

**SUN MAX TECH LIMITED**  
and subsidiaries

**Consolidated financial statements and**  
**Auditor's Report**  
2021 and 2020

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

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## **Independent Auditors' Report**

To: SUN MAX TECH LIMITED:

### **Opinion**

We have audited the accompanying consolidated financial statements of SUN MAX TECH LIMITED and its subsidiaries (hereinafter, "SUN MAX Group") which comprise the balance sheets as of December 31, 2021 and 2020 and the related consolidated statements comprehensive of income, changes in shareholders' equity and cash flows for the years then ended and the notes to consolidated financial statement (including a summary of significant accounting policies).

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the financial position of SUN MAX Group and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuer," and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and SIC Interpretations\*.

### **Basis for Opinion**

We conducted our audit 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 responsibilities of auditors' responsibilities for the audit of the consolidated financial statements section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of SUN MAX Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and with other responsibilities of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China performed. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

The "Key Audit Matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2021 consolidated financial statements of SUN MAX Group. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The Key Audit Matters to be performed on the 2021 consolidated financial statements of SUN MAX TECH LIMITED follows:

#### Recognition of revenue

The operating revenue of the Power Group is mainly from the sales of cooling fans and concentrated in the top ten customers, of which the operating revenue of the top two customers' accounts for about 43% of the total operating revenue in 2021. In the opinion of the accountant, the company's industry is highly competitive and the management may be under pressure to achieve the expected goals. Therefore, it is judged that the top two customers and the top ten new customers may have higher income recognition risks. Therefore, the existence of the revenue recognition of the top two customers and the top ten new customers in the current year is recognized as a Key Audit Matters. Please refer to Note 4(11) for revenue recognition policy.

The audit procedure for potential misstatement risk of revenue recognition is as below:

1. Understand and test the effectiveness of internal control related to sales revenue recognition.
2. Examine whether or not there are any changes among the top ten customers; if there is a new party, not only review its basic information and credit evaluation form, but also test the transaction details to see if there are any anomalies.
3. For the top two customers and the top ten new customers, we randomly check the relevant transaction certificates, including the purchase orders, shipping orders, invoices and collection information, to confirm the authenticity of the sales.

#### Evaluation on inventory

The inventory of Group as of December 31, 2021 is NT\$431,623 thousand measured at the lower of cost or net value method. Because the rapid changes in product technology the risks of inventory become inactive or obsoleted increase. Thus, the inventory value might be lower than its' book value and the potential misstatement risk might exist in the consolidated financial statements. Accounting policy, significant accounting judgement, estimate and related information disclosure, please refer to Note 4(6) & 11 of the consolidated financial statements.

The audit procedure for potential misstatement risk of inventory valuation is as below,

1. Understand the internal control process related to the appropriation of inventory loss in valuation.
2. Select sample from inventory ending balance details, inspect the rationality and consistency of data used for loss allowance on inventory valuation calculation, recalculate the loss allowance on inventory amount and ascertain the inventory is valued at the lower of cost or net value method.
3. Perform sample inspection and verification on stock according to inventory excess and obsolete and aging data obtained to test the relevant statements and data; also, review the accuracy of the inventory excess and obsolete loss.

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

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of SUN MAX Group.

## **Auditors' Responsibilities for 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 Independent Auditors' Report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered material, 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 accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in SUN MAX Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.

4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SUN MAX Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditors' Report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the Independent Auditors' Report. However, future events or conditions may cause SUN MAX Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of SUN MAX Group of 2021 and are therefore the Key Audit Matters. We describe these matters in our Independent Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche  
CPA, Tung-Ju Hsieh

CPA Wang-Sheng Lin

Financial Supervisory Commission approval no.  
Jin-Guan-Cheng-Shen-Zi No.: 1090347472

Financial Supervisory Commission approval no.  
Jin-Guan-Cheng-Shen-Zi No.: 1060023872

March 15, 2022

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: NTD thousand

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 366,114	15	\$ 509,845	21
1136	Financial assets based on cost after amortization- current (Note 4, 9 and 29)	581	-	-	-
1170	Net notes receivable and accounts receivable (Note 4 and 10)	662,068	26	632,190	27
1200	(Increase) / decrease in Other receivables	64,578	3	2,714	-
1220	Current income tax asset (Note 4 and 23)	12,482	-	12,585	1
130X	Inventories (Note 4, 5 and 11)	431,623	17	308,580	13
1479	Other current assets (Note 12)	<u>119,844</u>	<u>5</u>	<u>94,969</u>	<u>4</u>
11XX	Total current assets	<u>1,657,290</u>	<u>66</u>	<u>1,560,883</u>	<u>66</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income non-current (Note 4 and 8)	2,086	-	2,860	-
1600	Property, plant and equipment (Note 4, 14 and 29)	762,840	30	735,810	31
1755	Right-of-use assets (Note 4 and 15)	48,194	2	49,718	2
1780	Intangible asset (Note 4 and 16)	6,445	-	5,898	-
1900	Other non-current assets (Note 12)	<u>39,865</u>	<u>2</u>	<u>26,456</u>	<u>1</u>
15XX	Total non-current assets	<u>859,430</u>	<u>34</u>	<u>820,742</u>	<u>34</u>
1XXX	Total assets	<u>\$ 2,516,720</u>	<u>100</u>	<u>\$ 2,381,625</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Note 17)	\$ 17,182	1	\$ -	-
2120	Financial liabilities at fair value through profit and loss (Note 4 and 7)	288	-	352	-
2170	Notes and account payables	257,628	10	256,879	11
2200	Other payable- Current (Note 18)	297,864	12	286,099	12
2230	Current income tax liabilities (Note 4 and 23)	36,379	1	19,333	1
2280	Leasehold liability- current (Note 4 and 15)	14,058	1	11,048	-
2320	Current portion of bonds payable (Note 19)	199,038	8	195	-
2399	Other current liabilities	<u>7,263</u>	<u>-</u>	<u>8,379</u>	<u>-</u>
21XX	Total current liability	<u>829,700</u>	<u>33</u>	<u>582,285</u>	<u>24</u>
	<b>Non-current liabilities</b>				
2530	Corporate bonds payable (Note 19)	-	-	196,456	8
2570	Deferred income tax liabilities (Note 4 and 23)	108,977	4	92,368	4
2580	Leasehold liability- non-current (Note 4 and 15)	18,032	1	22,682	1
2612	Other payable- non-current (Note 18)	-	-	75,756	3
2630	Deferred income- non-current (Note 26)	37,478	2	39,261	2
2670	Other non-current liabilities	<u>39</u>	<u>-</u>	<u>7</u>	<u>-</u>
25XX	Total non-current liability	<u>164,526</u>	<u>7</u>	<u>426,530</u>	<u>18</u>
2XXX	Total liabilities	<u>994,226</u>	<u>40</u>	<u>1,008,815</u>	<u>42</u>
	<b>Equity Attributable to Owners of the company (Note 4 and 21)</b>				
3100	Common stock capital	<u>320,979</u>	<u>13</u>	<u>320,695</u>	<u>14</u>
3200	Capital surplus	<u>712,765</u>	<u>28</u>	<u>711,425</u>	<u>30</u>
	Retained earnings				
3310	Legal reserve	54,191	2	37,804	2
3320	Special reserve	51,627	2	71,259	3
3350	Unappropriated earnings	<u>432,402</u>	<u>17</u>	<u>298,540</u>	<u>12</u>
3300	Total retained earnings	<u>538,220</u>	<u>21</u>	<u>407,603</u>	<u>17</u>
	Other equity				
3410	Exchange differences on Translating the financial statements of foreign operations	( 60,198 )	( 2 )	( 53,786 )	( 2 )
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	<u>1,386</u>	<u>-</u>	<u>2,160</u>	<u>-</u>
3400	Total other equity	( <u>58,812</u> )	( <u>2</u> )	( <u>51,626</u> )	( <u>2</u> )
3500	Treasury shares (Note 25)	-	-	( <u>15,287</u> )	( <u>1</u> )
31XX	Total equity of the company	<u>1,513,152</u>	<u>60</u>	<u>1,372,810</u>	<u>58</u>
36XX	Non-controlling interest	<u>9,342</u>	<u>-</u>	<u>-</u>	<u>-</u>
3XXX	Total equity	<u>1,522,494</u>	<u>60</u>	<u>1,372,810</u>	<u>58</u>
	<b>Total Liabilities and Equity</b>	<u>\$ 2,516,720</u>	<u>100</u>	<u>\$ 2,381,625</u>	<u>100</u>

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

Chairman: HSU Wen-Faung

Manager: HSU Wen-Faung

Head of Accounting: YAO, Cheng-Min

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and subsidiaries  
Consolidated Statement of Comprehensive Income  
For The Years Ended December 31, 2021 and 2020

Code		Unit: NTD thousands, except Earnings Per Share (NTD)			
		2021		2020	
		Amount	%	Amount	%
4000	Operating income (Note 4)	\$ 1,839,214	100	\$ 1,578,165	100
5000	Operating cost (Note 11 and 22)	( 1,269,729)	( 69)	( 1,044,718)	( 66)
5900	Gross profit	<u>569,485</u>	<u>31</u>	<u>533,447</u>	<u>34</u>
	Operating expenses (Note 22, 25 and 28)				
6100	Selling and Marketing expense	( 31,712)	( 2)	( 30,414)	( 2)
6200	General and administrative expenses	( 143,577)	( 8)	( 151,606)	( 10)
6300	Research and development expenses	( 60,967)	( 3)	( 52,434)	( 3)
6000	Total operating expenses	( 236,256)	( 13)	( 234,454)	( 15)
6900	Profit from operations	<u>333,229</u>	<u>18</u>	<u>298,993</u>	<u>19</u>
	Non-operating revenues and expenses				
7100	Interest revenue (Note 22)	1,131	-	2,777	-
7010	Other income (Note 22 and 26)	15,820	1	17,342	1
7020	Other gains and losses (Note 22)	( 18,263)	( 1)	( 48,156)	( 3)
7050	Financial cost (Note 22)	( 5,939)	-	( 8,985)	-
7000	Total non-operating income and expenses	( 7,251)	-	( 37,022)	( 2)
7900	Profit before income tax	325,978	18	261,971	17
7950	Income tax expense (Note 4 and 23)	<u>107,883</u>	<u>6</u>	<u>98,100</u>	<u>6</u>
8200	Net profit for the year	<u>218,095</u>	<u>12</u>	<u>163,871</u>	<u>11</u>

