for space-saving and high-density assembly techniques compared to past products has forced power inductors to be further miniaturized and thinned. Therefore, the acceptance of thin power inductors in the inductor market has increased in recent years. All inductor component manufacturers have increased their efforts to develop inductors that meet these requirements, and are actively expanding their production capacities in the hope of seizing market share amid this wave of demand. The Company has recently invested substantial development resources in the automatic winding and sealing type thin power inductors (HPC/UHP/DFP/AHP series products), which are very suitable for the above-mentioned new portable devices and are also favored by the market. They have become one of the Company's main products in recent years. Among wire-wound encapsulated thin power inductors, the market mainstream miniaturized size 2520/2016 height is 1.0 mm to 1.2 mm. A thin power inductor with a height of 0.8 mm has also been officially mass-produced and launched, and thin power inductors with a height of 0.7mm are also being developed. For thin power inductors, the current resistance level is $> 2A$ to become the basic requirement of customers. Taking as an example the commonly used 2520 size, 1.0 mm height, and 0.68 μH power inductor for such products, the mainstream specification has been upgraded to $>5A$. In addition to optimization and process improvement from the design end, the development of such products focuses on the material that makes the ferrite cores the most critical technology. For such

products, in addition to using the company's core technology of nickel-zinc materials to continuously improve the current resistance characteristics of the ferrite core, the Company has also introduced the application and development of metal alloy materials. Ranging in size from small 2016 to medium 4018, the AHP series of alloy material wound flat wire encapsulated thin power inductors has been mass-produced and sold. It is expected to take advantage of the inherent current resistance of such materials to improve the final high current resistance characteristics of thin power inductors. During the development of such products, and on the basis of gradually accumulated material technology, ferrite core design and mass production technology, and wire-wound packaging process technology, the current development focus will be on the Company's newly designed alloy-wound flat wire thin power inductors. This will target the latest application markets such as 5G, thin panels and displays, high-end network communications equipment, and high-end notebooks. With the Company's molded power inductors and multi-layer chip-type power inductors, our power inductor product lines will be more complete and diverse, covering a wider range of electrical specifications and providing customers with more complete choices. Since 2021, we have been actively cooperating with automotive electronics customers to develop special regulated products with automotive gauge windings for such products, which have also been recognized by end-use car manufacturers and are being switched to application one after another.

B. Molded power inductors

Due to the continuous improvement of semiconductor miniaturization technology, the processors and chipsets used in various end-use electronic products are more and more integrated, and their functions are increasingly powerful. In contrast, the current consumption of electronic products is also increasing. Therefore, inductor components matched with active components face an increasing demand for current resistance. However, in addition to the need for high current resistance, inductor components must also be miniaturized and thinned as electronic products become lighter, thinner, shorter, and smaller. Therefore, in recent years, the development of power inductors has become increasingly difficult because the development of power inductors must take into account both miniaturization/thinning and high current resistance.

The Company spares no effort in the development of miniaturization and thinning of molded power inductors. TMPC series products from 6x6x1.2~1.0mm, 4x4x1.2~1.0 to 3x3x1.2~1.0mm have long been sold and can meet the high demand of the market. Among such products, large-sized items constitute the mainstream of the Company's automotive electronic applications with sizes ranging from 6x6x2.4~5.0mm, 8x8x3.0mm, 10x10x4.0~5.0mm, 12x12x5.0~6.5mm, 17x17x7.0mm, to 23x23x13mm. All series have passed AEC-Q200 requirements and

are suitable for automotive electronic products. Their high unit prices and high gross margins make them niche products for the Company. Miniature molded power inductors are suitable for associated handheld devices such as smartphones and tablet computers (i.e., mini molding choke). The Company's AWP series products are also popular commodities frequently purchased by customers. Recently, the Company has invested considerable resources in the material end and the process end, and has developed products suitable for high, medium and low specifications, fully automated production, and better production efficiency, providing customers with more choices. For example, the TMPA series has been launched, which is a low-priced alloy material with the same dimensional characteristics as TMPC. In addition, there is the TMHC series of high electrical specifications. In respect to special process, we have developed the TMPF series of integrated flat wire high-current power inductors. Improved material technology enables this series of products to withstand high temperature operations of 125 degrees. The whole series has passed AEC-Q200 requirements and is suitable for automotive electronic products. Due to the excellent characteristics of TMPF series products, the Company will continue the certification work of this product in DDR5 applications, and its vast application market will bring business opportunities for such products in the future. Other special process development encompasses the two-wire coupled inductor TTMP series developed in 2021, the vertical TVMP series inductor, the vertical two-wire coupled inductor, and the large inductor THFD series for electric vehicle charging piles. Furthermore, we continue to invest in the development of low-loss materials in 2022 as well as in the development, testing, and simulation of trans-inductor voltage regulators (TLVR) for next-generation PC power management. This makes the types, processes, and applications of such products more diverse.

C. Common mode filter

Another major product of the Company's coil components is the two-wire common mode choke wire-wound (or common mode filter, encompassing the Company's products such as the WCM/HSF series). This product adopts a ferrite core and double-wire winding structure, which has good suppression effect on common mode noise in the PCB board and the connection port between electronic products and peripheral equipment. Such products are widely used in high-speed signal connection interfaces such as HDMI with USB2.0, USB3.0, HDMI and the developing USB3.1Gen2, 4K/8K TV, and they have a wide range of applications.

In recent years, the growth of common mode filter components in the PC market has slowed down, and the application side is facing the impact of the market share of multi-layer chip-type common mode filters. This in turn has resulted in a gradual decline in the market share of the Company's common mode filters in the PC market. After adjustment of the Company's product and market strategies, the

application market of common mode filter components turned to application-side development of high-specification and difficult-to-replace applications such as the network communications market as well as the high-speed connection interfaces USB3.0, USB3.1, USB4.0 and HDMI2.1.

The use of common mode filters has become more and more extensive in recent years, given the electromagnetic interference suppression of automotive electronics at the signal end and the power supply end. Jointly developed with European and American automotive electronics customers, the Company's vehicle-mounted common mode filter ACM3225/ACM4532 series has continuously improved in terms of product characteristics and fully complies with CAN FD (Controller Area Network Flexible Data-Rate) Class3 and high-end applications of OA (Open Alliance) 1000M. At present, the development progress continues to advance towards the second edition of OA1000, the highest specification for automotive signal transmission, and the product is expected to be mass-produced in 2022. In addition, the product line will be expanded towards the development of high-current common mode filters for vehicles starting from 2021, and the WCM1210/9070 series has been successfully mass-produced. In 2022, we expect to develop the WCM5550 series of miniaturized high-current common mode filters.

(2) Multilayer Products

The Company's multi-layer production line has both dry, semi-dry, semi-wet and wet processes. We can take into account various market needs such as low cost and high quality for the needs of various customer applications.

With the continuous development of light, thin, short, small, and high-speed electronic information products, the assembly density of the internal components of the products is also going up. Under the mutual interference of high-speed signals of adjacent lines, the problem of electromagnetic noise interference (EMI) in a system is becoming increasingly apparent. The Company's multilayer FCM series magnetic beads and FCI series inductors constitute closed magnetic circuits. With the advantages of magnetic shielding and no magnetic leakage, they are suitable for solving the problem of electromagnetic wave interference. In addition, they are surface mount components that are small and thin. The 0603 size meets the needs of users for product miniaturization, fast and high-density assembly, and reduced production costs.

With the increase in demand for 5G mobile phones, electric vehicles, automotive electronics, and the Internet of Things in recent years, the application of multilayer magnetic beads and inductors is developing in the directions of high current, high frequency, miniaturization, and compounding. For example, with the increase in multi-functional applications of end products in the market, the required

current and power consumption also increases, and the generated conduction noise and radiation noise also goes up. Therefore, multilayer magnetic beads for higher current applications are required to suppress noise to maintain normal equipment operations. The Company's multilayer magnetic bead HCB&HFZ series are suitable for high current applications, and the maximum current can reach 10A.

Products have the characteristics of small size, multiple functions, and high transmission speeds. For miniaturized high-frequency components, the requirements for both characteristics and quantity are constantly increasing. Multilayer ceramic high-frequency chip inductors are widely used in radio frequency and wireless communications, including mobile devices, computer networks, mobile telecommunications, automotive electronics, and so on. The Company's multi-layer ceramic high-frequency chip inductor HCI0603 series meets the requirements of miniaturization, and each size of the HCI series can fully meet the needs of the market.

At present, the development direction of multilayer magnetic beads and inductor products will continue to focus on the development of high-current magnetic beads for automotive electronics. The development of composite multilayer components will combine common mode filters and protection components to provide customers with more comprehensive options.

(3) LAN transformers

Ethernet network technology has been widely used in the interconnection of wired networks of various IT and network communication products in local area networks (LANs). Wired networks connect various IT products, usually through the RJ45 terminal and the Ethernet PHY chip to send and receive Ethernet data. In Ethernet circuit technology we use a very common device between PHY and RJ45 interface: a LAN transformer, also known as a network transformer. Its main functions are to couple the signal potential, isolate external interference, and achieve impedance matching. In this way, the signal transmission distance can be increased, the chip can be isolated from the outside, and the anti-interference ability can be enhanced.

Today's IT and network communication products have integrated LAN transformers into RJ45 terminals according to different design requirements. There is also a design that separates the RJ45 connector from the LAN transformer because of the height limitation of the terminal. However, traditional LAN transformers adopt a modular design. This type of module consists of several coiled toroidal ferrite core, which are welded on the back of the PCB to cover an iron or plastic shell. The structure of the toroidal ferrite core is not conducive to automatic winding, so the traditional LAN transformer uses manual winding; and after winding is complete, the

toroidal ferrite core still needs manual wiring and PCB board welding and an outer iron shell. There are many manual processes required in the production process, the labor cost is high, and the labor time is long, so the delivery time is also long. In addition, there will be unbalanced winding characteristics due to the manual production process, which will affect the transmission quality.

The Company has accumulated many years of experience in the development of materials and ferrite cores, as well as more than 20 years of automatic winding production technology. In the past three years, we have gradually realized the replacement of the traditional LAN transformer toroidal hand-wound ferrite core with our Company's precision wire-wound products, common mode filters (WCM), and four-wire transformers (TXF). Moreover, the patented line of capacitive network transformers with auto-transformer (DCM) and common-mode filter (WCM) realizes the design of a new LAN transformer that can fully automate SMD production. This new type of LAN Transformer module improves the quality and unstable delivery of traditional modules that are most criticized by customers, and has been widely used by customers in the market.

The Company has corresponding LAN transformer modules for each mainstream specification of network signal transmission speeds of 10/100Mbps, 1/10Gbps, and 2.5G/5Gbps and 10Gbps. Moreover, with customer cost considerations, capacitor and inductor modules have been introduced so as to allow customers more choices in terms of cost and specifications. In the application side of network communication and the Internet of Things, the requirement that signal transmission and power supply can be synchronized is a basic requirement of LAN transformers. The four-wire pulse transformer TXF 3532/4532 used by the Company in the LAN Transformer module can meet PoE and PoE+ specifications. At present, the development direction will be to meet the PoE++ specification, and to move toward the application of higher-speed 25G and 40G. Recent development highlights for such products include:

A. Miniaturization development:

Capacitive and inductive separate LAN transformers continue to be miniaturized to meet customer PCB layout requirements for space reduction. In the first half of 2022, DCM2520 and DCM2016 have been developed with WCM1210 size capacitive LAN transformers, which can reduce the PCB layout space area by nearly 30%; they have already been tested and verified by customers.

B. Modular development:

In addition to product miniaturization design concepts, we incorporate surge protection into module development design in response to the gradual tightening network port surge requirements. We are currently developing LAN transformer

module products with minimum module sizes including surge protection; this can alleviate customers' concerns about electrical surges as part of PCB application design.

Traditional module production will inevitably face the issue of rising labor costs in the near future. Conversely, the Company will imminently see a significant reduction in costs for our new automated production of LAN transformer modules, now that we have overcoming issues such as process efficiency, quality, and yield, and after expanding production scale. This is expected to become another major product of the Company in the future.

2. Research and development expenses invested in the most recent year

Unit: NT\$ thousand

	2020	2021
Research and development expenses	113,933	142,012
As a percentage of revenues (%)	2.54	2.30

Source: Consolidated financial statements audited and certified by an accountant

3. Technologies or products that have been successfully developed in the last five years

Year	Technology or product successfully developed
2016	<ol style="list-style-type: none"> 1. Inductive type LAN transformer module. 2. Capacitive type LAN transformer module. 3. TXF5353 size auto-winded LAN Transformer for POE application. 4. Sealed wire-wound alloy material wound flat wire thin power inductor AHP2016/2520 series. 5. Large-size high-current molded power inductors for automotive electronics applications. 6. Common mode filter ACM series for automotive electronic applications.
2017	<ol style="list-style-type: none"> 1. On-board (discrete) solution of LAN transformer. 2. TXF3532/4532 auto-winded LAN Transformer for POE+ application. 3. Developed Ui28~30 material, a new alloy material with high magnetic permeability. 4. Mass production of AWP series of miniature alloy molded power inductors. 5. For the BPH series of high-current automatic threading magnetic beads, development of a full series of automated processes was completed and mass production undertaken.
2018	<ol style="list-style-type: none"> 1. For LAN Module project, self-design of module specifications, promotion and trial production of .ON BOARD product specifications, and promotion. POE+/POE++, 2. 5G/5G, 10G product specification; promotion and trial production; assisting customers to design test products. 2. WCM7060 and other series developed and mass-produced; development completed. 3. Completed development of common mode filter products of HDMI2.1 specification. 4. AHP product line miniaturized development of power inductors. 5. Vehicle-scale common mode filter products; developed ACM series products.
2019	<ol style="list-style-type: none"> 1. Released multilayer high current power inductors, including the development and mass production of products with distinct high, medium, and low specifications. <ol style="list-style-type: none"> (1) CPI 1608/2012/2016/2520 UF Series. (2) MPI 1608/2012/2016/2520 SF Series. (3) MPI 1608/2012/2016/2520 MF Series.

Year	Technology or product successfully developed
	2. Developed inductors for use in true wireless stereo (TWS). (1) SWF1608RF series. (2) SWF2012RF series. (3) HPC201212MF series. 3. Development and mass production of low profile sealed wire-wound inductor products (including ferrites and alloys) with smaller and thinner dimensions. (1) Miniaturization: AHP121008 / 121010, 160808 / 160810, 201208 / 201210 (2) Thinning: 0.8 mm height, AHP201608, 252008, 303008, 322508, 404008. 4. Automotive common mode filter ACM4532/ACM3225, suitable for general specifications of CAN FD (Controller Area Network Flexible Data-Rate). 5. LAN transformer TXF5365/TXF4532/TXF3532 series suitable for Power over Ethernet (PoE) specifications of Ethernet power supply. 6. Development and certification work applied to the next-generation memory module DDR5 molded power inductor TMPF series.
2020	1. Developed inductors for use in true wireless stereo (TWS). (1) HPC160809TF series, mid-range headphone applications. (2) UHP160808TF series, mid/high end headphone applications. (3) UHP201208TF series, mid/high end headphone applications. (4) UHP201210RF series, mid/high end headphone applications. (5) FCH160808SF series, low-end headphone applications. 2. Released medium size BPH853025F8E-101T high resistance automatic wire-wound magnetic beads. 3. Released three-wire balun transformer BCM3225 series. 4. Released Common mode filter APO322523/30 series (POC, Power Over Coaxial) used in vehicle coaxial power supply network systems. 5. Applied to the Internet of Vehicles, CAN FD (Controller Area Network Flexible Data-Rate) Class 1, 2, 3 common mode filter ACM4532/3225. 6. Released TMIM3225/2520 series of miniaturized and thin molded power inductors. 7. Released high temperature resistance (125 C) DCM3216/3225/4532 series for LAN transformers. 8. Released LAN transformer TXF536540 6-terminal electrode and 7-terminal electrode series compatible with 5GbE Power over Ethernet PoE/60W specification.
2021 and up to the date of publication of the Annual Report	1. The TXF4644/4038 series of LAN transformers to improve resistance and reliability. 2. The ACMU4936 series of common mode filters for vehicles, with improved reliability. 3. WCMU4936 series of automotive common mode filters suitable for CAN/FLEX specifications for improved reliability.

(IV) Long- and short-term business development plans

The Company will establish a business method that can adapt to changes, be flexible and strong, and meet the needs of the market. Furthermore, we will establish a short delivery, low-cost, high-quality production system while simultaneously cultivating creative and action-oriented talent as our policy in planning for the Company's future.

1. Short term development plans

(1) Marketing strategy:

- A. Continue to build a diversified and professional brand image; increase international visibility.

- B. Adjust product mix; increase the sales of high value-added product lines.
- C. Strengthen the development of new products and markets; disperse the impact of single product and industry fluctuations or seasonal cycles.

(2) Production policies:

- A. Improve processes; improve product yield, and improve quality.
- B. Increase capacity utilization; improve efficiency and reduce costs.
- C. Strengthen the information system to shorten delivery times and increase order responsiveness.

(3) Product development direction:

- A. Utilize material technologies and the development capability of various types of inductor products owned by the Company; develop products that meet market needs.
- B. Undertake technical cooperation with downstream customers to develop and design products that meet customer needs.

(4) Focus on operating scale and financial coordination, strengthening the Company's financial management functions and enhancing risk controls.

2. Long term development plans

(1) Marketing strategy:

- A. Maintain an image of high-quality, high-functioning, and diversified products.
- B. Complete the deployment of global marketing bases, providing perfect supply and service to increase market share.

(2) Production policies:

- A. Continue to expand production capacity, meeting the needs of downstream customers.
- B. Maximize the product capacity utilization of each business unit.

(3) Product development direction:

- A. Continue to develop new products that meet market demand based on core technologies.
- B. Actively develop key materials and technologies, mastering autonomy.
- C. Cultivate outstanding R&D talent and enhance R&D capabilities.
- D. Foster the development direction of the Company's medium and long-term research and development work.

Product category	Technology category		
	Material	Process	Design
Multilayer Products: multilayer chip beads (high frequency application)	Ultra low permeability (-1) ferrite powder		
Multilayer Products: Multilayer chip inductors		Metal powder chips	
Wire-wound Products: Molded power inductors			1. New metal surface insulation treatment technology 2. Amorphous metal powder 3. Micro metal powder
Wire-wound Products: Miniaturized high frequency wire-wound inductors (single wire)			1005 (metric) / 0603 (metric) size
Wire-wound Products: Common mode filter (two-wire and multi-wire winding type)	155 degree operating temperature high permeability ferrite	Special winding technology	
Wire-wound Products: network filter (capacitive)	105 degree and 125 degree working temperature material	Capacitive design Cp<5pF winding	10G/25G/40G Ethernet applications and smaller sizes
Transformers: LAN transformers (inductors)	105 degree and 125 degree working temperature material		25G/40G Ethernet application corresponding specifications

(4) .Operating scale and financial cooperation:

A. Open new locations overseas to meet operational needs.

B. Utilize diversified financial management tools in the capital market; access more funding channels to enrich working capital; expand the scale of operations.

II. Market and production and sales overview

(I) Market analysis

1. Main product sales areas:

Unit: NT\$ thousand; %

Year		2020		2021	
		Sales amount	Proportion	Sales amount	Proportion
Region					
Domestic sales		952,402	21.27%	1,384,299	22.46%
Exports	Mainland	2,735,124	61.08%	3,461,744	56.15%

	China				
	Hong Kong	352,226	7.87%	709,812	11.51%
	Singapore	137,892	3.08%	193,096	3.13%
	Others	300,360	6.70%	416,330	6.75%
Total		4,478,004	100.00%	6,165,281	100.00%

2. Market share

There are still some differences in the survey data published by various institutions due to the difficulties in obtaining relevant data, and because sampling methods and survey targets are not the same across institutions. According to a report published by Research and Markets on Globe Newswire in March 2022 titled "Global Inductor Market (2021-2026) by Application Type, Inductance Type, Type, Core Type, Shield Type, Mounting Technique Type, Vertical Type, Geography, Competitive Analysis and the Impact of Covid-19 with Ansoff Analysis," the global inductor industry was estimated to witness total sales of US\$3.9 billion in 2021. The Company's sales value for 2021 was NT\$6,665,281 thousand, accounting for an estimated 5.0%-5.5% share of the global inductor component market.

3. Future market supply and demand, and future growth

(1) Future growth of the market

As cited above, according to data presented in a report published by Research and Markets on Globe Newswire in March 2022 titled "Global Inductor Market (2021-2026) by Application Type, Inductance Type, Type, Core Type, Shield Type, Mounting Technique Type, Vertical Type, Geography, Competitive Analysis and the Impact of Covid-19 with Ansoff Analysis," the global inductor market saw sales of US\$3.9 billion in 2021 and this is estimated to grow to US\$4.88 billion in 2026. From 2021 to 2026, global inductor market sales should enjoy a compounded annual growth rate approaching 4.6%. A report published by Mordor Intelligence titled "Inductors Market - Growth, Trends and Forecast (2021 - 2026)" predicts that global inductor market sales will see a compound annual growth rate of 3.6% from 2021 to 2026. The two research institutions agree in their views that applications of consumer electronics, 3C products, smartphones, and the Internet of Things still accounts for the largest share of the inductor sales market. Automotive electronics, and especially the electric vehicle application market, will be the inductor component application market with the highest compound annual growth rate (CAGR). In respect to sales regions, the Asia-Pacific region still exhibits the highest compounded annual growth rate (CAGR).

(2) Analysis of market supply and demand

A. Supply side:

At present, all downstream manufacturers require good quality and low price, and major domestic and foreign manufacturers expect component manufacturers to fully cooperate in terms of delivery time and service. As for the domestic inductor

industry, although the biggest competitors are still Japanese manufacturers at present, the technological development of the domestic electronic material information industry is becoming increasingly mature and its process capability and production cost reductions indicate strong competitiveness. In recent years, peers in mainland China have enjoyed the backing of abundant capital for their development. Coupled with their convenient access to the booming mainland market, their competitiveness is also increasing day by day. Therefore, from the perspective of market supply, although the situation of big companies has remained unchanged, the living space of small factories has been reduced. However, in Japan, Taiwan, South Korea and China, major manufacturers are actively seeking growth opportunities and the market supply is sufficient and competitive. As such, major peers must cautiously confront the impact of unbalanced supply and demand caused by the over-expansion of popular products and markets, while at the same time actively satisfying the market supply side.

B. Demand side:

In the inductor industry, downstream customer manufacturers basically cover all electronics related industries. As the functions of electronic products have become increasingly powerful in recent years, as well as ever more automated and intelligent, this has not only gradually boosted sales volumes of end-use electronic products; the number of inductor components used in a single unit of an electronic product has also grown significantly due to diversification of functions. As a result, demand for inductor components has grown year by year. From the leadership of PC-related applications in the early years, smartphone market applications have gradually transformed into the main driving force for growth in recent years. Moreover, new and diversified application fields are booming, such as automotive electronics, Internet of Things, 5G applications, cloud applications, and so on; and the growth momentum of this new electronics industry has already taken shape. Therefore, future demand growth for inductor components should be positive and optimistic.

4. Estimated sales volume and its basis

Regarding the Company's estimated sales volumes in 2022, multi-layer inductors and magnetic beads are re-planned in the order and product mixes and monthly production capacity will be more than 2 billion pieces per month. The monthly production capacity of common mode filters and transformers will reach a monthly production capacity of 400 million units after the expansion in 2022. The total monthly production capacity of molded power inductors will exceed 100 million; and the remaining wire wound inductors and thin inductors are expected to exceed 185 million in monthly sales.

The main growth markets for downstream customer needs and applications are automotive electronics, network communications markets, cloud storage, and server

markets. In terms of regional markets, we will continue to build market share in China and keep increasing the number of existing European and American OEM orders.

5. Competitive niche

(1) High degree of vertically integration

A. Mastering the ability to develop magnetic materials

We have over 40 years of experience in material technology, with more than 40 material formulations such as ferrites, alloys, ceramics, etc., to produce products with the best characteristics and cost-competitiveness for customers to choose from.

B. Product design ability

With ferrite core and mold design capabilities, we can take into account the best characteristics of the product and the best mass production conditions when developing new products.

C. Diverse process capabilities

We have diversified process methods (such as multilayer process, winding, integral molding, sealing, assembly, etc.) that can provide customers with the best production solutions in terms of product customization.

To sum up, the Company's related products start from the preparation and production of raw material powder, to the multilayer, wound, integrated and assembled finished products. The whole process is completed in the factory, which will effectively ensure the quality of the Company's products and reduce costs.

(2) Highly automated production

From the outset, design of the Company's products is aimed at whether they can be introduced into automated production. In addition to ensuring high output, high quality and high yield of mass-produced products, this can also reduce the dependence on direct labor, reduce the impact of rising labor costs year by year, and make the Company's products more competitive.

(3) Diversified operations mitigate the risk of selling in a single industry

The Company continues to develop various components to meet the needs of the market. a number of new products have successively been introduced in terms of sales content (e.g., ultra-small high-frequency inductors, ultra-high-frequency magnetic beads, thin power inductors, multilayer-type power inductors, multilayer-type common mode filters, etc.) such that downstream customers are distributed in high-tech electronic industries such as consumer products, information products, and communication products. This is done with the view of diversifying the risk of selling in a single industry via diversified operations, and in order to respond to rapidly changing market trends.

(4) Core technologies

A. Material technology

(A) Nickel-zinc ferrite material formulation technology: Mainly high temperature materials for ferrite cores, low temperature (with silver) co-fired materials for multilayer products processes, and high frequency and low temperature co-fired ceramic materials.

(B) Iron alloy formula technology: Special low temperature glass system insulation technology, high magnetic permeability materials, low loss materials, extremely high temperature resistant 180 degree resin formula, etc.

B. Multilayer technology, where the best process for cost-effectiveness can be chosen for products as follows: Fully wet process, semi-dry and semi-wet process, and fully dry process.

C. Winding technology: Winding machines with various winding technologies.

D. Production technology for various power inductors: Multi-layer chip type, winding type (single winding type, sealing type) and molded type, etc.

6. Advantages, disadvantages, and countermeasures of future development prospects

(1) Advantageous factors

A. The inductor market is moving towards new application fields, driving the growth of overall industry demand

In addition to traditional PC/NB and 3C products, inductors applied in non-3C products in recent years include new applications for automotive electronics, Internet of Things (IoT), and 5G network communications. Meanwhile, the design of electronic parts must be lighter, thinner, shorter, higher frequency, have lower power consumption, and so on. Demand for high-end passive components will continue to grow, indicating that the Company's future growth space is relatively promising.

B. Complete and diverse customer base to expand the Company's marketing footprint

The Company obtains customer orders from different markets, diverse customer groups, and future application trends through diverse and balanced sales models and sales mixes such as those involving regional channels, OEM sales, and direct services. Furthermore, we can accurately promote the Company's advantageous processes and products to achieve a sales mix that optimizes associated profitability.

C. Market share among Taiwan manufacturers is still low, and there is considerable room for future growth

In terms of global inductor market share, Japan and the United States remain as the countries with the largest production scales. However, the current global market share of Taiwanese manufacturers is still relatively low and the country imports large volumes of specialized materials and high-precision ferrite cores as well as inductance products from the United States and Japan every year. Therefore, against a backdrop of a vigorously developing global electronics industry, Taiwanese

inductor manufacturers will have ample room for growth if they can improve their manufacturing technology and product quality to meet the massive demand of downstream customers. And we have considerable advantages because the Company has a solid material foundation and has a number of key material technology and product patents. Therefore, we can still anticipate future space for growth.

(2) Disadvantageous factors, and countermeasures:

A. The trend of industry consolidation is on the rise, and the trend of large companies becoming larger has become more obvious

Confronted by Chinese manufacturers, Taiwanese manufacturers are actively investing in the development of the passive component industry. To further expand their leading edge versus Chinese manufacturers while narrowing the gap with their Japanese counterparts, manufacturers including Chilisin, Yageo, Kaimei, Teapo, and others successively launched consolidation strategies in 2017-2018 for sake of implementing horizontal and vertical integration. Amid this wave of consolidation, Chilisin initiated a four-in-one integration in 2017 as it merged into Wang Quan and Ferroxcube and invested in Xianghua Electronics of China; in 2018, it further implemented a horizontal consolidation with Mag Layers Scientific Technics and Magic Technology. Beyond this, Yageo also strengthened its deployment in industrial control, electric vehicles, 5G, and other application fields in 2018 through its acquisition of Brightking and Pulse Electronics of the US. Thus, Taiwanese manufacturers have strengthened their mastery of upstream material development and further expanded customers and product lines to enhance market competitiveness, achieving these advances by means of M&A, shareholdings, and so on. And Kaimei, which mainly produces aluminum electrolytic capacitors, has strengthened its own deployment in the 5G field since 2018 by successively acquiring power supply manufacturer Bothhand and becoming a shareholder of Tong Hsing Electric. It was merged into Teapo in 2019, accelerating the integration of resources within the group and strengthening market competitiveness.

Countermeasures:

The Company continues to refine process improvements and launch cost-competitive products (such as magnetic beads and common mode filters) to deepen our product competitiveness and raise competition barriers. In addition, we continue to strengthen cooperation and complementary relationships with friendly peers (including counterparts in Taiwan, mainland China, Japan, and Korea) so as to actively strive to develop new product designs with end customers. This in turn should strengthen the competitiveness of our own products.

B. International manufacturers have competitive advantages

The industry has long been dominated by Japanese manufacturers based on their advantages of advanced processes and excellent quality. Competitors thus are mainly

international manufacturers such as Murata, Taiyo Yuden, TDK, and so on. Limited by differences in resources and financial capabilities, direct competition therefore is not feasible in respect to some aspects of market expansion and overseas brand promotions. As a result, we are relatively weak in terms of winning well-known foreign brand system customers.

Countermeasures:

After years of hard work, the Company's products have been recognized in the market. The Company is improving our processes and launching cost-competitive products. Separately, we are strengthening cooperation with agents, enhancing market visibility, and attracting well-known foreign brands to recognize our Company's products. We are also actively striving to develop new product designs with end customers while increasing customization and differentiation.

C. With the gradual rise of the supply chain in China, the growth space of Taiwan's manufacturers may be squeezed.

With the rise of China's electronic end-use brands, demand for components is also steadily increasing. In addition to the continuous growth of market share in China, influence on the global electronic goods market has also increased simultaneously. Whether it is Huawei, a major smartphone maker, or Xiaomi, a mobile phone that specializes in hunger marketing, all have announced that they would source products from Taiwan's component suppliers to improve their product quality and sense of value. However, it has also recently been reported that the red supply chain in mainland China has gradually become a trend, and the proportion of Chinese end brands using local passive components may increase in the mainland; this would virtually reduce the growth space of Taiwanese manufacturers.

Countermeasures:

The Company continues to introduce cost-competitive products through process improvements, and we are strengthening collaboration with regional businesses in mainland China. In doing so, we aim to facilitate the Company's introduction of its products to end customers in the new product development and design stages. In addition, the Company also insists on providing high-quality products and services in order to confront the competition of low-price orders from other manufacturers. The Company thus will have greater advantages in securing orders as we diversify business risks or increase the added value of our products in the future.

(II) Important applications and production processes of products:

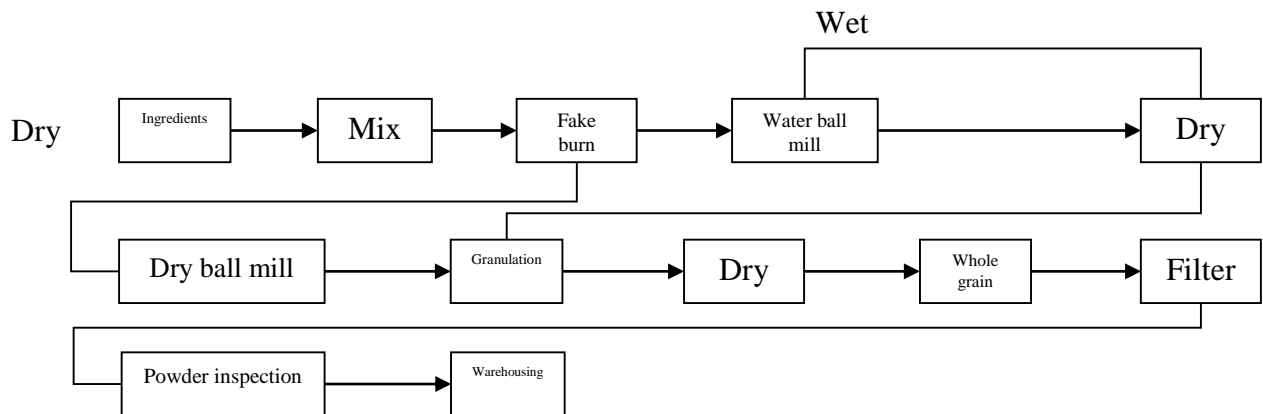
1. Important applications of major products

Product category	Important applications
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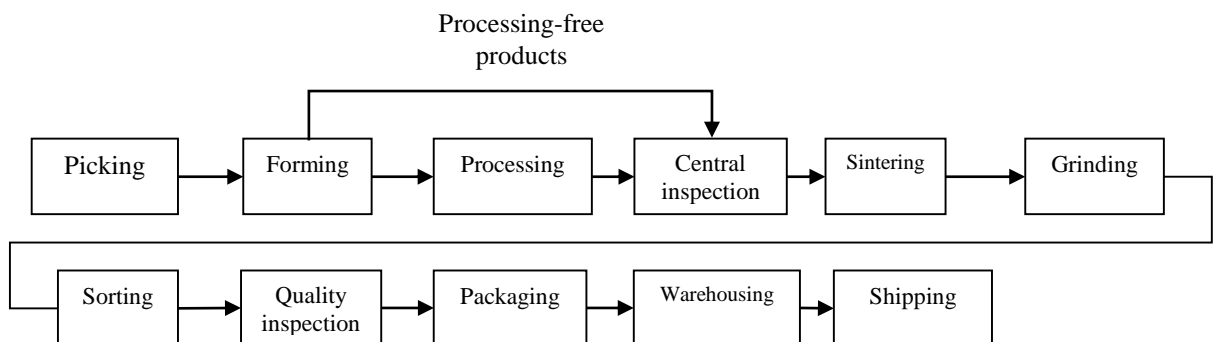
Multilayer chip inductors/beads	Motherboards, graphics cards, notebooks, tablets, lcd tvs/monitors, wireless networks, smartphones, CD players, printers, network cards, projectors, digital STBS, automotive electronics.
Molded power inductors	Motherboards, graphics cards, desktop computers, notebook computers, smart phones, tablet computers, LCD TVs/screens, game consoles, automotive electronics, new energy vehicle battery management systems.
Common mode filters and LAN transformers	High-speed connection interface, desktop computer, notebook computer, digital TV, network router, network switch
Wire-wound inductors	Motherboards, graphics cards, notebooks, tablets, LCD tvs/monitors, wireless networks, printers, network cards, projectors, digital STBS, smartphones, automotive electronics.