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Code		2021		2020	
		Amount	%	Amount	%
	Other comprehensive income (Note 4 and 21)				
8310	Titles not reclassified as profit and loss accounts:				
8316	Unrealized valuation gains and losses on Investment in equity instruments at fair value through other comprehensive income	(\$ 774)	-	\$ 572	-
8360	Accounts to be reclassified to profit or loss subsequently:				
8361	Exchange differences on Translating the financial statements of foreign operations	( 6,412)	( 1)	19,035	1
8300	Total other comprehensive income or loss	( 7,186)	( 1)	19,607	1
8500	Total Comprehensive Income for the year	<u>\$ 210,909</u>	<u>11</u>	<u>\$ 183,478</u>	<u>12</u>
	Net profit attributable to:				
8610	Owners of parent	\$ 218,753	12	\$ 163,871	11
8620	Non-controlling interest	( 658)	-	-	-
8600		<u>\$ 218,095</u>	<u>12</u>	<u>\$ 163,871</u>	<u>11</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 211,567	11	\$ 183,478	12
8720	Non-controlling interest	( 658)	-	-	-
8700		<u>\$ 210,909</u>	<u>11</u>	<u>\$ 183,478</u>	<u>12</u>
	Earnings per share (Note 24)				
9710	Basic	<u>\$ 6.83</u>		<u>\$ 5.66</u>	
9810	Diluted	<u>\$ 6.27</u>		<u>\$ 5.36</u>	

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

Chairman: HSU Wen-Faung    Manager: HSU Wen-Faung    Head of Accounting: YAO, Cheng-Min

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and subsidiaries  
Consolidated Statements of Changes in Equity  
For The Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Code		Equity of the company					Other equity		Treasury shares	Total	Non-controlling interest	Total equity
		Share Capital	Capital surplus	Retained earnings			Exchange differences on Translating the financial statements of foreign operations	Unrealized gain on financial assets at fair value through other comprehensive profit or loss				
				Legal reserve	Special reserve	Unappropriated earnings						
A1	Balance at January 1, 2020	\$ 275,270	\$ 549,048	\$ 30,746	\$ 37,904	\$ 216,028	( \$ 72,846 )	\$ 1,588	( \$ 15,287 )	\$ 1,022,451	\$ -	\$ 1,022,451
	Appropriation of 2019 earnings											
B1	Legal reserve	-	-	7,058	-	( 7,058 )	-	-	-	-	-	-
B3	Special reserve	-	-	-	33,355	( 33,355 )	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	( 40,946 )	-	-	-	( 40,946 )	-	( 40,946 )
E1	Proceeds from issuance of ordinary shares	20,000	72,710	-	-	-	-	-	-	92,710	-	92,710
N1	Issuance of ordinary shares under employee share options	-	2,680	-	-	-	-	-	-	2,680	-	2,680
C5	Issuance of convertible corporate bonds recognized in the equity component – share options	-	9,210	-	-	-	-	-	-	9,210	-	9,210
I1	Conversion of convertible bonds	25,425	77,777	-	-	-	-	-	-	103,202	-	103,202
D1	Net profit for the year ended December 31, 2020	-	-	-	-	163,871	-	-	-	163,871	-	163,871
D3	Other comprehensive income in 2020	-	-	-	-	-	19,035	572	-	19,607	-	19,607
D5	Total Comprehensive profit or loss in 2020	-	-	-	-	163,871	19,035	572	-	183,478	-	183,478
M3	Deconsolidation of subsidiary	-	-	-	-	-	25	-	-	25	-	25
Z1	Balance at December 31, 2020	320,695	711,425	37,804	71,259	298,540	( 53,786 )	2,160	( 15,287 )	1,372,810	-	1,372,810
	Appropriation of 2020 earnings											
B1	Legal reserve	-	-	16,387	-	( 16,387 )	-	-	-	-	-	-
B3	Special reserve	-	-	-	( 19,632 )	19,632	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	( 87,558 )	-	-	-	( 87,558 )	-	( 87,558 )
I1	Conversion of convertible bonds	284	1,340	-	-	-	-	-	-	1,624	-	1,624
N1	Cost of transferring Treasury stock to employees	-	3,448	-	-	-	-	-	-	3,448	-	3,448
L3	Disposal of Treasury stocks	-	( 3,448 )	-	-	( 578 )	-	-	15,287	11,261	-	11,261
O1	Change in non-controlling interest	-	-	-	-	-	-	-	-	-	10,000	10,000
D1	Net profit for the year ended December 31, 2021	-	-	-	-	218,753	-	-	-	218,753	( 658 )	218,095
D3	Other comprehensive income in 2021	-	-	-	-	-	( 6,412 )	( 774 )	-	( 7,186 )	-	( 7,186 )
D5	Total Comprehensive profit or loss in 2021	-	-	-	-	218,753	( 6,412 )	( 774 )	-	211,567	( 658 )	210,909
Z1	Balance at December 31, 2021	<u>\$ 320,979</u>	<u>\$ 712,765</u>	<u>\$ 54,191</u>	<u>\$ 51,627</u>	<u>\$ 432,402</u>	<u>( \$ 60,198 )</u>	<u>\$ 1,386</u>	<u>\$ -</u>	<u>\$ 1,513,152</u>	<u>\$ 9,342</u>	<u>\$ 1,522,494</u>

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

Chairman: HSU Wen-Faung

Manager: HSU Wen-Faung

Head of Accounting: YAO, Cheng-Min

SUN MAX TECH LIMITED

SUN MAX TECH LIMITED and subsidiaries

Consolidated Statements of Cash Flows

For The Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Code		2021	2020
	Cash flow from operating activities		
A10000	Income before income tax	\$ 325,978	\$ 261,971
A20010	Profits and loss		
A20100	Depreciation expenses	64,282	62,856
A20200	Amortization expenses	2,496	3,002
A20300	Expected credit impairment loss (reversal gain)	( 2,540)	4,517
A20400	Net gain (loss) on financial assets and liabilities at fair value through profit and loss	( 66)	( 318)
A20900	Financial cost	5,939	8,985
A21200	Interest revenue	( 1,131)	( 2,777)
A21300	Dividend income	( 236)	( 215)
A21900	Compensation cost of employee share option	3,448	2,680
A22500	Loss on disposal and scrapping of property, plant and equipment	21	6,105
A23700	Write-downs of inventories and loss of idle inventory	22,421	7,724
A29900	Provision (reversal) for liabilities	268	( 98)
A29900	Government grant	( 13,762)	( 14,352)
A29900	Lease modification gain	-	( 8,861)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	( 656)	270
A31150	Accounts receivable	( 26,669)	( 147,684)
A31180	(Increase) / decrease in Other receivables	1,231	( 1,570)
A31200	Inventories	( 145,464)	( 158,896)
A31240	(Increase) / decrease in Other current assets	( 88,184)	( 77,549)
A32150	Notes and account payables	749	89,999
A32180	Other payables	( 64,021)	57,941
A32230	Other current liabilities	( 1,352)	2,129
A33000	Cash generated for operations	82,752	95,859
A33100	Interest received	1,257	3,140
A33200	Dividends received	236	215
A33300	Interest paid	( 1,896)	( 833)
A33500	Income tax paid	( 80,899)	( 79,968)
AAAA	Net cash inflow generated from operating activities	1,450	18,413

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Code		2021	2020
	Cash payments for investing activities		
B00040	Acquisition of financial assets measured at amortized cost	(\$ 581)	\$ -
B02700	Purchase of property, plant, and equipment	( 68,614)	( 191,384)
B02800	Proceeds from disposition of real property, plants, and equipment	-	884
B03800	Decrease (increase) in refundable deposits	( 1,139)	686
B04500	Purchase of intangible assets	( 2,976)	( 1,640)
B07100	Increase in installment on equipment	( 18,720)	( 639)
B09900	Receipt of government grants	<u>11,550</u>	<u>52,638</u>
BBBB	Net cash used in from investing activities	<u>( 80,480)</u>	<u>( 139,455)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	17,182	-
C01200	Issuance of convertible corporate bonds	-	216,773
C01700	Repayments of proceeds from long-term loans	-	( 75,650)
C04020	Payment of principal element of lease liabilities	( 12,671)	( 24,783)
C04500	Cash dividend paid	( 87,558)	( 40,946)
C04600	Proceeds from issuance of ordinary shares	-	92,710
C05000	Proceeds from the disposal of Treasury stock	11,261	-
C05800	Change in non-controlling interest	<u>10,000</u>	<u>-</u>
CCCC	Net cash inflow (outflow) from financing activities	<u>( 61,786)</u>	<u>168,104</u>
DDDD	Effects of exchange rate changes on the balance of Cash held in foreign currencies	<u>( 2,915)</u>	<u>9,587</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 143,731)	56,649
E00100	Cash and cash equivalents at the beginning of the year	<u>509,845</u>	<u>453,196</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 366,114</u>	<u>\$ 509,845</u>

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

Chairman: HSU Wen-Faung    Manager: HSU Wen-Faung    Head of Accounting: YAO, Cheng-Min

SUN MAX TECH LIMITED  
SUN MAX TECH LIMITED and subsidiaries  
Notes to Consolidated Financial Statements  
For The Years Ended December 31, 2021 and 2020  
(Unless otherwise provided, Unit: NTD Thousand)

1. Organization and operations

Sun Max Tech Limited (hereinafter referred to as “the Company”) was incorporated in the British Cayman Islands in November 2013 due to the organizational restructure initiated mainly for Taiwan Stock Exchange listing and trading. The Company become the holding company of Group. The cooling fan manufacturing, wholesale, retail, and international trade are the main business operations of the Company and the subsidiaries that are included in the consolidated financial statements (hereinafter referred to as “SUN MAX Group” or the “Consolidated Company”). The Company was approved by Taipei Exchange on November 30, 2016 to trade at Taiwan Stock Exchange Corporation in October 2017 and go public on December 28, 2017.

The consolidated financial statements are presented in the Company’s functional currency – New Taiwan Dollar.