2. Production process of major products

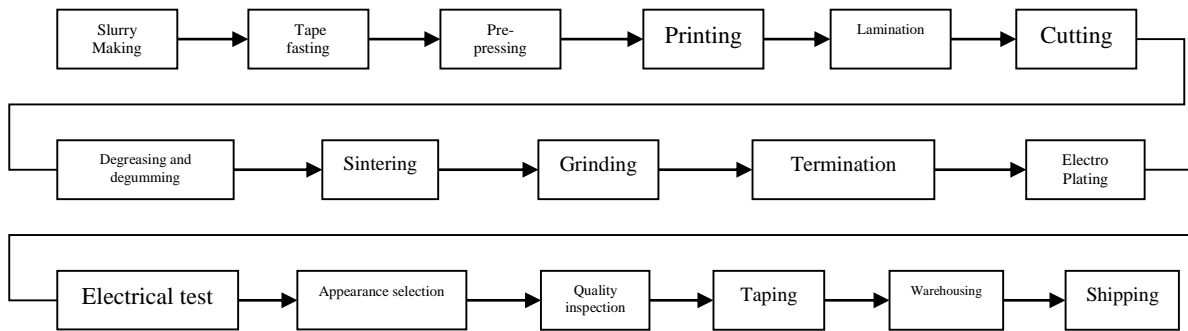
(1) The main production process of magnetic materials:



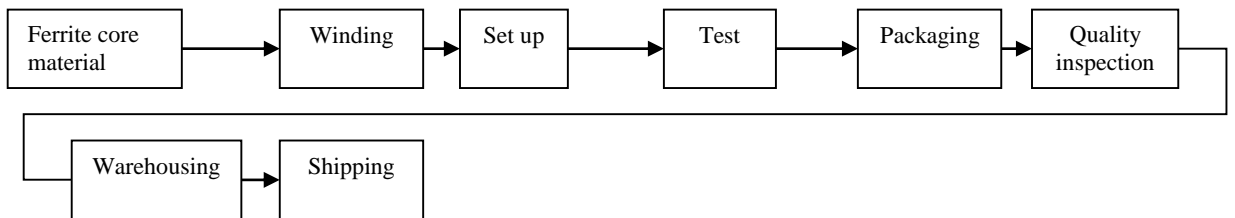
(2) Ferrite core production process:



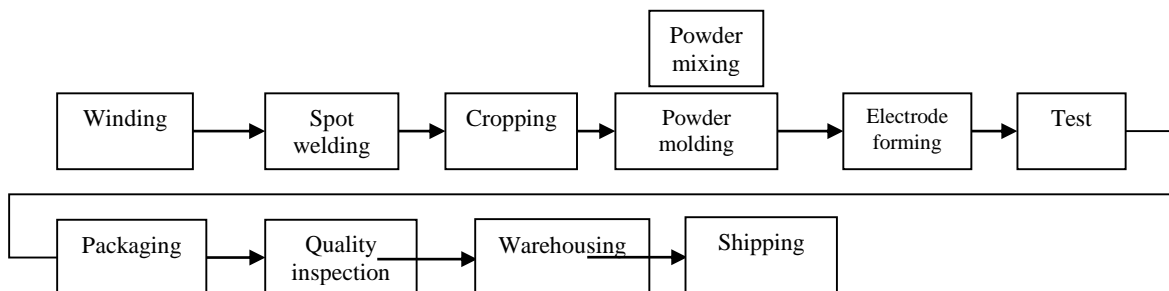
(3) Multilayer magnetic beads/inductor production process:



(4) Wire-wound inductance production process:



(5) Molded power inductor production process:



(III) Availability of major raw materials

Regardless of whether the Company is manufacturing ferrite core powder or multilayer tape, the raw materials are mixed with powders such as iron oxide, nickel oxide, copper oxide, magnesium oxide and zinc oxide in different proportions, and then obtained according to individual subsequent different processes. Under the principle of maintaining more than two suppliers for a single raw material, the Company has long maintained close and favorable cooperative relationships with suppliers, a practice that should ensure smooth delivery.

(IV) List of major purchase and sale customers

1. Information on major purchasers in the last two years

Unit: NT\$ thousand; %

Year	2020				2021			
Item	Name	Amount	% of net purchases in the whole year	Relationship with the Company	Name	Amount	% of net purchases in the whole year	Relationship with the Company
1	Company J	148,810	9.60	None	Company J	243,852	10.96	None
	Other	1,400,915	90.40		Other	1,980,615	89.04	
		1,549,725	100.00			2,224,467	100.00	

Explanation of change: In 2021, the use of Company A's product revenue increased and the proportion of related product raw materials was relatively large. As a result, the proportion of Company J's purchases increased.

2. Information on major sales customers in the last two years

Unit: NT\$ thousand

Item	2020				2021			
	Company name	Net sales	As a percentage of net sales for the year (%)	Relationship with the issuer	Company name	Net sales	As a percentage of net sales for the year (%)	Relationship with the issuer
1	Company A	479,082	10.70	None	Company A	782,986	12.70	None
	Others	3,998,922	89.30	-	Others	5,382,295	87.30	-
	Total	4,478,004	100.00	-	Total	6,165,281	100.00	-

Explanation of change: In 2021, due to the increase in market demand for automotive products, this increased sales revenues of Company A.

(V) Production value table for the last two years

Unit: KPCS/NT\$ thousand

Year	2020			2021		
Production value	Capacity	Yield	Output value	Capacity	Yield	Output value
Major products						
Wire-wound	2,813,665	2,658,639	1,645,496	3,592,986	3,552,505	2,236,468

Multilayer products	19,229,210	17,872,122	617,096	21,322,912	21,137,081	747,562
LAN transformer	1,043,279	971,198	401,515	2,886,448	2,885,126	705,199
Others	7,836	24	4,886	0	246	3,956
Total	23,093,989	21,501,983	2,668,993	27,802,346	27,574,958	3,693,185

(VI) Sales value table for the last two years

Unit: KPCS/NT\$ thousand

Year	2020				2021			
	Domestic sales		Exports		Domestic sales		Exports	
Major products	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wire-wound	657,854	814,100	2,432,903	2,250,857	914,124	1,201,539	2,975,144	2,735,655
Multilayer products	1,870,958	128,548	16,031,171	772,563	2,401,272	167,645	17,902,959	884,307
LAN transformer	5,057	6,874	1,030,250	474,074	8,101	10,503	2,842,266	1,132,619
Others	16,342	2,880	81,796	28,108	26,195	4,612	117,584	28,401
Total	2,550,211	952,402	19,576,120	3,525,602	3,349,692	1,384,299	23,837,953	4,780,982

III. Number of employees in the last two years

		2020	2021	2022 through April 30
Number of employees	Management administrative staff	114	117	117
	Salespeople	118	120	126
	R&D and technical personnel	41	40	40
	Manufacturing indirect personnel	134	136	141
	Operators	1722	1920	1950
	Total	2129	2333	2374
Average age		34.81	36.35	36.50
Average years of service		4.24	4.29	4.45
Educational distribution ratio	Master's degree	0.05%	0.04%	0.04%
	Bachelor's	0.38%	0.39%	0.38%
	Junior college	12.35%	13.24%	13.61%
	High school	44.06%	33.43%	31.72%
	Below high school	43.17%	52.89%	54.25%

IV. Environmental spending information

(I) Required description of the application for, payment of, or establishment of pollution facility permits or pollution discharge permits, or pollution prevention costs or environmental protection unit by companies in accordance with the law:

1. A polluting facility permit or a polluting discharge permit has been obtained

Company name	Category	Permit number
Tai-Tech Advanced Electronics Co., Ltd.	Water pollution prevention and control permit	Fuhuan Shui Zi No. 1080278469, Tao Shi Huan Pai Xu Zi No. H2072-06
Tai-Tech Advanced Electronics Co., Ltd.	User connection certificate	Tao You Zi No. 1065120570
Tai-Tech Advanced Electronics Co., Ltd.	Fixed pollution source operation license	Fu Huan Kong Zi No. 1060313932, Cao Zheng Zi No. H4513-04
Tai-Tech Advanced Electronics Co., Ltd.	Waste cleanup plan	H09206090005
Tai-Tech Advanced Electronics Co., Ltd.	Grade B wastewater specialist	(100) EPD Xunzheng Zi No. GA450214
Tai-Tech Advanced Electronics Co., Ltd.	Class A air pollution control personnel	(104) Environmental Protection Agency Xunzheng Zi No. FA080371
Tai-Tech Advanced Electronics Co., Ltd.	Class B waste specialist	(102) EPD Xunzheng Zi No. HA060101
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	National sewage permit	91321300683504514N001C
TAI-TECH Advanced Electronics (Kunshan)	Sewage permit	91320583730691675U001X
TAI-TECH Advanced Electronics (Kunshan)	General security officer certificate	19132051377879
TAI-TECH Advanced Electronics (Kunshan)	Plating security officer certificate	20032051486316
TAI-TECH Advanced Electronics (Kunshan)	Pollution source automatic monitoring certificate	KSWRYZDJK20171226302
TAI-TECH Advanced Electronics (Kunshan)	Chemical warehouse safety officer certificate	622825197202280000
TAI-TECH Advanced Electronics (Kunshan)	Safety standardization certificate	Su AQB320583QCIII20200035

2. Payment of pollution prevention and control fees

Company name	Category	2020	2021
Tai-Tech Advanced Electronics Co., Ltd.	Hazardous business waste disposal fee	NT\$4,201 thousand	NT\$5,143 thousand
Tai-Tech Advanced Electronics Co., Ltd.	General business waste disposal fee	NT\$799 thousand	NT\$1,802 thousand
Tai-Tech Advanced Electronics Co., Ltd.	Air pollution control fee	NT\$3 thousand	NT\$14 thousand
Tai-Tech Advanced Electronics Co., Ltd.	Soil and groundwater pollution remediation fees	NT\$66 thousand	NT\$88 thousand
Tai-Tech Advanced Electronics Co., Ltd.	Industrial area sewage charges	NT\$1,877 thousand	NT\$1,957 thousand

Company name	Category	2020	2021
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste activated carbon disposal fee	RMB 81 thousand	RMB 68 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste filter disposal fee	RMB 18 thousand	RMB 18 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste oil disposal fee	RMB 6 thousand	RMB 6 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste rag disposal fee	RMB 11,830	RMB 10 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste packaging container disposal fee	RMB 19,160	RMB 19 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Sludge disposal fee	RMB 290 thousand	RMB 293 thousand
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Waste gas treatment environmental protection tax	RMB 2,550	RMB 3,458 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Environmental protection quarterly sewage charges (wastewater, waste)	RMB 6,322	RMB 8,543
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Surface treatment waste	RMB 84 thousand	RMB 45 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Waste filter, waste rag	RMB 81 thousand	RMB 63 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Nickel-containing sludge	RMB 50 thousand	RMB 84 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Waste packaging drum	RMB 20 thousand	RMB 21 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Industrial waste disposal fee	RMB 49 thousand	RMB 56 thousand
TAI-TECH Advanced Electronics (Kunshan) Co., Ltd.	Domestic waste disposal fee	RMB 8,400	RMB 10,400

(II) Investment in major equipment for the prevention and control of environmental pollution, its use and possible benefits:

Unit: NT\$ thousand / RMB thousand

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
(Tai-Tech Advanced Electronics) Electroplating high concentration storage black barrel replacement project	1 set	2020	62 thousand	0	Improve the storage of high-concentration waste liquid, reduce environmental impact; comply with statutory requirements.
(Tai-Tech Advanced Electronics) Maintenance and repair work related to wastewater facilities in the factory	Type 1	2020	227 thousand	0	Maintain wastewater facility operations, reduce environmental impact; comply with statutory emission standards
(Tai-Tech Advanced Electronics) Maintenance and repair work related to exhaust gas facilities in the factory	Type 1	2020	516 thousand	0	Maintain the operation of exhaust gas facilities, reduce environmental impact; comply with statutory emission standards.
(Tai-Tech Advanced Electronics) Maintenance and repair work related to wastewater facilities in the factory	Type 1	2021	464 thousand	0	Maintain wastewater facility operations, reduce environmental impact; comply with statutory emission standards
(Tai-Tech Advanced Electronics) Maintenance and repair work related to exhaust gas facilities in the factory	Type 1	2021	1,167 thousand	0	Maintain the operation of exhaust gas facilities, reduce environmental impact; comply with statutory emission standards.
(Tai-Tech Advanced Electronics) Newly added project for in-plant process exhaust gas ducts	Type 1	2021	366 thousand	0	For new process exhaust gas collection; reduce environmental impact; comply with statutory emission standards.
(TAIPAQ) Pretreatment of reclaimed water	1 set	2020	RMB 83 thousand	RMB 77 thousand	There is already a set of pretreatment facilities. However, due to the long regeneration time of the equipment, and since the surface treatment line C has been in operation, the water treatment

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
					demand cannot be met. An additional set of pretreatment equipment is added, and the two sets of facilities are used alternately to increase the output and ensure that the effluent meets the demand.
(TAIPAQ) Online monitoring and replacement of data acquisition instruments	1 set	2020	RMB 13 thousand	RMB 11.5 thousand	The original data acquisition instrument's analog transmissions were subject to occasional errors. As a result, uploading of actually compliant monitoring data appeared to exceed the standards. The data acquisition instrument must be replaced to change to digital transmission
(TAIPAQ) Ammonia nitrogen online monitoring equipment	1 set	2020	RMB 35 thousand	RMB 21.5 thousand	Suqian Ecological Environment Bureau issued a notice on the list of key pollutant discharge units. The control file requires us to add ammonia nitrogen online monitoring
(TAIPAQ) Frozen maintenance of drainage system of waste gas treatment facility (Replace)	1 set	2020	RMB 24.5 thousand	0	There are four sets of waste gas treatment facilities on the top floor of the factory building, which are respectively discharged to the sewage station. The pipeline has been exposed to weather and sun for more than four years. The lowest temperature in 2020 was minus 16°C, and cracks from freezing have occurred in many places. Some pipes need to be replaced and all pipes need to be re-

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
					insulated
(TAIPAQ) Replacement of dosing machine and mixer in sewage station	6 units	2021	RMB 24.5 thousand	0	The wastewater station has been in operation for nearly four years, and some of the dosing machines in the dosing process have been used for a long time. They are worn out and have been repaired frequently, and they can no longer be used for maintenance. Includes 5 dosing machines and 1 mixer needing to be replaced to ensure operations
(TAIPAQ) Exhaust gas treatment facility fan replacement in surface treatment station	1 set	2021	RMB 42 thousand	RMB 35 thousand	The fan of the surface treatment waste gas collection device vibrates abnormally, the wind wheel is seriously worn, and the safety hazard is great. It needs to be replaced to ensure the normal operation of the waste gas treatment facility
(TAIPAQ) Hazardous waste management terminal	1 set	2021	RMB 30 thousand	RMB 25 thousand	Because the environmental protection department of the provincial department notified all waste-related enterprises in the province to activate the hazardous waste full life cycle system, the hazardous waste management is required to be refined to the daily real-time declaration, and just paste

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
					the QR code label generated by the system. Real-time automatic declaration and automatic label printing through the standardized terminal of hazardous waste
(TAIPAQ) Wastewater online monitoring equipment (COD one unit, total nickel one unit)	2 units	2021	RMB 82 thousand	RMB 69.54 thousand	The new regulations on the operation and acceptance technical specifications of the online monitoring system for water pollution sources were implemented from March 2020. Corresponding to the existing equipment, the COD and total nickel online monitoring equipment installed in May 2017 cannot meet the technical requirements of the new standard: there are no functions of automatic examination and automatic inspection, and a new version of equipment needs to be installed to meet regulatory requirements
(TAIPAQ) Wastewater online monitoring automatic sampler equipment	1 set	2021	RMB 35 thousand	RMB 30.9 thousand	According to regulations, the technical specification for the operation of the dye source online monitoring system requires the configuration of an automatic sampling unit
(TAIPAQ) VOCs online monitoring equipment replacement of data acquisition instrument	1 set	2021	RMB 185 thousand	RMB 163 thousand	The chromatograph (the core component of the original equipment) is damaged, and cannot

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
					be repaired. It must be replaced to meet environmental monitoring requirements
(Kunshan) Wastewater treatment; reuse water treatment and maintenance.	Type 1	2020	RMB 138 thousand	RMB 123 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) New scrubber replacement activated carbon project	Type 1	2021	RMB 17 thousand	RMB 12 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Adding cables and installing air ducts at the printing station	Type 1	2021	RMB 25 thousand	RMB 18 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Garbage station cutting trench and excavation of ditch and downhole project	Type 1	2021	RMB 29 thousand	RMB 23 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) On the first floor, the waste water pipe of the wafer workshop and the sporadic project of the water pipe material in the workshop	Type 1	2021	RMB 19 thousand	RMB 16 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Wastewater, reuse water aging renovation project	Type 1	2021	RMB 261 thousand	RMB 232 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Front explosion-proof blower replacement project	Type 1	2021	RMB 44 thousand	RMB 39 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) New VOCs scrubber replacement activated carbon project	Type 1	2021	RMB 25 thousand	RMB 22 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Blast furnace fresh air addition project	Type 1	2021	RMB 75 thousand	RMB 68 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards

Device designation	Quantity	Date of acquisition	Cost of investment	Undiscounted balance (Note)	Use and expected benefits
(Kunshan) Air compressor room freeze dryer installation project	Type 1	2021	RMB 27 thousand	RMB 24 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) Washing tower enclosure anti-corrosion epoxy floor project	Type 1	2021	RMB 31 thousand	RMB 29 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards
(Kunshan) New VOCs washing tower cable trunking installation and power distribution project	Type 1	2021	RMB 76 thousand	RMB 71 thousand	Waste collection; reduce environmental impact; compliance with statutory emission standards

Note: In the data on environmental protection, small expenditures are not included in the above content but are included in the expenses of NT\$50,000 and RMB10,000 or more

(III) The improvement of environmental pollution made by the Company, disputes over pollution events, and how the Company dealt with such disputes in the most recent two years, and up to the date of publication of the annual report: None.

(IV) In the most recent two years and as of the date of publication of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures. When reasonable estimation cannot be provided, explanation for the such cases should be offered:

1. 2020: No related matters.

2. 2021:

The Company's Yangmei Plant received the Taoyuan City Government Environmental Protection Bureau's letter 1100098325 regarding the Taohuan incident on November 11, 2021

In accordance with the project of the Environmental Protection Administration of the Executive Yuan (EP1100706), the Company's C-0110 was inspected

Scrap copper liquid violates Article 36 of the Waste Disposal Act and Article 7 of the Industrial Waste Storage, Removal and Disposal Methods and Facilities Standards

Article 2 states: "Stored for more than one year without cleaning up waste according to regulations or applying for an extension of waste storage."

A fine of NT\$60,000 and a 2-hour environmental lecture was imposed. The case has been cleared, handled, and closed as of January 7, 2022, and there should be no significant impact on the Company's operations.

Improvements: Strengthen management measures in ISO14001 waste management procedures. The application form waste disposal checklist is added to this control point, and similar situations are effectively eliminated through monthly self-checks and the Company's internal audit. Monthly department meetings report relevant inspection information and follow-up disposal status.

3. 2022 so far: No related matters.

(V) The current impact of pollution and corresponding improvements on the Company's earnings, competitive position and capital expenditures, and the estimated major environmental capital expenditures for the next two years: None.

V. Labor/management relations

- (I) List each item of the Company's employee welfare measures, advanced education, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures.

1. Measures for employee benefits:

(1) Group insurance

The Company purchases group accident and medical insurance for all employees. Due to the position and work relationship of specific employees, we give higher group accident medical insurance to protect employees.

(2) Year-end bonus and employee compensation

We distribute employee compensation at a fixed percentage of the year's pre-tax earnings (paid in the middle of the following year) as per the Company Act and the Articles of Incorporation. We also distribute year-end bonuses at a fixed percentage of the year's earnings after tax. Business performance and results are reflected in employee compensation appropriately.

(3) Employee Welfare Committee

The Company has established an employee welfare committee in accordance with the law and it is responsible for the planning and implementation of employee benefits. The Company also allocates welfare funds in accordance with regulations, and regularly handles various activities and welfare matters such as annual travel, annual festival gifts, and unit dinners.

- (4) We offer gift certificates on the three traditional holidays (Spring Festival, Dragon Boat Festival, Mid-Autumn Festival) and on birthdays. Twice a year, applications for employee and child scholarships and employee maternity allowances are processed.
- (5) Regular employee health check-ups -- the Company regularly organizes employee health check-ups and cares about the health of employees.
- (6) Employee remuneration - We actively cooperate with regulations to disclose the salaries of full-time employees who are not in supervisory positions. The average salary in 2021 was NT\$918,000, and the median salary was NT\$788,000.

2. Employee education and training

The Company is attentive toward employee career planning and is committed to talent cultivation. We actively encourage employees to participate in various training courses that are based on the functional needs of the Company's employees as they participate in courses or seminars sponsored by external or internal organizations.

3. Retirement system and implementation

In accordance with the provisions and management methods of labor retirement reserves, the Company deposits labor retirement reserves in the dedicated employee retirement reserve accounts in the Bank of Taiwan for use. In addition, starting from July 1, 2005 and after all employees voluntarily chose to apply for the new labor retirement system, the Company has contributed 6% of monthly salaries to retirement

funds and deposited them into employees' individual retirement accounts. In view of actual operating conditions, full provision has been made.

4. Agreement circumstances between labor and management

Harmonious labor-management relations have always been one of the areas to which the Company is committed. We adopt a two-way and open approach to communication, and wish that the relationship between labor and management always maintains harmony.

5. Various employee rights protection measures

The Company has established comprehensive management measures that clearly define the rights and obligations of employees and of welfare items, and regularly reviews and revises welfare content to protect the rights and interests of all employees.

(II) In the most recent year and up to the date of publication of the annual report, list any losses suffered due to labor disputes (including labor inspection results that violate the Labor Standards Act, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclose current and future estimated amounts and possible measures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated:

1. 2020:

Yang ○○, an employee of the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd., filed a lawsuit against the Company's subsidiary in the People's Court of Sihong County, Jiangsu Province due to a labor dispute. The case number is (2020) Su 1324 Min Chu No. 2838. The case was settled through mediation by the People's Court of Sihong County, Jiangsu Province on June 30, 2020; and the result of the mediation was that the Company should pay Yang ○○ RMB 46,000 in compensation for unpaid insurance. In the case settlement the Company paid the amount on July 9, 2020, Therefore, there should be no significant impact on the financial business.

2. 2021:

The Labor Inspection Office of Taoyuan City Government conducted a labor inspection at the Company on April 29, 2021. After checking, it found that the Company's employee

Tseng ○○ incurred actual working time of 13 hours and 27 minutes, in excess of 12 hours in a single day. This was found to be a violation according to Article 32, paragraph 2 of the Labor Standards Act and a fine of NT\$20,000 was imposed.

3. 2022 As of the date of publication of this report: No related matters.

VI. Important contracts

Contract nature	Parties	Contract start and end date	Main content	Restrictions
Loan contract	Hua Nan Yang Mei	November 19, 2021 – December 31, 2023	The Company signed a loan contract with Hua Nan Commercial Bank and obtained a financing line of NT\$1,645,400 thousand, including a medium-term guarantee and a medium-term credit line of NT\$1,400,400 thousand. There is a three-year grace period for repayment that shall be amortized after the third year to the seventh year.	None
Loan contract	Chang Yin Yang Mei	August 27, 2021 – August 27, 2036	The Company signed a loan contract with Chang Hua Bank and obtained a financing line of NT\$712,856,000. Among the terms, the long-term guarantee loan amount was NT\$562,856 thousand amortized over a period of 15 years.	None
Loan contract	KGI Business Department	October 28, 2021 – October 23, 2023	The Company signed a loan contract with KGI Commercial Bank, obtaining an interim credit line of NT\$180,000 thousand with repayment due.	None
Loan contract	E.Sun Ba Te	December 21, 2021 – March 1, 2024	The Company signed a loan contract with E.Sun Bank and obtained a financing line of NT\$400,000 thousand, including a medium-term guarantee loan amount of NT\$300,000 thousand. There is a three-year grace period for repayment that shall be amortized after the third year to the seventh year.	None
Loan contract	Yuanta Bank	November 18, 2021 – November 17, 2023	The Company signed a loan contract with Yuanta Bank, obtaining an interim credit line of NT\$100,000 thousand with repayment due.	None
Confidentiality agreement and technical service contract	Company T	October 30, 2020 - July 13, 2021 – until three years after the first batch is shipped	T company and the Company's product manufacturing confidentiality agreement and technical service contract - additional instructions	Confidential
Patent transfer sales contract	Company Z	On January 29, 2021, the two parties agreed to jointly sign a contract	purchasing a total of seven patent rights of Z Company in the United States, Taiwan and mainland China from Z Company at the expense of the Company	Confidential
Private Label Agreement	Company A	July 4, 2007 – Either party may terminate the contract with prior	Long-term OEM contract signed by Company A and the Company	Confidential

Contract nature	Parties	Contract start and end date	Main content	Restrictions
		written notice		
Purchase contract	Company I	July 17, 2019 - Either party may terminate the contract with prior written notice	Long-term purchase contract signed between Company I and the Company	Confidential
Purchase contract	Company E	November 12, 2007 - Either party may terminate the contract with prior written notice	Long-term purchase contract signed between Company E and the Company	Confidential
Purchase and Sale Agreement	Company C	May 1, 2013 – Either party may terminate the contract with prior written notice	Long-term purchase contract signed between Company C and the Company	Confidential
Agency authorization agreement	Multiple companies	January 01, 2021 – December 31, 2021	Signed a one-year agency authorization agreement with a number of agents, renewing every year	Confidential
Client confidentiality agreement	Company E	November 15, 2007 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company E and the Company	Confidential
Client confidentiality agreement	Company C	May 1, 2013 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company C and the Company	Confidential
Non-Disclosure Agreement for Suppliers	Company A	June 1, 2017 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company A and the Company	Confidential
Client confidentiality agreement	Company I	July 17, 2019 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company I and the Company	Confidential
Client confidentiality agreement	Company B	November 1, 2020 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company B and the Company	Confidential
Client confidentiality agreement	Company D	November 1, 2020 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company D and the Company	Confidential
Client confidentiality agreement	Company L	January 3, 2019 – Either party may terminate the contract with prior written notice	The long-term confidentiality agreement signed by Company L and the Company	Confidential
Client confidentiality agreement	Superworld Holdings (Singapore)	June 26, 2013 – Either party may terminate the contract with prior	Confidentiality contract signed between related entity Superworld Holdings (Singapore) Pte. Ltd. and	Confidential

Contract nature	Parties	Contract start and end date	Main content	Restrictions
	Pte. Ltd.	written notice	the Company	
Client confidentiality agreement	Taiqing Precise Electronic Co., Ltd.	June 26, 2013 – Either party may terminate the contract with prior written notice	Confidentiality contract signed between related entity Taiqing Precise Electronic Co., Ltd. and the Company	Confidential
Supplier Confidentiality Agreement	Company J	December 25, 2019 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company J and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential
Supplier Confidentiality Agreement	Company K	July 12, 2019 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company K and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential
Supplier Confidentiality Agreement	Company M	July 23, 2019 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company M and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential
Supplier Confidentiality Agreement	Company N	Five years beginning March 26, 2020	The long-term confidentiality agreement signed by supplier Company N and the Company	Confidential
Supplier Confidentiality Agreement	Company P	July 15, 2019 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company P and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential
Supplier Confidentiality Agreement	Company Q	April 7, 2012 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company Q and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential
Supplier Confidentiality Agreement	Company R	April 1, 2013 – Either party may terminate the contract with prior written notice	Long-term confidentiality contract signed by Supplier Company R and the Company's subsidiary TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Confidential

Six. Financial Overview

I. Financial data for the most recent five years

(I) Condensed balance sheet and comprehensive income statement

1.1 Condensed balance sheet - International Financial Reporting Standards (consolidated)

Unit: NT\$ thousand

Item	Year	2017	2018	2019	2020	2021
CURRENT ASSETS		2,364,822	2,540,945	2,550,462	3,340,936	4,718,034
Property, plant and equipment		1,895,082	2,411,665	2,444,207	2,539,871	4,503,865

Intangible assets		12,916	13,719	13,304	17,530	46,296
Other assets		218,296	216,663	236,762	277,508	337,297
Total assets		4,491,116	5,182,992	5,244,735	6,175,845	9,605,492
CURRENT LIABILITIES	Before distribution	1,866,401	2,000,043	1,811,912	2,167,761	2,568,840
	After distribution	2,021,101	2,291,243	2,057,612	2,590,610	Not yet distributed
NONCURRENT LIABILITIES		86,536	258,947	425,231	442,200	814,061
Total liabilities	Before distribution	1,952,937	2,258,990	2,237,143	2,609,961	3,382,901
	After distribution	2,107,637	2,550,190	2,482,843	3,032,810	Not yet distributed
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		2,538,179	2,924,002	3,007,592	3,565,884	6,222,591
Share capital		910,000	910,000	910,000	910,000	1,031,340
Capital surplus		369,223	369,223	214,523	123,523	1,886,687
Retained	Before distribution	1,320,000	1,666,814	1,973,060	2,546,626	3,321,011
Earnings	After distribution	1,165,300	1,375,614	1,727,360	2,123,777	Not yet distributed
Other equity		(61,044)	(22,035)	(89,991)	(14,265)	(16,447)
Treasury shares		0	0	0	0	0
Non-controlling interests		-	-	-	-	-
Equity	Before distribution	2,538,179	2,924,002	3,007,592	3,565,884	6,222,591
Total	After distribution	2,383,479	2,632,802	2,761,892	3,143,035	Not yet distributed

Note 1: The above financial information for each year has been verified by an accountant.

1.2 Condensed balance sheet - International Financial Reporting Standards (parent company only)

Unit: NT\$ thousand

Year		2017	2018	2019	2020	2021
Item						
CURRENT ASSETS		1,574,232	1,624,734	1,529,686	1,958,771	3,262,733
Property, plant and equipment		675,276	989,074	973,370	1,015,991	2,497,404
Intangible assets		10,406	11,128	10,776	15,127	43,961
Other assets		1,835,719	2,088,363	2,383,828	2,881,590	3,372,974
Total assets		4,095,633	4,713,299	4,897,660	5,871,479	9,177,072
CURRENT LIABILITIES	Before distribution	1,470,918	1,612,714	1,570,970	1,988,431	2,336,563
	After distribution	1,316,218	1,903,914	1,816,670	2,411,280	Not yet distributed
NONCURRENT LIABILITIES		86,536	176,583	319,098	317,164	617,918
Total liabilities	Before distribution	1,557,454	1,789,297	1,890,068	2,305,595	2,954,481
	After distribution	1,402,754	2,080,497	2,135,768	2,728,444	Not yet distributed
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		2,538,179	2,924,002	3,007,592	3,565,884	6,222,591
Share capital		910,000	910,000	910,000	910,000	1,031,340
Capital surplus		369,223	369,223	214,523	123,523	1,886,687
Retained Earnings	Before distribution	1,320,000	1,666,814	1,973,060	2,546,626	3,321,011
	After distribution	1,165,300	1,375,614	1,727,360	2,123,777	Not yet distributed
Other equity		(61,044)	(22,035)	(89,991)	(14,265)	(16,447)
Treasury shares		0	0	0	0	0
Non-controlling interests		—	—	—	—	—
Equity	Before distribution	2,538,179	2,924,002	3,007,592	3,565,884	6,222,591
Total	After distribution	2,383,479	2,632,802	2,761,892	3,143,035	Not yet distributed

Note 1: The above financial information for each year has been verified by an accountant.

2.1 Condensed comprehensive income statement - International Financial Reporting Standards (consolidated)

Unit: NT\$ thousand

Item	Year	2017	2018	2019	2020	2021
Operating revenue		3,070,313	3,548,251	3,351,915	4,478,004	6,165,281
Gross profit		886,877	1,117,076	993,058	1,459,493	2,135,564
Operating profit and loss		403,430	595,959	502,115	889,534	1,330,196
NON-OPERATING INCOME AND EXPENSES		(28,818)	34,872	19,522	(20,116)	61,117
Income before income tax		374,612	630,831	521,637	869,418	1,391,313
Profit from continuing operations		303,292	500,270	439,416	734,671	1,197,065
Profit or loss from discontinued operations		—	—	—	—	—
NET PROFIT (LOSS) FOR THE YEAR		303,292	500,270	439,416	734,671	1,197,065
Other comprehensive profit or loss for the year (net of income tax)		(54,731)	(68,809)	(64,626)	69,321	(2,013)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		248,561	431,461	374,790	803,992	1,195,052
Net profit attributable to owner of the parent company		303,292	500,270	439,416	734,671	1,197,065
Net profit attributable to non-controlling interest		0	0	0	0	0
Total comprehensive income attributable to owners of the parent company		248,561	431,461	374,790	803,992	1,195,052
Total comprehensive income attributable to non-controlling interest		0	0	0	0	0
EARNINGS PER SHARE		3.36	5.50	4.83	8.07	12.08

Note 1: The above financial information for each year has been verified by an accountant

2.2 Condensed comprehensive income statement - International Financial Reporting Standards (parent company only)

Unit: NT\$ thousand

Item	Year	2017	2018	2019	2020	2021
Operating revenue		2,485,424	2,866,690	2,550,205	3,314,401	4,810,030
Gross profit		482,495	614,732	541,027	762,723	1,335,812
Operating profit and loss		191,289	295,879	236,450	410,401	826,723
NON-OPERATING INCOME AND EXPENSES		147,308	280,720	249,801	391,934	496,385
Income before income tax		338,597	576,599	486,251	802,335	1,323,108

Profit from continuing operations	303,292	500,270	439,416	734,671	1,197,065
Profit or loss from discontinued operations	—	—	—	—	—
NET PROFIT (LOSS) FOR THE YEAR	303,292	500,270	439,416	734,671	1,197,065
Other comprehensive profit or loss for the year (net of income tax)	(54,731)	(68,809)	(64,626)	69,321	(2,013)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	248,561	431,461	374,790	803,992	1,195,052
Earnings per share (NT\$)	3.36	5.50	4.83	8.07	12.08

Note 1: The above financial information for each year has been verified by an accountant

(II) Names and audited opinions of the certified public accountants for the most recent five years

Year	Accounting firm	CPA name	Audit opinion
2017	PricewaterhouseCoopers Taiwan	Yen-na Li, Shou-hung Hsueh	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	Yen-na Li, Shou-hung Hsueh	Unqualified opinion
2019	PricewaterhouseCoopers Taiwan	Wei-hao Wu, Yen-na Li	Unqualified opinion
2020	PricewaterhouseCoopers Taiwan	Yen-na Li, Wei-hao Wu	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Yen-na Li, Wei-hao Wu	Unqualified opinion

II. Financial analysis for the last five years - Taiwan financial accounting standards

1.1 Financial analysis for the last five years - International Financial Reporting Standards (consolidated)

Analysis item (Note 3)		Year (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to asset ratio	43.48	43.58	42.66	42.26	35.22
	Ratio of long-term funds to property, plant, and equipment	138.50	131.98	140.45	157.81	156.24
Solvency %	Current ratio	126.70	127.04	140.76	154.12	183.66
	Quick ratio	97.06	97.96	110.54	125.94	149.29
	Interest coverage ratio	39.98	43.34	30.79	83.21	198.13
Operating ability	Accounts receivable turnover (times)	2.57	2.70	2.42	2.81	2.91
	Average cash collection days	142	135	151	130	125
	Inventory turnover (times)	5.22	4.82	4.56	5.50	5.61

	Payables turnover (times)	4.38	4.61	4.45	5.13	4.79
	Average sales days	70	76	80	66	65
	Property, plant, and equipment turnover rate (times)	1.76	1.65	1.38	1.80	1.75
	Total asset turnover (times)	0.70	0.73	0.64	0.78	0.78
Profitability	Return on assets (%)	7.13	10.59	8.70	13.01	15.24
	Return on equity (%)	12.24	18.32	14.82	22.35	24.46
	<u>Net profit before tax to paid-in capital ratio (%)</u>	41.17	69.32	57.32	95.54	134.90
	Net profit rate (%)	9.88	14.10	13.11	16.41	19.42
	Earnings per share (NT\$)	3.36	5.50	4.83	8.07	12.08
Cash flows	Cash flow adequacy ratio (%)	19.35	34.67	36.86	38.85	46.42
	Cash flow ratio (%)	95.54	92.15	87.12	90.62	65.65
	Cash reinvestment ratio (%)	5.07	10.81	7.08	9.50	7.99
Leverage	Operational leverage	2.52	2.18	2.42	1.92	1.83
	Financial leverage	1.02	1.03	1.04	1.01	1.01

Please explain the reasons for changes in financial ratios in the last two years. (If the increase or decrease is less than 20%, the analysis can be exempted)

1. Interest coverage ratio: Mainly due to the increase in net profit before tax
2. Ratio of net profit before tax to paid-in capital (%) : Mainly due to the increase in net profit before tax for the current period
3. EPS (NT\$) : Mainly due to the increase in net profit after tax in the current period
4. Cash flow ratio (%) : Mainly due to the increase in capital expenditure in the current period

Note 1: The above financial information for each year has been verified by an accountant

1.2 Financial analysis for the last five years - International Financial Reporting Standards (parent company only)

Analysis item (Note 3)		Financial analysis for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to asset ratio	38.03	37.96	38.59	39.27	32.19
	Ratio of long-term funds to property, plant, and equipment	388.69	313.48	341.77	382.19	273.90
Solvency %	Current ratio	107.02	100.75	97.37	98.51	139.64
	Quick ratio	93.04	86.49	84.51	86.66	126.25
	Interest coverage ratio	45.45	77.54	61.74	96.26	224.42
Operating ability	Accounts receivable turnover (times)	2.92	3.02	2.59	2.84	2.95
	Average cash collection days	125	121	141	128	124
	Inventory turnover (times)	11.38	10.86	9.74	11.95	12.78
	Payables turnover (times)	3.41	3.15	2.63	3.05	2.95
	Average sales days	32	34	37	31	29

	Property, plant, and equipment turnover rate (times)	3.65	3.44	2.60	3.33	2.74
	Total asset turnover (times)	0.62	0.65	0.53	0.62	0.64
Profitability	Return on assets (%)	7.73	11.50	9.28	13.77	15.97
	Return on equity (%)	12.24	18.32	14.82	22.35	24.46
	Net profit before tax to paid-in capital ratio (%)	37.21	63.36	53.43	88.17	128.29
	Net profit rate (%)	12.20	17.45	17.23	22.17	24.89
	Earnings per share (NT\$)	3.36	5.50	4.83	8.07	12.08
Cash flows	Cash flow adequacy ratio (%)	7.97	31.25	12.09	17.27	32.24
	Cash flow ratio (%)	89.81	90.31	74.81	69.20	47.45
	Cash reinvestment ratio (%)	(0.82)	9.02	(2.52)	2.09	4.25
Leverage	Operational leverage	2.38	1.99	2.08	1.72	1.48
	Financial leverage	1.04	1.03	1.04	1.02	1.01

Please explain the reasons for changes in financial ratios in the last two years. (If the increase or decrease is less than 20%, the analysis can be exempted)

1. Debt to Assets Ratio: Mainly due to the increase in assets
2. Long-term funding as a percentage of property, plant and equipment: Mainly due to the increase in the net amount of property, plant and equipment in the current period
3. Current ratio: Mainly due to the increase in current assets in the current period
4. Quick ratio: Mainly due to the increase in cash and accounts receivable in the current period (including from related parties)
5. Interest coverage ratio: Mainly due to the increase in net profit before tax
6. Property, plant and equipment turnover (times): Mainly due to the increase in the net amount of property, plant and equipment in the current period
7. Ratio of net profit before tax to paid-in capital (%) : Mainly due to the increase in net profit before tax for the current period
8. EPS (NT\$) : Mainly due to the increase in net profit after tax in the current period
9. Cash flow adequacy ratio (%): Mainly due to the increase in net cash flow from operating activities in the current period
10. Cash flow ratio (%) : Mainly due to the increase in capital expenditure in the current period
11. Cash reinvestment ratio (%) : Mainly due to the increase in net cash flow from operating activities in the current period

Note 1: The above financial information for each year has been verified by an accountant

Calculation formulas:

1. Financial structure

(1) Debt to asset ratio = total liabilities/total assets.

(2) Long-term funding as a percentage of property, plant and equipment = (Total equity + non-current liabilities) / Property, plant and equipment, net.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) /Current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense for the current period.

3. Operating ability

(1) Receivables turnover (including accounts receivable and notes receivable arising from business) = Net sales / Average receivables balance for each period (including accounts receivable and notes receivable arising from business).

- (2) Average collection days = 365/receivables turnover ratio.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Payables turnover (including accounts payable and notes payable arising from business operations) = cost of goods sold / average payables balance for each period (including accounts payable and notes payable arising from business operations).
- (5) Average days of sales = 365/inventory turnover.
- (6) Property, plant and equipment turnover = net sales/average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [After-tax profit and loss + interest expense × (1-Tax rate)]/Total average assets.
- (2) Return on Equity = profit and loss after tax / total average equity.
- (3) Net profit ratio = after-tax profit and loss / net sales.
- (4) Earnings per share = (Profits and losses attributable to owners of the parent company - special dividends) / Weighted average number of shares outstanding. (Note 4)

5. Cash flows

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow ratio = net cash flow from operating activities in the last five years / last five years (capital expenditures + inventory increase + cash dividends).
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross real estate, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

- (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / business interests (Note 6).
- (2) Financial leverage = operating profit / (operating interest - interest expense).

Note 2: When calculating the aforementioned earnings per share formula, special attention should be paid to the following matters:

1. It is based on the weighted average number of ordinary shares, not the number of shares outstanding at the end of the year.
2. Where there is a cash capital increase or treasury stock trading, the weighted average number of shares shall be calculated taking into account its circulation period.
3. Where there is a capital increase from surplus or capital reserve, when calculating the earnings per share in previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the current year (whether issued or not) should be deducted from the after-tax net profit or increased by the after-tax net loss. If the preferred shares are of a non-cumulative nature, if there is a net profit after tax, the preferred share dividend shall be deducted from the net profit after tax; if it is a loss, there is no need to adjust it.

Note 3: Cash flow analysis should pay special attention to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflows for capital investment.
3. An increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory at the end of the year decreases, it will be calculated as zero.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment is the total property, plant and equipment before accumulated depreciation.

Note 4: Issuers should classify various operating costs and operating expenses into fixed and variable ones according to their nature. If there is an estimate or subjective judgment involved, they should pay attention to their rationality and maintain consistency.

Note 5: If the shares of the company have no par value or the denomination per share is not NT\$10, the ratio of the paid-in capital previously stated shall be calculated as the ratio of equity attributable to the owners of the parent company on the balance sheet.

III. The Audit Committee's report on the most recent annual financial statements

**Tai-Tech Advanced Electronics Co., Ltd.
2021 Audit Committee's Review Report**

The Board of Directors has submitted the Company's 2021 business report, financial statements, including consolidated financial statements, and the statement of earnings distribution. Among the above, the financial statements have been audited by CPAs Yen-Na Li and Wei-Hao Wu of PricewaterhouseCoopers Taiwan, and an audit report has been issued.

The business report, financial statements (including consolidated financial statements) and statement of earnings distribution stated above have been audited by the Audit Committee and found to be in compliance with the Company Act and other applicable laws and regulations. We have presented you the reports based on the provisions stipulated in Article 219 of the Company Act.

Please review.

Submitted to

Tai-Tech Advanced Electronics Co., Ltd. 2022 General Meeting of Shareholders

Tai-Tech Advanced Electronics Co., Ltd.

Audit Committee Convener Yang-Pin Shen



February 25, 2022

IV. Annual financial statements for the most recent year:

2021 Annual Financial Statements: Please refer to Appendix I.

V. The Company's parent company only financial statements that have been audited and certified by an accountant in the most recent year:

2021 Annual Parent Company Only Financial Statements: Please refer to Appendix I.

VI. In the most recent year and as of the publication date of the annual report, if any financial difficulties occur among the Company and its affiliated companies, their effect on the Company's financial position should be stated: None.

Seven. Financial position and financial performance review analysis and risk matters

I. Financial position

Unit: NT\$ thousand; %

Item	Year	2020	2021	Difference	
				Amount	%
CURRENT ASSETS		3,340,936	4,718,034	1,377,098	41.22
Property, plant and equipment		2,539,871	4,503,865	1,963,994	77.33
Intangible assets		17,530	46,296	28,766	164.10
Other noncurrent assets		277,508	337,297	59,789	21.54
Total assets		6,175,845	9,605,492	3,429,647	55.53
CURRENT LIABILITIES		2,167,761	2,568,840	401,079	18.50
NONCURRENT LIABILITIES		442,200	814,061	371,861	84.09
Total liabilities		2,609,961	3,382,901	772,940	29.62
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		3,565,884	6,222,591	2,656,707	74.50
Share capital		910,000	1,031,340	121,340	13.33
Capital surplus		123,523	1,886,687	1,763,164	1,427.40
Retained earnings		2,546,626	3,321,011	774,385	30.41
Other equity		(14,265)	(16,447)	(2,182)	15.30
Total equity		3,565,884	6,222,591	2,656,707	74.50
Description of major changes: (Where the ratio of increase or decrease is more than 20%, and the amount of change is more than NT\$10 million)					
(1) Current ratio: Mainly due to the increase in cash and accounts receivable in the current period (including from related parties).					
(2) Property, Plant and Equipment: Mainly due to the increase in property and equipment in the current period.					
(3) Intangible assets: Mainly due to the increase in patent rights in the current period.					
(4) Other non-current assets: Mainly financial accounting at fair value through other comprehensive profit and loss for the current period Assets - due to the increase in non-current assets.					
(5) Total assets: Mainly due to the increase in non-current assets in the current period.					
(6) Non-current liabilities: Mainly due to the increase in long-term borrowings in the current period.					
(7) Total liabilities: Mainly due to the increase in current liabilities and long-term borrowings in the current period.					
(8) Equity attributable to owners of the parent company: Mainly due to the increase in capital reserve in the current period.					
(9) Capital reserve: Mainly due to the cash capital increase in the current period.					
(10) Retained earnings: Mainly due to the increase in net profit after tax in the current period.					
(11) Total equity: Mainly due to the increase in capital reserve in the current period.					

II. Financial performance

Unit: NT\$ thousand; %

Item	Year	2020	2021	Difference	
				Amount	%
Operating revenue		4,478,004	6,165,281	1,687,277	37.68
Gross profit		1,459,493	2,135,564	676,071	46.32
Operating profit and loss		889,534	1,330,196	440,662	49.54
NON-OPERATING INCOME AND EXPENSES		(20,116)	61,117	81,233	(403.82)
Income before income tax		869,418	1,391,313	521,895	60.03
NET PROFIT/(LOSS) FOR THE YEAR		734,671	1,197,065	462,394	62.94
Net profit attributable to owner of the parent company		734,671	1,197,065	462,394	62.94
Description of major changes: (Where the ratio of increase or decrease is more than 20%, and the amount of change is more than NT\$10 million)					
(1) Operating revenue: Mainly due to the increase in customer demand in the current period.					
(2) Operating profit: Mainly due to the increase in revenue in the current period.					
(3) Operating profit and loss: Mainly due to the increase in gross profit in the current period.					
(4) Non-operating income and expenses: Mainly due to the decrease in net foreign currency exchange losses in the current period.					
(5) Net profit before tax: Mainly due to the increase in operating gross profit in the current period.					
(6) Net profit for the current period: Mainly due to the increase in operating gross profit in the current period.					
(7) Net profit attributable to owner of the parent company: Mainly due to the increase in net profit for the current period.					

III. Cash flows

(I) Analysis and explanation of cash flow changes in the most recent year

Unit: NT\$ thousand

Item	Year	2020	2021	Difference	
				Amount	%
Operating activities		842,219	1,192,411	350,192	41.58
Investing activities		(494,604)	(1,893,897)	(1,399,293)	(282.91)
Financing activities		(166,695)	1,291,352	1,458,047	(874.68)
Exchange rate effects		4,487	(16,481)	(20,968)	(467.31)
Net cash inflows		185,407	573,385	387,978	209.26
Description of major changes:					
(1) Increase in cash inflows from operating activities: Mainly due to the increase in net profit for the current period.					

Item	Year	2020	2021	Difference	
				Amount	%
(2) Increase in cash outflows from investing activities: This was mainly due to the increase in property, plant and equipment in the current period.					
(3) Increased cash inflows from financing activities: Mainly to increase cash capital for the current period.					

(II) Improvement plan for insufficient liquidity: not applicable.

(III) Analysis of cash flows in the coming year:

Unit: NT\$ thousand

Beginning cash balance (December 31, 2021)	Expected net cash flows from operating activities for the full year (2022)	Expected net cash flows from investing activities for the full year (2022)	Expected net cash flows from financing activities for the full year (2022)	Estimated cash remaining amount (December 31, 2022)	Remedial measures for projected cash shortfalls	
					Investing plan	Financing plan
1,341,004	1,264,852	-559,819	278,062	2,324,099	None	None
1. Analysis of cash flow changes in the most recent year						
(1) Operating activities: The net cash inflow of NT\$1,264,852 thousand is mainly due to the increase in net profit before tax.						
(2) Investing activities: The net cash outflow of NT\$559,819 thousand is mainly used for capital expenditures.						
(3) Financing activities: The net cash inflow of NT\$278,062 thousand is mainly due to the increase in long-term borrowings.						
2. Remedial measures and liquidity analysis for projected cash shortfalls: not applicable.						

IV. The impact of major capital expenditures in the most recent year on the financial business:
None.

V. Reinvestment policy in the most recent year, the main reasons for its profit or loss, improvement plan, and investment plan for the following year:

December 31, 2021; Units: NT\$ thousand

Affiliated company name	Investment gains and losses recognized in 2021	Reinvestment policies	Main reason for profit or loss	Improvement plan	Investment plan for the coming year
Best Bliss	475,867	Investment holding company	Recognize investment income	—	—

North Star	171	Investment holding company	Recognize interest income	—	—
TAI-TECH Advanced Electronics (Kunshan)	73,589	Production, processing, and sale of electronic components	Revenue and production management performance	—	—
Fixed Rock	352,077	Investment holding company	Recognize investment income	—	—
TAIPAQ	380,781	Production, processing, and sale of electronic components	Revenue and production management performance	—	—

VI. Risk events shall be analyzed and evaluated for the following events in the most recent year and up to the date of publication of the annual report:

(I) The impact of interest rates, exchange rate changes, and inflation on the Company's profit and loss, and future countermeasures:

1. Impact of interest rate changes and countermeasures:

(1) Impact on the Company's profit and loss

The financial costs of the Company and its subsidiaries in 2020 and 2021 were NT\$10,575 thousand and NT\$7,058,000, respectively. The proportions of operating revenue were 0.24% and 0.11% respectively. Overall, interest expense accounts for a small percentage of operating revenue. The impact on the Company is not significant.

(2) Specific measures

The Company and its subsidiaries actively pay attention to changes in interest rates in the financial market, and adjust fixed or floating borrowings to reduce the risk of rising capital costs caused by changes in interest rates.

2. Impact of exchange rate changes and countermeasures:

(1) Impact on the Company's profit and loss

Unit: NT\$ thousand

Year	2020	2021
Exchange gains and losses	(54,952)	(6,025)
Operating revenue	4,478,004	6,165,281
Operating gains	889,534	1,330,196
Proportion of consolidated operating revenue (%)	1.23%	0.10%
Proportion of consolidated operating profit (%)	6.18%	0.45%

(2) Specific measures

In response to the impact of exchange rate fluctuations, when a business unit makes quotations to customers, it regularly considers the exchange rate impact into quotation decisions. The main strategy of exchange rate risk control is still to aim at natural hedging. When necessary, we conduct relevant foreign exchange hedging operations in accordance with the "Acquisition or Disposal Asset Handling Procedures" to reduce the impact of exchange rate changes on profit and loss.

3. The impact of inflation most recent year on the Company's profit and loss, and future countermeasures:

The Company and its subsidiaries are not significantly affected by inflation. However, we still pay close attention to the market trends of raw materials and adjust sales strategies to avoid major impacts on the Company due to inflation.

(II) Policies for engaging in high-risk, high-leverage investments, lending of funds to others, endorsements/guarantees, and derivatives trading, and the main reasons for profit or loss and future countermeasures:

Item	Policy	Reason for profit and loss	Future countermeasures
High-risk, high-leverage investments	Do not engage in high-risk and highly leveraged investments	Not applicable, no such matters	Adhering to the principle of conservative and stable operations
Loans of funds to others	In accordance with "Operational Procedures for Loans of Funds to Others "	None; we provide loans to subsidiaries only	Conservative and prudent principles to be handled in accordance with procedures
Endorsements/guarantees	In accordance with "Endorsement/Guarantee Operational Procedures"	None; endorsements/guarantees are made for subsidiaries only	Conservative and prudent principles to be handled in accordance with procedures
Derivatives trading	In accordance with the procedures for Acquisition or Disposal of Assets."	Not applicable; not engaged in such transactions	Conservative and prudent operating principles.

(III) Future R&D plans and estimated R&D expenses:

1. Future R&D plans

The main products of the Company and its subsidiaries encompass various types of inductors. In response to market demand, we develop new products and technologies for more diverse applications and meet customer and market demands. We continue to research and develop products with high quality and competitive cost. The main development direction at present is in automotive electronics, electric vehicle-related products, high-standard network communication-related products, and next-generation personal computer-related products.

2. Estimated R&D expenses

The Company's research and development expenses in 2021 accounted for 2.30% of revenue, The amount increased by 24.65% over the previous year. Future investments will be gradually rolled out according to the development progress of new technologies and new materials. With the growth of turnover, annual R&D expenses can be gradually increased to support future R&D projects and increase the Company's market competitiveness.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's financial business, and countermeasures:

The Company's operations are handled in accordance with relevant domestic and foreign laws and regulations. Furthermore, we always pay attention to domestic and foreign policy trends and changes in regulations, and consult relevant professionals, taking appropriate measures in a timely manner. As of the date of publication of this report, the Company and its subsidiaries had not been affected by any major changes in domestic and foreign policies and laws that would affect its financial business.

(V) The impact of technological changes (including information security risks) as well as industrial changes on the Company's financial business, and countermeasures:

Demand continues to be driven by a range of applications such as 5G and intelligent IoT, the automotive electronics market, and so on. Meanwhile, the Company continues to invest in new products, new technologies, and the use of intelligent machinery to assist in manufacturing, and we maintain stable and flexible financial operations. Technological changes and industrial changes thus have not yet had a significant impact on the Company's financial business.

In addition, in 5G and mobile phone related applications, the use of low-temperature co-fired ceramics (LTCC) has increased significantly. The LTCC process is the same as that of the Company's multilayer magnetic beads, but its use of dielectric materials differs from the magnetic materials that are the core of the Company's technology. Therefore, the Company has not invested in the development of related production with the exception of multilayer ceramic high-frequency inductors. Moreover, investment in LTCC related production lines would require establishment of a competitive scale, but considering the huge investment amount and given the Company's existing resources, our main investments will still focus on magnetic material related products. Therefore, although the Company has the basic production capacity of LTCC products, there is no comparatively positive and clear plan for the production of LTCC products in the short term.

The era of convenient information is both an opportunity and a relative source of risk for companies. The importance of information security has become an important issue that businesses cannot avoid. In addition to building firewall defenses for the network and computer room as well as configuring and using internationally certified antivirus software for each endpoint computer, Tai-Tech Advanced Electronics also conducts local and remote cross-backup procedures for each data item. Furthermore, since 2016, disaster recovery plan drills have been carried out for major systems every year, and many improvements have been made to computer room power facilities. These include a UPS uninterruptible power supply system, an ATS power switching system, construction of a special backup generator for the computer room, and so on, all of which have been put in place. All of the above measures are expected to achieve the goal of recovering the risks caused by information security in the shortest time while minimizing the corresponding damage. In the future, the Company will also actively prepare and plan to evaluate the EDR endpoint detection and protection system to target many unknown and potential man-made attacks, and also invest in information security education and training for internal personnel. In addition to giving reminders on relevant daily network operations to avoid risks, social engineering drills are also carried out on a regular basis to enhance information security awareness among internal employees. In view of the scope of information security, which is large, wide, and constantly changing, Tai-Tech Advanced Electronics is continuously seeking various resources to enhance the aspect and depth of information security risk management. Beyond this, we will simultaneously comply with government regulations, strengthen the organizational structure of information security, protect the rights and interests of investors, and advance towards the goal of sustainable business operations.

(VI) The impact of corporate image changes on corporate crisis management, and countermeasures:

Since our establishment in 1992, the Company has complied with relevant laws and regulations, actively improves management quality and performance, and continues to operate the business and care for society in the spirit of solidarity, cooperation, mutual assistance, and mutual trust. In the most recent year and through the date of publication of the report, there has been no incident affecting our corporate image.

(VII) Expected benefits, possible risks, and countermeasures of M&A:

For the most recent year and up to the date of publication of the annual report, the Company has no ongoing merger and acquisition plans.

(VIII) Expected benefits, possible risks and countermeasures of plant expansion:

In response to the needs of new product expansion and production integration, in 2021, we will purchase industrial land and factories in the Youshi section of Yangmei District, Taoyuan City. We expect to expand production scale and see increased revenue. The relative probable risk is the interest rate risk of the loan cost. Balance interest expense with integration benefits.

(IX) Risks and countermeasures confronted through purchase or sales concentration:

1. The risks and countermeasures faced by the concentration of purchases:

In 2020 and 2021, the proportion of purchases made by the Company and its subsidiaries to the largest supplier was 9.60% and 10.96%, respectively. There was no issue with excessive concentration. For the main raw material of silver paste, we maintain more than two suppliers to diversify risks. The silver paste suppliers are well-known domestic manufacturers, and the quality of the silver paste they supplies is stable. The Company has maintained a long-term and good cooperative relationship with them, and there has been no shortage or interruption of supply in the last three years.

2. Risks faced through sales concentration, and countermeasures

The Company and its subsidiaries saw contributions of 10.70% and 12.70% of sales from the largest customer in 2020 and 2021, respectively, and there was no sales concentration. In addition to maintaining good and long-term cooperative relationships with our original customers, the Company and its subsidiaries continue to develop new customers and regularly assess the financial business conditions of customers to reduce the risk of diversifying operations. Overall, the Company has no significant risk of sales concentration.

(X) For directors, supervisors or major shareholders holding more than 10% of the shares, the impact, risks and countermeasures of a large-scale transfer or replacement of shares on the Company: No such situation.

(XI) The impact, risks and countermeasures of a change of management rights on the Company:

For the most recent year and up to the date of publication of the annual report, the Company has not had any changes in its management rights.

(XII) Litigation or non-litigation events:

1. If the Company is involved in a major litigation or non-litigation events or administrative disputes confirmed or currently pending in the past two years and through the publication date of the report where the outcomes may have a significant impact on shareholders' equity or the price of securities, the facts in dispute, the amount involved, the start date of the lawsuit, the main parties

involved in the lawsuit, and the current handling situation shall be disclosed: No such situation.

2. Involvement of the Company's directors, supervisors, president, substantive persons in charge, shareholders possessing over 10 percent of outstanding shares, and affiliated companies in litigation or non-litigation events or administrative disputes confirmed or currently pending in the past two years and through the publication date of the report where the outcomes may have a significant impact on shareholders' equity or the price of securities:

(1) 2019

TAIPAQ Electronic Components (Si-Hong) Co., Ltd., a subsidiary of the Company, had long-term dealings with Nianyou Company with products supplied to it by TAIPAQ. After sending an email to Nianyou Company regarding the quantity and price of products to be purchased and receiving Nianyou Company's agreement, TAIPAQ shipped to Nianyou Company on terms of payment for the goods to be settled 120 days after monthly statement. After sending invoices to Nianyou Company in April, May, and September of 2018, payment for goods was still not received; and after repeated reminders, Nianyou had only made a payment of RMB 40,000 for the goods. Therefore, on November 26, 2018, TAIPAQ filed (2018) Su 1324 Min Chu No. 9923 with the People's Court of Sihong County, Jiangsu Province for litigation of sales contract dispute. On June 24, 2019, the People's Local Court of Sihong County ruled that Nianyou Company should pay TAIPAQ RMB 164,000 plus interest, which was completed 10 days after the judgment came into effect. Most of the funds related to this case have been recovered, and there is no material adverse impact on the Company's financial business.

(2) 2020

On August 12, 2020, TAIPAQ Electronic Components (Si-Hong) Co., Ltd., a subsidiary of the Company, entrusted a third party, Jiangsu Feize International Freight Forwarding Co., Ltd. (hereinafter referred to as Feize Company), to carry a batch of inductance products worth about RMB 1,160,000, which were to be exported from Nanjing Airport to Taiwan. Feize Company also entrusted the goods to Jiangsu Haide International Logistics Co., Ltd. (hereinafter referred to as Haide Company). Since Feize owed Haide about RMB 750,000, Haide detained the goods of TAIPAQ. Since TAIPAQ has no creditor's rights in respect to Haide Company, TAIPAQ filed a lawsuit on August 28, 2020 against Feize Company and Haide Company for misappropriation of the goods. Subsequently, the case was settled through mediation by the Qinhuai District People's Court of Nanjing City on

September 22, 2020. After deducting packaging fees, TAIPAQ calculated the remaining payment to Feize as RMB 370,000 and transferred it to Haide Company. Haide Company then returned the detained products to TAIPAQ. The case has been concluded and there should be no material adverse impact on the Company's financial business.

(3) In 2022 as of the publication date of the report: None.

(XIII) Other important risks and countermeasures: None

VII. Other important matters: None.

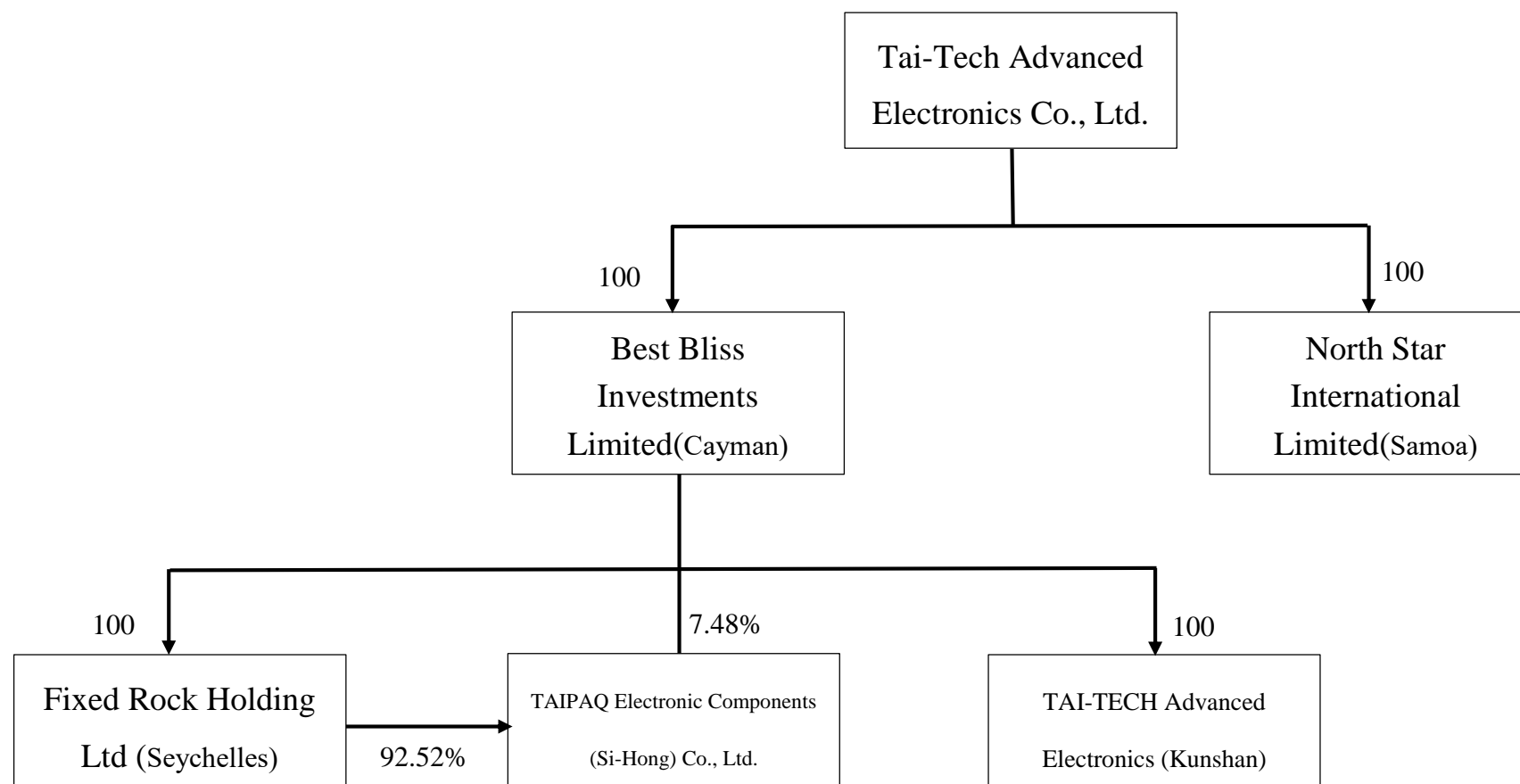
Eight. Special Notes

I. Related company information:

(I) Consolidated Financial Statements of Affiliated Enterprises: Please refer to Appendix I.

1. Organizational chart of affiliated enterprises:

April 30, 2022



2. Basic information of each affiliated company

Units: NT\$ thousand and US\$ / April 30, 2022

Company name	Date of establishment	Address	Paid-in capital (NT\$)	Main business or production items
Best Bliss Investments Limited	February 2001	P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.	US\$34,250,452	International investments
North Star International Limited	April 2003	OCRA Chambers, Suite 5, Global Travel House, Saleufi Street, Apia, Samoa	US\$100,000	International investments
TAI-TECH Advanced Electronics (Kunshan)	August 2001	No. 925, Guoshi Road, Hi-Tech Development Zone, Kunshan City, Jiangsu Province	US\$11,935,063	Production, processing, and sale of electronic components
Fixed Rock Holding Limited	May 2008	Vistra Corporate Services Centre, Suite 23, 1st Floor, Eden Plaza, Eden Island, Mahe, Republic of Seychelles.	US\$26,450,345	International investments
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	December 2008	South side of Hangzhou Road and east side of Jianshe North Road, Sihong Economic Development Zone, Suqian City, Jiangsu Province	US\$34,155,984	Production, processing, and sale of electronic components

3. Those who are presumed to have control and affiliation: None

4. Industries covered by the business of the overall affiliated companies:

- (1) Best Bliss Investments Limited: It is a holding company established by the Company as a control transfer investment. No business other than investment.
- (2) North Star International Limited: Reinvestment business.

- (3) TAI-TECH Advanced Electronics (Kunshan): Production, processing and sales of related products.
(4) Fixed Rock Holding Limited: Reinvestment business.
(5) TAIPAQ Electronic Components (Si-Hong) Co., Ltd.: Production, processing and sales of related products.

5. Information on directors, supervisors and general managers of related companies

Unit: Shares; %

Company name	Title	Name or representative	Number of shares	Shareholding percentage (%)
Best Bliss Investments Limited	Chairman	Ming-Yen Hsieh	34,250,452	100
North Star International Limited	Chairman	Ming-Yen Hsieh	100,000	100
TAI-TECH Advanced Electronics (Kunshan)	Chairman	Ming-Yen Hsieh	--	100
Fixed Rock Holding Ltd.	Chairman	Ming-Yen Hsieh	26,450,345	100
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Chairman	Ming-Yen Hsieh	--	100

6. Operational overview of affiliated enterprises

2021

Units: NT\$, US\$, RMB thousand

Company name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit and loss for the period after tax	Earnings per share after tax
Best Bliss Investments Limited	1,075,284 (US\$34,250)	3,251,902 (US\$117,482)		3,251,902 (US\$117,482)	455,033 (US\$16,246)	454,837 (US\$16,239)	471,519 (US\$16,835)	0.49
North Star International Limited	3,459 (US\$100)	78,556 (US\$2,838)		78,556 (US\$2,838)		-28 (US\$ -1)	171 (US\$6)	0.06
TAI-TECH Advanced	384,904 (US\$11,935)	1,376,804 (RMB	577,055 (RMB	819,759 (RMB	1,588,045 (RMB	94,056 (RMB	73,589 (RMB	—

Electronics (Kunshan)		317,130)	128,310)	188,820)	365,775)	21,664)	16,950)	
Fixed Rock Holding Ltd.	732,136 (US\$26,450)	2,146,390 (US\$77,543)		2,146,390 (US\$77,543)	351,248 (US\$12,547)	351,372 (US\$12,545)	352,077 (US\$12,570)	0.48
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1,074,634 (US\$34,156)	4,220,596 (RMB 972,156)	1,943,160 (RMB 447,580)	2,277,436 (RMB 524,576)	3,935,452 (RMB 906,454)	395,167 (RMB 91,019)	380,781 (RMB 87,705)	—

Note 1: Conversion rates at the end of 2021: BS exchange rate US\$1=NT\$27.68; RMB 1=NT\$4.34148. IS exchange rate US\$1=NT\$28.0089; RMB 1=NT\$4.34159.