2. Financial reporting date and procedures

The consolidated financial statements were approved by the Board of Directors on March 15, 2022.

3. Application of new and revised standards and interpretation

- (1) The first-time adoption and IFRS, IAS, IFRIC and SIC (hereinafter collectively known as “IFRSs”) that have been recognized and approved by the Financial Supervisory Commission (FSC)

The adoption of the IFRSs amended in 2021 that were recognized and issued by the Financial Supervisory Commission did not have a significant impact on the accounting policies of the consolidated company.

- (2) The adoption of IFRSs in 2022 that were recognized by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date
“IFRSs 2018-2020 Annual Improvements”	January 1, 2022 (Note 1)
Amendment to IFRS 3 “Index of Conceptual Framework Update”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use.”	January 1, 2022 (Note 3)
Amendment to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract.”	January 1, 2022 (Note 4)

Note 1: The amendment to IFRS 9 applies to exchanges or modifications of the terms for financial liabilities that occur in annual reporting periods beginning on or after January 1, 2022; the amendment to IAS 41, “Agriculture”, applies to fair value measurements in annual reporting periods beginning on or after January 1, 2022; and the amendment to IFRS 1, “First-time Adoption of IFRSs”, applies retroactively to annual reporting periods beginning on or after January 1, 2022.

Note 2: This amendment applies to business combination for which the acquisition date for the annual reporting period beginning on or after January 1, 2022.

Note 3: This amendment applies to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: This amendment applies to contracts for which the Company has not yet fulfilled all its obligations on January 1, 2022.

The consolidated company assessed the adoption of the IFRSs that were recognized by the Financial Supervisory Commission in 2022 and concluded that it did not have a significant impact on the consolidated company. However, the consolidated company has been continuously evaluating the impact of the aforementioned amendments to regulations and interpretations on the financial status and financial performance as of the date the consolidated financial statements were passed and announced; also, the said impact will be disclosed upon the completion of the evaluation.

- (3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates”.	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to “IFRS 17”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies.”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates.”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023 (Note 4)

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: The amendment is deferred for annual reporting periods beginning on or after January 1, 2023.

Note 3: This amendment applies to the changes in accounting estimates and changes in accounting policies that occur for annual reporting periods beginning on or after January 1, 2023.

Note 4: Except for recognizing deferred income tax on the temporary differences between lease and decommissioned obligations on January 1, 2022, the said amendment is applicable to transactions after January 1, 2022.

The consolidated company assessed the aforementioned amendments to the standards or interpretations and concluded that it did not have a significant impact on the consolidated company. However, the consolidated company has been continuously evaluating the impact of the aforementioned amendments to regulations and interpretations on the financial status and financial performance as of the date the consolidated financial statements were passed and announced; also, the said impact will be disclosed upon the completion of the evaluation.

#### 4. Summary of significant accounting policies

##### (1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

##### (2) Basis of preparation

Further to financial instruments measured at fair value, the content contained in this consolidated financial statement is compiled based on historical data.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

##### (3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Available-for-trade assets;
2. Assets expected to be realized within 12 months after the balance sheet date, and

3. Cash and cash equivalents (but excluding cash and cash equivalent with limitations from exchanging or repaying liabilities after 12 months of the day on the balance sheet).

Current liabilities including:

1. Available-for-trade liabilities;
2. Liabilities expected to be liquidated within 12 months after the balance sheet date, and
3. Liabilities that cannot be deferred for liquidation for at least 12 months after the balance sheet date.

Items other than the aforementioned current assets or liabilities are classified as noncurrent assets or noncurrent liabilities.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Bank and its controlled entities (subsidiaries). The Consolidated Statement of Comprehensive Income already covered the operating profit and/or loss of the subsidiaries, which have been acquired or disposed of the current term, from the date of acquisition until the date of disposal. The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount. The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

For more details, shareholding ratio and operating items of the subsidiaries, please refer to Note 13 and Attached table 6.

(5) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the individual financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.



The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company's foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

If disposal on ownership of foreign operation for business combination, or disposal on partial ownership of foreign operation and lose control, or the retained equity is financial asset and treated according to financial instrument accounting policy from disposal on joint agreement or associate of foreign operation, all accumulated exchange difference will be reclassified to profit or loss related to foreign operation.

If the partial disposal of the subsidiaries of the foreign operation institution did not result in a loss of control, the cumulative exchange differences are re-attributed proportionally as non-controlling equity of the subsidiaries without any profit and loss recognized. In any other event of partial disposal of an overseas operating institution, the accumulated difference in foreign exchange was reclassified to profit and/or loss pro rata to the percentage of disposal.

(6) Inventories

Inventories include raw materials, materials, finished goods and work-in-process goods. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. The net cash value is the estimated selling price net of the cost needed to have the remaining work completed and the estimated cost needed to complete the sale under normal circumstance. The cost of inventory is calculated using the weighted average method.

(7) Property, plant, and equipment

Property, plant and equipment are recognized at cost and measured subsequently in accordance with the cost net of accumulated depreciation and accumulated impairment loss.

Property, plant and equipment construction in progress is recognized at cost net of the accumulated impairment loss. Costs include professional service expanses and loan costs that meet the capitalization conditions. These assets are classified to the respective property, plant and equipment upon completion and ready for use with depreciation appropriated.

Property, plant, and equipment are depreciated in accordance with the straight-line method in the expected useful lives. Depreciation of each major part is appropriated separately. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

When real estate, plants and equipment are de-recognized, the differential between the net disposal amount and the book value of such assets shall be recognized as income.

(8) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Depreciation is recognized using the straight-line method for intangible asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each yearly reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3. De-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) Impairment of the property, plant and equipment, right-of-use assets, and intangible assets (other than goodwill).

The consolidated company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) may have been impaired. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

Inventory, property, plants and equipment, and intangible assets recognized due to contracts with customers will firstly recognize impairment losses according to regulation requirements for inventory write-down and the regulations mentioned above. Secondly, it should be recognized as impairment loss when the carrying amount of relevant assets of contract cost exceed the amount of considerations to which it expects to be entitled from providing relevant goods or services after deducting direct relevant costs. In order to work on the assessment for impairment of cash-generating units, hereafter adding carrying amount of relevant assets of contract costs into the cash-generating units to which it belongs.

When the impairment loss is reversed subsequently, the carrying amount of the assets, cash-generating units or relevant assets of contract cost will increase to the revised recoverable amount, while the carrying amount after increase does not exceed the carrying amount of the assets, cash-generating units or relevant assets of contract costs that would have been at the date of reversal had the impairment loss not been recognized previously (excluding amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The financial assets transaction are recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

The classification of the Consolidated Company's financial assets includes financial assets at fair value through profit or loss, financial assets measured at amortized cost, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through income statements included financial assets at fair value through income statements and financial assets designated at fair value through income in statements. Financial assets mandatory at fair value through profit or loss include equity instrument investments not designated at fair value through other comprehensive income, and liability instrument investments not qualified for classifying as measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, the dividends, interest, and gains or losses on re-measurements thereof are recognized as other gains and losses and gains or losses arising from re-measurements are recognized as other gains and losses. For more details about how to determine the fair value, please refer to Note 27 Notes to “Financial Instruments”

B. Financial assets based on cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents, and accounts receivable on the basis of cost after amortization and other financial assets) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

C. Investment of equity instruments at fair value through other comprehensive income

The consolidated company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the consolidated company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairments of financial assets and contract assets

The consolidated company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of anticipated credit loss (including accounts receivable), the investment of debt instruments at fair value through other comprehensive income, and loss from receivable rents and impairment of contract assets.

Accounts receivable and receivable rents shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Consolidated Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

- A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.
- B. Payments are overdue for more than 60 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When particular entry of financial assets measured on the basis of cost after amortization is removed, the difference between its book value and consideration shall be recognized as income. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains or loss shall be directly transferred to retained earnings without being classified as income.

2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

Financial liabilities at fair value through profit and loss

Fair value through profit or loss financial liabilities are held for trading.

The related gain or loss is recognized in other gains and losses/interest incurred is recognized in finance costs, and gains or losses arising from other remeasurements are recognized in other gains and losses when the financial liabilities held at fair value through profit or loss.

Please refer to Note 27 for the determination of fair value.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

4. Convertible corporate bonds

The compound financial instruments (convertible corporate bonds) issued by the consolidated company are classified as financial liabilities and equity respectively in the original recognition according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

In the original recognition, the fair value of the liability is estimated according to the prevailing market interest rate of a similar non-convertible instrument; also, it is measured at the amortized cost that is calculated according to the effective interest method before the conversion or maturity date. The liability of an embedded non-equity derivative is measured at fair value.

The conversion right classified as equity is equal to the residual amount of the total fair value of the compound instrument deducting the fair value of the liability determined individually and net of the income tax effect; also, it will not be measured subsequently. When the conversion right is executed, the relevant liability and equity amount will be transferred to the capital stock and additional paid-in capital - issuance premium. If the conversion rights of the convertible corporate bonds have not been executed on the due date, the amount recognized in the equity will be transferred to the additional paid-in capital - issuance premium.

The relevant transaction costs of the issuance of convertible corporate bonds are amortized to the liabilities of the instrument (included in the book value of the liability) and the equity (included in the equity) in proportion to the total amortization amount.

(11) Recognition of revenue

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

For contract of goods transferred or service performed and proceed collected within one year, the significant financial component is not trade price adjusted.

Commodity sales revenue

Good sales revenue is from the sales of cooling fan. As the customers own the right for pricing and use, take the main responsibility for re-sell and take obsolete risk at the point of shipping, the consolidated company recognized sales revenue and account receivable at that point.

(12) Lease

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately presented on the Balance Sheets.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier. If the ownership of the underlying asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects exercising an option, the asset will be depreciated over the period from the commencement date of the lease to expiration of the useful life of the underlying asset.

The present values of lease liabilities are measured initially by the lease payments (including fixed payments, in-substance fixed payments, variable lease payments dependent on an index or rate, amounts expected to be repaid by the lessee under the residual value guarantee, the exercise price of a purchase option that the lessee is reasonably certain to exercise, and payments for terminating the lease if the lease term reflects early termination). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. If there is a change in future lease payments due to changes in the lease term, the expected payment amount under the residual value guarantee, the evaluation of the purchase option of the underlying asset, or changes in the index or rate used to determine the lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, except if the carrying amount of the right-of-use asset has been reduced to zero, where the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not accounted for as separate leases, the remeasurement of the lease liability due to a reduction in the scope of the lease decreases the right-of-use asset and recognizes a gain or loss on partial or full termination of the lease; the remeasurement of the lease liability due to other modifications adjusts the right-of-use assets. Lease liabilities are separately presented on the Balance Sheets.