II. Handling of privately placed securities in the most recent year and as of the date of publication of the annual report: None.

III. Status of holding or disposing of the Company's stocks by subsidiaries in the most recent year and as of the date of publication of the annual report: None.

IV. Other necessary supplementary explanations: None.

Nine. In the most recent year and as of the printing date of the annual report, the occurrence of the matters that have a significant impact on shareholders' equity or securities prices as specified in Article 36 Paragraph 2, Item 2 of the Securities and Exchange Act: None.

Appendix I :

2021 Annual Financial Statements

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
2021 and 2020
(Stock Code 3357)

Company address : No.1 You 4th Road, Youth Industrial District, Yangmei, Taoyuan City
326013, Taiwan

Telephone : (03)464-1148

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report

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Tai-Tech Advanced Electronics Co., Ltd.
Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the combined financial statements of the Company as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Financial Statements of Affiliated Enterprises and Consolidated Business Reports are the same as those required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10 “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is already covered in the consolidated financial statements of Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries. As such, we do not prepare a separate set of combined financial statements.

Represented by

Tai-Tech Advanced Electronics Co., Ltd.

Responsible Person: Ming-Yen Hsieh

February 25, 2022

Independent Auditor's Report

(111) Caishenbaozi No. 21003908

To Tai-Tech Advanced Electronics Co., Ltd.

Opinion

We have audited the consolidated financial statements of Tai-Tech Advanced Electronics and Subsidiaries (referred to as the "Group" hereinafter), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years January 1 through December 31, 2021 and 2020 ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the years January 1 through December 31, 2021 and 2020 ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) that were endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and,

in forming our opinion thereon. As such, we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended 2021 are stated as follows:

Valuation of allowance for inventory valuation losses

Description

Refer to Notes 4(12), 5(2), and 6(3) for the accounting policy, significant accounting estimates and assumptions, and details pertaining to inventory valuation. As of December 31, 2021, the balance of the Group's inventory and allowance for inventory valuation loss was NT\$884,790 thousand and NT\$36,696 thousand, respectively.

The Group mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products. Since the value of inventory is subject to market price fluctuation and its lifetime, the risk of becoming obsolete is relatively high. In addition, since the valuation process usually involves subjective judgments, the uncertainty in accounting estimates is high. As such, we determine the valuation of the allowance for inventory valuation loss as one of the key audit matters.

Responsive Audit Procedures

We perform the following procedures for the inventory that is ageing and individually obsolete:

1. Based on our understanding of the Group, we assess the reasonableness of the policy and procedures pertaining to provision of inventory valuation allowance, including using the historical information to assess the reasonableness of the extent to which inventory is reduced, and of the accounting policy for inventory valuation allowance.
2. We review the Group's annual inventory counting plan and observe how well inventory is counted and inventory counting is managed, so as to assess the effectiveness of the management identifying and controlling obsolete inventory.
3. We verify the accuracy of information on the Group's statements regarding inventory aging and reduction, so as to ascertain the consistency of statements information with its policy.
4. We examine and check the accuracy of calculation of inventory valuation loss, and the appropriateness of allowance for inventory valuation loss.

Other Matters – Standalone Financial Statements

We have also audited the standalone financial statements of Tai-Tech Advanced Electronics for the years ended 2021 and 2020, for which we have issued an independent auditor's report with an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists in the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and contents of, and the notes to, the consolidated financial statements, and whether the consolidated financial statements fairly present the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit; we remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,

including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Tai-Tech Advanced Electronics Group for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our 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.

PricewaterhouseCoopers Taiwan

Yen-na Li

CPA

Wei-hao Wu

Former Financial Supervisory Commission and Securities and Futures
Bureau of the Executive Yuan

Official Approval Letter No.: Jin Guan Zheng Liu Zi No. 0950122728

Financial Supervisory Commission

Official Approval Letter No.: Jin Guan Zheng Shen Zi No. 1080323093

February 25, 2022

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$1,000

ASSETS	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
CURRENT ASSETS						
1100	Cash and cash equivalents	6 (1)	\$ 1,341,004	14	\$ 767,619	12
1136	Financial assets at amortized cost -current	6 (1)	-	-	167,040	3
1150	Notes receivable, net	6 (2)	64,858	1	28,906	-
1170	Accounts receivable, net	6 (2)	2,182,566	23	1,637,463	27
1180	Accounts receivable from related parties, net	6 (2) and 7	207,195	2	114,791	2
1200	Other receivables	7	14,909	-	14,168	-
1220	Current tax assets	6 (23)	24,312	-	-	-
130X	Inventory	6 (3)	848,094	9	588,302	10
1410	Prepayments		35,013	-	22,641	-
1470	Other current assets		83	-	6	-
11XX	Total current assets		<u>4,718,034</u>	<u>49</u>	<u>3,340,936</u>	<u>54</u>
NONCURRENT ASSETS						
1517	Financial assets at fair value through other comprehensive income - noncurrent	6 (4)	233,817	2	191,847	3
1600	Property, plant and equipment	6 (5) and 8	4,503,865	47	2,539,871	41
1755	Right-of-use assets	6 (6) and 7	41,841	1	36,211	1
1780	Intangible assets		46,296	1	17,530	-
1840	Deferred tax assets	6 (23)	31,296	-	8,514	-
1900	Other noncurrent assets	6 (7)	30,343	-	40,936	1
15XX	Total noncurrent assets		<u>4,887,458</u>	<u>51</u>	<u>2,834,909</u>	<u>46</u>
1XXX	Total assets		<u>\$ 9,605,492</u>	<u>100</u>	<u>\$ 6,175,845</u>	<u>100</u>

(Continued)

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$1,000

LIABILITIES AND EQUITY	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
CURRENT LIABILITIES						
2100	Short-term borrowings	6 (8)	\$ 415,794	4	\$ 697,535	11
2110	Short-term bills payable	6 (9)	20,000	-	130,000	2
2150	Notes payable		193,029	2	56,755	1
2170	Accounts payable		858,528	9	568,295	9
2180	Accounts payable to related parties	7	1,224	-	3,124	-
2200	Other payables	6 (10) and 7	943,487	10	581,267	10
2230	Current tax liabilities	6 (23)	92,488	1	60,210	1
2280	Lease liabilities - current	7	6,557	-	3,575	-
2320	Current portion of long-term borrowings	6 (11)	37,733	1	67,000	1
21XX	Total current liabilities		<u>2,568,840</u>	<u>27</u>	<u>2,167,761</u>	<u>35</u>
NONCURRENT LIABILITIES						
2540	Long-term borrowings	6 (11)	565,689	6	270,000	5
2570	Deferred tax liabilities	6 (23)	211,895	2	138,855	2
2580	Lease liabilities - noncurrent	7	7,497	-	3,940	-
2640	Net defined benefit liabilities - noncurrent	6 (12)	14,762	-	14,652	-
2670	Other noncurrent liabilities - others		14,218	-	14,753	-
25XX	Total noncurrent liabilities		<u>814,061</u>	<u>8</u>	<u>442,200</u>	<u>7</u>
2XXX	Total liabilities		<u>3,382,901</u>	<u>35</u>	<u>2,609,961</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
	Share capital	6 (14)				
3110	Common shares		1,031,340	11	910,000	15
	Capital surplus	6 (15)				
3200	Capital surplus		1,886,687	19	123,523	2
	Retained earnings	6 (16)				
3310	Legal reserve		433,232	5	360,404	6
3320	Special reserve		76,642	1	89,991	1
3350	Unappropriated earnings		2,811,137	29	2,096,231	34
	Other equity	6 (17)				
3400	Other equity		(16,447)	-	(14,265)	-
3XXX	Total equity		<u>6,222,591</u>	<u>65</u>	<u>3,565,884</u>	<u>58</u>
	Significant Commitments or Contingency	9				
3X2X	Total liabilities and equity		<u>\$ 9,605,492</u>	<u>100</u>	<u>\$ 6,175,845</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000
(Except Earnings Per Share)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000					
Operating revenue	6 (18) and 7	\$ 6,165,281	100	\$ 4,478,004	100
5000					
Operating costs	6 (3) (21) (22) and 7	(4,029,717)	(66)	(3,018,511)	(67)
5900					
Gross profit		<u>2,135,564</u>	<u>34</u>	<u>1,459,493</u>	<u>33</u>
Operating expenses	6 (21) (22) and 7				
6100					
Selling and marketing expenses		(393,773)	(7)	(291,798)	(6)
6200					
General and administrative expenses		(249,464)	(4)	(179,335)	(4)
6300					
Research and development expenses		(142,012)	(2)	(113,933)	(3)
6450					
Expected credit (loss)/gain	12 (2)	(20,119)	-	15,107	-
6000					
Total operating expenses		(805,368)	(13)	(569,959)	(13)
6900					
Operating gains		<u>1,330,196</u>	<u>21</u>	<u>889,534</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES					
7100					
Interest income		4,428	-	3,076	-
7010					
Other income	6 (19) and 7	68,436	1	47,541	1
7020					
Other gains and losses	6 (20)	(4,689)	-	(60,158)	(2)
7050					
Finance costs	6 (8) (9) (11)	(7,058)	-	(10,575)	-
7000					
Total non-operating income and expenses		<u>61,117</u>	<u>1</u>	<u>(20,116)</u>	<u>(1)</u>
7900					
Income before income tax		<u>1,391,313</u>	<u>22</u>	<u>869,418</u>	<u>19</u>
7950					
Income tax expenses	6 (23)	(194,248)	(3)	(134,747)	(3)
8200					
NET PROFIT/(LOSS) FOR THE YEAR		<u>\$ 1,197,065</u>	<u>19</u>	<u>\$ 734,671</u>	<u>16</u>
Other comprehensive income/(loss) for the year, net of income tax					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311					
Remeasurement of defined benefit plans	6 (17)				
8316					
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6 (12)	\$ 169	-	(\$ 6,405)	-
8310					
Total components of other comprehensive income that will not be reclassified to profit or loss	6 (4)	<u>16,459</u>	<u>-</u>	<u>41,603</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss					
8361					
Exchange differences on translating the financial statements of foreign operations	6 (17)	(18,641)	-	34,123	1
8360					
Items that may be reclassified subsequently to profit or loss - Total		(18,641)	-	34,123	1
8300					
Other comprehensive income/(loss) for the year, net of income tax		<u>(\$ 2,013)</u>	<u>-</u>	<u>\$ 69,321</u>	<u>2</u>
8500					
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>\$ 1,195,052</u>	<u>19</u>	<u>\$ 803,992</u>	<u>18</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO					
8610					
Shareholders of the Parent		<u>\$ 1,197,065</u>	<u>19</u>	<u>\$ 734,671</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)					

	ATTRIBUTABLE TO:				
8710	Shareholders of the Parent				
		<u>\$</u>	<u>1,195,052</u>	<u>19</u>	<u>\$</u>
					<u>803,992</u>
					<u>18</u>
	EARNINGS PER SHARE				
9750	Basic earnings per share				
	attributable to shareholders				
	of the parent	<u>\$</u>	<u>12.08</u>	<u>\$</u>	<u>\$8.07</u>
9850	Diluted earnings per share				
	attributable to shareholders				
	of the parent	<u>\$</u>	<u>11.99</u>	<u>\$</u>	<u>8.01</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

	Note	Capital surplus			Retained earnings			Other equity		Total equity	
		Common shares	Capital surplus - additional paid-in capital	Capital surplus - changes in ownership interests in subsidiaries	Capital surplus - net assets from merger	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations		Unrealized gain/(loss) on financial assets at fair value through other comprehensive income
2020											
Balance at January 1, 2020		\$ 910,000	\$ 200,124	\$ 12,353	\$ 2,046	\$ 316,130	\$ 76,642	\$ 1,580,288	(\$ 214,279)	\$ 124,288	\$ 3,007,592
NET PROFIT/(LOSS) FOR 2020		-	-	-	-	-	-	734,671	-	-	734,671
Other comprehensive income/(loss) for 2020	6 (17)	-	-	-	-	-	-	(6,405)	34,123	41,603	69,321
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2020		-	-	-	-	-	-	728,266	34,123	41,603	803,992
Appropriation of earnings	6 (16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	44,274	-	(44,274)	-	-	-
Special reserve		-	-	-	-	-	13,349	(13,349)	-	-	-
Cash dividends		-	-	-	-	-	-	(154,700)	-	-	(154,700)
Capital surplus distributed in cash		-	(91,000)	-	-	-	-	-	-	-	(91,000)
Balance at December 31, 2020		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
2021											
Balance at January 1, 2021		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
NET PROFIT/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,065	-	-	1,197,065
Other comprehensive income/(loss) for 2021	6 (17)	-	-	-	-	-	-	169	(18,641)	16,459	(2,013)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,234	(18,641)	16,459	1,195,052
Appropriation of earnings	6 (16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	72,828	-	(72,828)	-	-	-
Special reserve		-	-	-	-	-	(13,349)	13,349	-	-	-
Cash dividends		-	-	-	-	-	-	(422,849)	-	-	(422,849)
Issuance of common shares for cash	6 (14)	121,340	1,718,514	-	-	-	-	-	-	-	1,839,854
Compensation costs - the portion of common shares issuance reserved for employee subscription	6 (13)	-	44,650	-	-	-	-	-	-	-	44,650
Balance at December 31, 2021		\$ 1,031,340	\$ 1,872,288	\$ 12,353	\$ 2,046	\$ 433,232	\$ 76,642	\$ 2,811,137	(\$ 198,797)	\$ 182,350	\$ 6,222,591

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax		\$ 1,391,313	\$ 869,418
Adjustments			
Adjustments for income and expenses			
Expected credit loss recognized/(reversed)	12 (2)	20,119	(15,107)
Depreciation (including right-of-use assets)	6 (21)	392,586	304,725
Amortization	6 (21)	4,369	1,843
Gain on disposal of property, plant, and equipment	6 (20)	(1,343)	(909)
Impairment loss recognized on property, plant, and equipment	6 (20)	-	3,889
Interest income		(4,428)	(3,076)
Dividends income	6 (19)	(18,352)	(12,849)
Interest expenses		7,058	10,575
Compensation costs - share-based payments	6 (13)	44,650	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(35,952)	24,320
Accounts receivable		(565,216)	(363,109)
Accounts receivable due from related parties		(92,404)	(19,595)
Other receivables		(741)	(2,876)
Inventory		(259,792)	(78,553)
Prepayments		(12,372)	15,155
Other current assets		(77)	-
Changes in operating liabilities			
Notes payable		6,470	(82,212)
Accounts payable		290,233	132,830
Accounts payables to related parties		(1,900)	(16,574)
Other payables		172,568	140,261
Net defined benefit liabilities		279	245
Other noncurrent liabilities		(2,175)	(1,848)
Cash generated from operating activities		1,334,893	906,553
Interest paid		(7,058)	(10,575)
Income tax paid		(135,424)	(53,759)
Net cash flows generated from operating activities		1,192,411	842,219

(Continued)

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		\$ 4,428	\$ 3,076
Dividends received		18,352	12,849
Acquisition of financial assets at fair value through other comprehensive income		(26,162)	-
Financial assets at fair value through other comprehensive income			
Capital surplus distributed in cash		123	378
Increase in financial assets at amortized cost		-	(167,040)
Decrease in financial assets at amortized cost		167,040	-
Acquisition of property, plant, and equipment	6 (25)	(2,036,428)	(304,937)
Proceeds from disposal of property, plant, and equipment		1,360	1,544
Acquisition of intangible assets		(33,203)	(4,296)
Increase in other noncurrent assets		-	(36,178)
Decrease in other noncurrent assets	6 (11)	10,593	-
Net cash flows used in investing activities		(1,893,897)	(494,604)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		2,124,218	2,277,656
Repayments for short-term borrowings		(2,401,559)	(2,216,901)
Increase in short-term bills payable		-	10,000
Decrease in short-term bills payable		(110,000)	-
Repayment of the principal portion of lease liabilities		(6,374)	(3,464)
Increase in long-term borrowings		616,000	120,000
Repayment for long-term borrowings		(349,578)	(108,286)
Increase in guarantee deposits		1,640	-
Issuance of common shares for cash		1,839,854	-
Capital surplus distributed in cash	6 (15)	-	(91,000)
Cash dividends appropriated	6 (16)	(422,849)	(154,700)
Net cash generated from/(used in) financing activities		1,291,352	(166,695)
Exchange rate adjustments		(16,481)	4,487
Increase in cash and cash equivalents		573,385	185,407
Cash and cash equivalents - beginning balance		767,619	582,212
Cash and cash equivalents - ending balance		\$ 1,341,004	\$ 767,619

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries
Consolidated Financial Statements
Notes, 2021 and 2020

Unit: NT\$1,000
(unless otherwise specified)

I. Company History and Business Scope

Tai-Tech Advanced Electronics (the “Company” hereinafter) was incorporated on November 2, 1992. The Company and its subsidiaries (collectively referred to as the “Group”) mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products, and act as an agent for domestic and foreign companies in terms of quotation, bidding, distribution, and import and export of the said products. The Company’s shares were listed on Taipei Exchange for trading on April 27, 2021.

II. Approval Date and Procedure of Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on February 25, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Effect of adoption of the newly issued or amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2021
Interest Rate Benchmark Reform—Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021
Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021

Note: The FSC permits early application starting from January 1, 2021.

The Group has assessed the aforementioned standards and interpretations, and concluded that the do not have significant effects on the Group’s financial position and financial performance.

(II) Effects of Not Adopting the Newly Issued or Amended IFRSs Endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Property, Plant, and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) Annual improvement to IFRS Standards 2018-2020 Cycle	January 1, 2022 January 1, 2022

The Group has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Group's financial position and financial performance.

(III) Effects of the IFRSs issued by IASB but not yet endorsed by the FSC

New standards and interpretations of and amendments to the IFRSs issued by IASB but not yet endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined by IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9 — Comparative information	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or noncurrent"	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 Group has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Group's financial position and financial performance.

IV. Summary of Significant Accounting Policies

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

(i) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") to the extent endorsed by the FSC.

(II) Preparation Basis

1. Except for the following significant accounts, the consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through other comprehensive income
 - (2) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of the consolidated financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Consolidation Basis

1. Principles for preparing the consolidated financial statements
 - (1) All subsidiaries are included in the Group's consolidated financial statements.

Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries in the financial statements begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (2) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Business nature	Shareholding percentage		Remarks
			December 31, 2021	December 31, 2020	
The Company	North Star International Limited	Investment	100%	100%	
The Company	Best Bliss Investments Limited	Investment	100%	100%	
Best Bliss Investments Limited	TAI-TECH Advanced Electronics (Kunshan)	Production, processing, and sale of electronic components	100%	100%	
Best Bliss Investments Limited	Fixed Rock Holding Ltd.	Investment	100%	100%	Note1
Best Bliss Investments Limited	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing, and sale of electronic components	7.48%	7.71%	
Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing, and sale of electronic components	92.52%	92.29%	Note2

Note1: In December 2021, Best Bliss Investments Limited injected USD1,000 thousand into Fixed Rock Holding Ltd.

Note2: In December 2021, Fixed Rock Holding Ltd. injected USD1,000 thousand into TAIPAQ Electronic Components (Si-Hong) Co., Ltd.

3. Subsidiaries not included in the consolidated financial statements

None.

4. Adjustments for subsidiaries with different accounting periods:

None.

5. Major restrictions:

The Group's cash and short-term deposits in the amount of RMB 83,541 thousand were deposited in China and subject to local foreign exchange control. Such foreign exchange control restricts fund from remitting out from China (except for regular dividends).

6. Subsidiaries with significant non-controlling interest for the Group:

None.

(IV) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Group's functional currency.

1. Foreign currency transactions and balance

- (1) Foreign currency derived from transactions was translated into the functional currency using the spot exchange rate prevailing on the measurement date or the trade date, with the resulting exchange difference recognized as gain or loss.
- (2) The balance of monetary assets or liabilities denominated in foreign currency is adjusted by the exchange rate prevailing at the balance sheet date, with the resulting differences recognized as gain or loss.
- (3) Non-monetary assets or liabilities denominated in foreign currency are adjusted by the spot exchange rate on the balance sheet date, with the resulting difference recognized in profit or loss if they are measured at fair value through profit or loss, or in other comprehensive income if they are measured at fair value through other comprehensive income. If they are not measured at fair value, they are measured by applying the historical exchange rate on the transaction date.

2. Translation of foreign operations financial statements

The results and financial position of entities within the Group whose functional currency is not the presentation currency are translated into the presentation currency using the following procedures:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- (2) income and expenses for each statement of comprehensive income (including comparatives) are translated at the average exchange rates for the period; and
- (3) all resulting exchange differences are recognized in other comprehensive income.

(V) Classification of Current and Noncurrent Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date;
- (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise they are classified as noncurrent assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its transactions by the issue of equity instruments do not affect its classification.

Otherwise they are classified as noncurrent liabilities.

(VI) Cash Equivalents

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that fit the said definition and are intended to meet short-term operating cash commitments are classified as cash equivalents.

(VII) Financial Assets at Fair Value through Other Comprehensive Income

1. It means the Group made an irrevocable election upon initial recognition to recognize the fair value changes in equity instruments not held for trading at other comprehensive income.
2. The Group uses trade date accounting to account for financial assets at fair value through other comprehensive income that are an arm's length transaction.
3. They are measured initially at the fair value plus transaction costs and subsequently at fair value. If they are equity instruments, their fair value changes are recognized in other comprehensive income; upon derecognition, the accumulated gains or losses in other comprehensive income are not transferred to profit or loss, but to retained earnings. The Group recognizes dividend income in profit or loss when (a) the Group's right to the dividends is established; (b) the economic benefits associated with dividends are probable to flow to the Group; and (c) such dividends can be reliably measured.

(VIII) Financial Assets at Amortized Cost

1. Financial assets that simultaneously satisfy the following criteria are classified in this category:
 - (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
 - (2) The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.
2. The Group recognizes its time deposits not qualified as cash equivalents at the investment amount because they are held for a short period of time and so have insignificant discount effect.

(IX) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable denote that the Group has unconditional right to the consideration, in the form of receivables or notes, for the goods and services transferred.
2. The Group measures short-term accounts receivable and notes receivables that do not bear an interest at the invoice value because they have insignificant discount effect.

(X) Impairment of Financial Assets

At the end of each reporting period, the Group considers financial assets at amortized cost, investments in debt instruments that are measured at fair value through other comprehensive income, and receivables (including significant financial components), and takes into consideration all reasonable and supporting information (including the forward-looking information). For financial assets of which the credit risk does not significantly increase since initial recognition, the Group recognizes an allowance equal to 12-month expected credit losses; for financial assets of which the credit risk significantly increases since initial recognition, the Group recognizes an allowance equal to the lifetime expected credit loss; for accounts receivables that do not contain significant financial components or plan assets, the Group recognizes an allowance equal to the lifetime expected credit loss.

(XI) Derecognition of Financial Assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(XII) Inventory

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Property, Plant, and Equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss when accrued.
3. Property, plant, and equipment are subsequently measured at cost. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Property, plant, and equipment is depreciated individually if they contain any significant components.
4. The assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 - 50 years
Machinery	3 - 12 years
Utilities equipment	5 - 15 years
Transportation equipment	4 - 5 years
Office equipment	4 - 10 years
Other equipment	2 - 12 years

(XIV) Lease Transactions of a Lessee - Right-of-use Assets/Lease Liabilities

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the date when they are available for the Group's use. Low-value asset and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Group measures its lease liability at commencement date by discounting future lease payments using its incremental borrowing interest rate. Lease payments include:
Fixed payments, less any lease incentives receivable, are measured in subsequent periods using the effective interest rate method and amortized over the lease term. When a change in lease payments occurs not due to contract modification, lease liability will be remeasured, with such remeasurements adjusted to right-of-use assets.
3. Right-of-use assets are recognized at costs at the inception of the lease. Cost includes:
 - (1) the initial lease liability measured;
 - (2) lease payments made before or at the inception of the lease;

- (3) any original direct costs incurred.

Right-of-use assets are subsequently measured at costs. Depreciation of right-of-use assets is recognized at the earlier of the end of the useful life and the end of the lease term. When a lease liability is remeasured, the Group adjusts the right-of-use asset for any remeasurements.

(XV) Intangible Assets

1. Computer software

Computer software is measured at the acquisition cost and amortized using the straight line method over its estimated useful life, which is 3-5 years.

2. Goodwill

Goodwill results from mergers or acquisition.

3. Patent

Patent is amortized over 2-13 years using the straight line method.

(XVI) Impairment of Non-financial Assets

1. The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell or its value in use, whichever is higher. When there is an indication that the impairment loss recognized in prior years for an asset other than goodwill decreases or no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.
2. The Group regularly measures the recoverable amount of goodwill, intangible assets with uncertain useful life, and intangible assets not available for use. Impairment is recognized when the recoverable amount is lower than the carrying amount. Impairment of goodwill is not reversed in subsequent periods.

(XVII) Borrowings

Borrowings mean short- and long-term loans borrowed from banks. Borrowings are initially recognized at the fair value less any transaction costs, and subsequently at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the borrowing period using the effective interest rate method.

(XVIII) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable are the debt incurred by credit purchase of raw materials, goods, or services and the notes receivables incurred by operating and non-operating activities.
2. The Group measures short-term accounts receivable and notes receivable that do not bear an interest at the invoice value because they have insignificant discount effect.

(XIX) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

(XX) Employee Benefits

1. 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 recognized as expenses in that period when the employees render service.

2. Pension

(1) Defined contribution plan

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

(2) Defined benefits plan

A. 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 Group in current period or prior period. The liability recognized 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 obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plans. If there is no deep market in such bonds in a country, the discount rate shall be the market yields on government bonds.

B. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

3. Employee compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for as a change in accounting estimate. When employee compensation is appropriated in shares, the basis for calculating the number of shares shall be the closing price at the date before the date the Board of Directors resolves on the appropriation.

(XXI) Employee Share-based Payments

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(XXII) Income Tax

1. The tax expense comprises current tax and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax charge is calculated by applying the taxable income to the tax rate specified in the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. Where appropriate, management also estimate income tax liabilities 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.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is 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 realized or the deferred tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are 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 realize the asset and settle the liability simultaneously.
6. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(XXIII) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

(XXIV) Dividend Appropriation

Dividends appropriated to shareholders of the Company are recognized on the date the shareholders' meeting resolves on such appropriation. Appropriation in cash is recognized as liability.

(XXV) Revenue Recognition

Sale of goods

1. The Group manufactures and sells electronic parts, magnet cores, chip coils, and other wire-wounds. Sales revenue is recognized when the control of products is transferred to clients, i.e. when products are delivered to clients to be handled at their discretion and the Group has no further obligation not performed that may impact clients accepting 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 clients, and either the clients have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. A receivable is recognized 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 payment is due.

(XXVI) Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant, and equipment are recognized as noncurrent liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(XXVII) Operating Segments

The information on operating segments is reported in a manner consistent with the way the internal management report is provided to management. The key operating decision makers are responsible for allocating resources to operating segments and evaluate their performance. The Group identifies the Board of Directors as its key operating decision markers.

V. Significant Account Judgments and Assumptions, and Primary Sources of Estimation Uncertainty

When preparing this consolidated financial statements, management has exercised their professional judgment to determine the accounting policies to be applied, and made accounting estimates and assumptions based on reasonable expectation as to how future events will hold for the circumstances that exist on the balance sheets date. The significant accounting estimates and assumptions being made may deviate from the actual outcomes and will be consistently measured and adjusted in accordance with historical experience and for other factors. Such estimates and assumptions may lead to the risk of significant adjustment being made to the carrying amount of the assets and liabilities on the balance sheet. Significant accounting judgments and the uncertainty in accounting estimates and assumptions are stated below:

(I) Significant Judgements in Applying Accounting Policies

None.

(II) Significant Accounting Estimates and Assumptions

Since inventory is measured at the lower of costs and the net realizable value, the Group needs to exercise judgment and estimates to determine the net realizable value of inventory at the balance sheet date. Since the value of inventory is subject to market price fluctuation and its lifetime, the Group evaluates the market selling price and value lost due to obsolescence of inventory at the balance sheet date, and writes down inventory costs to net realization value. Being based on the demands for products in a future period, the valuation estimate may significantly changes.

As of December 31, 2021, the carrying amount of the Group's inventory was \$848,094.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 2,685	\$ 2,133
Checking deposits and demand deposits	1,338,319	665,658
Time deposits	-	99,828
Total	<u>\$ 1,341,004</u>	<u>\$ 767,619</u>

1. Since the Group corresponds with multiple financial institutions with good credit quality to diversify credit risks, the risk of default is expected to be low.
2. The Group did not pledge any cash and cash equivalents as collaterals.
3. As of December 31, 2021 and 2020, the Group recognized \$0 and \$167,040, respectively, for time deposits originally due within three months that are presented as “financial assets measured at amortized cost - current”.

(II) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 64,858	\$ 28,906
Accounts receivable	\$ 2,206,234	\$ 1,640,982
Less: Loss allowance	(21,866)	(1,753)
Allowance for sales returns and discounts	(1,802)	(1,766)
	<u>\$ 2,182,566</u>	<u>\$ 1,637,463</u>
Accounts receivable due from related parties	\$ 207,284	\$ 114,880
Less: Allowance	(89)	(89)
	<u>\$ 207,195</u>	<u>\$ 114,791</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not yet due	\$ 2,367,154	\$ 64,858	\$ 1,745,811	\$ 28,906
Within 30 days	42,292	-	9,595	-
31-90 days	4,054	-	456	-
91-180 days	18	-	-	-
	<u>\$ 2,413,518</u>	<u>\$ 64,858</u>	<u>\$ 1,755,862</u>	<u>\$ 28,906</u>

The above aging analysis is based on the number of days past due.

2. The accounts receivable and notes receivable as of December 31, 2021 and 2020 all came from contracts with clients. In addition, the receivables arising from contracts with clients as of January 1, 2020 was \$1,426,384.
3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group’s notes receivable as of December 31, 2021 and 2020 were \$64,858 and \$28,906, respectively, and the amounts most representative of the credit risk exposed to the Group’s accounts receivable as of December 31, 2021 and 2020 were \$2,389,761 and \$1,752,254, respectively.
4. Credit risks associated with accounts receivable and notes receivable are stated in Note 12(2).

(III) Inventory

	December 31, 2021		
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 196,581	(\$ 9,641)	\$ 186,940
Supplies	27,772	(1,753)	26,019
Work in progress	316,877	(10,758)	306,119

Finished products	294,521	(11,435)	283,086
Goods	49,039	(3,109)	45,930
Total	<u>\$ 884,790</u>	<u>(\$ 36,696)</u>	<u>\$ 848,094</u>

December 31, 2020			
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 114,669	(\$ 9,928)	\$ 104,741
Supplies	19,092	(2,142)	16,950
Work in progress	217,500	(9,253)	208,247
Finished products	223,335	(13,328)	210,007
Goods	52,093	(3,736)	48,357
Total	<u>\$ 626,689</u>	<u>(\$ 38,387)</u>	<u>\$ 588,302</u>

1. The inventory costs recognized as expenses by the Group in this period:

	2021	2020
Costs of inventory sold	\$ 4,034,819	\$ 3,003,836
Gain from price recovery of inventory	(1,561)	(539)
Others	(3,541)	15,214
	<u>\$ 4,029,717</u>	<u>\$ 3,018,511</u>

The net realizable value increased due to a constant digestion of inventory in 2021 and 2020.

2. The Group did not pledge any inventory as collaterals.

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

	December 31, 2021	December 31, 2020
Noncurrent:		
Equity instruments		
Shares listed on the stock exchange or the OTC market	\$ 33,195	\$ 7,156
Shares not traded on the stock exchange, the OTC market, or the emerging stock market	18,272	18,800
	<u>51,467</u>	<u>25,956</u>
Adjustments for change in value	182,350	165,891
Total	<u>\$ 233,817</u>	<u>\$ 191,847</u>

1. The Group elected to classify its strategic share investment as financial assets at fair value through other comprehensive income. The fair value of such investment as of December 31, 2021 and 2020 was \$233,817 and \$191,847, respectively.

2. Financial assets at fair value through other comprehensive income recognized in profit and loss/comprehensive income are as follows:

	2021	2020
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	\$ 16,459	\$ 41,603
Dividend income recognized in profit or loss	<u>\$ 18,352</u>	<u>\$ 12,849</u>

held at end of year

|--|--|--|

3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group's financial assets at fair value through other comprehensive income as of December 31, 2021 and 2020 were \$233,817 and \$191,847, respectively.
4. The Group did not pledge any financial assets at fair value through other comprehensive income as collaterals.

(V) Property, plant, and equipment

2021

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 507,421	\$ 3,853,572	\$ 19,443	\$ 9,544	\$ 40,702	\$ 211,387	\$ 72,486	\$ 4,811,050
Accumulated depreciation and impairment	-	(205,217)	(1,873,639)	(15,069)	(7,113)	(28,919)	(141,222)	-	(2,271,179)
	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>
January 1	\$ 96,495	\$ 302,204	\$ 1,979,933	\$ 4,374	\$ 2,431	\$ 11,783	\$ 70,165	\$ 72,486	\$ 2,539,871
Addition	681,065	56,494	142,260	-	574	5,013	63,614	1,406,864	2,355,884
Disposal	-	-	(17)	-	-	-	-	-	(17)
Reclassification	-	4,076	1,323,995	4,930	2,380	6,278	27,824	(1,369,483)	-
Depreciation	-	(24,179)	(319,621)	(1,025)	(1,382)	(4,101)	(35,148)	-	(385,456)
Net exchange differences	-	(1,445)	(4,498)	(1)	(3)	(34)	(235)	(201)	(6,417)
December 31	<u>\$ 777,560</u>	<u>\$ 337,150</u>	<u>\$ 3,122,052</u>	<u>\$ 8,278</u>	<u>\$ 4,000</u>	<u>\$ 18,939</u>	<u>\$ 126,220</u>	<u>\$ 109,666</u>	<u>\$ 4,503,865</u>
December 31									
Costs	\$ 777,560	\$ 565,912	\$ 5,283,887	\$ 24,369	\$ 12,050	\$ 51,323	\$ 301,219	\$ 109,666	\$ 7,125,986
Accumulated depreciation and impairment	-	(228,762)	(2,161,835)	(16,091)	(8,050)	(32,384)	(174,999)	-	(2,622,121)
	<u>\$ 777,560</u>	<u>\$ 337,150</u>	<u>\$ 3,122,052</u>	<u>\$ 8,278</u>	<u>\$ 4,000</u>	<u>\$ 18,939</u>	<u>\$ 126,220</u>	<u>\$ 109,666</u>	<u>\$ 4,503,865</u>

2020

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 500,337	\$ 3,568,526	\$ 19,597	\$ 9,453	\$ 35,251	\$ 174,702	\$ 21,374	\$ 4,425,735
Accumulated depreciation and impairment	-	(180,245)	(1,637,091)	(14,458)	(5,705)	(26,817)	(117,212)	-	(1,981,528)
	<u>\$ 96,495</u>	<u>\$ 320,092</u>	<u>\$ 1,931,435</u>	<u>\$ 5,139</u>	<u>\$ 3,748</u>	<u>\$ 8,434</u>	<u>\$ 57,490</u>	<u>\$ 21,374</u>	<u>\$ 2,444,207</u>
January 1	\$ 96,495	\$ 320,092	\$ 1,931,435	\$ 5,139	\$ 3,748	\$ 8,434	\$ 57,490	\$ 21,374	\$ 2,444,207
Addition	-	403	106,976	-	34	5,194	32,465	233,165	378,237
Disposal	-	-	(635)	-	-	-	-	-	(635)
Reclassification (Note)	-	682	175,855	-	-	896	3,392	(182,723)	(1,898)
Depreciation	-	(23,080)	(248,492)	(768)	(1,357)	(2,839)	(23,999)	-	(300,535)
Impairment	-	-	(3,889)	-	-	-	-	-	(3,889)
Net exchange differences	-	4,107	18,683	3	6	98	817	670	24,384
December 31	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>
December 31									
Costs	\$ 96,495	\$ 507,421	\$ 3,853,572	\$ 19,443	\$ 9,544	\$ 40,702	\$ 211,387	\$ 72,486	\$ 4,811,050
Accumulated depreciation and impairment	-	(205,217)	(1,873,639)	(15,069)	(7,113)	(28,919)	(141,222)	-	(2,271,179)
	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>

Note: Reclassified to intangible assets.