(13) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

If specific borrowings are temporarily used for investment before the occurrence of capital expenses that meet the requirements, the investment revenues earned will be deducted from the borrowing costs that meet the capitalization conditions.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(14) Government grant

A government subsidy can only be recognized when it is firmly believed that the Consolidated Company will comply with the terms added to the government subsidy and will receive such subsidy.

Government grants related to revenue are recognized in other income on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the consolidated company. Government grants whose primary condition is that the consolidated company qualifying for them should purchase, construct or otherwise acquire non-current assets are recognized as deferred income, which should be recognized in profit or loss on a reasonable and systematic basis over the useful life of the relevant asset.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the Consolidated Company without any related cost in the future, it will be recognized as income during the receivable period.

If a government grant is in the form of a transfer of a non-monetary asset for use by the consolidated company, the grant is recognized and measured at the same amount as the non-monetary asset.

The difference between the government loan amount received at below-market interest rates by the consolidated company and the fair value of the loan based on the market interest rate at the time is recognized as government grant.

(15) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are valued by the non-discounted amount of expected payment exchanging for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

(16) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The consolidated company determines the current income (loss) in accordance with the regulations of the income tax filing jurisdictions to calculate the income tax to be paid (recovered from).

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductible temporary differences and tax loss carryforwards.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the consolidated company can control the timing of reversal of the temporary differences and that the temporary differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred

income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The consolidated company at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The Consolidated Company will consider significant accounting estimates, and management will continue to review estimates and assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

Impairment of inventory

The net realizable value of inventories is measured in accordance with the estimated selling price in the normal course of business net of the estimated cost needed to complete the project and the estimated cost needed to complete the sale. These estimates are assessed in accordance with the current market conditions and historical sales of similar products. Changes in market conditions could materially affect the estimate results.

6. Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 1,687	\$ 1,125
Bank checks and demand deposits	204,114	186,694
Time deposits	<u>160,313</u>	<u>322,026</u>
	<u>\$ 366,114</u>	<u>\$ 509,845</u>

The interest rate range of time deposit as of balance sheet date listed below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	0.11%~1.82%	0.25%~1.75%

7.	<u>Financial instruments measured at fair value through profit or loss</u>		
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Held-for-trade financial liabilities</u>		
	Derivative instrument-buy-/sell-back of convertible bonds	\$ <u>288</u>	\$ <u>352</u>

8.	<u>Financial assets at fair value through other comprehensive profit or loss</u>		
	<u>Investment of equity instruments at fair value through other comprehensive income</u>		
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Non-current</u>		
	Investment in domestic Unlisted/OTC	\$ <u>2,086</u>	\$ <u>2,860</u>

The consolidated company invested in SONG JYE TECHNOLOGY CO., LTD.. common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.

9.	<u>Financial assets based on cost after amortization- Current</u>		
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Restricted time deposit	\$ <u>581</u>	\$ <u>-</u>

Please refer to Note 29 for the pledged financial assets measured at amortized cost.

10.	<u>Notes and accounts receivable, net</u>		
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Notes receivable	\$ 1,272	\$ 616
	Receivable accounts- based on cost after amortization	664,381	637,712
	Less: Allowance for losses	( <u>3,585</u> )	( <u>6,138</u> )
		<u>\$ 662,068</u>	<u>\$ 632,190</u>

The consolidated company adopts the simplified method in IFRS 9 to recognize the allowance for loss of the accounts receivable according to the expected credit losses of the given duration. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Due to the historical experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

The consolidated company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2021

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue over 60 days</u>	<u>Total</u>
Expected credit loss rate	0.03%~0.37%	4.44%~8.49%	20.39%~42.87%	100%	-
Total book value	\$ 648,977	\$ 11,691	\$ 1,765	\$ 1,948	\$ 664,381
Allowance for loss (expected credit loss of the given duration)	( <u>558</u> )	( <u>650</u> )	( <u>429</u> )	( <u>1,948</u> )	( <u>3,585</u> )
Cost after amortization	<u>\$ 648,419</u>	<u>\$ 11,041</u>	<u>\$ 1,336</u>	<u>\$ -</u>	<u>\$ 660,796</u>

December 31, 2020

	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue over 60 days</u>	<u>Total</u>
Expected credit loss rate	0.01%~0.38%	4.07%~8.50%	20.49%~38.41%	100%	-
Total book value	\$ 615,066	\$ 12,674	\$ 7,283	\$ 2,689	\$ 637,712
Allowance for loss (expected credit loss of the given duration)	( <u>887</u> )	( <u>645</u> )	( <u>1,917</u> )	( <u>2,689</u> )	( <u>6,138</u> )
Cost after amortization	<u>\$ 614,179</u>	<u>\$ 12,029</u>	<u>\$ 5,366</u>	<u>\$ -</u>	<u>\$ 631,574</u>

Changes in the allowance loss of the accounts receivable are as follows:

	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Balance, beginning of year	\$ 6,138	\$ 1,578
Add: Impairment loss appropriated in current period	-	4,517
Less: Current year reversal of impairment loss	( 2,540 )	-
Foreign currency translation differences	( <u>13</u> )	<u>43</u>
Balance, end of year	<u>\$ 3,585</u>	<u>\$ 6,138</u>

11. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 219,976	\$ 152,150
Work-in-process goods	131,291	102,269
Raw materials	<u>80,356</u>	<u>54,161</u>
	<u>\$ 431,623</u>	<u>\$ 308,580</u>

The loss allowance on inventory valuation is NT\$ 89,481 thousand and NT\$ 67,060 thousand on December 31, 2021 and 2020 respectively.

The inventory related cost of goods sold is NT\$ 1,269,769 thousand and NT\$ 1,044,718 thousand in 2021 and 2020 respectively. Cost of goods sold including loss on net realizable value of inventory for NT\$ 22,421 thousand and NT\$ 7,724 thousand.

12. Other assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Prepaid expenses	\$ 6,443	\$ 5,809
Prepayment for Purchases	4,847	7,304
Excess business tax paid	<u>108,554</u>	<u>81,856</u>
	<u>119,844</u>	<u>94,969</u>
<u>Non-current</u>		
Deferred income tax assets	16,926	10,055
Refundable deposits	4,911	3,772
Prepayments for equipment	<u>18,028</u>	<u>12,629</u>
	<u>39,865</u>	<u>26,456</u>
	<u>\$ 159,709</u>	<u>\$ 121,425</u>

13. Subsidiaries

Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

<u>Investor</u>	<u>Subsidiary name</u>	<u>Nature of the operation</u>	<u>The share-holding percentage as of December 31, 2021</u>	<u>The share-holding percentage as of December 31, 2020</u>
The Company	Power Logic Holdings Inc.	Investment in holding company and sales of cooling fan	100%	100%
The Company	United Strategy Inc.	Investment holding	100%	100%
The Company	POWER LOGIC TECH. INC	sales of cooling fan	100%	100%
The Company	Sunny Sharp International Limited (including Taiwan branch)	Investment in holding company and sales of cooling fan	100%	100%
The Company	Sunny Faith Investments Limited	Investment holding	Note 1	Note 1
United Strategy Inc.	DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fan	100%	100%
United Strategy Inc.	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Production and sale of cooling fan	100%	100%
Power Logic Holdings Inc.	POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fan	100%	100%
POWER LOGIC TECH. INC	CICHENG TECHNOLOGY CO., LTD.	Production and sale of cooling fan	80% (Note 2)	-

Note 1: SUNNY FAITH INVESTMENTS LIMITED had completed the cancellation procedure in June 2020.

Note 2: Cicheng Technology Co., Ltd. was approved for incorporation in February 2021.

## 14. Property, plant, and equipment

	2021						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
<b>Cost</b>							
Balance, beginning of year	\$ 96,168	\$ 530,646	\$ 171,722	\$ 10,662	\$ 23,554	\$ 69,301	\$ 902,053
Increase in current period	-	3,639	47,545	-	723	16,707	68,614
Disposition in the year	-	( 11 )	( 256 )	( - )	( 1,085 )	( 775 )	( 2,127 )
Reclassification	-	1,033	11,893	-	-	395	13,321
Net exchange differences	-	( 2,445 )	( 767 )	( 57 )	( 33 )	( 313 )	( 3,615 )
Balance, end of year	<u>\$ 96,168</u>	<u>\$ 532,862</u>	<u>\$ 230,137</u>	<u>\$ 10,605</u>	<u>\$ 23,159</u>	<u>\$ 85,315</u>	<u>\$ 978,246</u>
<b>Accumulated depreciation</b>							
Balance, beginning of year	\$ -	\$ 32,686	\$ 80,097	\$ 3,430	\$ 18,914	\$ 31,116	\$ 166,243
Increase in current period	-	17,677	21,764	954	1,523	9,893	51,811
Disposition in the year	-	( 11 )	( 256 )	-	( 1,078 )	( 761 )	( 2,106 )
Net exchange differences	-	( 65 )	( 325 )	( 18 )	( 12 )	( 122 )	( 542 )
Balance, end of year	<u>\$ -</u>	<u>\$ 50,287</u>	<u>\$ 101,280</u>	<u>\$ 4,366</u>	<u>\$ 19,347</u>	<u>\$ 40,126</u>	<u>\$ 215,406</u>
Net amount at the end of the year	<u>\$ 96,168</u>	<u>\$ 482,575</u>	<u>\$ 128,857</u>	<u>\$ 6,239</u>	<u>\$ 3,812</u>	<u>\$ 45,189</u>	<u>\$ 762,840</u>

The net operating lease for buildings and leasehold improvements and related equipment as of December 31, 2021 and 2020 were NT\$ 48,563 thousand, NT\$ 2,655 thousand, NT\$50,600 thousand and NT\$ 3,095 thousand, respectively.