1. The capitalized interest for 2021 and 2020 is zero.
2. the Group's significant components of buildings and structures, including buildings and engineering systems, are depreciated over 20 to 50 years and 5 to 20 years, respectively.
3. For information on pledged property, plant, and equipment, refer to Note 8.

(VI) Lease Transactions - Lessee

1. The underlying assets of the Group's lease include land use right, parking space, buildings, company cars, and multi-function peripherals. The lease duration usually lasts 1 to 50 years. Lease contracts are agreed upon individually and contain different terms and conditions. Except for land use right, leased assets shall not be used as collaterals, and are not restricted in any way.
2. The lease term of the buildings and warehouses leased by the Group is less than 12 months. The low-value underlying asset of the Group's lease is the electronic host for business use.
3. The information on the carrying amount of the right-of-use asset and the recognized depreciation expense is as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land use right	\$ 27,893	\$ 28,739
Parking space	-	508
Buildings	8,153	3,596
Transportation equipment	4,741	2,079
Machinery and equipment	1,054	1,289
	<u>\$ 41,841</u>	<u>\$ 36,211</u>

	2021	2020
	Depreciation	Depreciation
Land use right	\$ 693	\$ 683
Parking space	508	43
Buildings	4,148	1,488
Transportation equipment	1,396	1,573
Machinery and equipment	385	403
	<u>\$ 7,130</u>	<u>\$ 4,190</u>

4. Profit or loss items in relation to lease contracts are as follows:

	2021	2020
<u>Items that affect profit or loss</u>		
Expenses attributable to short-term lease contracts	\$ 13,845	\$ 13,451
Expenses attributable to low-value assets	66	61

5. The Group's right-of-use asset increased by \$14,003 and \$1,293 for 2021 and 2020, respectively.
6. The Group's cash used in lease contracts increased by \$20,285 and \$16,976 for 2021 and 2020, respectively.

(VII) Other noncurrent assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 2,528	\$ 1,917
Prepayments for construction and equipment	27,815	39,019
Uncollectible overdue receivables	1,252	1,252
Allowance for uncollectible overdue receivables	(1,252)	(1,252)

<u>\$</u>	<u>30,343</u>	<u>\$</u>	<u>40,936</u>
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(VIII) Short-term Borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loan			
Secured loan	\$ 50,000	0.85%	Land and plant
Credit loan	365,794	0.71%~0.85%	-
	<u>\$ 415,794</u>		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loan			
Secured loan	\$ 50,000	0.94%	Land and plant
Credit loan	647,535	0.64%~0.95%	-
	<u>\$ 697,535</u>		

In 2021 and 2020, the Group recognized in P/L the amount of \$3,931 and \$6,509 respectively, for the interest expenses incurred by short-term borrowings.

(IX) Short-term Bills Payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper	\$ 20,000	\$ 130,000
Loan period	Dec. 2021 - Jan. 2022	Dec. 2020 - Feb. 2021
Interest rate range	<u>0.38%</u>	<u>0.9%~0.99%</u>

In 2021 and 2020, the Group recognized in P/L the amount of \$206 and \$648, respectively, for the interest expenses incurred by short-term bills payable.

(X) Other Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payables	\$ 204,903	\$ 148,627
Social benefits liabilities payable	112,955	109,784
Employee compensation and directors' and supervisors' remuneration payable	107,279	65,054
Construction and equipment payable	273,446	83,794
Others	244,904	174,008
	<u>\$ 943,487</u>	<u>\$ 581,267</u>

(XI) Long-term Borrowings

<u>Type of borrowings</u>	<u>Loan period and means of repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2021</u>
Secured loan	Principal and interest are paid from August 2021 through August 2036.	1%	Land, buildings, and structures	\$ 553,422
Credit loan	Principal is repaid upon maturity; interest is paid over Dec. 2021 through Oct. 2023.	0.8%	-	<u>50,000</u>

	603,422
Less: current portion of long-term loans	(37,733)
	<u>\$ 565,689</u>

Type of borrowings	Loan period and means of repayment	Interest rate range	Collaterals	December 31, 2020
Credit loan	Principal and interest are paid quarterly from May 2020 to May 2023 (Note).	0.98%	-	\$ 50,000
Credit loan	The loan period is from Apr. 2020 to Apr. 2022; principal and interest are repaid upon maturity (Note).	0.91%	-	100,000
Secured loan	Principal and interest are repaid semi-annually from April 2020 to Dec. 2023 (Note).	0.91%	Machinery	135,000
Secured loan	Principal and interest are repaid monthly from Feb 2020 to Feb 2025 (Note).	0.95%	Land, buildings, and structures	25,000
Secured loan	Principal and interest are repaid monthly from Jun. 2020 to Jun. 2025 (Note).	0.95%	Land, buildings, and structures	<u>27,000</u>
				337,000
Less: current portion of long-term loans				(67,000)
				<u>\$ 270,000</u>

Note: Early repaid in full in April 2021.

In 2021 and 2020, the Group recognized in P/L the amount of \$2,921 and \$3,418, respectively, for the interest expenses incurred by long-term borrowings.

(XII) Pensions

1. (1) By adhering to the requirements set forth in the Labor Standards Act, the Company has established its own defined retirement benefits plan, which is applicable both to the service years of all regular employees rendered before the enforcement of the Labor Pension Act on July 1, 2005, and to the service years of all employees who elected to continue applying the Labor Standards Act after the implementation of the Labor Pension Act. Pensions for employees qualified for retirement are calculated based on their servicing years and their average salaries of the 6 months prior to their retirement. Two bases are given for each full year of service rendered within 15 years. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the Independent Retirement Fund Committee. In addition, the Company estimates the balance of the said designated pension account before the end of year. If the balance is not sufficient to cover the amount to be paid to all employees - calculated in the manner specified above - who will qualify the retirement conditions next year, a lump-sum deposit should be made before March-end of the following year to cover the difference.
- (2) The Company has established the Regulations for Resignation and Retirement of Managers, which is applicable to the managers appointed by the Company. Pensions for appointed managers are calculated as follows:
 - A. Pensions for the service year applying the Labor Standards Act are calculated using the equation stated in the previous section.

B. The Company contributes an amount of pension equal to 6% of an employee's monthly salary for those electing to apply the Labor Pension Act and those taking their post on or after July 1, 2005.

C. For appointed managers who have rendered 25 or more years of services as of December 31, 2018, two bases are given to each full year of services rendered within 15 years, one base is given to each full year of service over 15 years (rounded up to one year for any year of service less than one year), and their annual salary at their 25th year of service is taken as their average salary. The Company makes a pension contribution equal to 6% of their monthly salary starting from their 25th year of service.

(3) Amounts recognized in balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 55,331	\$ 54,299
Fair value of plan assets	(40,569)	(39,647)
Net defined benefit liabilities	<u>\$ 14,762</u>	<u>\$ 14,652</u>

(4) Changes in net defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	\$ 54,300	(\$ 39,648)	\$ 14,652
Current service costs	220	-	220
Interest expenses (income)	217	(158)	59
	<u>54,737</u>	<u>(39,806)</u>	<u>14,931</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(763)	(763)
Change in demographic assumptions	686	-	686
Change in financial assumptions	(1,555)	-	(1,555)
Experience adjustments	1,463	-	1,463
	<u>594</u>	<u>(763)</u>	<u>(169)</u>
Pension contribution by employer	-	-	-
Pension paid	-	-	-
Balance at December 31	<u>\$ 55,331</u>	<u>(\$ 40,569)</u>	<u>\$ 14,762</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2020			
Balance at January 1	\$ 47,430	(\$ 39,428)	\$ 8,002
Current service costs	182	-	182
Interest expenses (income)	379	(316)	63
	<u>47,991</u>	<u>(39,744)</u>	<u>8,247</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,405)	(1,405)
Change in demographic assumptions	-	-	-
Change in financial assumptions	3,119	-	3,119
Experience adjustments	4,691	-	4,691
	<u>7,810</u>	<u>(1,405)</u>	<u>6,405</u>
Pension contribution by employer	-	-	-
Pension paid	(1,501)	1,501	-
Balance at December 31	<u>\$ 54,300</u>	<u>(\$ 39,648)</u>	<u>\$ 14,652</u>

- (5) Assets of the Company's defined retirement benefits plan are under mandated management by the Bank of Taiwan to the percentage and monetary extent specified in the bank's Annual Utilization Plan for Retirement Fund, which covers the mandated management of items specified in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, namely deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products. The utilization status is supervised by the Labor Retirement Fund Supervisory Commission. The utilization of the retirement fund shall have a yield no less than the interest for two-year time deposits provide by local banks. In case there is any shortfall, it shall be made up by the treasury of the government after an approval is obtained from the competent authority. Having no right to the operation and management of the retirement fund, the Group is unable to disclose the classification of plan assets as required by section 142 of the International Accounting Standards 19. For fair value of the total assets of the retirement fund as of December 31, 2021 and 2020, refer to the Annual Utilization Plan for Retirement Fund published each year by the government.
- (6) The valuations of pensions using the actuarial assumptions are as follows:

	2021	2020
Discount rate	<u>0.75%</u>	<u>0.40%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

Assumptions on future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Changes in the present value of defined benefits obligations would be as follows if the principal actuarial assumption changes:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
Effects on the present value of defined benefit obligations	(\$ 1,411)	\$ 1,474	\$ 1,323	(\$ 1,276)
December 31, 2020				
Effects on the present value of defined benefit obligations	(\$ 1,975)	\$ 2,067	\$ 1,880	(\$ 1,811)

The above sensitivity analysis is based on changes in a single variable, with the other variables held constant. However, in practice, variables are correlated. The manner adopted for conducting sensitivity analysis is the same as that for calculating the net pension liability stated on the balance sheet.

The manner adopted for conducting sensitivity analysis is the same as that adopted for sensitivity analysis in the previous period.

- (7) The Group expects to contribute \$0 to the pension plan in 2022.
- (8) As of December 31, 2021, the weighted average lifetime of the pension plan is 12 years. Maturity analysis of pension payment obligation is as follows:

Less than 1 year	\$ 373
1-2 years	940
2-5 years	4,862
Over 5 years	53,345
	<u>\$ 59,520</u>

2. (1) On July 1, 2005, the Company established its own pension regulations applicable to Taiwanese nationals in accordance with the Labor Pension Act. For employees of the Company or domestic subsidiaries who elected to apply the Labor Pension Act, the Company makes a contribution equal to 6 percent of the monthly salary to their individual retirement account with the Bureau of Labor Insurance. Employee pensions may be paid in monthly installments or in lump-sum payment based the accumulated amount in the employee's individual retirement account.
- (2) TAI-TECH Advanced Electronics (Kunshan) and TAIPAQ Electronic Components (Si-Hong) Co., Ltd. contribute a certain percentage of a local employee's monthly salary, as required by the People's Republic of China, to the endowment insurance system. In 2021 and 2020, the contribution percentages were 16% and 16%, respectively. The pension for employees is managed independently by the government. Except for making monthly contribution, the Group has no further obligation.
- (3) As of 2021 and 2020, the pension costs recognized in the manner specified above were \$67,418 and \$50,466, respectively.

(XIII) Share-based Payments

1. The Group's share-based payment arrangements in 2021 are as follows (such arrangements were yet to be established in 2020):

Type of arrangement	Date granted	Quantity granted	Contract duration	Vesting conditions
The portion of common shares issuance reserved for employee subscription	March 29, 2021	1,467 thousand shares	NA	Immediate vesting

The said share-based payment arrangements are settled with equity.

2. The Group adopted the Black-Scholes option pricing model to evaluate the fair value of its employee stock options granted under share-based payment arrangements, stated as follows:

Type of arrangement	Date granted	Share price	Exercise price	Expected fluctuation rate	Expected duration	Expected dividends	Risk-free interest rate	Fair value per unit
The portion of common shares issuance reserved for employee subscription	March 29, 2021	NT\$149	NT\$118.78	47.21%	0.07 years	-	0.34%	NT\$ 30.4361

3. Expenses incurred by share-based payment transactions were as follows:

	2021
Equity settlement	\$ 44,650

(XIV) Share Capital

1. As of December 31, 2021, the Company had an authorized capital equal to \$3,000,000 (with \$20,000 retained for issuance of employee stock option certificates), a paid-in capital equal to \$1,031,340, and a share face value equal to NT\$10. All proceeds for share subscription were collected in full.

Reconciliation for the Company's outstanding common shares at the beginning and ending of periods is as follows:

	2021	2020
January 1	91,000	91,000
Issuance of common shares for cash	12,134	-
December 31	103,134	91,000

2. On March 2, 2021, the Board of Directors resolved to issue new shares before being initially listed on Taipei Exchange. A total of 12,134 thousand shares with the face value of NT\$10 were issued. The public offering price was NT\$118.78 per share. The record date for such capital increase was set on April 23, 2021, which was already modified and registered with the competent authority.

(XV) Capital Surplus

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. According to the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

	2021		
	Additional paid-in capital	Changes in ownership interests in subsidiaries	Net assets from merger
January 1	\$ 109,124	\$ 12,353	\$ 2,046
Issuance of common shares for cash	1,763,164	-	-
December 31	\$ 1,872,288	\$ 12,353	\$ 2,046

	2020		
	Additional paid-	Changes in	Net assets

	in capital	ownership interests in subsidiaries	from merger
January 1	\$ 200,124	\$ 12,353	\$ 2,046
Capital surplus appropriated in cash	(91,000)	-	-
December 31	<u>\$ 109,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>

(XVI) Retained Earnings

1. According to the Company's Articles of Incorporation, if the Company has any earnings in the final account, they should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) 10% as legal reserve until it reaches the Company's paid-in capital; (2) set aside or reverse a certain amount as or of special reserve according to operating needs or laws or regulations; (3) the remainder plus unappropriated earnings from prior years may be used to appropriate dividends or bonuses to shareholders after an earnings appropriation proposal is drafted by the Board of Directors and resolved in favor by the shareholders meeting. As required by Article 240 of the Company Act, if approved by a majority vote at a Board of Directors' meeting attended by two thirds of directors, the Board of Directors may appropriate dividends or bonuses in cash with its existing legal reserve or capital surplus, and shall report to the shareholder's meeting. In such case, the requirements regarding resolution made by shareholders' meeting set out in the Company's Articles of Incorporation do not apply.
2. The Company's dividend appropriation policy takes into account the factors such as the industry environment it is in, its growing phases, future capital demands, financial structure, capital budget, shareholders' interest, balanced dividends, and long-term financial planning. An earnings appropriation proposal is drafted by the Board of Directors (and reported to the shareholders' meeting) to the extent appropriate on the conditions that the Company's business is in the expanding phase, profitability expects to grow, and appropriation of stock dividends won't significantly dilute the Company's profitability. No less than 30% of annual earnings are appropriated to shareholders. Shareholder's bonuses may be appropriated in cash or in shares, provided, however, that the appropriation in cash shall not be less than 10% of the total appropriated amount.
3. Except being used to make up previous deficits or appropriate shares or cash to shareholders in proportion to their shareholding percentage, the legal reserve shall not be used. However, the amount of legal reserves used to appropriate new shares or cash shall be limited to the portion exceeding 25% of the paid-in capital.
4. (1) According to law, the Company may appropriate earnings only after it has provided special reserve under the debit balance of other equity on the balance sheet date. If subsequently the debit balance of other equity is reversed, the reversed amount may be used as appropriable earnings.
 (2) As for the special reserves provided upon initial application of IFRSs to satisfy the requirements specified in the official letter Jin Guan Zheng Fa Zi No. 1010012865 dated April 6, 2012, the Company may reverse them to the extent of their original provision ratio if subsequently the Company intends to use, dispose of, or reclassify related assets. If the said related assets are investment property relating to land, such assets are reversed upon disposal or reclassification; if the said related assets are investment property other than land, such assets are reversed gradually over the use period.
5. As resolved on in the shareholder's meeting dated June 24, 2020, the Company determined to appropriate dividends in the amount of \$154,700 (NT\$1.7 per share) with the earnings

made in 2019.

6. At the Board of Directors' meeting dated March 2, 2021, the Board of Directors originally intended to appropriate common-share dividends in the amount of \$373,100(NT\$4.1 per share) with the earning made in 2020. However, the capital amount increased due to issuance of new shares. As such, at the Board of Directors' meeting dated April 29, 2021, the Board of Directors resolved to appropriate common-share dividends in the amount of \$422,849 (NT\$4.1 per share) with the earnings made in 2020.
7. As resolved on in the shareholder's meeting dated February 25, 2022 the Board of Directors determined to appropriate dividends in common shares in the amount of \$721,938 (NT\$7 per share) with the earnings made in 2021.

(XVII) Other Equity

	2021		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 165,891	(\$ 180,156)	(\$ 14,265)
Valuation of financial assets at fair value through other comprehensive income:			
-Group	16,459	-	16,459
Exchange differences:			
-Group	-	(18,641)	(18,641)
December 31	<u>\$ 182,350</u>	<u>(\$ 198,797)</u>	<u>(\$ 16,447)</u>
	2020		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 124,288	(\$ 214,279)	(\$ 89,991)
Valuation of financial assets at fair value through other comprehensive income:			
-Group	41,603	-	41,603
Exchange differences:			
-Group	-	34,123	34,123
December 31	<u>\$ 165,891</u>	<u>(\$ 180,156)</u>	<u>(\$ 14,265)</u>

(XVIII) Operating Revenue

	2021	2020
Revenue from contracts with clients	<u>\$ 6,165,281</u>	<u>\$ 4,478,004</u>

The Group's revenue derived from transfer of goods at a particular point of time are classified into the following categories:

	2021	2020
Wire-Wounds Products	\$ 3,937,194	\$ 3,064,957
Multilayer Products	1,051,952	901,111
LAN transformer	1,143,122	480,948
Others	<u>33,013</u>	<u>30,988</u>

Total	\$ 6,165,281	\$ 4,478,004
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(XIX) Other Income

	2021	2020
Rental income	\$ 3,548	\$ 125
Dividends income	18,352	12,849
Subsidies income	44,561	27,883
Miscellaneous income	1,975	6,684
Total	<u>\$ 68,436</u>	<u>\$ 47,541</u>

The Group recognized government grants primarily because it qualified for the grants awarded to entice investment in the industries within Si-Hong Economic Development Zone.

(XX) Other Gains and Losses

	2021	2020
Gain on disposal of property, plant, and equipment	\$ 1,343	\$ 909
Exchange losses, net	(6,025)	(54,952)
Impairment loss recognized on property, plant, and equipment	-	(3,889)
Miscellaneous expenses	(7)	(2,226)
	<u>(\$ 4,689)</u>	<u>(\$ 60,158)</u>

(XXI) Additional Information on the Nature of Expenses

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 1,015,062	\$ 425,991	\$ 1,441,053
Depreciation of property, plant, and equipment	355,030	30,426	385,456
Depreciation of right-of-use assets	2,806	4,324	7,130
Amortization	2,262	2,107	4,369
	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 706,518	\$ 301,166	\$ 1,007,684
Depreciation of property, plant, and equipment	275,259	25,276	300,535
Depreciation of right-of-use assets	351	3,839	4,190
Amortization	493	1,350	1,843

(XXII) Employee Benefits Expense

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total

Salary and wages	\$ 878,036	\$ 381,714	\$ 1,259,750
Health insurance and labor insurance expense	22,333	14,049	36,382
Pension expense	54,493	13,204	67,697
Other personnel expense	60,200	17,024	77,224
	<u>\$ 1,015,062</u>	<u>\$ 425,991</u>	<u>\$ 1,441,053</u>

	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Salary and wages	\$ 606,820	\$ 264,673	\$ 871,493
Health insurance and labor insurance expense	16,232	11,995	28,227
Pension expense	40,071	10,640	50,711
Other personnel expense	43,395	13,858	57,253
	<u>\$ 706,518</u>	<u>\$ 301,166</u>	<u>\$ 1,007,684</u>

- Where there are earnings in the final account, (1) no less than 6% shall be allocated as employee compensation, either in cash or in shares, as resolved by the Board of Directors - employees qualified for such compensation include employees from affiliated companies who meet certain criteria; and 1-2% shall be allocated as remuneration for directors and supervisors.
- In 2021 and 2020, the Company recognized \$85,823 and \$52,043, respectively, for employee compensation, and \$21,456 and \$13,011, respectively, for directors' and supervisors' remuneration, all were presented under salary and wages.

The employee compensation and directors' and supervisors' remuneration for 2021 were estimated at 6% and 1.5%, respectively, of the earnings at the end of the period. The Board of Directors determined to appropriate \$85,823 and \$21,456 as dividends; employee compensation was appropriated in cash.

The amount of the accrued employee compensation and directors' and supervisors' remuneration for 2020 as had been resolved by the Board of Directors was the same as the amount recognized in the financial statements for 2020.

The amounts of employee compensation and directors' and supervisors' remuneration approved by the Board of Directors and resolved by the shareholders' meeting can be found on the Market Observation Post System of TWSE.

(XXIII) Income Tax

- Income tax expenses
 - Income tax components:

	2021	2020
Current tax:		
Tax attributable to taxable income of the period	\$ 150,794	\$ 87,659
Additional levy on unappropriated earnings	-	5,396
Over-estimate of income tax of the previous period	(7,378)	(10,506)
Total current tax	143,416	82,549

Deferred tax:		
Deferred income tax on temporary differences originated and reversed	50,832	52,198
Income tax expenses	<u>\$ 194,248</u>	<u>\$ 134,747</u>

(2) Income tax associates with other comprehensive income: None.

(3) Income tax directly debited or credited in equity: None.

2. Relation between income tax expense and accounting profit

	2021	2020
Income tax derived from applying the statutory tax rate to income before tax	\$ 352,709	\$ 238,686
Effects of statutory adjustments:	(115,504)	(96,237)
Temporary differences not recognized as deferred tax assets	1,471	1,758
Tax effects of investment deductibles	(34,743)	(3,422)
Tax effects of temporary differences	(824)	(928)
Change in estimation of probability of realizing deferred tax assets	(1,483)	-
Over-estimate of income tax of the previous period	(7,378)	(10,506)
Additional levy on unappropriated earnings	-	5,396
Income tax expenses	<u>\$ 194,248</u>	<u>\$ 134,747</u>

Note: The tax rate applied is based on the tax rate applicable to income in each country.

3. The amounts of deferred assets and liabilities arising from temporary differences were as follows:

	2021			
	January 1	Recognized in P/L	Exchange differences	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gains from disposal	\$ 5,618	(\$ 998)	(\$ 59)	\$ 4,561
Others	2,155	846	46	3,047
Loss carryforwards	741	22,951	(4)	23,688
Sub-total	<u>8,514</u>	<u>22,799</u>	<u>(17)</u>	<u>31,296</u>
-Deferred tax liabilities:				
Reserve for land revaluation increment tax	(28,572)	-	-	(28,572)
Appreciation book-tax differences	(110,283)	(73,631)	591	(183,323)
Sub-total	<u>(138,855)</u>	<u>(73,631)</u>	<u>591</u>	<u>(211,895)</u>
Total	<u>(\$ 130,341)</u>	<u>(\$ 50,832)</u>	<u>\$ 574</u>	<u>(\$ 180,599)</u>
	2020			
	January 1	Recognized in P/L	Exchange differences	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gains from disposal	\$ 6,201	(\$ 588)	\$ 5	\$ 5,618

Others	2,513	(392)	34	2,155
Loss carryforwards	<u>32,993</u>	<u>(32,153)</u>	<u>(99)</u>	<u>741</u>
Sub-total	<u>41,707</u>	<u>(33,133)</u>	<u>(60)</u>	<u>8,514</u>
-Deferred tax liabilities:				
Reserve for land revaluation increment tax	(28,572)	-	-	(28,572)
Appreciation book-tax differences	<u>(89,451)</u>	<u>(19,065)</u>	<u>(1,767)</u>	<u>(110,283)</u>
Sub-total	<u>(118,023)</u>	<u>(19,065)</u>	<u>(1,767)</u>	<u>(138,855)</u>
Total	<u>(\$ 76,316)</u>	<u>(\$ 52,198)</u>	<u>(\$ 1,827)</u>	<u>(\$ 130,341)</u>

4. Deductible temporary differences not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences:	<u>\$ 183,368</u>	<u>\$ 169,666</u>

5. The Company did not recognize deferred tax liabilities for the taxable temporary differences in relation to subsidiaries' investment. As of December 31, 2021 and 2020, the amounts of temporary differences for which deferred assets had not been recognized were \$429,284 and \$338,075, respectively.

6. The Company's profit-seeking income tax has been approved by the taxation authority through 2019.

(XXIV) Earnings Per Share

	2021		
	Post-tax amount	Weighted average number of outstanding shares (In Thousands of Shares)	EARNINGS PER SHARE (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	<u>\$ 1,197,065</u>	<u>99,089</u>	<u>\$ 12.08</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 1,197,065	99,089	
Dilutive effects of the potential common shares			
Employee compensation	-	<u>721</u>	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	<u>\$ 1,197,065</u>	<u>99,810</u>	<u>\$ 11.99</u>
	2020		
	Post-tax amount	Weighted average number of outstanding shares (In Thousands of Shares)	EARNINGS PER SHARE (NT\$)

<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	\$ 8.07
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	
Dilutive effects of the potential common shares			
Employee compensation	-	770	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	\$ 734,671	91,770	\$ 8.01

(XXV) Additional Information on Cash Flows

Investing activities partially involving cash payments:

	2021	2020
Acquisition of property, plant, and equipment	\$ 2,355,884	\$ 378,237
Plus: Construction and equipment payable at the beginning of the period	83,794	56,098
Notes payable at the beginning of the period	45,604	-
Less: Construction and equipment payable at the end of the period	(273,446)	(83,794)
Notes payable at the end of the period	(175,408)	(45,604)
Cash paid in the period	<u>\$ 2,036,428</u>	<u>\$ 304,937</u>

(XXVI) Changes in Liabilities Arising from Financing Activities

	2021				
	Short-term borrowings	Short-term bills payable	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1	\$ 697,535	\$ 130,000	\$ 337,000	\$ 7,515	\$ 1,172,050
Changes from financing cash flows	(277,341)	(110,000)	266,422	(6,374)	(127,293)
Effects of exchange rate changes	(4,400)	-	-	-	(4,400)
Other non-cash changes	-	-	-	12,913	12,913
December 31	<u>\$ 415,794</u>	<u>\$ 20,000</u>	<u>\$ 603,422</u>	<u>\$ 14,054</u>	<u>\$ 1,053,270</u>
	2020				
	Short-term borrowings	Short-term bills payable	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1	\$ 646,270	\$ 120,000	\$ 325,286	\$ 9,705	\$ 1,101,261
Changes from	60,755	10,000	11,714	(3,464)	79,005

financing cash flows					
Effects of exchange rate changes	(9,490)	-	-	-	(9,490)
Other non-cash changes	-	-	-	1,274	1,274
December 31	<u>\$ 697,535</u>	<u>\$ 130,000</u>	<u>\$ 337,000</u>	<u>\$ 7,515</u>	<u>\$ 1,172,050</u>

VII. Related Party Transactions

(I) Name and Relationship of Related Party

<u>Name of related party</u>	<u>Relationship with the Group</u>
Superworld Electronics (S) Pte Ltd.	Other related party
TAI-TECH ADVANCED ELECTRONICS(S) PTE LTD	Other related party
Superworld Electronics Co., Ltd.	Other related party
Superworld Electronics (Dongguan) Co., Ltd	Other related party
Jui-hsia Tai	Immediate family member of the major management
Chang-i Hsieh	Immediate family member of the major management
Chairman, Supervisor, President, and Vice President	Major management of the Group

(II) Significant Transactions with Related Party

1. Operating revenue

	<u>2021</u>	<u>2020</u>
Sale of goods:		
Other related party	<u>\$ 496,729</u>	<u>\$ 320,567</u>

The price of goods sold to related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily clients.

2. Purchase

	<u>2021</u>	<u>2020</u>
Purchase of goods:		
Other related party	<u>\$ 8,345</u>	<u>\$ 7,486</u>

The price of goods purchased from related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily suppliers.

3. Freight expenses and miscellaneous expenses

	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ 287</u>	<u>(\$ 272)</u>

4. Other income

	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ -</u>	<u>\$ 22</u>

5. Lease transactions - lessee

(1) The Group leased buildings from the immediate family members of the major management, with the lease term due between 2018 and 2023 and the rental paid on a monthly basis.

(2) Rental expense

	2021	2020
Other related party	\$ 171	\$ 325
(3) Lease liability		
Balance at the end of the period:		
	December 31, 2021	December 31, 2020
Jui-hsia Tai	\$ 1,145	\$ 1,844
Chang-i Hsieh	1,087	1,752
	<u>\$ 2,232</u>	<u>\$ 3,596</u>
6. Accounts receivables due from related party		
	December 31, 2021	December 31, 2020
Accounts receivable		
Other related party	\$ 207,195	\$ 114,791
Other receivables		
Other related party	-	1,324
Total	<u>\$ 207,195</u>	<u>\$ 116,115</u>
7. Accounts payables due to related party		
	December 31, 2021	December 31, 2020
Accounts payable:		
Other related party	\$ 1,224	\$ 3,124
Other payables		
Other related party	17	18
Total	<u>\$ 1,241</u>	<u>\$ 3,142</u>
8. The major management acted as a joint guarantor for the Group's short-term borrowings and short-term bills payable as of December 31, 2021, and for the Group's long-term and short-term borrowings as of December 31, 2020.		

(III) Remuneration to Major Management

	2021	2020
Short-term employee benefits	\$ 100,963	\$ 71,977
Post-retirement benefits	1,252	1,284
Share-based payments	6,361	-
Total	<u>\$ 108,576</u>	<u>\$ 73,261</u>

VIII. Pledged Assets

Assets pledged as collaterals were as follows:

Type of asset	December 31, 2021	December 31, 2020	As collaterals for borrowings
Property, plant and equipment			
Land	\$ 766,893	\$ 85,828	Short- and long-term borrowings
- Buildings and structures	67,305	22,738	Short- and long-term borrowings

- Machinery	-	276,834	Long-term borrowings
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IX. Significant Commitments or Contingency

(I) Contingency

None.

(II) Commitments

Capital expenditures committed but not yet incurred

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 307,879	\$ 218,945
Computer software	\$ 781	\$ -

X Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital Management

The purposes of the Group's capital management are to ensure that the Group continues as a going concern, to maintain an optimal capital structure to lower financing costs, and to provide returns of investment to shareholders. For the purpose of maintaining an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, or may issue new shares.

(II) Financial Instrument

1. Type of financial instrument

	December 31, 2021	December 31, 2020
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in equity instruments of which the fair value is designated to be recognized in other comprehensive income	\$ 233,817	\$ 191,847
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,341,004	\$ 767,619
Financial assets at amortized cost	-	167,040
Notes receivable, net	64,858	28,906
Accounts receivable, net (including those due from related party)	2,389,761	1,752,254
Other receivables (including those due from related party)	14,909	14,168
Refundable deposits (recognized under other noncurrent assets)	2,528	1,917

	\$ 3,813,060	\$ 2,731,904
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Financial Liability

Financial liabilities at amortized cost

Short-term borrowings	\$ 415,794	\$ 697,535
Short-term bills payable	20,000	130,000
Notes payable	193,029	56,755
Accounts payables (including those due to related party)	859,752	571,419
Other payables (including those due to related party)	943,487	581,267
Long-term borrowings (including the current portion)	603,422	337,000
Guarantee deposits (recognized under other noncurrent liabilities)	1,640	-
	\$ 3,037,124	\$ 2,373,976
Lease liabilities (including those due to related party)	\$ 14,054	\$ 7,515

2. Risk management policy

- (1) The Group's daily operations are affected by various financial risks, e.g. market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group's risk management policy focuses on the unpredictable market events in order to minimize their potentially adverse impacts on the Group's financial position and financial performance.
- (2) The Group's key financial activities are reviewed by the Board of Directors against relevant regulations and its internal control systems. The Company strictly abides by relevant financial operating procedures during the implementation of financial plans.

3. The nature and degree of significant financial risks

(1) Market risks

Foreign exchange risks

- A. The Group operates internationally and so is subject to the exchange rate risk of different currencies, particularly the USD and RMB. Relevant exchange rate risk arises from future business transactions and the recognized assets and liabilities. In addition, the conversion from RMB to other currencies is subject to the foreign currency exchange control regulations imposed by China.
- B. The Group's management has formulated relevant policy to require entities within the Group to manage the foreign exchange risks associated with their functional currency. Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional currency.
- C. Since the Group engages in business involving multiple functional currencies (e.g. the Company's functional currency is NTD while some subsidiaries' functional currencies are either USD or RMB), the Group is subject to fluctuation in foreign exchange rates. Foreign-currency-denominated assets and liabilities having significant impacts if foreign exchange rates change were as follows:

December 31, 2021			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,240	27.68	\$ 1,556,723
RMB:NTD	162,540	4.34	705,424
USD:RMB	45,698	6.38	291,553
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 39,098	27.68	\$ 1,082,233
USD:RMB	26,575	6.38	169,549

December 31, 2020			
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 48,532	28.48	\$ 1,382,191
RMB:NTD	9,964	4.36	43,443
USD:RMB	26,861	6.52	175,134
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 33,205	28.48	\$ 945,678
RMB:NTD	15	4.36	65
USD:RMB	20,630	6.52	134,508

- D. For monetary items that would be significantly impacted by foreign exchange rate changes, the Group recognized an exchange gain or loss (realized and unrealized) in the amount equal to an exchange loss of \$6,025 and \$54,952, respectively, for 2021 and 2020. Since the Group's transactions involve multiple currencies that have significant foreign exchange impacts, they are disclosed as a whole.
- E. Foreign exchange risks arising from significant exchange rate changes that the Group is exposed to were as follows:

2021			
Sensitivity Analysis			
	Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
(Foreign currency: functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,567	-
RMB:NTD	1%	7,054	-
USD:RMB	1%	2,916	-

<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		10,822	-
USD:RMB	1%		1,695	-
		2020		
		Sensitivity Analysis		
		Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	13,822	\$ -
RMB:NTD	1%		434	-
USD:RMB	1%		1,751	-
<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		9,457	-
USD:RMB	1%		1,345	-

Price risk

- A. Since the Group's investment is classified as financial assets measured at fair value through other comprehensive income on the consolidated balance sheets, the Group is exposed to the risk of price changes in equity instrument.
- B. The Group mainly invests in equity instruments issued by a domestic or foreign company. The price of such equity instruments can be affected by changes in future value of their investment targets. If the price of such equity instrument goes up or down by 1%, held other variables constant, the post-tax profit or loss for the years 2021 and 2020 will increase or decrease by \$2,338 and \$1,918 due to the increase or decrease in the fair value of financial assets measured at fair value through other comprehensive income.

Cash flow risk and fair value risk

- A. The Group's interest rate risks mainly come from short- and long-term borrowings issued at floating interest rates. Such exposure also means the Group is exposed to cash flow interest rate risks, though a portion of risks have been offset by the Group's holding of cash bearing a floating interest rate. In 2021 and 2020, the Group's borrowings bearing a floating interest rate are denominated in NTD and USD.
- B. When the borrowing interest rate of NTD and USD increases or decreases by 1%, held other variables constant, the Group's net income after tax for 2021 and 2020 will also decrease or increase by \$8,154 and \$8,276, respectively, mainly due to changes in interest expense caused by borrowings bearing a floating interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by clients, or by counter-parties of financial instruments on the contract obligations. Credit risk of the Group mainly comes from accounts receivable, notes receivable, and the contractual cash flows of financial assets measured at amortized cost that are prone to default by counter-parties.
- B. The Group establishes a framework for managing credit risks from a group's

perspective. As the internal credit approval policy stipulates, an operating entity within the Group shall manage and analyze the credit risk of a new client before proposing terms and conditions pertaining to payments and delivery of goods. Internal risk control is achieved by evaluating a client's credit quality against the client's financial position, credit records, and other factors. The limit on individual risk is set by the management by referring to internal or external ratings. The status of utilization of credit lines is regularly monitored.

- C. The Group applies the presumption of IFRS 9 and deems that the credit risk of a financial assets has significantly increased after initial recognition when the receivables obliged by the contractual terms are 30-days past due.
- D. The Group's credit risk management procedures deem a default occurred when a counterparty is significantly delinquent on repayments.
- E. After the recourse procedures, the Group writes off financial assets that could not be reasonably expected to be recovered. Nonetheless, the Group will continue the recourse legal procedures to secure its right to the debt. As of December 31, 2021 and 2020, The Group's debt that had been written off but were continually pursued was both \$0.
- F. The Group classifies accounts receivable due from clients by the characteristics of their ratings, and adopts the simplified approach that measures expected credit losses based on the preparation matrix.
- G. By taking into account the forward-looking consideration that economic indicators hold, the Group adjusts the expected credit loss rate that was established based on historical or present information, so as to estimate the allowance for accounts receivable, notes receivable, and uncollectable overdue receivables. The preparation matrix as of December 31, 2021 and 2020 was as follows:

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	Over 91-180 days past due	Total
December 31, 2021						
Expected loss (%)	100.00 %	0.07 %	5.44 %	6.94 %	100.00 %	
Total carrying amount	\$ 1,252	\$ 2,432,012	\$ 42,292	\$ 4,054	\$ 18	\$ 2,479,628
Loss allowance	\$ 1,252	\$ 21,347	\$ 581	\$ 9	\$ 18	\$ 23,207

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	91-180 days past due	Total
December 31, 2020						
Expected loss (%)	100.00 %	0.07 %	5.44 %	6.94 %	100.00 %	
Total carrying amount	\$ 1,252	\$ 1,774,717	\$ 9,595	\$ 456	\$ -	\$ 1,786,020
Loss allowance	\$ 1,252	\$ 1,232	\$ 583	\$ 27	\$ -	\$ 3,094

- H. Changes in the loss allowances provided for accounts receivable using the simplified approach are as follows:

	2021			Total
	Accounts receivable	Notes receivable	Uncollectible overdue receivables	
January 1	\$ 1,842	\$ -	\$ 1,252	\$ 3,094
Impairment loss	20,119	-	-	\$ 20,119
Exchange rate	(6)	-	-	(6)

effects				
December 31	<u>\$ 21,955</u>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 23,207</u>
	<u>2020</u>			
	Accounts receivable	Notes receivable	Uncollectible overdue receivables	Total
January 1	\$ 16,977	\$ -	\$ 1,252	\$ 18,229
Impairment loss reversed	(15,107)	-	-	(15,107)
Exchange rate effects	(28)	-	-	(28)
December 31	<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 3,094</u>

(3) Liquidity risk

- A. Cash flows forecast is done by each operating entity; the Administration Department of the Group is responsible only for summarizing the results. Administration Department of the Group monitors the forecast of the Group's liquidity needs, so as to ensure that it has sufficient fund to meet operating needs and maintains sufficient unused loan commitments so that it won't default on any borrowing limits or terms. Such a forecast takes into account the Group's debt financing plan, compliance with provisions of debt instruments, fulfillment of the financial ratio targets on the balance sheet, and conformity with external regulatory requirements, such as foreign exchange control.
- B. The table below listed the Group's non-derivative financial liabilities by maturity date. They were analyzed for the residual duration between the balance sheet date and the maturity date. The table below disclosed the contractual cash flows not discounted:

Non-derivative financial liabilities

December 31, 2021	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 415,794	\$ -	\$ -	\$ -
Short-term bills payable	20,000	-	-	-
Notes payable	193,029	-	-	-
Accounts payable	858,528	-	-	-
Accounts payables to related parties	1,224	-	-	-
Other payables (including those due to related party)	943,487	-	-	-
Lease liability (including the current portion)	6,557	5,538	1,959	-
Long-term borrowings (including the current portion)	43,494	93,047	125,888	382,538

Derivative financial liabilities

December 31, 2020	Less than 1 year	1-2 years	2-5 years
Short-term borrowings	\$ 697,535	\$ -	\$ -
Short-term bills payable	130,000	-	-
Notes payable	56,755	-	-
Accounts payable	568,295	-	-
Accounts payables to related parties	3,124	-	-
Other payables (including those due to related party)	581,267	-	-
Lease liability (including the current portion)	3,575	2,693	1,247
Long-term borrowings (including the current portion)	69,884	183,529	88,659

C. The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair Value Information

1. Below are the definitions assigned to each level of valuation technique used to measure the fair value of financial and non-financial assets.

Level 1: Quoted prices 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 Group's investment in listed shares is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in non-active market is included in Level 3.

2. Financial instruments not measured at fair value

Management of the Group thinks that the carrying amount of financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivables, other receivables, lease liability, and long-term borrowings (including the current portion), is the reasonable approximation of their fair value.

3. Financial and non-financial assets at fair value are classified by nature, characteristic, risk, and fair value level, stated as follows:

(1) The Group classifies its assets and liabilities by their function; stated as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
ASSETS				
<u>Recurring fair value</u>				
Equity-based securities measured at fair value through other comprehensive income	\$ 121,987	\$ -	\$ 111,830	\$ 233,817

December 31, 2020	Level 1	Level 2	Level 3	Total
ASSETS				
<u>Recurring fair value</u>				
Equity-based securities measured at fair value through other comprehensive income				
	\$ 54,858	\$ -	\$ 136,989	\$ 191,847

(2) The techniques and assumptions used to measure fair value are stated as follows:

A. Financial instruments of which the fair value is marked to market quotations (i.e. level 1 inputs) are stated as follows:

Market quotation	Listed shares Closing price
------------------	--------------------------------

B. Except for financial instruments with an active market, the fair value of other financial instruments is obtained either based on the valuation technique or by reference to the quotes from counter-parties. Fair value can be obtained by using a valuation technique that refers to the fair value of financial instruments having substantially the same terms and characteristics, or by using other valuation technique, e.g. the one that applies market information available on the consolidated balance sheets date to a pricing model for calculation.

C. Outputs from the valuation models are estimates and valuation techniques may not be able to reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, when needed, estimates from the valuation model would be adjusted for additional parameters, e.g. model risk or liquidity risk.

4. In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value hierarchy.

5. Changes in Level 3 fair value hierarchy are stated as follows for 2021 and 2020:

	2021	2020
	Equity-based securities	Equity-based securities
January 1	\$ 136,989	\$ 126,151
Gains or losses recognized in other comprehensive income		
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(24,631)	11,827
Exchange rate effects	(528)	(989)
December 31	\$ 111,830	\$ 136,989

6. In 2021 and 2020, there was no transfer into or out of Level 3.

7. Valuation process regarding fair value Level 3 is conducted by the Group's Finance Department, which conducts an independent fair value verification through use of independent data source in order to make the valuation results close to market conditions, and to ensure that the data source is independent, reliable, and consistent with other sources, and that the fair value is adjusted where appropriate, thereby ensuring a reasonable valuation result.

8. The quantitative information on, changes in, and sensitivity analysis of significant unobservable inputs used in Level 3 fair value measurement are stated as follows:

Fair value at	Valuation	Significant	Range	Relationship
---------------	-----------	-------------	-------	--------------

	December 31, 2021	technique	unobservable inputs	(weighted average)	between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 111,830	Public company comparables	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at December 31, 2020	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 136,989	Public company comparables	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.

9. The Group elects to adopt valuation models and valuation parameters under prudential consideration. Nonetheless, this does not preclude the differences arising from adoption of different valuation models or parameters. If valuation parameters change, financial assets classified as Level 3 will have effects on other comprehensive income, stated as follows:

		December 31, 2021				
				Recognized in other comprehensive income (OCI)		
		Recognized in P/L		Favorable	Unfavorable	
		Favorable	Unfavorable	changes	changes	
		changes	changes			
	Input	Changes				
Financial Assets						
Equity instruments	\$ 139,787	±1%	\$ -	\$ -	\$ 1,661 (\$ 1,661)	
		December 31, 2020				
				Recognized in other comprehensive income (OCI)		
		Recognized in P/L		Favorable	Unfavorable	
		Favorable	Unfavorable	changes	changes	
		changes	changes			
	Input	Changes				
Financial Assets						
Equity instruments	\$ 182,651	±1%	\$ -	\$ -	\$ 1,709 (\$ 1,709)	

(IV) Other Matters

In response to the pandemic alert system for COVID-19 and multiple pandemic prevention measures taken by the government, the Group has also adopted and upheld necessary measures to address the issues brought by the pandemic. A careful assessment conducted by the Group has led to the conclusion that the pandemic has no significant influence on the Group's ability to continue as a going concern, asset impairment, and financial risks.

XIII. Additional Disclosures

(I) Information on Significant Transactions

1. Loaning Funds to Others: Refer to Table 1.

2. Provision of Endorsements and Guarantees: Refer to Table 2.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies, and the Control Portion in a Joint Venture): Refer to Table 3.
4. Accumulative Purchase or Disposal of the Same Marketable Securities that Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.
5. Acquisition of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: Refer to Table 4.
6. Disposal of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.
7. Transaction with Related Party That Reaches NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 5.
8. Receivables Due from Related Party That Reach NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 6.
9. Engagement in Derivatives Trading: None.
10. The Business Relationship, Significant Transactions, and Significant Transaction Amount between Parent and Subsidiaries, or among Subsidiaries: Refer to Table 7.

(II) Information on Indirect Investment

Names and Location of Investees (Excluding Those in Mainland China): Refer to Table 8.

(III) Investment in Mainland China

1. Basic Information: Refer to Table 9.
2. Significant Transactions with Investees in Mainland China That Are Invested by the Group, Either Directly, or Indirectly Through Another Entity Outside Taiwan and China: Refer to Table 7.

(IV) Major Shareholder Information

Major Shareholder Information: Refer to Table 10.

XIV. Segment Information

(I) General Information

The Group engages in a single industry; the Group's Board of Directors evaluates the performance of, and allocates resources to, the Group as a whole. As such, the Group identifies itself to be a single reporting segment.

(2) Segment Information

Information on reportable segment provided to the main operating decision makers:

	2021	2020
Segment revenue	\$ 6,165,281	\$ 4,478,004
Segment gross profit	\$ 2,135,564	\$ 1,459,493
Segment profit or loss	\$ 1,391,313	\$ 869,418
Discount and amortization	\$ 396,955	\$ 306,568
Income tax expenses	\$ 194,248	\$ 134,747
	December 31, 2021	December 31, 2020
Segment assets	\$ 9,605,492	\$ 6,175,845
Segment liabilities	\$ 3,382,901	\$ 2,609,961

(III) Reconciliation of Segment Profit or Loss

Reconciliation is not required because the profit or loss information on the reporting segment that was provided to the main operating decision makers is consistent with that prepared and disclosed in the financial statements.

(IV) Types of Products and Services

Revenue from external customers mainly derives from sale of products, e.g. electronic parts, magnetic cores, multilayer products, and other wire-wounds products; components of revenue are presented as follows:

	2021	2020
Wire-Wound Products	\$ 3,937,194	\$ 3,064,957
Multilayer Products	1,051,952	901,111
LAN transformer	1,143,122	480,948
Others	33,013	30,988
Total	<u>\$ 6,165,281</u>	<u>\$ 4,478,004</u>

(V) Geographical Information

The Group's revenue classified by geographic area for 2021 and 2020 is disclosed as follows:

	2021		2020	
	Revenue	NONCURREN T ASSETS	Revenue	NONCURREN T ASSETS
Taiwan	\$ 1,384,299	\$ 2,560,692	\$ 952,402	\$ 1,044,408
Mainland China	3,461,744	2,059,125	2,735,124	1,588,223
Hong Kong	709,812	-	352,226	-
Singapore	193,096	-	137,892	-
Others	416,330	-	300,360	-
Total	<u>\$ 6,165,281</u>	<u>\$ 4,619,817</u>	<u>\$ 4,478,004</u>	<u>\$ 2,632,631</u>

Note: Revenue is classified by the country where goods are shipped.

(VI) Information on Major Clients

The Group's major clients for 2021 and 2020 are disclosed as follows:

	2021		2020	
	Amount	%	Amount	%
Name of Clients	\$ 782,986	13	\$ 479,082	11

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Financial Statements and Independent Auditors' Report
2021 and 2020
(Stock Code 3357)

Company address : No.1 You 4th Road, Youth Industrial District, Yangmei,
Taoyuan City 326013, Taiwan

Telephone : (03)464-1148

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Financial Statements for the Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report
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Independent Auditor's Report

(111) Cai Shen Bao Zi No. 21003904

To Tai-Tech Advanced Electronics Co., Ltd.

Opinion

We have audited the standalone financial statements of Tai-Tech Advanced Electronics (the “Company” hereinafter), which comprise the standalone balance sheets as of December 31, 2021 and 2020, the standalone statements of comprehensive income, changes in equity, and cash flows for the years January 1 through December 31, 2021 and 2020 ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2021 and 2020, and its standalone financial performance and standalone 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the section titled “Auditors' Responsibilities for the Audit of the Standalone Financial Statements” in 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. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's standalone financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole and, in forming our opinion thereon. As such, we do not provide a separate opinion on these matters.

The key audit matters for Tai-Tech Advanced Electronics' standalone financial statements for the year ended December 31, 2021 are stated as follows:

Valuation of allowance for inventory valuation loss

Description

Refer to Notes 4(9), 5(2), and 6(3) for the accounting policy, significant accounting estimates and assumptions, and details pertaining to inventory valuation. As of December 31, 2021, the balance of the Company's inventory and allowance for inventory valuation loss was NT\$320,220 thousand and NT\$10,400 thousand, respectively.

Tai-Tech Advanced Electronics mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products. Since the value of inventory is subject to market price fluctuation and its life cycle, the risk of becoming obsolete is relatively high. In addition, since the valuation process usually involves subjective judgments, the uncertainty in accounting estimates is high. As such, we determine the valuation of allowance for inventory valuation loss as one of the key audit matters.

Responsive Audit Procedures

We perform the following procedures for the inventory that is ageing and individually obsolete:

1. Based on our understanding of the Company, we assess the reasonableness of the policy and procedures pertaining to provision of inventory valuation allowance, including using the historical information to assess the reasonableness of the extent to which inventory is reduced, and of the accounting policy for inventory valuation allowance.
2. We review the Group's annual inventory counting plan and observe how well inventory is counted and inventory counting is managed, so as to assess the effectiveness of the management identifying and controlling obsolete inventory.
3. We verify the accuracy of information on the Group's statements regarding inventory aging and reduction, so as to ascertain the consistency of statements information with its policy.
4. We examine and check the accuracy of calculation of inventory valuation loss, and the appropriateness of allowance for inventory valuation loss.

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

Management is responsible for the preparation and fair presentation of the standalone 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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report

to the related disclosures in the standalone 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 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 contents of, and the notes to, the standalone financial statements, and whether the standalone financial statements fairly present the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the group audit; we remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our 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.

PricewaterhouseCoopers Taiwan

Yen-na Li

CPA

Wei-hao Wu

Former Financial Supervisory Commission and Securities and
Futures Bureau of the Executive Yuan
Official Approval Letter No.: Jin Guan Zheng Liu Zi No.

0950122728

Financial Supervisory Commission

Official Approval Letter No.: Jin Guan Zheng Shen Zi No.
1080323093

February 25, 2022

Tai-Tech Advanced Electronics Co., Ltd.

Standalone Balance Sheet

December 31, 2021 and 2020

Unit: NT\$1,000

ASSETS		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6 (1)	\$ 896,005	10	\$ 361,312	6
1150	Notes receivable, net	6 (2)	38,877	1	14,384	-
1170	Accounts receivable, net	6 (2)	1,119,002	12	870,688	15
1180	Accounts receivable from related parties, net	6 (2) and 7	787,265	9	431,172	7
1200	Other receivables		14,859	-	11,695	-
1210	Other receivables (including those due from related party)	7	93,940	1	33,985	1
130X	Inventory	6 (3)	309,820	3	230,923	4
1410	Prepayments		2,965	-	4,612	-
11XX	Total current assets		<u>3,262,733</u>	<u>36</u>	<u>1,958,771</u>	<u>33</u>
NONCURRENT ASSETS						
1517	Financial assets at fair value through other comprehensive income - noncurrent	6 (4)	121,987	1	54,858	1
1550	Investment accounted for using the equity method	6 (5)	3,225,165	35	2,806,933	48
1600	Property, plant and equipment	6(6), 7, and 8	2,497,404	27	1,015,991	18
1755	Right-of-use assets	6 (7)	13,481	-	7,390	-
1780	Intangible assets		43,961	1	15,127	-
1840	Deferred tax assets	6 (24)	4,252	-	5,249	-
1900	Other noncurrent assets	6 (8)	8,089	-	7,160	-
15XX	Total noncurrent assets		<u>5,914,339</u>	<u>64</u>	<u>3,912,708</u>	<u>67</u>
1XXX	Total assets		<u>\$ 9,177,072</u>	<u>100</u>	<u>\$ 5,871,479</u>	<u>100</u>

(Continued)

Tai-Tech Advanced Electronics Co., Ltd.

Standalone Balance Sheet

December 31, 2021 and 2020

Unit: NT\$1,000

LIABILITIES AND EQUITY	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
CURRENT LIABILITIES						
2100	Short-term borrowings	6 (9)	\$ 318,914	3	\$ 540,895	9
2110	Short-term bills payable	6 (10)	20,000	-	130,000	2
2150	Notes payable		193,029	2	56,755	1
2170	Accounts payable		229,289	3	142,449	3
2180	Accounts payable to related parties	7	1,010,618	11	707,364	12
2200	Other payables	6 (11) and 7	428,142	5	285,439	5
2230	Current tax liabilities	6 (23)	92,488	1	55,036	1
2280	Lease liabilities - current	7	6,350	-	3,493	-
2320	Current portion of long-term borrowings	6 (12)	37,733	-	67,000	1
21XX	Total current liabilities		<u>2,336,563</u>	<u>25</u>	<u>1,988,431</u>	<u>34</u>
NONCURRENT LIABILITIES						
2540	Long-term borrowings	6 (12)	565,689	6	270,000	5
2570	Deferred tax liabilities	6 (24)	28,572	1	28,572	-
2580	Lease liabilities - noncurrent	7	7,255	-	3,940	-
2640	Net defined benefit liabilities - noncurrent	6 (13)	14,762	-	14,652	-
2670	Other noncurrent liabilities - others		1,640	-	-	-
25XX	Total noncurrent liabilities		<u>617,918</u>	<u>7</u>	<u>317,164</u>	<u>5</u>
2XXX	Total liabilities		<u>2,954,481</u>	<u>32</u>	<u>2,305,595</u>	<u>39</u>
Equity						
Share capital						
3110	Common shares	6 (15)	1,031,340	11	910,000	15
	Capital surplus	6 (16)				
3200	Capital surplus		1,886,687	20	123,523	2
	Retained earnings	6 (17)				
3310	Legal reserve		433,232	5	360,404	6
3320	Special reserve		76,642	1	89,991	2
3350	Unappropriated earnings		2,811,137	31	2,096,231	36
	Other equity	6 (18)				
3400	Other equity		(16,447)	-	(14,265)	-
3XXX	Total equity		<u>6,222,591</u>	<u>68</u>	<u>3,565,884</u>	<u>61</u>
	Significant Commitments or Contingency	9				
3X2X	Total liabilities and equity		<u>\$ 9,177,072</u>	<u>100</u>	<u>\$ 5,871,479</u>	<u>100</u>

The accompanying notes are an integral part of the standalone financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Statement of Comprehensive Income
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000
(Except Earnings Per Share)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	6 (19) and 7	\$ 4,810,030	100	\$ 3,314,401	100
5000 Operating costs	6 (3) (22) (23) and 7	(3,454,218)	(72)	(2,551,678)	(77)
5900 Gross profit		1,355,812	28	762,723	23
5910 Unrealized gains from sale		(47,122)	(1)	(26,133)	(1)
5920 Realized gain from sale		26,133	1	24,164	1
5950 Gross profit, net		1,334,823	28	760,754	23
Operating expenses	6 (22) (23), and 7				
6100 Selling and marketing expenses		(252,615)	(5)	(182,906)	(6)
6200 General and administrative expenses		(175,046)	(4)	(111,602)	(3)
6300 Research and development expenses		(80,439)	(2)	(60,639)	(2)
6450 Expected credit impairment gain	12 (2)	-	-	4,794	-
6000 Total operating expenses		(508,100)	(11)	(350,353)	(11)
6900 Operating gains		826,723	17	410,401	12
NON-OPERATING INCOME AND EXPENSES					
7100 Interest income		1,580	-	1,548	-
7010 Other income	6 (20) and 7	7,900	-	1,756	-
7020 Other gains and losses	6 (21)	16,789	1	(19,502)	(1)
7050 Finance costs	6 (9) and (10) (XII)	(5,922)	-	(8,423)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method	6 (5)	476,038	10	416,555	13
7000 Total non-operating income and expenses		496,385	11	391,934	12
7900 Income before income tax		1,323,108	28	802,335	24
7950 Income tax expenses	6 (24)	(126,043)	(3)	(67,664)	(2)
8200 NET PROFIT/(LOSS) FOR THE YEAR		\$ 1,197,065	25	\$ 734,671	22

(Continued)

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Statement of Comprehensive Income
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000
(Except Earnings Per Share)

Item	Note	2021		2020	
		Amount	%	Amount	%
Other comprehensive income/(loss) for the year, net of income tax					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	6 (18)				
		\$ 169	- (\$	6,405)	-
8316	6 (4)				
		41,090	1	29,776	1
8330					
		(24,631)	(1)	11,827	-
8310					
		16,628	-	35,198	1
Items that may be reclassified subsequently to profit or loss					
8361	6 (18)				
		(84,511)	(2)	(137,893)	(4)
8380					
		65,870	2	172,016	5
8360					
		(18,641)	-	34,123	1
8300					
		(\$ 2,013)	-	\$ 69,321	2
8500					
		\$ 1,195,052	25	\$ 803,992	24

	Basic earnings per share	6 (25)		
9750	Basic earnings per share		\$ 12.08	\$ 8.07
	Diluted earnings per share			
9850	Diluted earnings per share - Total		\$ 11.99	\$ 8.01

The accompanying notes are an integral part of the standalone financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Statement of Changes in Equity
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	Common shares	Capital surplus			Retained earnings other equity				Unrealized gain/(loss) on financial assets at fair value through other comprehensive income	Total
			Capital surplus - additional paid-in capital	Capital surplus - changes in ownership interests in subsidiaries	Capital surplus - net assets from merger	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations		
2020											
Balance at January 1, 2020		\$ 910,000	\$ 200,124	\$ 12,353	\$ 2,046	\$ 316,130	\$ 76,642	\$ 1,580,288	(\$ 214,279)	\$ 124,288	\$ 3,007,592
NET PROFIT/(LOSS) FOR 2020		-	-	-	-	-	-	734,671	-	-	734,671
Other comprehensive income/(loss) for 2020	6 (18)	-	-	-	-	-	-	(6,405)	34,123	41,603	69,321
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2020		-	-	-	-	-	-	728,266	34,123	41,603	803,992
Appropriation of earnings	6 (17)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	44,274	-	(44,274)	-	-	-
Special reserve		-	-	-	-	-	13,349	(13,349)	-	-	-
Cash dividends		-	-	-	-	-	-	(154,700)	-	-	(154,700)
Capital surplus distributed in cash	6 (16)	-	(91,000)	-	-	-	-	-	-	-	(91,000)
Balance at December 31, 2020		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
2021											
Balance at January 1, 2021		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
NET PROFIT/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,065	-	-	1,197,065
Other comprehensive income/(loss) for 2021	6 (18)	-	-	-	-	-	-	169	(18,641)	16,459	(2,013)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,234	(18,641)	16,459	1,195,052
Appropriation of earnings	6 (17)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	72,828	-	(72,828)	-	-	-
Special reserve		-	-	-	-	-	(13,349)	13,349	-	-	-
Cash dividends		-	-	-	-	-	-	(422,849)	-	-	(422,849)
Issuance of common shares for cash	6 (15)	121,340	1,718,514	-	-	-	-	-	-	-	1,839,854
Compensation costs - the portion of common shares issuance reserved for employee subscription	6 (14)	-	44,650	-	-	-	-	-	-	-	44,650
Balance at December 31, 2021		\$ 1,031,340	\$ 1,872,288	\$ 12,353	\$ 2,046	\$ 433,232	\$ 76,642	\$ 2,811,137	(\$ 198,797)	\$ 182,350	\$ 6,222,591

The accompanying notes are an integral part of the standalone financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Statement of Cash Flows
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax		\$ 1,323,108	\$ 802,335
Adjustments			
Adjustments for income and expenses			
Expected credit impairment reversal gain	12 (2)	-	(4,794)
Depreciation (including right-of-use assets)	6 (22)	169,756	112,694
Amortization	6 (22)	4,369	1,843
Compensation costs - share-based payments	6 (14)	44,650	-
Gain on disposal of property, plant, and equipment	6 (21)	(7,747)	(7,251)
Impairment loss recognized on property, plant, and equipment	6 (21)	-	1,859
Share of profit of subsidiaries accounted for using equity method	6 (5)	(476,038)	(416,555)
Unrealized gains from sale		20,989	1,969
Interest income		(1,580)	(1,548)
Dividends income	6 (20)	(1,722)	(566)
Interest expenses		5,922	8,423
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(24,493)	1,143
Accounts receivable		(248,314)	(205,756)
Accounts receivable due from related parties		(356,093)	(90,010)
Other receivables		(3,164)	(1,145)
Other receivables (including those due from related party)		(59,955)	(31,960)
Inventory		(78,897)	(34,639)
Prepayments		1,647	1,130
Changes in operating liabilities			
Notes payable		6,470	(82,213)
Accounts payable		86,840	25,264
Accounts payable to related parties		303,254	149,908
Other payables		137,429	77,942
Net defined benefit liabilities		279	244
Cash generated from operating activities		846,710	308,317
Interest paid		(5,922)	(8,423)
Income tax paid		(87,594)	(31,519)
Net cash flows generated from operating activities		753,194	268,375

(Continued)

Tai-Tech Advanced Electronics Co., Ltd.
Standalone Statement of Cash Flows
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		\$ 1,580	\$ 1,548
Dividends received		1,722	566
Acquisition of financial assets at fair value through other comprehensive income		(26,162)	-
Financial assets at fair value through other comprehensive income			
Capital surplus distributed in cash		123	378
Acquisition of property, plant, and equipment	6 (26)	(1,604,534)	(123,579)
Proceeds from disposal of property, plant, and equipment		95,935	35,227
Acquisition of intangible assets		(33,203)	(4,296)
Increase in other noncurrent assets		(929)	(4,094)
Net cash flows used in investing activities		<u>(1,565,468)</u>	<u>(94,250)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		1,819,738	2,092,536
Repayments for short-term borrowings		(2,041,719)	(1,976,641)
Increase in short-term bills payable		-	10,000
Decrease in short-term bills payable		(110,000)	-
Repayment of the principal portion of lease liabilities		(6,119)	(2,980)
Increase in long-term borrowings		616,000	120,000
Repayment for long-term borrowings		(349,578)	(108,286)
Increase in guarantee deposits		1,640	-
Issuance of common shares for cash		1,839,854	-
Capital surplus distributed in cash	6 (16)	-	(91,000)
Cash dividends appropriated	6 (17)	(422,849)	(154,700)
Net cash generated from/(used in) financing activities		<u>1,346,967</u>	<u>(111,071)</u>
Increase in cash and cash equivalents		534,693	63,054
Cash and cash equivalents - beginning balance		361,312	298,258
Cash and cash equivalents - ending balance		<u>\$ 896,005</u>	<u>\$ 361,312</u>

The accompanying notes are an integral part of the standalone financial statements; please refer to them as well.

Chairman: Ming-Yen Hsieh

Manager: Ming-Liang Hsieh

Accounting Manager: Hui-Yu Ho

Tai-Tech Advanced Electronics Co., Ltd.
Notes to the Standalone Financial Statements
2021 and 2020

Unit: NT\$1,000
(unless otherwise specified)

I. Company History

Tai-Tech Advanced Electronics (the “Company” hereinafter) was incorporated on November 2, 1992. The Company mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products, and act as an agent for domestic and foreign companies in terms of quotation, bidding, distribution, and import and export of the said products. The Company’s shares were listed on Taipei Exchange for trading on April 27, 2021.

II. Approval Date and Procedure of Financial Statements

The accompanying standalone financial statements were approved and authorized for issue by the Board of Directors on February 25, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Effect of adoption of the newly issued or amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2021
Interest Rate Benchmark Reform—Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021
Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021
Note: The FSC permits early application starting from January 1, 2021.	

The Company has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Company’s financial position and financial performance.

(II) Effects of Not Adopting the Newly Issued or Amended IFRSs Endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Property, Plant, and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) Annual improvement to IFRS Standards 2018-2020 Cycle	January 1, 2022 January 1, 2022

The Company has assessed the aforementioned standards and interpretations, and concluded

that they do not have significant effects on the Company’s financial position and financial performance.

(III) Effects of the IFRSs issued by IASB but not yet endorsed by the FSC

New standards and interpretations of and amendments to the IFRSs issued by IASB but not yet endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined by IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9 — Comparative information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or noncurrent”	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 Company has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Company’s financial position and financial performance.

IV. Summary of Significant Accounting Policies

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

(i) Statement of Compliance

These standalone financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Preparation Basis

1. Except for the following significant accounts, the standalone financial statements have been prepared under the historical cost convention:
 - (1) Financial assets and liabilities (including derivatives) at fair value through other comprehensive income
 - (2) Financial assets at fair value through other comprehensive income
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of these standalone financial statements in conformity with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the standalone financial statements are disclosed in Note 5.

(III) Foreign Currency Translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the "functional currency"). The standalone financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign currency transactions and balance

- (1) Foreign currency derived from transactions was translated into the functional currency using the spot exchange rate prevailing on the measurement date or the trade date, with the resulting exchange difference recognized as gain or loss.
- (2) The balance of monetary assets or liabilities denominated in foreign currency is adjusted by the exchange rate prevailing at the balance sheet date, with the resulting differences recognized as gain or loss.
- (3) Non-monetary assets or liabilities denominated in foreign currency are adjusted by the spot exchange rate on the balance sheet date, with the resulting difference recognized in profit or loss if they are measured at fair value through profit or loss, or in other comprehensive income if they are measured at fair value through other comprehensive income. If they are not measured at fair value, they are measured by applying the historical exchange rate on the transaction date.

2. Translation of foreign operations financial statements

The results and financial position of entities within the Company whose functional currency is not the presentation currency are translated into the presentation currency using the following procedures:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- (2) income and expenses for each statement of comprehensive income (including comparatives) are translated at the average exchange rates for the period; and
- (3) all resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of Current and Noncurrent Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date;
- (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise they are classified as noncurrent assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its transactions by the issue of equity instruments do not affect its classification.

Otherwise they are classified as noncurrent liabilities.

(V) Financial Assets at Fair Value through Other Comprehensive Income

1. It means the Group made an irrevocable election upon initial recognition to recognize the fair value changes in equity instruments not held for trading at other comprehensive income.
2. The Company uses trade date accounting to account for financial assets at fair value through other comprehensive income that are an arm's length transaction.
3. They are measured initially at the fair value plus transaction costs and subsequently at fair value. If they are equity instruments, their fair value changes are recognized in other comprehensive income; upon derecognition, the accumulated gains or losses in other comprehensive income are not transferred to profit or loss, but to retained earnings. The Company recognizes dividend income in profit or loss when (a) the Company's right to the dividends is established; (b) the economic benefits associated with dividends are probable to flow to the Company; and (c) such dividends can be reliably measured.

(VI) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable denote that the Group has unconditional right to the consideration, in the form of receivables or notes, for the goods and services transferred.
2. The Company measures short-term accounts receivable and notes receivables that do not bear an interest at the invoice value because they have insignificant discount effect.