The sub-subsidiary of the Company, Taiyi (Jiangxi) Electronic Technology Co., Ltd., signed a contract with Anfu County Industrial Construction Investment Development Co., Ltd., on July 18, 2019 to purchase the land use rights and buildings in the industrial park in Anfu County, Jiangxi Province as the production base for the Group, and the registration was completed on January 13, 2020. The purchase price of RMB91,273 thousand is divided into four installments; 30%, 30%, 20% and 20% of the total amount of RMB86,780 thousand for the factory buildings should be paid by December 31 of each year starting from 2019; RMB4,493 thousand for the land has been paid in 2019. As of December 31, 2021, a total of RMB73,917 thousand had been paid for the first, second and third phases of the plant and land; the outstanding amount was recognized in housing payable (recorded under other payables).

	2020						
	Land	Buildings and leasehold improvement	Machine and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
<b>Cost</b>							
Balance, beginning of year	\$ 92,979	\$ 83,454	\$ 133,212	\$ 9,798	\$ 21,455	\$ 97,519	\$ 438,417
Increase in current period	3,189	284,017	36,173	459	2,391	16,667	342,896
Disposition in the year	-	( 13,459 )	( 5,157 )	( 1,383 )	( 1,224 )	( 799 )	( 22,022 )
Reclassification	-	168,076	5,172	1,621	830	( 44,891 )	130,808
Net exchange differences	-	8,558	2,322	( 167 )	102	805	11,954
Balance, end of year	<u>\$ 96,168</u>	<u>\$ 530,646</u>	<u>\$ 171,722</u>	<u>\$ 10,662</u>	<u>\$ 23,554</u>	<u>\$ 69,301</u>	<u>\$ 902,053</u>
<b>Accumulated depreciation</b>							
Balance, beginning of year	\$ -	\$ 24,508	\$ 66,218	\$ 3,167	\$ 18,342	\$ 24,643	\$ 136,878
Increase in current period	-	16,498	16,439	612	1,596	6,775	41,920
Disposition in the year	-	( 8,524 )	( 3,528 )	( 1,245 )	( 1,064 )	( 672 )	( 15,033 )
Reclassification	-	-	-	843	-	-	843
Net exchange differences	-	204	968	53	40	370	1,635
Balance, end of year	<u>\$ -</u>	<u>\$ 32,686</u>	<u>\$ 80,097</u>	<u>\$ 3,430</u>	<u>\$ 18,914</u>	<u>\$ 31,116</u>	<u>\$ 166,243</u>
Net amount at the end of the year	<u>\$ 96,168</u>	<u>\$ 497,960</u>	<u>\$ 91,625</u>	<u>\$ 7,232</u>	<u>\$ 4,640</u>	<u>\$ 38,185</u>	<u>\$ 735,810</u>

Depreciation expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Buildings	5 to 39 years
Leasehold improvement	5 to 10 years
Machinery equipment	2 to 10 years
Transportation equipment	5 to 10 years
Furniture and fixtures	2 to 10 years
Other equipment	3 to 10 years

The amount of real estate, plant and equipment registered for secured loan, please refer to Note 29.

15. Lease agreement

(1) Right-of-use assets.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of the right-of-use asset		
Land	\$ 18,727	\$ 19,236
Buildings	25,224	26,847
Transportation equipment	<u>4,243</u>	<u>3,635</u>
	<u>\$ 48,194</u>	<u>\$ 49,718</u>
	<u>2021</u>	<u>2020</u>
Addition of right-of-use assets	<u>\$ 11,196</u>	<u>\$ 33,712</u>
Depreciation expense of the right-of-use asset		
Land	\$ 406	\$ 367
Buildings	10,044	18,892
Transportation equipment	<u>2,021</u>	<u>1,677</u>
	<u>\$ 12,471</u>	<u>\$ 20,936</u>

The sub-subsidiary of the Company, Taiyi (Jiangxi) Electronic Technology Co., Ltd., acquired the land use right of the original factory site from Anfu County Industrial Construction Investment Development Co for RMB4,493 thousand in 2020 and proceeded to improve the factory and establish the production line. The state-owned land use rights of the People's Republic of China have been obtained for the above-mentioned lands with 50 years of economic life, the use rights of which will expire in January 2068.

POWER LOGIC TECH (TAI YI) CO., LTD. , sub-subsidiary, had the plant lease contract terminated early in August 2020 in response to the Group's operational planning and arrangements, and relocated to the address in Changping Town, Dongguan City, Guangdong Province, and delisted the relevant right-of-use assets and lease liabilities for an amount of NT\$97,575 thousand and NT\$114,997 thousand, respectively. The lease modification benefit for an amount of NT\$7,119 thousand was recognized, which was booked in the "Other benefits and losses" account for 2020.



Except for the aforesaid added and recognized depreciation expenses, the right-of-use assets of the consolidated company have not been significantly subleased or impaired as of 2021 and 2020.

(2) Lease liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of the lease liabilities		
Current	<u>\$ 14,058</u>	<u>\$ 11,048</u>
Non-current	<u>\$ 18,032</u>	<u>\$ 22,682</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	2.00%~5.00%	2.00%~5.00%
Transportation equipment	2.00%	1.32%~2.00%

(3) Other lease information

	<u>2021</u>	<u>2020</u>
Short-term lease expense	<u>\$ 72</u>	<u>\$ 992</u>
Low-value asset lease expense	<u>\$ 440</u>	<u>\$ 73</u>
Total cash of leases (outflow)	<u>(\$ 14,674)</u>	<u>(\$ 25,848)</u>

16. Intangible assets

	<u>2021</u>	<u>2020</u>
<u>Cost</u>		
Balance, beginning of year	\$ 20,690	\$ 18,956
Increase in current period	2,976	1,640
Decrease for the year	( 32)	( 80)
Reclassification	88	-
Net exchange differences	( 60)	174
Balance, end of year	<u>\$ 23,662</u>	<u>\$ 20,690</u>
<u>Accumulated amortization</u>		
Balance, beginning of year	\$ 14,792	\$ 11,755
Amortized in current period	2,496	3,002
Decrease for the year	( 32)	( 80)
Net exchange differences	( 39)	115
Balance, end of year	<u>\$ 17,217</u>	<u>\$ 14,792</u>
Net amount at the end of the year	<u>\$ 6,445</u>	<u>\$ 5,898</u>

Intangible assets composed mainly by computer software and amortized over 3-10 years of useful life.

17. Loans

Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loans</u>		
Credit loan	<u>\$ 17,182</u>	<u>\$ -</u>

- (1) The interest rates for bank loans were 3.77% as of December 31, 2021.
- (2) The information of endorsement guarantee provided by consolidated company, please refer to Note 32.
- (3) The information of consolidated company registered as mortgage for secured credit line, please refer to Note 29.

18. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Salaries payable	\$ 61,260	\$ 50,592
Insurance and housing fund payable	48,435	46,223
Processing expenses payable	54,201	50,805
Temporary employee service payable	5,910	11,004
Commission and marketing expense	1,254	1,225
Other payable	36,307	36,166
Payable for housing (Note 14)	75,351	75,756
Equipment payables	6,879	6,231
Other payables	<u>8,267</u>	<u>8,097</u>
	<u>\$ 297,864</u>	<u>\$ 286,099</u>
<u>Non-current</u>		
Payable for housing (Note 14)	<u>\$ -</u>	<u>\$ 75,756</u>

19. Corporate bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The first domestic unsecured convertible corporate bond	\$ -	\$ 200
The second domestic unsecured convertible corporate bond	<u>205,900</u>	<u>207,400</u>
	205,900	207,600
Less: Domestic first unsecured convertible corporate bonds amount net of depreciation	-	( 5)
Domestic second unsecured convertible corporate bonds amount net of depreciation	<u>( 6,862)</u>	<u>( 10,944)</u>
	<u>( 6,862)</u>	<u>( 10,949)</u>
Less: Amount due in one year	<u>( 199,038)</u>	<u>( 195)</u>
	<u>\$ -</u>	<u>\$ 196,456</u>

- (1) The Board of directors approved to issue unsecured convertible bond in Taiwan for the first time on October 29, 2018. The issuance is approved by Letter No. Financial-Supervisory-Securities-Corporate-10703446871 of the Financial Supervisory Commission. The unsecured convertible bond is issued in Taiwan for the first time on January 3, 2019 with terms below,
  1. Total Issued: NT\$ 150,000 thousand.
  2. Face value and issuance price: the face value is 100 thousand dollars each, fully issued at the face value.
  3. Stated rate: annual interest 0%
  4. Duration: 3 years; January 3, 2019 to January 3, 2022.
  5. Redemption method of the Company:
    - (1) Redemption at maturity date:

The convertible bonds except be redeemed, buy-back, or converted, the Company repay with bond face value by cash at the maturity date.
    - (2) Redeem before maturity date

From the next date after issuance of 3 months to the 40 days before the maturity date, if the common stock closing price exceed 30% of conversion price for continuous 30 trade days, the Company could collect all bonds at face value by cash.

From the next date after issuance of 3 months to the 40 days before the maturity date, if the outstanding balance is lower than 10% of total issuance amount, the Company could collect all bonds at face value by cash.
  6. Sell back:

The bond holder could ask the Company to redeem the convertible bond hold at face value plus interest compensation after 2 years of issuance.
  7. Conversion:
    - (1) Conversion period:

Start from the next date after issuance of 3 months and end at the maturity date.

(2) Conversion price:

The conversion price is NT\$ 43.73 per share. The calculation is based on selected simple arithmetic average of the common stock closing price of one, three and five business days prior to the conversion price set date timed 105% convertible premium rate. As the Company distributed cash dividends and conducted capital increase in 2020, the conversion price of the Company's bonds has been adjusted to NT\$39.64 per share in accordance with the terms of the contract.

(3) Conversion price adjustment:

After the conversion price defined before the actual issuance date, the conversion price should be adjusted in accordance with the price adjustment formula if ex-rights or ex-dividend exists.

8. The convertible bond issued on January 3, 2019 includes liability and equity component. The equity component is presented as additional paid-in capital-Stock option under equity. The effective interest rate of liabilities components is initially recognized at 2.31%.

Issuance price(deduct transaction cost NT\$ 3,560 thousand dollars)	\$ 146,440
Equity component	( 5,814)
Financial liabilities-conversion and sell-back liability component at issuance date	( 571)
	140,055
Interest calculated at the effective rate of 2.31%	4,307
Conversion of bonds payable into common shares	( 144,362)
Liability component on December 31, 2021	<u>\$ -</u>

- (2) The Board of directors approved to issue unsecured convertible bond in Taiwan for the second time on June 19, 2020. The issuance is approved by Letter No. Financial-Supervisory-Securities-Corporate-10903517761 of the Financial Supervisory Commission. The unsecured convertible bond is issued in Taiwan for the second time on September 1, 2020 with terms below,

1. Total Issued: NT\$ 221,100 thousand.
2. Par value and issue price: NT\$100 thousand each; issued at 100.5% of the par value.
3. Stated rate: annual interest 0%
4. Duration: 3 years; September 1, 2020 to September 1, 2023

5. Redemption method of the Company:

(1) Redemption at maturity date:

The convertible bonds except be redeemed, buy-back, or converted, the Company repay with bond face value by cash at the maturity date.

(2) Redeem before maturity date

From the next date after issuance of 3 months to the 40 days before the maturity date, if the common stock closing price exceed 30% of conversion price for continuous 30 trade days, the Company could collect all bonds at face value by cash.

From the next date after issuance of 3 months to the 40 days before the maturity date, if the outstanding balance is lower than 10% of total issuance amount, the Company could collect all bonds at face value by cash.

6. Sell back:

The bond holder could ask the Company to redeem the convertible bond hold at face value plus interest compensation after 2 years of issuance.

7. Conversion:

(1) Conversion period:

Start from the next date after issuance of 3 months and end at the maturity date.

(2) Conversion price:

The conversion price is NT\$ 64.89 per share. The calculation is based on selected simple arithmetic average of the common stock closing price of one, three and five business days prior to the conversion price set date timed 105% convertible premium rate. As the Company distributed cash dividends in 2021, the conversion price of the Company's bonds has been adjusted to NT\$61.41 per share in accordance with the terms of the contract.

(3) Conversion price adjustment:

After the conversion price defined before the actual issuance date, the conversion price should be adjusted in accordance with the price adjustment formula if ex-rights or ex-dividend exists.

8. The convertible bond issued on September 1, 2020 includes liability and equity component. The equity component is presented as additional paid-in capital-Stock option under equity. The effective interest rate of liabilities components is initially recognized at 2.06%.

Issuance price(deduct transaction cost NT\$ 4,327 thousand dollars)	\$ 216,773
Equity component	( 9,210)
Financial liabilities-conversion and sell-back liability component at issuance date	( 583)
	206,980
Interest calculated at the effective rate of 2.06%	5,423
Conversion of bonds payable into common shares	( 13,365)
Liability component on December 31, 2021	<u>\$ 199,038</u>

20. Retirement benefits plan

The pension system of the “Labor Pension Act” that is applicable to the Consolidated Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance. The defined contributed pension cost recognized in 2021 and 2020 is NT\$ 2,621 thousand and NT\$ 2,392 thousand by consolidated company.

The subsidiaries registered in P.R.C contribute 13% of total salary to endowment insurance in accordance with local endowment insurance plan. The pension fund management is the responsibility of management. The company’s responsibility is contribution monthly without further obligations. The defined contributed pension cost recognized in 2021 and 2020 is NT\$ 27,691 thousand and NT\$ 10,684 thousand per previous pension plan.

21. Equity

(1) Share Capital

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized number of shares (thousand shares)	<u>100,000</u>	<u>100,000</u>
Authorized capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>32,097</u>	<u>32,069</u>
Outstanding capital	<u>\$ 320,979</u>	<u>\$ 320,695</u>

The Company issued 2,000 thousand new shares at NT\$10 par value per share to increase capital by cash according to a resolution adopted by the Board of Directors on June 19, 2020. Shares were issued at a premium at NT\$47 per share, with a paid-in capital of NT\$312,672 thousand after capital increase. The above proposal of capital injection has been approved for effective registration by the FSC on August 10, 2020, and the capital injection record date of October 7, 2020 has been approved by the Board of Directors.

As of December 31, 2021, the Company has issued 3,895 thousand new shares by converting 1,641 convertible bonds in accordance with the provisions of the “First Domestic Unsecured Convertible Bonds” and the “Second Domestic Unsecured Convertible Bonds.”

(2) Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be applied to cover</u> <u>accumulated deficit,</u> <u>distributed in cash or</u> <u>transferred to capital.</u>		
Other capital surplus of shares	\$ 703,819	\$ 702,408
<u>For covering loss carried</u> <u>forward only.</u>		
Lapsed stock options	326	326
<u>May not be used for any</u> <u>purpose.</u>		
Convertible corporate bond equity constituents - stock options	<u>8,620</u> <u>\$ 712,765</u>	<u>8,691</u> <u>\$ 711,425</u>

The above (I) The Company issued 2,000 thousand new shares at NT\$10 par value per share to increase capital by cash according to a resolution adopted by the Board of Directors on June 19, 2020, among which, 200 thousand shares were retained for employees’ subscriptions and the employee compensation costs of NT\$2,680 thousand were also recognized. Shares are issued at a premium of NT\$47 per share according to a resolution adopted by the Chairman on September 9, 2020, resulting in an additional paid-in capital of NT\$74,000 thousand. In addition, the new share issuance underwriting fee of NT\$1,290 thousand were listed as a reduction of additional paid-in capital issued at a premium.

The additional paid-in capital from premium on stock issuance can be used to offset deficit. When the Corporation incurs no loss the additional paid-in capital may be transferred to capital or distributed in cash, but the transfer to capital is limited to designated portion of paid-in capital.

(3) Retained earnings and Dividend Policy

According to the Company’s Articles of Incorporation, if there are any retained earnings at the year-end, in addition to covering the accumulated deficit, the remaining earnings shall be retained or distributed in accordance with the resolution of the Board of Directors. Regarding the distribution proposal stated in the preceding paragraph, it is resolved to have the dividend and bonus distributed in cash entirely or partially by the authorized board of directors with the attendance of two thirds of the board directors and the consent of the majority directors present; also, it is to be reported to the shareholders meeting. Please refer to Note 22-(7) for the Company’s policy on the distribution of remuneration to employees, directors and supervisors.

According to the Articles of Incorporation, based on the capital expenditure, business expanding, improve financial plan and sustainable development requirements as the Company is at the growing phase, the dividend policy is to distribute cash or stock dividend based on capital expenditure budget and capital requirement.

Except restricted by public company related laws, the earnings, if any, after closing account every year, the Board of Directors should propose earning distribution plan to shareholders' meeting as method and priority below,

- (a) Payment of tax and duty;
- (b) Covering of accumulated loss of prior years (if any);
- (c) Set aside 10% as the legal reserve per public company related laws, unless the legal reserve has achieved the Corporation's paid-in capital.
- (d) Set the special reserve per public company related laws or Authority's request;
- (e) The earnings of the year after deducting item (a) to (d) previous mentioned, adding the accumulated undistributed earnings of prior year is the distributable earnings. The earnings shall be distributed after the plan proposed by the Board of directors and approved by the stockholders' meeting. The dividend can be distributed in cash or stock. To be consistent with Cayman Islands laws, the minimum dividend should be 10% of earnings of the year after deducting item (a) to (d) previous mentioned, and the cash dividend percentage is no lower than 10% of total stockholders' dividend and the upper limit is 100%.

The Company shall recognize and reverse special reserve in accordance with the law and regulations, and the "FAQ on the applicability of the recognition of special reserve after the adoption of IFRSs" by the Company.

The Company had the earnings distribution of 2020 and 2019 resolved in the shareholders' meeting held on July 15, 2021 and June 19, 2020, respectively, as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	<u>\$ 16,387</u>	<u>\$ 7,058</u>
Appropriation (reversal) of special reserve	<u>(\$ 19,632)</u>	<u>\$ 33,356</u>
Cash dividends	<u>\$ 87,558</u>	<u>\$ 40,946</u>
Cash dividend per share (NT\$)	\$ 2.75	\$ 1.5



The Company had resolved in the board meeting the earnings distribution of 2021 on March 15, 2022 as follows:

	<u>2021</u>
Legal reserve appropriated	<u>\$ 21,818</u>
Appropriation of special reserve	<u>\$ 7,186</u>
Cash dividends	<u>\$ 128,392</u>
Cash dividend per share (NT\$)	\$ 4

The proposal for the distribution of earnings in 2021 is pending on the resolution of the General Meeting of shareholders scheduled to be held on May 31, 2022.

(4) Other equity

1. Exchange differences on Translating the financial statements of foreign operations

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	(\$ 53,786)	(\$ 72,846)
Exchange differences from financial statements of foreign operating entities	( 6,412)	19,035
Effect from deconsolidation of subsidiary	<u>-</u>	<u>25</u>
Balance, end of year	<u>(\$ 60,198)</u>	<u>(\$ 53,786)</u>

2. Unrealized gain on financial assets at fair value through other comprehensive profit or loss

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,160	\$ 1,588
Unrealized gain or loss of equity instrument of current period	( <u>774</u> )	<u>572</u>
Balance, end of year	<u>\$ 1,386</u>	<u>\$ 2,160</u>

(5) Non-controlling interest

	<u>2021</u>
Balance, beginning	\$ -
Net loss of current period	( 658 )
Obtained non-controlling interests increased by the subsidiary of Cicheng Technology Co., Ltd.	<u>10,000</u>
Balance, ending	<u>\$ 9,342</u>

(6) Treasury shares

<u>Reason for recovery</u>	<u>Transferring stocks to employees (thousand shares)</u>
Number of shares on January 1, 2021	230
Decrease in the period	( <u>230</u> )
Number of shares on December 31, 2021	<u>          -</u>
Number of shares on January 1, 2020 and December 31, 2020	<u>          230</u>

The company's board of directors resolved on March 19, 2021 to transfer 230 thousand shares of treasury stock to employees at NT\$49.11/share. The transfer price after deducting the securities taxes is NT\$11,261 thousand. The cost of buying back treasury shares is NT\$15,287 thousand. The employee stock subscription date is scheduled on March 19, 2021. The company has recognized the remuneration cost of NT\$3,448 thousand on the granting date. Please refer to Note 25 for the relevant information.