(VII) Impairment of Financial Assets

At the end of each reporting period, the Company considers financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI, and receivables (including significant financial components), and takes into consideration all reasonable and supporting information (including the forward-looking information). For financial assets of which the credit risk does not significantly increase since initial recognition, the Company recognizes an allowance equal to 12-month expected credit losses; for financial assets of which the credit risk significantly increases since initial recognition, the Company recognizes an allowance equal to the lifetime expected credit loss; for accounts receivables that do not contain significant financial components or contract assets, the Company recognizes an allowance equal to the lifetime expected credit loss.

(VIII) Derecognition of Financial Assets

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

(IX) Inventory

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(X) Investment Accounted for Using the Equity Method - Subsidiary

1. 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.
2. Unrealized gains or losses arising from transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiary's profit or loss after the date of acquisition is

recognized in the Company's profit or loss, and its share of changes in the subsidiary's other comprehensive income after the date of acquisition is recognized in the Company's other comprehensive income. When the Company's share of losses of its subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses in proportion to its shareholding percentage.

4. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the "Profit or loss" and "Other comprehensive income" presented on the standalone financial statements shall equal the "Share of profit or loss attributable to shareholders of the parent company" and the "Share of other comprehensive income attributable to shareholders of the parent company" presented on the consolidated financial statements. The "Equity" presented on the standalone financial statements shall equal the "Equity attributable to shareholders of the parent company" presented on the consolidated financial statements.

(XI) Property, Plant, and Equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repair and maintenance is recognized in profit or loss when accrued.
3. Property, plant, and equipment are subsequently measured at cost. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Property, plant, and equipment is depreciated individually if they contain any significant components.
4. The assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 - 50 years
Machinery	3 - 12 years
Utilities equipment	5 - 15 years
Transportation equipment	5 years
Office equipment	5 years
Other equipment	2 - 12 years

(XII) Lease Transactions of a Lessee - Right-of-use Assets/Lease Liabilities

1. The Company recognizes right-of-use assets and lease liabilities for all leases at the date when they are available for the Company's use. Low-value asset and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Company measures its lease liability at commencement date by discounting future lease payments using its incremental borrowing interest rate. Lease payments include:
Fixed payments, less any lease incentives receivable, are measured in subsequent periods using the effective interest rate method and amortized over the lease term. When a change in lease payments occurs not due to contract modification, lease liability will be remeasured, with such remeasurements adjusted to right-of-use assets.

3. Right-of-use assets are recognized at costs at the inception of the lease. Cost includes:
 - (1) the initial lease liability measured;
 - (2) lease payments made before or at the inception of the lease;
 - (3) any original direct costs incurred. Right-of-use assets are subsequently measured at costs. Depreciation of right-of-use assets is recognized at the earlier of the end of the useful life and the end of the lease term. When a lease liability is remeasured, the Group adjusts the right-of-use asset for any remeasurements.

(XIII) Intangible Assets

1. Computer software

Computer software is measured at the acquisition cost and amortized using the straight line method over its estimated useful life, which is 3-5 years.

2. Goodwill

Goodwill results from mergers or acquisition.

3. Patent

Patent is amortized over 2-13 years using the straight line method.

(XIV) Impairment of Non-financial Assets

1. The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell or its value in use, whichever is higher. When there is an indication that the impairment loss recognized in prior years for an asset other than goodwill decreases or no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.
2. The Group regularly measures the recoverable amount of goodwill, intangible assets with uncertain useful life, and intangible assets not available for use. Impairment is recognized when the recoverable amount is lower than the carrying amount. Impairment of goodwill is not reversed in subsequent periods.

(XV) Borrowings

Borrowings mean short- and long-term loans borrowed from banks. Borrowings are initially recognized at the fair value less any transaction costs, and subsequently at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the borrowing period using the effective interest rate method.

(XVI) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable are the debt incurred by credit purchase of raw materials, goods, or services and the notes receivables incurred by operating and non-operating activities.
2. The Company measures short-term accounts receivable and notes receivable that do not bear an interest at the invoice value because they have insignificant discount effect.

(XVII) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

(XVIII) Employee Benefits

1. 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 recognized as expenses in that period when the employees render service.
2. Pension
 - (1) For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.
 - (2) Defined benefits plan
 - A. 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 Group in current period or prior period. The liability recognized 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 obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plans. If there is no deep market in such bonds in a country, the discount rate shall be the market yields on government bonds.
 - B. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
 - C. Past service costs are recognized immediately in profit or loss.
3. Employee compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for as a change in accounting estimate. When employee compensation is appropriated in shares, the basis for calculating the number of shares shall be the closing price at the date before the date the Board of Directors resolves on the appropriation.

(XIX) Income Tax

1. The tax expense comprises current tax and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated by applying the taxable income to the tax rate specified in the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. Where appropriate, management also estimate income tax liabilities 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 shareholders resolve to retain

the earnings.

3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone balance sheet. The Company does not recognize a temporary difference if (1) the Company can control the point of time at which it is reversed; and (2) such a temporary difference is not expected to be reversed 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 realized or the deferred tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are 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 realize the asset and settle the liability simultaneously.
6. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(XX) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

(XXI) Dividend Appropriation

Dividends appropriated to shareholders of the Company are recognized on the date the shareholders' meeting resolves on such appropriation. Appropriation in cash is recognized as liability.

(XXII) Revenue Recognition

Sale of goods

1. The Company manufactures and sells electronic parts, magnet cores, chip coils, and other wire-wounds. Sales revenue is recognized when the control of products is transferred to clients, i.e. when products are delivered to clients to be handled at their discretion and the Group has no further obligation not performed that may impact clients accepting 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 clients, and either the clients have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
2. An account receivable is recognized 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 payment is due.

(XXIII) Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the

periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant, and equipment are recognized as noncurrent liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

V. Significant Account Judgments and Assumptions, and Primary Sources of Estimation Uncertainty

When preparing these standalone financial statements, management has exercised their professional judgment to determine the accounting policies to be applied, and made accounting estimates and assumptions based on reasonable expectation as to how future events will hold for the circumstances that exist on the balance sheet date. The significant accounting estimates and assumptions being made may deviate from the actual outcomes and will be consistently measured and adjusted in accordance with historical experience and for other factors. Such estimates and assumptions may lead to the risk of significant adjustment being made to the carrying amount of the assets and liabilities on the balance sheet. Significant accounting judgments and the uncertainty in accounting estimates and assumptions are stated below:

(I) Significant Judgements in Applying Accounting Policies

None.

(II) Significant Accounting Estimates and Assumptions

Since inventory is measured at the lower of costs and the net realizable value, the Company needs to exercise judgment and estimates to determine the net realizable value of inventory at the balance sheet date. Since the value of inventory is subject to market price fluctuation and its life cycle, the Group evaluates the market selling price and value lost due to obsolescence of inventory at the balance sheet date, and writes down inventory costs to net realization value. Being based on the demands for products in a future period, the valuation estimate may significantly changes.

As of December 31, 2021, the carrying amount of the Company's inventory was \$309,820.

VI. Description of Significant Accounts

(I) Cash

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 361	\$ 394
Checking deposits and demand deposits	895,644	360,918
Total	<u>\$ 896,005</u>	<u>\$ 361,312</u>

1. Since the Company corresponds with multiple financial institutions with good credit quality to diversify credit risks, the risk of default is expected to be low.
2. The Company did not pledge any cash and cash equivalents as collaterals.

(II) Notes and Accounts Receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 38,877	\$ 14,384
Accounts receivable	\$ 1,121,599	\$ 873,249
Less: Loss allowance	(795)	(795)
Allowance for sales returns and discounts	(1,802)	(1,766)
	<u>\$ 1,119,002</u>	<u>\$ 870,688</u>
Accounts receivable due from related parties	\$ 787,353	\$ 431,260

Less: Loss allowance	(88)	(88)
	<u>\$ 787,265</u>	<u>\$ 431,172</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not yet due	\$ 1,890,840	\$ 38,877	\$ 1,300,719	\$ 14,384
Within 30 days	18,094	-	3,462	-
31-90 days	-	-	328	-
91-180 days	18	-	-	-
	<u>\$ 1,908,952</u>	<u>\$ 38,877</u>	<u>\$ 1,304,509</u>	<u>\$ 14,384</u>

The above aging analysis is based on the number of days past due.

- The accounts receivable and notes receivable as of December 31, 2021 and 2020 all came from contracts with clients. In addition, the receivables arising from contracts with clients as of January 1, 2020 was \$1,022,504.
- Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Company's notes receivable as of December 31, 2021 and 2020 were \$38,877 and \$14,384, respectively, and the amounts most representative of the credit risk exposed to the Company's accounts receivable as of December 31, 2021 and 2020 were \$1,906,267 and \$1,301,860, respectively.
- Credit risks associated with accounts receivable and notes receivable are stated in Note 12(2).

(III) Inventory

	December 31, 2021		
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 30,962	(\$ 2,371)	\$ 28,591
Supplies	3,896	(196)	3,700
Work in progress	66,227	(3,465)	62,762
Finished products	21,000	(514)	20,486
Goods	198,135	(3,854)	194,281
Total	<u>\$ 320,220</u>	<u>(\$ 10,400)</u>	<u>\$ 309,820</u>

	December 31, 2020		
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 16,940	(\$ 4,657)	\$ 12,283
Supplies	2,687	(152)	2,535
Work in progress	48,242	(3,423)	44,819
Finished products	13,181	(1,869)	11,312
Goods	164,089	(4,115)	159,974
Total	<u>\$ 245,139</u>	<u>(\$ 14,216)</u>	<u>\$ 230,923</u>

1. The inventory costs recognized as expenses by the Company in this period:

	2021	2020
Costs of inventory sold	\$ 3,457,735	\$ 2,552,020
Inventory valuation decline (reversal gain)	(3,816)	(4,970)
Others	299	4,628
	<u>\$ 3,454,218</u>	<u>\$ 2,551,678</u>

The net realizable value increased due to a constant digestion of inventory in 2021 and 2020.

- The Company did not pledge any inventory as collaterals.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Noncurrent:		
Equity instruments		
Shares listed on the stock exchange or the OTC market	\$ 33,195	\$ 7,156
Adjustments for change in value	88,792	47,702
Total	<u>\$ 121,987</u>	<u>\$ 54,858</u>

- The Company elected to classify its strategic share investment as financial assets at fair value through other comprehensive income. The fair value of such investment as of December 31, 2021 and 2020 was \$121,987 and \$54,858, respectively.
- Financial assets at fair value through other comprehensive income recognized in profit and loss/comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	\$ 41,090	\$ 29,776
Dividend income recognized in profit or loss held at end of year	<u>\$ 1,722</u>	<u>\$ 566</u>

- Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Company's financial assets at fair value through other comprehensive income as of December 31, 2021 and 2020 were \$121,987 and \$54,858, respectively.
- The Company did not pledge any financial assets at fair value through other comprehensive income as collaterals.

(V) Investment Accounted for Using the Equity Method

Investor	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Best Bliss Investment Limited	\$ 3,146,613	\$ 2,726,327
North Star International Limited	78,552	80,606
	<u>\$ 3,225,165</u>	<u>\$ 2,806,933</u>

- For information on the Company's subsidiaries, refer to Note 4(3) to the consolidated financial statements of the Company for 2021.
- In 2021 and 2020, the Company's share of profit or loss in associates accounted for using the equity method was an equity of \$476,038 and \$416,555, respectively.

(VI) Property, Plant, and Equipment

2021

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 118,790	\$ 1,439,554	\$ 18,735	\$ 5,902	\$ 20,277	\$ 74,920	\$ 34,954	\$ 1,809,627
Accumulated depreciation and impairment	- (86,992)	(625,055)	(14,549)	(3,938)	(14,621)	(48,481)	-	(793,636)	
	<u>\$ 96,495</u>	<u>\$ 31,798</u>	<u>\$ 814,499</u>	<u>\$ 4,186</u>	<u>\$ 1,964</u>	<u>\$ 5,656</u>	<u>\$ 26,439</u>	<u>\$ 34,954</u>	<u>\$ 1,015,991</u>
January 1	\$ 96,495	\$ 31,798	\$ 814,499	\$ 4,186	\$ 1,964	\$ 5,656	\$ 26,439	\$ 34,954	\$ 1,015,991
Addition	681,065	56,229	5,801	-	-	1,050	41,037	954,430	1,739,612
Disposal	-	-	(94,643)	-	-	-	-	-	(94,643)
Reclassification	-	-	946,932	4,930	2,380	6,278	8,125	(968,645)	-
Depreciation	- (4,664)	(143,145)	(903)	(1,045)	(2,124)	(11,675)	-	(163,556)	
December 31	<u>\$ 777,560</u>	<u>\$ 83,363</u>	<u>\$ 1,529,444</u>	<u>\$ 8,213</u>	<u>\$ 3,299</u>	<u>\$ 10,860</u>	<u>\$ 63,926</u>	<u>\$ 20,739</u>	<u>\$ 2,497,404</u>
December 31									
Costs	\$ 777,560	\$ 175,019	\$ 2,286,310	\$ 23,665	\$ 8,282	\$ 27,045	\$ 123,207	\$ 20,739	\$ 3,441,827
Accumulated depreciation and impairment	- (91,656)	(756,866)	(15,452)	(4,983)	(16,185)	(59,281)	-	(944,423)	
	<u>\$ 777,560</u>	<u>\$ 83,363</u>	<u>\$ 1,529,444</u>	<u>\$ 8,213</u>	<u>\$ 3,299</u>	<u>\$ 10,860</u>	<u>\$ 63,926</u>	<u>\$ 20,739</u>	<u>\$ 2,497,404</u>

2020

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 118,387	\$ 1,360,962	\$ 18,901	\$ 5,902	\$ 17,261	\$ 55,673	\$ 11,006	\$ 1,684,587
Accumulated depreciation and impairment	- (83,025)	(553,009)	(14,072)	(2,958)	(14,152)	(44,001)	- (711,217)		
	<u>\$ 96,495</u>	<u>\$ 35,362</u>	<u>\$ 807,953</u>	<u>\$ 4,829</u>	<u>\$ 2,944</u>	<u>\$ 3,109</u>	<u>\$ 11,672</u>	<u>\$ 11,006</u>	<u>\$ 973,370</u>
January 1	\$ 96,495	\$ 35,362	\$ 807,953	\$ 4,829	\$ 2,944	\$ 3,109	\$ 11,672	\$ 11,006	\$ 973,370
Addition	-	403	11,716	-	-	3,081	20,203	155,077	190,480
Disposal	-	-	(34,228)	-	-	-	(203)	-	(34,431)
Reclassification (Note)	-	-	127,615	-	-	896	720	(131,129)	(1,898)
Depreciation	- (3,967)	(96,698)	(643)	(980)	(1,430)	(5,953)	-	(109,671)	
Impairment	-	-	(1,859)	-	-	-	-	-	(1,859)
December 31	<u>\$ 96,495</u>	<u>\$ 31,798</u>	<u>\$ 814,499</u>	<u>\$ 4,186</u>	<u>\$ 1,964</u>	<u>\$ 5,656</u>	<u>\$ 26,439</u>	<u>\$ 34,954</u>	<u>\$ 1,015,991</u>
December 31									
Costs	\$ 96,495	\$ 118,790	\$ 1,439,554	\$ 18,735	\$ 5,902	\$ 20,277	\$ 74,920	\$ 34,954	\$ 1,809,627
Accumulated depreciation and impairment	- (86,992)	(625,055)	(14,549)	(3,938)	(14,621)	(48,481)	- (793,636)		
	<u>\$ 96,495</u>	<u>\$ 31,798</u>	<u>\$ 814,499</u>	<u>\$ 4,186</u>	<u>\$ 1,964</u>	<u>\$ 5,656</u>	<u>\$ 26,439</u>	<u>\$ 34,954</u>	<u>\$ 1,015,991</u>

Note: Reclassified to intangible assets.

1. The capitalized interest for January 1 through December 31, 2021 and 2020 was both \$0.
2. the Company's significant components of buildings and structures, including buildings and engineering systems, are depreciated over 20 to 50 years and 5 to 20 years, respectively.
3. For information on pledged property, plant, and equipment, refer to Note 8.

(VII) Lease Transactions - Lessee

1. The underlying assets of the Company's lease include parking space, buildings, company cars, and multi-function peripherals. The lease duration usually lasts 1 to 5 years. Lease contracts are agreed upon individually and contain different terms and conditions. Leased assets are not restricted in any way, except that they shall not be used as collaterals for borrowings.
2. The lease term of the buildings and warehouses leased by the Company is less than 12 months. The low-value underlying asset of the Company's lease is the electronic host for business use.
3. The information on the carrying amount of the right-of-use asset and the recognized depreciation expense is as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land of parking lot	\$ -	\$ 508
Buildings	8,153	3,596
Transportation equipment	4,274	1,997
Machinery and equipment	1,054	1,289
	<u>\$ 13,481</u>	<u>\$ 7,390</u>

	2021	2020
	Depreciation	Depreciation
Land of parking lot	\$ 508	\$ 43
Buildings	4,148	1,488
Transportation equipment	1,159	1,089
Machinery and equipment	385	403
	<u>\$ 6,200</u>	<u>\$ 3,023</u>

4. Profit or loss items in relation to lease contracts are as follows:

	2021	2020
<u>Items that affect profit or loss</u>		
Expenses attributable to short-term lease contracts	\$ 11,892	\$ 10,047
Expenses attributable to low-value assets	66	61

5. The Company's right-of-use asset increased by \$13,380 and \$1,293 for 2021 and 2020, respectively.
6. The Company's cash used in lease contracts increased by \$18,076 and \$13,088 for 2021 and 2020, respectively.

(VIII) Other Noncurrent Assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 2,243	\$ 1,260
Prepayments for construction and equipment	5,846	5,900
Uncollectible overdue receivables	1,252	1,252
Allowance for uncollectible overdue receivables	(1,252)	(1,252)

\$ 8,089 \$ 7,160

(IX) Short-term Borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collaterals
Bank loan			
Secured loan	\$ 50,000	0.85%	Land and plant
Credit loan	268,914	0.79%~0.85%	-
	<u>\$ 318,914</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collaterals
Bank loan			
Secured loan	\$ 50,000	0.94%	Land and plant
Credit loan	490,895	0.64%~0.94%	-
	<u>\$ 540,895</u>		

In 2021 and 2020, the Company recognized in P/L the amount of \$2,795 and \$4,357 respectively, for the interest expenses incurred by short-term borrowings.

(X) Short-term Bills Payable

	December 31, 2021	December 31, 2020
Commercial paper	\$ 20,000	\$ 130,000
Borrowing duration	Dec. 2021 - Jan. 2022	Dec. 2020 - Feb. 2021
Interest rate range	0.38%	0.9%~0.99%

In 2021 and 2020, the Group recognized in P/L the amount of \$206 and \$648, respectively, for the interest expenses incurred by short-term bills payable.

(XI) Other Payables

	December 31, 2021	December 31, 2020
Salary and bonus payables	\$ 125,345	\$ 85,176
Employee compensation and directors' and supervisors' remuneration payable	107,279	65,054
Construction and equipment payable	60,070	54,796
Others	135,448	80,413
	<u>\$ 428,142</u>	<u>\$ 285,439</u>

(XII) Long-term Borrowings

Type of borrowings	Loan period and means of repayment	Interest rate range	Collaterals	December 31, 2021
Secured loan	Principal and interest are paid from August 2021 through August 2036.	1%	Land, buildings, and structures	\$ 553,422
Credit loan	Principal is repaid upon maturity; interest is paid over Dec. 2021 through Oct. 2023.	0.8%	-	50,000
				<u>603,422</u>
Less: current portion of long-term loans				(37,733)
				<u>\$ 565,689</u>

Type of borrowings	Loan period and means of repayment	Interest rate range	Collaterals	December 31, 2020
Credit loan	Principal and interest are paid quarterly from May 2020 to May 2023 (Note).	0.98%	-	\$ 50,000
Credit loan	The loan period is from Apr. 2020 to Apr. 2022; principal and interest are repaid upon maturity (Note).	0.91%	-	100,000
Secured loan	Principal and interest are repaid monthly from Feb. 2020 to Feb 2025 (Note).	0.95%	Land, buildings, and structures	25,000
Secured loan	Principal and interest are repaid monthly from Jun. 2020 to Jun. 2025 (Note).	0.95%	Land, buildings, and structures	27,000
Secured loan	Principal and interest are repaid semi-annually from April 2020 to Dec. 2023 (Note).	0.91%	Machinery	135,000
				<u>337,000</u>
	Less: current portion of long-term loans			(67,000)
	Note: Early repaid in full in April 2021.			<u>\$ 270,000</u>

In 2021 and 2020, the Group recognized in P/L the amount of \$2,921 and \$3,418, respectively, for the interest expenses incurred by long-term borrowings.

(XIII) Pensions

1. (1) By adhering to the requirements set forth in the Labor Standards Act, the Company has established its own defined retirement benefits plan, which is applicable both to the service years of all regular employees rendered before the enforcement of the Labor Pension Act on July 1, 2005, and to the service years of all employees who elected to continue applying the Labor Standards Act after the implementation of the Labor Pension Act. Pensions for employees qualified for retirement are calculated based on their servicing years and their average salaries of the 6 months prior to their retirement. Two bases are given for each full year of service rendered within 15 years. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the Independent Retirement Fund Committee. In addition, the Company estimates the balance of the said designated pension account before the end of year. If the balance is not sufficient to cover the amount to be paid to all employees - calculated in the manner specified above - who will qualify the retirement conditions next year, a lump-sum deposit should be made before March-end of the following year to cover the difference.
- (2) The Company has established the Regulations for Resignation and Retirement of Managers, which is applicable to the managers appointed by the Company. Pensions for appointed managers are calculated as follows:
 - A. Pensions for the service year applying the Labor Standards Act are calculated using the equation stated in the previous section.
 - B. The Company contributes an amount of pension equal to 6% of an employee's monthly salary for those electing to apply the Labor Pension Act and those taking their post on or after July 1, 2005.
 - C. For appointed managers who have rendered 25 or more years of services as of December 31, 2018, two bases are given to each full year of services rendered

within 15 years, one base is given to each full year of service over 15 years (rounded up to one year for any year of service less than one year), and their annual salary at their 25th year of service is taken as their average salary. The Company makes a pension contribution equal to 6% of their monthly salary starting from their 25th year of service.

(3) Amounts recognized in balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 55,331	\$ 54,299
Fair value of plan assets	(40,569)	(39,647)
Net defined benefit liabilities	<u>\$ 14,762</u>	<u>\$ 14,652</u>

(4) Changes in net defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	\$ 54,300	(\$ 39,648)	\$ 14,652
Current service costs	220	-	220
Interest expenses (income)	217	(158)	59
	<u>54,737</u>	<u>(39,806)</u>	<u>14,931</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)		(763)	(763)
Change in demographic assumptions	686	-	686
Change in financial assumptions	(1,555)	-	(1,555)
Experience adjustments	1,463	-	1,463
	<u>594</u>	<u>(763)</u>	<u>(169)</u>
Pension contribution by employer	-	-	-
Pension paid	-	-	-
Balance at December 31	<u>\$ 55,331</u>	<u>(\$ 40,569)</u>	<u>\$ 14,762</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2020			
Balance at January 1	\$ 47,430	(\$ 39,428)	\$ 8,002
Current service costs	182	-	182
Interest expenses (income)	379	(316)	63
	<u>47,991</u>	<u>(39,744)</u>	<u>8,247</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,405)	(1,405)
Change in financial assumptions	3,119	-	3,119
Experience adjustments	4,691	-	4,691
	<u>7,810</u>	<u>(1,405)</u>	<u>6,405</u>
Pension contribution by employer	-	-	-
Pension paid	(1,501)	1,501	-
Balance at December 31	<u>\$ 54,300</u>	<u>(\$ 39,648)</u>	<u>\$ 14,652</u>

(5) Assets of the Company's defined retirement benefits plan are under mandated management by the Bank of Taiwan to the percentage and monetary extent specified in the bank's Annual Utilization Plan for Retirement Fund, which covers the mandated management of items specified in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, namely deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products. The utilization status is supervised by the Labor Retirement Fund Supervisory Commission. The utilization of the retirement fund shall have a yield no less than the interest for two-year time deposits provide by local banks. In case there is any shortfall, it shall be made up by the treasury of the government after an approval is obtained from the competent authority. Having no right to the operation and management of the retirement fund, the Group is unable to disclose the classification of plan assets as required by section 142 of the International Accounting Standards 19. For fair value of the total assets of the retirement fund as of December 31, 2021 and 2020, refer to the Annual Utilization Plan for Retirement Fund published each year by the government.

(6) The valuations of pensions using the actuarial assumptions are as follows:

	2021	2020
Discount rate	<u>0.75%</u>	<u>0.40%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

Assumptions on future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Changes in the present value of defined benefits obligations would be as follows if the principal actuarial assumption changes:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
Effects on the present value of defined benefit obligations	(\$ 1,411)	<u>\$ 1,474</u>	\$ 1,323	(\$ 1,276)
December 31, 2020				
Effects on the present value of defined benefit obligations	(\$ 1,975)	<u>\$ 2,067</u>	\$ 1,880	(\$ 1,811)

The above sensitivity analysis is based on changes in a single variable, with the other variables held constant. However, in practice, variables are correlated. The manner adopted for conducting sensitivity analysis is the same as that for calculating the net pension liability stated on the balance sheet.

- (7) The Group expects to contribute \$0 to the pension plan in 2022.
- (8) As of December 31, 2021, the weighted average lifetime of the pension plan is 12 years. Maturity analysis of pension payment obligation is as follows:

Less than 1 year	\$ 373
1-2 years	940
2-5 years	4,862
5-10 years	53,345
	<u>\$ 59,520</u>

2. (1) On July 1, 2005, the Company established its own pension regulations applicable to Taiwanese nationals in accordance with the Labor Pension Act. For employees of the Company who elected to apply the Labor Pension Act, the Company makes a contribution equal to 6 percent of the monthly salary to their individual retirement account with the Bureau of Labor Insurance. Employee pensions may be paid in monthly installments or in lump-sum payment based the accumulated amount in the employee's individual retirement account.
- (2) As of 2021 and 2020, the pension costs recognized in the manner specified above were \$13,106 and \$10,956, respectively.

(XIV) Share-based Payments

1. The Company's share-based payment arrangements in 2021 are as follows (such arrangements were yet to be established in 2020):

Type of arrangement	Date granted	Quantity granted	Contract duration	Vesting conditions
The portion of common shares issuance reserved for employee subscription	March 29, 2021	1,467 thousand shares	NA	Immediate vesting

The said share-based payment arrangements are settled with equity.

2. The Company adopted the Black-Scholes option pricing model to evaluate the fair value of its employee stock options granted under share-based payment arrangements, stated as follows:

Type of	Date	Share	Exercise	Expected	Expected	<u>Expected</u>	Risk-	Fair value
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arrangement	granted	price	price	fluctuation rate	duration	dividends	free interest rate	per unit
The portion of common shares issuance reserved for employee subscription	March 29, 2021	NT\$149	118.78	47.21%	0.07 years		0.34%	NT\$ 30.4361

3. Expenses incurred by share-based payment transactions were as follows:

	2021
Equity settlement	\$ 44,650

(XV) Share Capital

1. As of December 31, 2021, the Company had an authorized capital equal to \$3,000,000 (with \$20,000 retained for issuance of employee stock option certificates), a paid-in capital equal to \$1,031,340, and a share face value equal to NT\$10. All proceeds for share subscription were collected in full.

Reconciliation for the Company's outstanding common shares at the beginning and ending of periods is as follows:

	2021	2020
January 1	91,000	91,000
Issuance of common shares for cash	12,134	-
December 31	103,134	91,000

2. On March 2, 2021, the Board of Directors resolved to issue new shares before being initially listed on Taipei Exchange. A total of 12,134 thousand shares with the face value of NT\$10 were issued. The public offering price was NT\$118.78 per share. The record date for such capital increase was set on April 23, 2021, which was already modified and registered with the competent authority.

(XVI) Capital Surplus

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. According to the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

	2021		
	Additional paid-in capital	Changes in ownership interests in subsidiaries	Net assets from merger
January 1	\$ 109,124	\$ 12,353	\$ 2,046
Issuance of common shares for cash	1,763,164	-	-
December 31	\$ 1,872,288	\$ 12,353	\$ 2,046

	2020		
	Additional paid-in	Changes in ownership	Net assets from merger

	capital	interests in subsidiaries	
January 1	\$ 200,124	\$ 12,353	\$ 2,046
Capital surplus appropriated in cash	(91,000)	-	-
December 31	\$ 109,124	\$ 12,353	\$ 2,046

(XVII) Retained Earnings

1. According to the Company's Articles of Incorporation, if the Company has any earnings in the final account, they should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) 10% as legal reserve until it reaches the Company's paid-in capital; (2) set aside or reverse a certain amount as or of special reserve according to operating needs or laws or regulations; (3) the remainder plus unappropriated earnings from prior years may be used to appropriate dividends or bonuses to shareholders after an earnings appropriation proposal is drafted by the Board of Directors and resolved in favor by the shareholders meeting. As required by Article 240 of the Company Act, if approved by a majority vote at a Board of Directors' meeting attended by two thirds of directors, the Board of Directors may appropriate dividends or bonuses in cash with its existing legal reserve or capital surplus, and shall report to the shareholder's meeting. In such case, the requirements regarding resolution made by shareholders' meeting set out in the Company's Articles of Incorporation do not apply.
2. The Company's dividend appropriation policy takes into account the factors such as the industry environment it is in, its growing phases, future capital demands, financial structure, capital budget, shareholders' interest, balanced dividends, and long-term financial planning. An earnings appropriation proposal is drafted by the Board of Directors (and reported to the shareholders' meeting) to the extent appropriable on the conditions that the Company's business is in the expanding phase, profitability expects to grow, and appropriation of stock dividends won't significantly dilute the Company's profitability. No less than 30% of annual earnings are appropriated to shareholders. Shareholder's bonuses may be appropriated in cash or in shares, provided, however, that the appropriation in cash shall not be less than 10% of the total appropriated amount.
3. Except being used to make up previous deficits or appropriate shares or cash to shareholders in proportion to their shareholding percentage, the legal reserve shall not be used. However, the amount of legal reserves used to appropriate new shares or cash shall be limited to the portion exceeding 25% of the paid-in capital.
4. (1) According to law, the Company may appropriate earnings only after it has provided special reserve under the debit balance of other equity on the balance sheet date. If subsequently the debit balance of other equity is reversed, the reversed amount may be used as appropriable earnings.
 (2) As for the special reserves provided upon initial application of IFRSs to satisfy the requirements specified in the official letter Jin Guan Zheng Fa Zi No. 1010012865 dated April 6, 2012, the Company may reversed them to the extent of their original provision ratio if subsequently the Company intends to use, dispose of, or reclassify related assets. If the said related assets are investment property relating to land, such assets are reversed upon disposal or reclassification; if the said related assets are investment property other than land, such assets are reversed gradually over the use period.
5. As resolved on in the shareholder's meeting dated June 24, 2020, the Company determined to appropriate dividends in the amount of \$154,700 (NT\$1.7 per share) with the earnings made in 2019.

6. At the Board of Directors' meeting dated March 2, 2021, the Board of Directors originally intended to appropriate common-share dividends in the amount of \$373,100(NT\$4.1 per share) with the earning made in 2020. However, the capital amount increased due to issuance of new shares. As such, at the Board of Directors' meeting dated April 29, 2021, the Board of Directors resolved to appropriate common-share dividends in the amount of \$422,849 (NT\$4.1 per share) with the earnings made in 2020.
7. As resolved on in the shareholder's meeting dated February 25, 2022 the Board of Directors determined to appropriate dividends in common shares in the amount of \$721,938 (NT\$7 per share) with the earnings made in 2021.

(XVIII) Other Equity

	2021		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 165,891	(\$ 180,156)	(\$ 14,265)
Valuation of financial assets at fair value through other comprehensive income:			
-Group	16,459	-	16,459
Exchange differences:			
-Associates	-	(18,641)	(18,641)
December 31	\$ 182,350	(\$ 198,797)	(\$ 16,447)
	2020		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 124,288	(\$ 214,279)	(\$ 89,991)
Valuation of financial assets at fair value through other comprehensive income:			
-Group	41,603	-	41,603
Exchange differences:			
-Associates	-	34,123	34,123
December 31	\$ 165,891	(\$ 180,156)	(\$ 14,265)

(XIX) Operating Revenue

	2021	2020
Revenue from contracts with clients	\$ 4,810,030	\$ 3,314,401

The Company's revenue derived from transfer of goods at a particular point of time are classified into the following categories:

	2021	2020
Wire-Wound Products	\$ 3,147,714	\$ 2,348,801
Multilayer Products	547,805	410,130
LAN transformer	821,618	283,462
Others	292,893	272,008
Total	\$ 4,810,030	\$ 3,314,401

(XX) Other Income

	2021	2020
Rental income	\$ 3,453	\$ 125
Dividends income	1,722	566

Subsidies income	1,158	-
Miscellaneous income	1,567	1,065
Total	<u>\$ 7,900</u>	<u>\$ 1,756</u>

(XXI) Other Gains and Losses

	2021	2020
Exchange gains (losses), net	\$ 9,042	(\$ 22,717)
Gain on disposal of property, plant, and equipment	7,747	7,251
Impairment	-	(1,859)
Miscellaneous expenses	-	(2,177)
Total	<u>\$ 16,789</u>	<u>(\$ 19,502)</u>

(XXII) Additional Information on the Nature of Expenses

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 351,054	\$ 330,735	\$ 681,789
Depreciation of property, plant, and equipment	148,226	15,330	163,556
Depreciation of right-of-use assets	2,765	3,435	6,200
Amortization	2,262	2,107	4,369

	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 218,324	\$ 222,260	\$ 440,584
Depreciation of property, plant, and equipment	95,437	14,234	109,671
Depreciation of right-of-use assets	109	2,914	3,023
Amortization	493	1,350	1,843

(XXIII) Employee Benefits Expense

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Salary and wages	\$ 309,118	\$ 300,832	\$ 609,950
Health insurance and labor insurance expense	22,333	14,049	36,382
Pension expense	6,550	6,835	13,385
Other personnel expense	13,053	9,019	22,072
	<u>\$ 351,054</u>	<u>\$ 330,735</u>	<u>\$ 681,789</u>

	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Salary and wages	\$ 187,513	\$ 195,998	\$ 383,511
Health insurance and labor insurance expense	16,232	11,995	28,227
Pension expense	4,679	6,522	11,201
Other personnel expense	9,900	7,745	17,645

\$	218,324	\$	222,260	\$	440,584
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- Where there are earnings in the final account, (1) no less than 6% shall be allocated as employee compensation, either in cash or in shares, as resolved by the Board of Directors - employees qualified for such compensation include employees from affiliated companies who meet certain criteria; and 1-2% shall be allocated as remuneration for directors and supervisors.
- In 2021 and 2020, the Company recognized \$85,823 and \$52,043, respectively, for employee compensation, and \$21,456 and \$13,011, respectively, for directors' and supervisors' remuneration, all were presented under salary and wages.