The company's Treasury shares may not be pledged in accordance with the Securities and Exchange Act; moreover, it is without the privilege of dividend and voting right.

22. Consolidated net income

(1) Interest revenue

	<u>2021</u>	<u>2020</u>
Bank deposits	\$ <u>1,131</u>	\$ <u>2,777</u>

(2) Other income

	<u>2021</u>	<u>2020</u>
Government grants (Note 26)	\$ 13,762	\$ 14,352
Dividend income	236	215
Others	<u>1,822</u>	<u>2,775</u>
	<u>\$ 15,820</u>	<u>\$ 17,342</u>

(3) Other gains and losses

	<u>2021</u>	<u>2020</u>
Net (loss) gain on disposal and obsolescence of property, plant and equipment	(\$ 21)	(\$ 6,105)
Net foreign exchange gain (loss)	( 18,361 )	( 50,394 )
Gain (loss) on financial assets and liabilities at fair value through profit and loss	66	318
Lease modification gain	-	8,861
Others	<u>53</u>	( <u>836</u> )
	<u>(\$ 18,263)</u>	<u>(\$ 48,156)</u>

(4) Financial cost

	<u>2021</u>	<u>2020</u>
Bank's debt	\$ 435	\$ 782
Interest on the convertible bonds	4,013	2,542
Interest on lease liabilities	<u>1,491</u>	<u>5,661</u>
	<u>\$ 5,939</u>	<u>\$ 8,985</u>

(5) Depreciation, and amortization

	<u>2021</u>	<u>2020</u>
Property, plant, and equipment	\$ 51,811	\$ 41,920
Right-of-use assets.	12,471	20,936
Intangible assets	<u>2,496</u>	<u>3,002</u>
Total	<u>\$ 66,778</u>	<u>\$ 65,858</u>
Depreciation expense summary by function		
Operating cost	\$ 34,360	\$ 35,109
Operating expenses	<u>29,922</u>	<u>27,747</u>
	<u>\$ 64,282</u>	<u>\$ 62,856</u>
Amortization expense summary by function		
Operating cost	\$ 34	\$ 33
Operating expenses	<u>2,462</u>	<u>2,969</u>
	<u>\$ 2,496</u>	<u>\$ 3,002</u>

(6) Employee benefits expenses

	<u>2021</u>	<u>2020</u>
Short-term employee benefits		
Salaries and wages	\$ 399,173	\$ 437,800
Labor insurance and national health insurance	13,955	11,285
Share-based payment transaction - equity-settled	3,448	2,680
Retirement benefits	30,312	13,076
Other employee benefits	<u>19,043</u>	<u>19,188</u>
Total employee benefits expenses	<u>\$ 465,931</u>	<u>\$ 484,029</u>
Summary by function		
Operating cost	\$ 334,142	\$ 361,879
Operating expenses	<u>131,789</u>	<u>122,150</u>
	<u>\$ 465,931</u>	<u>\$ 484,029</u>

(7) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the remuneration to employees and Directors' is calculated by the income before tax and the remuneration to employees and Directors' with rate no lower than 1.5% and higher than 2%. The compensation of employees and remuneration to Directors and Supervisors assessed for 2021 and 2020 were adopted by a resolution of the Board of Directors on March 15, 2022 and March 19, 2021, respectively as follows:

Estimate on ratio

	<u>2021</u>	<u>2020</u>
Remuneration to employees	2.5%	2.5%
Remuneration to directors/supervisors	2.0%	2.0%

Amount

	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Remuneration to employees	<u>\$ 5,927</u>	<u>\$ 4,443</u>
Remuneration to directors/supervisors	<u>\$ 4,742</u>	<u>\$ 3,555</u>

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

The actual amount for remuneration to employees and Directors and Supervisors in 2020 and 2019 did not vary from the amount recognized in the consolidated financial statements of 2020 and 2019.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Consolidated Company, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

23. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	<u>2021</u>	<u>2020</u>
Income tax expenses in the current period		
Incurred during the year	\$ 93,985	\$ 73,313
Additional levy on undistributed earnings	1,396	-
Prior year adjustment	<u>2,730</u>	<u>( 77 )</u>
	<u>98,111</u>	<u>73,236</u>
Deferred tax		
Incurred during the year	<u>9,772</u>	<u>24,864</u>
Income tax expense recognized in the profit or loss	<u>\$ 107,883</u>	<u>\$ 98,100</u>

- (2) Income tax expense calculated by net income before tax per book and tax rate regulated by laws adjusted as below:

	<u>2021</u>	<u>2020</u>
Profit before income tax	<u>\$ 325,978</u>	<u>\$ 261,971</u>
Income tax expense of net income before tax at the statutory tax rate (25%)	\$ 81,495	\$ 65,493
Non-deductible expenses and losses for tax purposes	56	57
Non-taxable income	( 2,466)	( 588)
Additional levy on undistributed earnings	1,396	-
Withholding tax for overseas earnings remittance	26,274	25,788
Unrecognized temporary differences	( 5,621)	( 1,432)
Income tax expense of prior years adjusted in the current year	2,730	( 77)
Effect of variation in taxation rates on the consolidation of the group and individual entities.	<u>4,019</u>	<u>8,859</u>
Income tax expense recognized in the profit or loss	<u>\$ 107,883</u>	<u>\$ 98,100</u>

Because the parent company, Power Logic Holdings Inc., United Strategy Inc. and Sunny Sharp International Limited registered in Cayman and Samoa, there is no income tax.

The income tax rate subjected to 25% for subsidiaries in China per the income tax laws in P.R.C. The income tax rate subjected to 20% for subsidiaries in Taiwan per the income tax laws in R.O.C. Further, the dividend income of Power Logic Holdings Inc. and United Strategy Inc. is subjected to 10 % tax rate per the income tax laws in P.R.C.

- (3) Current income tax asset and liability

	<u>2021</u>	<u>2020</u>
Current income tax asset		
Tax refund receivable	<u>\$ 12,482</u>	<u>\$ 12,585</u>
Current Tax Liability		
Payable income tax	<u>\$ 36,379</u>	<u>\$ 19,333</u>

(4) Deferred income tax assets and liabilities

2021

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Unrealized exchange loss	\$ -	\$ 51	\$ -	\$ 51
Financial and tax difference for cost of goods sold	3,342	276	( 18 )	3,600
Falling price of inventory	6,364	5,704	( 34 )	12,034
Right-of-use assets.	41	( 4 )	-	37
Allowance for losses	308	77	( 1 )	384
Loss deduction	-	820	-	820
	<u>\$ 10,055</u>	<u>\$ 6,924</u>	<u>( \$ 53 )</u>	<u>\$ 16,926</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized exchange gain	\$ 210	( \$ 210 )	\$ -	\$ -
Financial and tax difference for sales revenue	15,925	( 9,378 )	( 87 )	6,460
Tax payable for overseas earnings remittance	76,233	26,284	-	102,517
	<u>\$ 92,368</u>	<u>\$ 16,696</u>	<u>( \$ 87 )</u>	<u>\$ 108,977</u>

2020

	Balance, beginning of year	Recognized in the profit or loss	Others	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Unrealized exchange loss	\$ 329	( \$ 329 )	\$ -	\$ -
Financial and tax difference for cost of goods sold	-	3,279	63	3,342
Falling price of inventory	7,457	( 1,186 )	93	6,364
Right-of-use assets.	786	( 744 )	( 1 )	41
Allowance for losses	174	131	3	308
	<u>\$ 8,746</u>	<u>\$ 1,151</u>	<u>\$ 158</u>	<u>\$ 10,055</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized exchange gain	\$ -	\$ 210	\$ -	\$ 210
Financial and tax difference for sales revenue	15,662	17	246	15,925
Tax payable for overseas earnings remittance	54,058	25,788	( 3,613 )	76,233
	<u>\$ 69,720</u>	<u>\$ 26,015</u>	<u>( \$ 3,367 )</u>	<u>\$ 92,368</u>

(5) Income tax audit

Power Logic Tech. Inc.'s and SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)'s assessments of income tax fall up to 2019 have been approved by the tax collection authority-in-charge.

24. Earnings per share

	Unit: NTD per share	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	\$ <u>6.83</u>	\$ <u>5.66</u>
Diluted earnings per share	\$ <u>6.27</u>	\$ <u>5.36</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profit for the year

	<u>2021</u>	<u>2020</u>
The net income applied to calculate basic earnings per share	\$ 218,753	\$ 163,871
Effect of dilutive potential common stock:		
Net interest on convertible bonds	<u>4,013</u>	<u>2,542</u>
Net profits for the calculation of diluted earnings per share	<u>\$ 222,766</u>	<u>\$ 166,413</u>

Quantity

	Unit: Thousand shares	
	<u>2021</u>	<u>2020</u>
Weighted average common stock shares used to calculate basic earnings per share	32,025	28,933
Effect of dilutive potential common stock:		
Remuneration to employees	116	88
Convertible corporate bonds	<u>3,360</u>	<u>2,054</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>35,501</u>	<u>31,075</u>

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

25. Share-based payment agreement

It was resolved in the company's board meeting on March 19, 2021 to transfer 230 thousand shares of treasury stock to the qualified employees of the company and subsidiaries at NT\$49.11/share in accordance with the "Regulations Governing the First-time Share Repurchase and Transfer to Employees." The stock delivery date is scheduled on April 16, 2021, and the remuneration cost recognized in 2021 is NT\$3,448 thousand (booked in the "management expenses" account). The additional paid-in capital is adjusted at the same time. Please refer to Note 21 (6) for the relevant information.

The company has recognized the stock option cost of transferring treasury stock to employees with the Black-Scholes Option Pricing Model. The parameters of the option pricing model are as follows:

	<u>2021</u>
Fair value on the granting day	NT\$ 15.12
Exercise price	NT\$ 49.11
Expected fluctuation rate	52.12%
Expected duration (years)	0.052
risk-free interest rate	0.0558%

26. Government grant

- (1) In July 2019, the consolidated company entered into an investment agreement with the People’s Government of Anfu County, Jiangxi Province, in which subsidies amounting to RMB3,681 thousand and RMB3,523 thousand were paid for land use rights and buildings, respectively; in addition, subsidies amounting to RMB2,123 thousand were paid for building-related improvements, for a total of approximately NT\$40,411 thousand. Therefore, the above-mentioned government grants are classified as asset-related subsidies and are recorded as deferred income, and a gain or loss of NT\$1,574 thousand and NT\$1,423 thousand is recognized in fiscal year 2021 and 2020 under other income on a systematic basis over the depreciation period (recorded under other income).
- (2) The Consolidated Company received subsidies for equipment disassembly and handling and other government grants for an amount of NT\$12,188 thousand and NT\$12,929 thousand in 2021 and 2020, respectively (booked in the “other income” account).