The employee compensation and directors' and supervisors' remuneration for 2021 were estimated at 6% and 1.5%, respectively, of the earnings at the end of the period. The Board of Directors determined to appropriate \$85,823 and \$21,456 as dividends; employee compensation was appropriated in cash.

The amount of the accrued employee compensation and directors' and supervisors' remuneration for 2020 as had been resolved by the Board of Directors was the same as the amount recognized in the financial statements for 2020.

The amounts of employee compensation and directors' and supervisors' remuneration approved by the Board of Directors and resolved by the shareholders' meeting can be found on the Market Observation Post System of TWSE.

(XXIV) Income Tax

- Income tax expenses

- (1) Income tax components:

	2021	2020
Current tax:		
Tax attributable to taxable income of the period	\$ 130,823	\$ 71,800
Additional levy on unappropriated earnings	-	5,396
Over-estimate of income tax of the previous period	(5,777)	(10,506)
Total current tax	<u>125,046</u>	<u>66,690</u>
Deferred tax:		
Deferred income tax on temporary differences originated and reversed	997	974
Income tax expenses	<u>\$ 126,043</u>	<u>\$ 67,664</u>

- (2) Income tax associates with other comprehensive income: None.

- (3) Income tax directly debited or credited in equity: None.

2. Relation between income tax expense and accounting profit

	2021	2020
Income tax derived from applying the statutory tax rate to income before tax	\$ 264,622	\$ 160,467
Effects of statutory adjustments:	(95,536)	(83,424)
Temporary differences not recognized as deferred tax assets	(1,699)	81
Tax effects of investment deductibles	(34,743)	(3,422)
Tax effects of temporary differences	(824)	(928)

Over-estimate of income tax of the previous period	(5,777)	(10,506)
Additional levy on unappropriated earnings		-			5,396	
Income tax expenses	\$	126,043		\$	67,664	

3. The amounts of deferred assets and liabilities arising from temporary differences were as follows:

	2021		
	January 1	Recognized in P/L	December 31
Deferred tax assets			
- Temporary differences:			
Unrealized gains from disposal	\$ 5,249	(\$ 997)	\$ 4,252
Deferred tax liabilities			
Reserve for land revaluation increment tax	(\$ 28,572)	\$ -	(\$ 28,572)
Total	(\$ 23,323)	(\$ 997)	(\$ 24,320)

	2020		
	January 1	Recognized in P/L	December 31
Deferred tax assets			
- Temporary differences:			
Unrealized gains from disposal	\$ 6,223	(\$ 974)	\$ 5,249
Deferred tax liabilities			
Reserve for land revaluation increment tax	(\$ 28,572)	\$ -	(\$ 28,572)
Total	(\$ 22,349)	(\$ 974)	(\$ 23,323)

4. Deductible temporary differences not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences:	\$ 23,837	\$ 32,331

5. The Company did not recognize deferred tax liabilities for the taxable temporary differences in relation to subsidiaries' investment. As of December 31, 2021 and 2020, the amounts of temporary differences for which deferred assets had not been recognized were \$429,284 and \$338,075, respectively.
6. The Company's profit-seeking income tax has been approved by the taxation authority through 2019.

(XXV) Earnings Per Share

	2021	
	Post-tax amount	Weighted average number of outstanding
EARNINGS PER SHARE		

		shares (In Thousands of Shares)	(NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 1,197,065	99,089	\$ 12.08
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 1,197,065	99,089	
Effects of the potentially dilutive common shares on employee compensation	-	721	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	\$ 1,197,065	99,810	\$ 11.99

	2020		
	Post-tax amount	Weighted average number of outstanding shares (In Thousands of Shares)	EARNINGS PER SHARE (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	\$ 8.07
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	
Effects of the potentially dilutive common shares on employee compensation	-	770	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	\$ 734,671	91,770	\$ 8.01

(XXVI) Additional Information on Cash Flows

Investing activities partially involving cash payments:

	2021	2020
Acquisition of property, plant, and equipment	\$ 1,739,612	\$ 190,480
Plus: Equipment payable at the beginning of the period	54,796	33,499
Plus: Notes payable at the beginning of the period	45,604	-
Plus: Equipment payable at the end of the period	(60,070)	(54,796)
Less: Notes payable at the end of the period	(175,408)	(45,604)

Cash paid in the period	\$ 1,604,534	\$ 123,579
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(XXVII) Changes in Liabilities Arising from Financing Activities

	Short-term borrowings	Short-term bills	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1, 2021	\$ 540,895	\$ 130,000	\$ 337,000	\$ 7,433	\$ 1,015,328
Changes from financing cash flows	(221,981)	(110,000)	266,422	(6,119)	(71,678)
Other non-cash changes	-	-	-	12,291	12,291
December 31, 2021	\$ 318,914	\$ 20,000	\$ 603,422	\$ 13,605	\$ 955,941

	Short-term borrowings	Short-term bills	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1, 2020	\$ 425,000	\$ 120,000	\$ 325,286	\$ 9,139	\$ 879,425
Changes from financing cash flows	115,895	10,000	11,714	(2,980)	134,629
Other non-cash changes	-	-	-	1,274	1,274
December 31, 2020	\$ 540,895	\$ 130,000	\$ 337,000	\$ 7,433	\$ 1,015,328

VII. Related Party Transactions

(I) Name and Relationship of Related Party

Name of related party	Relationship with the Company
Best Bliss Investments Limited	Being the Company's subsidiary
North Star International Limited	Being the Company's subsidiary
Fixed Rock Holding Ltd.	Being the Company's subsidiary
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Being the Company's subsidiary
TAI-TECH Advanced Electronics (Kunshan)	Being the Company's subsidiary
Superworld Electronics(S) Pte. Ltd.	Other related party
TAI-TECH ADVANCED ELECTRONICS(S) PTE LTD	Other related party
Superworld Electronics Co., Ltd.	Other related party
Jui-hsia Tai	Immediate family member of the major management
Chang-i Hsieh	Immediate family member of the major management
Chairman, Supervisor, President, and Vice President	Major management of the Company

(II) Significant Transactions with Related Party

1. Operating revenue

	2021	2020
Sale of goods:		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 826,801	\$ 471,784
TAI-TECH Advanced Electronics (Kunshan)	170,423	120,771

Other related party	496,590	320,354
Total	<u>\$ 1,493,814</u>	<u>\$ 912,909</u>

When selling goods to a related party, the price is the same as that for an arm's length transaction, except the price for sales to a subsidiary, in which case the price is negotiated by the Company and the subsidiary. The payment terms also approximate those for ordinarily clients.

2. Purchase

	<u>2021</u>	<u>2020</u>
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 1,551,141	\$ 1,212,092
North Star International Limited	-	213,655
TAI-TECH Advanced Electronics (Kunshan)	883,001	455,830
Other related party	4,633	3,213
Total	<u>\$ 2,438,775</u>	<u>\$ 1,884,790</u>

- (1) When purchasing goods from a related party, the price is the same as that for an arm's length transaction, except the price for purchase from a subsidiary, in which case the price is negotiated by the Company and the subsidiary. The payment terms also approximate those for ordinarily clients.
- (2) In 2021, the Company indirectly purchased the inventory of TAIPAQ Electronic Components (Si-Hong) Co., Ltd. and TAI-TECH Advanced Electronics (Kunshan), of which \$148,438 and \$355,702 were the goods that the Company had previously sold to them. Such amounts were not included in the Company's sales revenue or cost of sale.
- (3) In 2020, the Company indirectly purchased the inventory of TAIPAQ Electronic Components (Si-Hong) Co., Ltd., North Star International Limited, and TAI-TECH Advanced Electronics (Kunshan), of which \$122,196, \$20,781, and \$155,016 were the goods that the Company had previously sold to them. Such amounts were not included in the Company's sales revenue or cost of sale.

3. Other expenses

	<u>2021</u>	<u>2020</u>
Subsidiary	\$ 55	\$ 3
Other related party	274	(284)
	<u>\$ 329</u>	<u>(\$ 281)</u>

4. Lease transactions - lessee

- (1) The Company leased buildings from the immediate family members of the major management, with the lease term due between 2018 and 2023 and the rental paid on a monthly basis.

(2) Rental expense

	<u>2021</u>	<u>2020</u>
Other related party	\$ 4	\$ 3

(3) Lease liability

Balance at the end of the period:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Jui-hsia Tai	\$ 1,145	\$ 1,844

Chang-i Hsieh	1,087	1,752
	\$ <u>2,232</u>	\$ <u>3,596</u>

5. Accounts receivables due from related party

	December 31, 2021	December 31, 2020
Accounts receivable		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 391,593	\$ 223,479
Subsidiary	188,514	92,963
Other related party	207,158	114,730
Sub-total	<u>787,265</u>	<u>431,172</u>
Other receivables		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 93,940	\$ 32,661
Other related party	-	1,324
Sub-total	<u>93,940</u>	<u>33,985</u>
Total	<u>\$ 881,205</u>	<u>\$ 465,157</u>

6. Accounts payables due to related party

	December 31, 2021	December 31, 2020
Accounts payable:		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 712,150	\$ 410,255
TAI-TECH Advanced Electronics (Kunshan)	297,244	295,807
Other related party	1,224	1,302
Sub-total	<u>1,010,618</u>	<u>707,364</u>
Other payables		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ -	\$ 170
Subsidiary	-	1,546
Other related party	1	2
Sub-total	<u>1</u>	<u>1,718</u>
Total	<u>\$ 1,010,619</u>	<u>\$ 709,082</u>

7. Transactions of property

(1) Disposal of property, plant, and equipment:

	2021		2020	
	Disposal proceeds	Disposal gain (loss)	Disposal proceeds	Disposal gain (loss)
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	\$ 95,731	\$ 1,088	\$ 33,884	\$ 88

(2) Acquisition of property, plant, and equipment:

	2021	2020
Subsidiary	\$ <u>3,654</u>	\$ <u>3,596</u>

8. The major management acted as a joint guarantor for the Company's short-term borrowings and short-term bills as of December 31, 2021, and for the Company's long-term and short-term borrowings as of December 31, 2020.

9. Provision of Endorsements or Guarantees to Related Party

	December 31, 2021	December 31, 2020
Fixed Rock Holding Ltd.	\$ 110,720	\$ 199,360
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	138,400	284,800
TAI-TECH Advanced Electronics (Kunshan)	55,360	-
Total	<u>\$ 304,480</u>	<u>\$ 484,160</u>

(III) Remuneration to Major Management

	2021	2020
Short-term employee benefits	\$ 93,965	\$ 65,035
Post-retirement benefits	1,252	1,284
Share-based payments	6,361	-
Total	<u>\$ 101,578</u>	<u>\$ 66,319</u>

VIII. Pledged Assets

Assets pledged as collaterals were as follows:

Type of asset	December 31, 2021	December 31, 2020	As collaterals for borrowings
Property, plant and equipment			
Land	\$ 766,893	\$ 85,828	Short- and long-term borrowings
- Buildings and structures	67,305	22,738	Short- and long-term borrowings
- Machinery	-	276,834	Long-term borrowings

IX. Significant Commitments or Contingency

(I) Contingency

None.

(II) Commitments

Capital expenditures committed but not yet incurred

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 40,005	\$ 142,130
Computer software	\$ 781	\$ -

X Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII Others

(I) Capital Management

The purposes of the Company's capital management are to ensure that the Company continues as a going concern, to maintain an optimal capital structure to lower financing costs, and to provide returns of investment to shareholders. For the purpose of maintaining an optimal capital structure, the Company may adjust the amount of dividends paid to shareholders, or may issue new shares.

(II) Financial Instrument

1. Type of financial instrument

	December 31, 2021	December 31, 2020
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Financial Assets		
Investment in equity instruments of which the fair value is designated to be recognized in other comprehensive income	\$ 121,987	\$ 54,858
Financial assets at amortized cost		
Cash and cash equivalents	\$ 896,005	\$ 361,312
Notes receivable, net	38,877	14,384
Accounts receivable, net (including those due from related party)	1,906,267	1,301,860
Other receivables (including those due from related party)	108,799	45,680
Refundable deposits (recognized under other noncurrent assets)	2,243	1,260
	<u>\$ 2,952,191</u>	<u>\$ 1,724,496</u>
<u>Financial Liability</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 318,914	\$ 540,895
Short-term bills payable	20,000	130,000
Notes payable	193,029	56,755
Accounts payables (including those due to related party)	1,239,907	849,813
Other payables (including those due to related party)	428,142	285,439
Long-term borrowings (including the current portion)	603,422	337,000
Guarantee deposits (recognized under other noncurrent liabilities)	1,640	-
	<u>\$ 2,805,054</u>	<u>\$ 2,199,902</u>
Lease liability	<u>\$ 13,605</u>	<u>\$ 7,433</u>

2. Risk management policy

- (1) The Company's daily operations are affected by various financial risks, e.g. market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's risk management policy focuses on the unpredictable market events in order to minimize their potentially adverse impacts on the Company's financial position and financial performance.
- (2) The Company's key financial activities are reviewed by the Board of Directors against relevant regulations and its internal control systems. The Company strictly abides by

relevant financial operating procedures during the implementation of financial plans.

3. The nature and degree of significant financial risks

(1) Market risks

Foreign exchange risks

- A. The Company operates internationally and so is subject to the exchange rate risk of different currencies, particularly the USD and RMB. Relevant exchange rate risk arises from future business transactions and the recognized assets and liabilities.
- B. The Company's management has formulated relevant policy to require entities within the Company to manage the foreign exchange risks associated with their functional currency. Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional currency.
- C. Since the Company engages in business involving multiple functional currencies (e.g. the Company's functional currency is NTD while some subsidiaries' functional currencies are either USD or RMB), the Company is subject to fluctuation in foreign exchange rates. Foreign-currency-denominated assets and liabilities having significant impacts if foreign exchange rates changes were as follows:

	December 31, 2021		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,240	27.68	\$ 1,556,723
RMB:NTD	162,540	4.34	705,424
USD:RMB			-
<u>Non-monetary items</u>			
USD:NTD	116,516	27.68	\$ 3,225,165
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 39,098	27.68	\$ 1,082,233
	December 31, 2020		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:functional currency)			
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 48,532	28.48	\$ 1,382,191
RMB:NTD	9,964	4.36	43,443
<u>Non-monetary items</u>			
USD:NTD	98,558	28.48	2,806,933
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD:NTD	\$ 33,205	28.48	\$ 945,678

- D. For monetary items that would be significantly impacted by foreign exchange rate changes, the Company recognized an exchange gain or loss (realized and unrealized) in the amount equal to \$9,042 and \$22,717, respectively, for 2021 and 2020. Since the Company's transactions involve multiple currencies that have significant foreign exchange impacts, they are disclosed as a whole.
- E. Foreign exchange risks arising from significant exchange rate changes that the Company is exposed to were as follows:

		2021		
		Sensitivity Analysis		
		Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	15,567	\$ -
RMB:NTD	1%		7,054	-
<u>Non-monetary items</u>				
USD:NTD	1%		-	32,252
<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		10,822	-
		2020		
		Sensitivity Analysis		
		Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
(Foreign currency: functional currency)				
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	13,822	\$ -
RMB:NTD	1%		434	-
<u>Non-monetary items</u>				
USD:NTD	1%		-	28,069
<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		9,457	-

Price risk

- A. Since the Company's investment is classified as financial assets measured at fair value through other comprehensive income on the standalone balance sheet, the Company is exposed to the risk of price changes in equity instrument.
- B. The Company mainly invests in equity instruments issued by a domestic or foreign company. The price of such equity instruments can be affected by changes in future value of their investment targets. If the price of such equity instrument goes up or down by 1%, held other variables constant, the post-tax profit or loss for January 1 through December 31, 2021 and 2020 will increase or decrease by \$1,220 and \$549 due to the increase or decrease in the fair value of financial assets measured at fair value through other comprehensive income.

Cash flow risk and fair value risk

- A. The Company's interest rate risks mainly come from short- and long-term borrowings issued at floating interest rates. Such exposure also means the Company is exposed to cash flow interest rate risks, though a portion of risks have been offset by the Company's holding of cash bearing a floating interest rate. In January 1 through December 31, 2021 and 2020, the Company's borrowings bearing a floating interest rate were all denominated in NTD.
- B. When the borrowing interest rate of NTD increases or decreases by 1%, held other variables constant, the Company's net income after tax for January 1 through December 31, 2021 and 2020 will also decrease or increase by \$7,379 and \$7,023, respectively, mainly due to changes in interest expense caused by borrowings bearing a floating interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by clients, or by counter-parties of financial instruments on the contract obligations. Credit risk of the Company mainly comes from accounts receivable that is prone to default by counter-parties.
- B. The Company establishes a framework for managing credit risks from a company's perspective. As the internal credit approval policy stipulates, an operating entity within the Company shall manage and analyze the credit risk of a new client before proposing terms and conditions pertaining to payments and delivery of goods. Internal risk control is achieved by evaluating a client's credit quality against the client's financial position, credit records, and other factors. The limit on individual risk is set by the management by referring to internal or external ratings. The status of utilization of credit lines is regularly monitored.
- C. The Company applies the presumption of IFRS 9 and deems that the credit risk of a financial assets has significantly increased after initial recognition when the receivables obliged by the contractual terms are 30-days past due.
- D. The Company's credit risk management procedures deem a default occurred when a counterparty is significantly delinquent on repayments.
- E. After the recourse procedures, the Company writes off financial assets that could not be reasonably expected to be recovered. Nonetheless, the Company will continue the recourse legal procedures to secure its right to the debt. As of December 31, 2021 and 2020, The Company's debt that had been written off but were continually pursued was both \$0.
- F. The Company classifies accounts receivable due from clients by the characteristics of their ratings, and adopts the simplified approach that measures expected credit losses based on the preparation matrix.
- G. By taking into account the forward-looking consideration, the Company adjusts the expected credit loss rate that was established based on historical or present information, so as to estimate the allowance for accounts receivable. The preparation matrix as of December 31, 2021 and 2020 was as follows:

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	91-180 days past due	Total
<u>December 31, 2021</u>						
Expected loss (%)	100.00%	0.07%	5.44%	0.00%	100.00%	
Total carrying amount	\$ 1,252	\$ 1,929,717	\$ 18,094	\$ -	\$ 18	\$ 1,949,081
Loss allowance	\$ 1,252	\$ 737	\$ 128	\$ -	\$ 18	\$ 2,135

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	91-180 days past due	Total
<u>December 31, 2020</u>						
Expected loss (%)	100.00%	0.07%	5.44%	6.94%	100.00%	
Total carrying amount	\$ 1,252	\$ 1,315,103	\$ 3,462	\$ 328	\$ -	\$ 1,320,145
Loss allowance	\$ 1,252	\$ 737	\$ 127	\$ 19	\$ -	\$ 2,135

H. Changes in the allowances provided for accounts receivable using the simplified approach are as follows:

	2021			
	Notes receivable	Accounts receivable	Uncollectible overdue receivables	Total
January 1	\$ -	\$ 883	\$ 1,252	\$ 2,135
Impairment loss reversed	-	-	-	-
December 31	\$ -	\$ 883	\$ 1,252	\$ 2,135

	2020			
	Notes receivable	Accounts receivable	Uncollectible overdue receivables	Total
January 1	\$ -	\$ 5,677	\$ 1,252	\$ 6,929
Impairment loss reversed	-	(4,794)	-	(4,794)
December 31	\$ -	\$ 883	\$ 1,252	\$ 2,135

(3) Liquidity risk

A. Cash flows forecast is done by each operating entity; the Administration Department of the Company is responsible only for summarizing the results. Administration Department of the Company monitors the forecast of the Company's liquidity needs, so as to ensure that it has sufficient fund to meet operating needs and maintains sufficient unused loan commitments so that it won't default on any borrowing limits or terms. Such a forecast takes into account the Company's debt financing plan, compliance with provisions of debt instruments, fulfillment of the financial ratio targets on the balance sheet, and conformity with external regulatory requirements, such as foreign exchange control.

B. The table below listed the Company's non-derivative financial liabilities by maturity date. They were analyzed for the residual duration between the balance sheet date and the maturity date. The table below disclosed the contractual cash flows not discounted:

Non-derivative financial liabilities

December 31, 2021	Less than 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	\$ 318,914	\$ -	\$ -	\$ -
Short-term bills payable	20,000	-	-	-
Notes payable	193,029	-	-	-
Accounts payable	229,289	-	-	-
Accounts payables to related parties	1,010,618	-	-	-
Other payables (including those due to related party)	428,142	-	-	-

Lease liability (including the current portion)	6,350	5,330	1,925	-
Long-term borrowings (including the current portion)	43,494	93,047	125,888	382,538

Non-derivative financial liabilities

December 31, 2020	Less than 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	\$ 540,895	\$ -	\$ -	\$ -
Short-term bills payable	130,000	-	-	-
Notes payable	56,755	-	-	-
Accounts payable	142,449	-	-	-
Accounts payables to related parties	707,364	-	-	-
Other payables	285,439	-	-	-
Lease liability	3,493	2,693	1,247	-
Long-term borrowings (including the current portion)	69,884	183,529	88,659	-

C. The Company does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair Value Information

1. Below are the definitions assigned to each level of valuation technique used to measure the fair value of financial and non-financial assets.

- Level 1: Quoted prices 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 shares is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in non-active markets is included in Level 3.

2. Financial instruments not measured at fair value

Management of the Company thinks that the carrying amount of cash and cash equivalents, notes receivable, accounts receivables, other receivables, and long-term borrowings (including the current portion), is the reasonable approximation of their fair value.

3. Financial and non-financial assets at fair value are classified by nature, characteristic, risk, and fair value level, stated as follows:

(1) The Company classifies its assets and liabilities by their function; stated as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
ASSETS				
<u>Recurring fair value</u>				
Equity-based securities at fair value through other comprehensive income:	\$ 121,987	\$ -	\$ -	\$ 121,987

December 31, 2020	Level 1	Level 2	Level 3	Total
ASSETS				
<u>Recurring fair value</u>				
Equity-based securities at fair value through other comprehensive income:	\$ 54,858	\$ -	\$ -	\$ 54,858

- (2) The techniques and assumptions used to measure fair value are stated as follows:
- A. Financial instruments of which the fair value is marked to market quotations (i.e. level 1 inputs) are stated as follows:

Market quotation	Listed shares
	Closing price

- B. Except for financial instruments with an active market, the fair value of other financial instruments is obtained either based on the valuation technique or by reference to the quotes from counter-parties. Fair value can be obtained by using a valuation technique that refers to the fair value of financial instruments having substantially the same terms and characteristics, or by using other valuation technique, e.g. the one that applies market information available on the balance sheet date to a pricing model for calculation.
- C. Outputs from the valuation models are estimates and valuation techniques may not be able to reflect all relevant factors of the financial and non-financial instruments held by the Company. Therefore, when needed, estimates from the valuation model would be adjusted for additional parameters, e.g. model risk or liquidity risk.
4. In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value hierarchy.
5. In 2021 and 2020, there was no transfer into or out of Level 3.
6. The Group elects to adopt valuation models and valuation parameters under prudential consideration. As such, the fair value measured is fairly reasonable. Nonetheless, this does not preclude the differences arising from adoption of different valuation models or parameters.

(IV) Other Matters

In response to the pandemic alert system for COVID-19 and multiple pandemic prevention measures taken by the government, the Company has also adopted and upheld necessary measures to address the issues brought by the pandemic. A careful assessment conducted by the Company has led to the conclusion that the pandemic has no significant influence on the Company's ability to continue as a going concern, on asset impairment, and on financial risks.

XIII. Additional Disclosures

(I) Information on Significant Transactions

1. Loaning Funds to Others: Refer to Table 1.
2. Provision of Endorsements and Guarantees: Refer to Table 2.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies, and the Control Portion in a Joint Venture): Refer to Table 3.
4. Accumulative Purchase or Disposal of the Same Marketable Securities that Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.

5. Acquisition of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: Refer to Table 4.
6. Disposal of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.
7. Transaction with Related Party That Reaches NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 5.
8. Receivables Due from Related Party That Reach NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 6.
9. Engagement in Derivatives Trading: None.
10. The Business Relationship, Significant Transactions, and Significant Transaction Amount between Parent and Subsidiaries, or among Subsidiaries: Refer to Table 7.

(II) Information on Indirect Investment

Names and Location of Investees (Excluding Those in Mainland China): Refer to Table 8.

(III) Investment in Mainland China

1. Basic Information: Refer to Table 9.
2. Significant Transactions with Investees in Mainland China That Are Invested by the Group, Either Directly, or Indirectly Through Another Entity Outside Taiwan and China: Refer to Table 7.

(IV) Major Shareholder Information

Major Shareholder Information: Refer to Table 10.

XIV. Segment Information

Not applicable.

Tai-Tech Advanced Electronics Co., Ltd.

Cash and cash equivalents

December 31, 2021

Schedule 1

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Petty cash		\$ 361	
Bank deposits			
Time deposits - NTD		502,066	
Time deposits - Foreign currency	USD 7,995 thousand	Exchange 27.68 rate	221,304
	RMB 39,619 thousand	Exchange 4.341 rate	172,007
	Others		267
Total		<u>\$ 896,005</u>	

Tai-Tech Advanced Electronics Co., Ltd.

Accounts receivable

December 31, 2021

Schedule 2

Unit: NT\$1,000

Name of Clients	Amount	Remarks
<u>Accounts receivable</u>		
B.I.	\$ 251,819	
M.H.	95,774	
Others	<u>774,006</u>	The balance pertaining to each individual client did not exceed 5% of this account's value.
	1,121,599	
Less: Allowance for bad debt	(795)	
Allowance for sales returns and discounts	<u>(1,802)</u>	
	<u>1,119,002</u>	
<u>Accounts receivable due from related parties</u>		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	391,593	
TAI-TECH Advanced Electronics (Kunshan)	188,514	
Superworld Electronics (S) Pte. Ltd,	124,068	
Others	<u>83,178</u>	The balance pertaining to each individual client did not exceed 5% of this account's value.
	787,353	
Less: Allowance for bad debt	<u>(88)</u>	
	<u>787,265</u>	
	<u>\$ 1,906,267</u>	

Tai-Tech Advanced Electronics Co., Ltd.

Inventory

December 31, 2021

Schedule 3

Unit: NT\$1,000

Item	Amount		Remarks
	Costs	Market price	
Raw materials	\$ 30,962	\$ 28,862	
Supplies	3,896	3,735	
Work in progress	66,227	138,817	
Finished products	21,000	36,513	
Goods	198,135	234,627	
Sub-total	320,220	\$ 442,554	
Less: allowance for loss for market price decline and obsolete and slow-moving inventories	(10,400)		Valued at the lower of costs and net realizable value using an item-by-item approach.
Total	\$ 309,820		

Tai-Tech Advanced Electronics Co., Ltd.
Investment accounted for using the equity method
January 1 through December 31, 2021

Schedule 4

Unit: NT\$1,000

Name	Beginning balance		Increase		Decrease		Ending balance			Net worth	
	Number of shares (In Thousands of Shares)	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares (In Thousands of Shares)	Shareholding percentage	Amount	Unit price (NT\$)	Total price
Best Bliss Investments Limited	34,250	\$ 2,726,327	-	\$ 420,286	-	\$ -	34,250	100%	\$ 3,146,613	92	\$ 3,146,613
North Star International Limited	100	80,606	-	(2,054)	-	-	100	100%	78,552	786	78,552
		<u>\$ 2,806,933</u>		<u>\$ 418,232</u>		<u>\$ -</u>			<u>\$ 3,225,165</u>		

Tai-Tech Advanced Electronics Co., Ltd.

Accounts payable

December 31, 2021

Schedule 5

Unit: NT\$1,000

<u>Supplier name</u>	<u>Amount</u>	<u>Remarks</u>
<u>Accounts payable</u>		
Others	\$ 229,289	The balance pertaining to each individual client did not exceed 5% of this account's value.
<u>Accounts payables to related parties</u>		
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	712,150	
TAI-TECH Advanced Electronics (Kunshan)	297,244	
Others	1,224	The balance pertaining to each individual client did not exceed 5% of this account's value.
	1,010,618	
	\$ 1,239,907	

Tai-Tech Advanced Electronics Co., Ltd.

Operating revenue

January 1 through December 31, 2021

Schedule 6

Unit: NT\$1,000

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Revenue from Wire-Wound Products	3,027,065 thousand pieces	\$ 3,177,665	
Revenue from Multilayer Products	9,176,699 thousand pieces	554,071	
Revenue from LAN transformer	2,003,529 thousand pieces	828,668	
Others		292,893	
		<u>4,853,297</u>	
Less: Sales returns		(7,060)	
Sales discount		(<u>36,207</u>)	
Total		<u>\$ 4,810,030</u>	

Tai-Tech Advanced Electronics Co., Ltd.

Operating costs

January 1 through December 31, 2021

Schedule 7

Unit: NT\$1,000

Item	Amount
Goods at the beginning of the period	\$ 164,089
Plus: Purchase	2,477,299
Goods transferred in	8,817
Less: Goods at the end of the period	(198,135)
Transferred to expense	(953)
Others	(14)
Cost of purchase	2,451,103
Raw materials at the beginning of the period	16,940
Plus: Purchase of raw materials	336,944
Less: Transferred to expense	(36,680)
Costs to sale of raw materials	(76,987)
Goods transferred in	(8,817)
Inventory retired	(1,832)
Raw materials at the end of the period	(30,962)
Raw materials consumed	198,606
Supplies at the beginning of the period	2,687
Plus: Purchase of raw materials	101,453
Less: Transferred to expense	(75,690)
Costs to sale of supplies	(24,554)
Supplies at the end of the period	(3,896)
Supplies consumed	-
Direct labor	258,222
Manufacturing overhead	588,375
manufacturing cost	1,045,203
Plus: Work in progress at the beginning of the period	48,242
Purchase of raw materials	53
Less: Transferred to expense	(1,649)
Costs to sale of work in progress	(25,156)
Others	(110,687)
Work in progress at the end of the period	(66,227)
Cost of finished products	889,779
Finished products at the beginning of the period	13,181
Less: Transferred to expense	(211)
Others	(1,814)
Finished products at the end of the period	(21,000)
Cost of goods sold	879,935

Tai-Tech Advanced Electronics Co., Ltd.
Operating costs (continued)
January 1 through December 31, 2021

Schedule 7

Unit: NT\$1,000

Other operating costs		
Plus: Costs to sale of raw materials	\$	76,987
Costs to sale of supplies		24,554
Costs to sale of work in progress		25,156
Reversal gain on market price decline and obsolete and slow-moving inventories	(3,816)
Retirement		1,832
Others		736
Less: Revenue from scraps	(2,269)
Operating costs	\$	<u>3,454,218</u>

Tai-Tech Advanced Electronics Co., Ltd.

Operating expenses

January 1 through December 31, 2021

Schedule 8

Unit: NT\$1,000

Item	Summary	Amount	Remarks
Selling and marketing expenses			
Salary and wages expense		\$ 128,464	
Freight expense		43,221	
Export charges		13,191	
Other expenses		67,739	
		<u>252,615</u>	
General and administrative expenses			
Salary and wages expense		129,684	
Professional service fees		15,465	
Others		29,897	
		<u>175,046</u>	
Research and development expenses			
Salary and wages expense		41,891	
Depreciation		8,071	
Professional service fees		7,249	
Research and development expenses		5,616	
Repair and maintenance expense		5,199	
Other expenses		12,413	
		<u>80,439</u>	
Expected credit impairment gain		-	
Total operating expenses		<u>\$ 508,100</u>	

Tai-Tech Advanced Electronics Co., Ltd.

Summary table by function of the occurred employee benefits, depreciation, depletion, and amortization

January 1 through December 31, 2021

Schedule 9

Unit: NT\$1,000

Nature \ Function	2021			2020		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense						
Salary and wages	\$ 309,118	\$ 277,283	\$ 586,401	\$ 187,513	\$ 180,953	\$ 368,466
Health insurance and labor insurance expense	22,333	14,049	36,382	16,232	11,995	28,227
Pension expense	6,550	6,835	13,385	4,679	6,522	11,201
Directors' remuneration	-	23,549	23,549	-	15,045	15,045
Other employee benefits expenses	13,053	9,019	22,072	9,900	7,745	17,645
Depreciation (including right-of-use assets)	150,991	18,765	169,756	95,546	17,148	112,694
Amortization	2,262	2,107	4,369	493	1,350	1,843

Note: 1. In 2021 and 2020, the Company has 511 and 437 employees, respectively, of which 8 and 8 employees, respectively, concurrently serve as a director.

2. A company whose shares are traded on Taiwan Stock Exchange or Taipei Exchange shall disclose the following information:

- (1) The average employee benefit expense for this year was \$1,309, calculated as: ("Total employee benefits expense this year - Total directors' remuneration" / "Number of employees this year - Number of employees not concurrently serving as a director"). The average employee benefit expense last year was \$992, calculated as: ("Total employee benefits expense last year - Total directors' remuneration" / "Number of employees last year - Number of employees not concurrently serving as a director").
- (2) The average employee salary expense for this year was \$1,166, calculated as: ("Total salary expenses this year" / "Number of employees this year - Number of employees not concurrently serving as a director") The average employee salary expense last year was \$859 calculated as: ("Total salary expenses last year" / "Number of employees last year - Number of employees not concurrently serving as a director")
- (3) The average change in employee salary expense was 36%, calculated as: ("Employee salary expense this year - Employee salary expense last year" / Employee average salary expense last year).
- (4) The Company establishes the Audit Commit to replace the role of supervisors according to law. Supervisors' remuneration for this year and last year was both \$0.
- (5) Please describe the company's remuneration policy (for directors, supervisors, managers, and employees).
 - A. Directors' and supervisors' remuneration include compensation, transportation fee, allowance for performing their duties, and remuneration from earnings appropriation. Remuneration from earnings appropriation is specified in the Company's Articles of Incorporation.
 - B. Remuneration for the president and vice presidents includes salary, bonus, and employee compensation, which are determined by referring to their post, the responsibilities they assume, the contribution they make to the Company, and the general industry standards among industry peers.
 - C. Tai-Tech's salary and remuneration policy for employees is subject to individual ability, contribution to the Company, performance, and the consideration for the Company's future operational risks. The Company abides by the Company Act and its Articles of Incorporation to appropriate a certain percentage of pre-tax income as employee compensation, which is distributed in the middle of the following year. The Company also appropriates a fixed percentage of post-tax earnings as employee bonuses, which are distributed before the Chinese New Year's Eve, and is reflective of the Company's business performance and outcomes.

Tai-Tech Advanced Electronics Co., Ltd



Chairman : Northwest Investment Corporation



Representative : Ming-Yen Hsieh