27. Financial instruments

- (1) Information on fair value – financial instruments at fair value on repetition.

1. Fair value level

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u>				
<u>through other comprehensive</u>				
<u>profit or loss</u>				
Equity investment				
- Domestic non-listed				
(OTC) stocks	\$ -	\$ -	\$ 2,086	\$ 2,086
<u>Financial liabilities at fair value</u>				
<u>through profit and loss</u>				
Sell-/buy-back of convertible				
bonds	\$ -	\$ -	\$ 288	\$ 288



December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u>				
<u>through other comprehensive</u>				
<u>profit or loss</u>				
Equity investment				
- Domestic non-listed				
(OTC) stocks	\$ -	\$ -	\$ 2,860	\$ 2,860
<u>Financial liabilities at fair value</u>				
<u>through profit and loss</u>				
Sell-/buy-back of convertible				
bonds	\$ -	\$ -	\$ 352	\$ 352

2. Financial instruments are adjusted according to Level 3 fair value.

2021

<u>Financial assets</u>	<u>Financial assets at fair value through other comprehensive profit or loss</u>
Balance, beginning	Equity instruments \$ 2,860
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	( 774 )
Balance, ending	<u>\$ 2,086</u>

<u>Financial liabilities</u>	<u>Financial liabilities at fair value through profit and loss</u>
Balance, beginning	Derivatives \$ 352
Delisted the repurchased corporate bonds	2
Recognized in profit and loss (Other profit or loss)	( 66 )
Balance, ending	<u>\$ 288</u>

2020

Financial assets (liabilities)	Financial assets (liabilities) at fair value through profit and loss	Financial assets at fair value through other comprehensive profit or loss
<u>Financial assets (liabilities)</u>	<u>Derivatives</u>	<u>Equity instruments</u>
Balance, beginning	\$ 323	\$ 2,288
New addition	( 583 )	-
Delisted the repurchased corporate bonds	( 410 )	-
Recognized in profit and loss (Other profit or loss)	318	-
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	572
Balance, ending	<u>( \$ 352 )</u>	<u>\$ 2,860</u>

3. Evaluation techniques and an input value of Level 3 fair value measurement

Equity instrument investments - When the Company estimates that there is no publicly quoted fair share value, the Market Approach is applied to calculate, with part of assumptions referred to not be supported by observable market prices or interest rates. The discount factor of liquidity is 50% used as of December 31, 2021 and 2020 while fair value determining.

For selling-/buying-back of convertible bonds, the binary tree-based model for convertible bond valuation is used to estimate the fair value and the stock price volatility is used as significant unobservable inputs. When share price volatility increases, the fair value of these derivatives will increase. The stock price volatility adopted as of December 31, 2021 and 2020 was 40.67% and 56.15%, respectively.

(2) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets based on cost after amortization (Note 1)	\$ 1,098,252	\$ 1,148,521
Financial assets at fair value through other comprehensive income or loss – investments in equity instruments	<u>2,086</u> <u>\$ 1,100,338</u>	<u>2,860</u> <u>\$ 1,151,381</u>
<u>Financial liabilities</u>		
The held-for-trade assets measured at fair value through profit or loss	\$ 288	\$ 352
Measured at amortized cost (Note 2)	<u>771,712</u> <u>\$ 772,000</u>	<u>815,385</u> <u>\$ 815,737</u>

Note 1: The balance amount includes cash and cash equivalents, financial assets measured at amortized cost - current, notes and accounts receivable-net, refundable deposits and other receivables, and other financial assets measured at amortized cost.

Note 2: The balance amount includes short-term loans, notes and accounts payable, other payables, corporate bonds due within one year and corporate bonds payable, and other financial liabilities measured at amortized cost.

(3) Financial risk management purpose and policies

The financial instruments of the consolidated company are account receivable, account payable, corporate bonds payable and lease liability included. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The managements monitor risk and execute policy to reduce risk exposure according to its' authority.

1. Market Risk

The major financial risk faced by the consolidated company resulted from the operating activities include foreign exchange rate risk [see (1) below] and interest rate risk [see (2) below].

There is no change in the consolidated company's related financial instruments market risk exposure and the way the consolidated company manages and assesses the exposure.

(1) Exchange rate risk

The consolidated company is exposure to exchange rate fluctuation because its' subsidiaries sell and purchase in foreign currency.

Please refer to Note 31 for the consolidated company's monetary assets and monetary liabilities book value (including the written-off monetary items that are measured with non-functional currency on the consolidated financial statements) that are measured with non-functional currency on the balance sheet date.

Sensitivity analysis

Influences to the consolidated companies mainly arise from fluctuations in USD and Renminbi (RMB).

The consolidated company's sensitivity analysis for New Taiwan Dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 5% is illustrated in the following table. The 5% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is adjusted in accordance with the changes in exchange rates by 5%. The table below indicates the income before tax increase amount when NTD devalued 5% against other related currencies; the income before tax decrease the same amount when NTD appreciated 5% against other related currencies.

	Impact of USD	
	2021	2020
Profit and loss	\$ 19,989	\$ 34,441

(2) Interest rate risk

The interest rate exposure is from the entities within the consolidated company borrowing with fixed and floating rates.

The book value of financial liability belonged to consolidated company exposed to interest rate as of balance sheet date is as below,

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
With fair value interest rate risk		
- Financial liabilities	\$ 17,182	\$ -
With cash flow interest rate risk		
- Financial liabilities	-	-

### Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The change in interest rate reported internally to management is the interest rate plus or minus 50 points, which represents management's assessment of the reasonable and possible changes in interest rates.

If the interest rate increases by 50 basis points with all other variables unchanged, the Consolidated Company's fixed-rate loans would not have affected the net income before tax in 2021.

### 2. Credit Risk

Credit risk refers to the counterparty's default on contractual obligations resulting in financial loss to the Group. As of balance sheet date, the maximum financial loss credit risk exposure of financial loss on obligation unfulfilled by the transaction party and financial guarantee provided by consolidated company is mainly from the book value of financial asset recognized in consolidated balance sheet.

The consolidated company rates the important customers with publicly obtained financial information and transaction record. The consolidated company continuously monitor the credit exposure and transaction parties' credit ratings and scatters the total transaction amount to credit rating qualified customers. The credit facility of transaction party is reviews and approved yearly by executive Vice President, audit and accounting departments to control credit exposure.

The receivable account is for many customers from diverse industries and geographical areas. The consolidated company continuously evaluate and monitor risk exposure toward account receivable customers' financial situations.

The credit risk of the consolidated company is from its' biggest customer. The total account receivable portion from that customer is 24% and 25% as of December 31, 2021 and 2020 respectively.

### 3. Liquidity Risk

The consolidated company has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The consolidated company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is an important source of liquidity to the consolidated company. As of December 31, 2021 and 2020, the financing facility of the consolidated company, please refer to financing facility explanation (2) below.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the possible earliest repayment date upon request. Therefore, the consolidated company may be required to immediately repay the bank loan is illustrated in the following table without considering the probability that the bank may immediately exercise such right. The other non-derivative financial liabilities maturity analysis is prepared in accordance with the agreed repayment date.

For the cash flow of the interest paid in accordance with the floating rate, the undiscounted interest amount is deduced from the yield rate curve on the balance sheet date.

December 31, 2021

	Payment on demand or less than 1 month	One-three months	3 months ~ 1 year	1 ~5 years
<u>Non-derivative financial liabilities</u>				
Notes and account payables	\$ 35,625	\$ 131,656	\$ 90,347	\$ -
No interest-bearing liabilities	-	-	205,900	-
Lease liability	1,255	2,511	11,298	18,545
Fixed interest rate:	-	17,182	-	-
	<u>\$ 36,880</u>	<u>\$ 151,349</u>	<u>\$ 307,545</u>	<u>\$ 18,545</u>

December 31, 2020

	Payment on demand or less than 1 month	One-three months	3 months ~ 1 year	1 ~5 years
<u>Non-derivative financial liabilities</u>				
Notes and account payables	\$ 73,831	\$ 127,567	\$ 55,481	\$ -
No interest-bearing liabilities	200	-	-	207,400
Lease liability	1,035	2,070	9,313	23,814
	<u>\$ 75,066</u>	<u>\$ 129,637</u>	<u>\$ 64,794</u>	<u>\$ 231,214</u>

(2) Financing facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank overdraft facilities with collateral		
- The amount expensed	\$ 17,182	\$ -
- The amount not yet expensed	<u>489,844</u>	<u>612,035</u>
	<u>\$ 507,026</u>	<u>\$ 612,035</u>

28. Related party transactions

Remunerations to the management

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 21,078	\$ 19,888
Retirement benefits	17	151
Share-based payment	<u>756</u>	<u>-</u>
	<u>\$ 21,851</u>	<u>\$ 20,039</u>

29. Pledged assets

The following assets are provided as collateral for the credit lines approved by banks:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Pledged certificate of deposit (classified as financial assets based on cost after amortization)	\$ 581	\$ -
Land, buildings and architecture	<u>146,135</u>	<u>147,962</u>
	<u>\$ 146,716</u>	<u>\$ 147,962</u>

30. Other matters

The consolidated company was affected by the COVID-19 pandemic, which delayed the resumption of work at the plants in Mainland China after the 2020 Lunar New Year holiday, resulting in lower shipment volume and operating income in February 2020. With the restoration of the plant, the operations of the consolidated company have returned to normal and there is no significant impact on the financial and business operations for the year 2021.

In addition, Dongguan City, Guangdong Province had announced a comprehensive and rigorous pandemic prevention measure with a city-wide traffic control implemented on March 15, 2022. Dong Guan Dong Li Dian Zi Co., Ltd. and Powerlogic Tech (Tai Yi) Co., Ltd., the subsidiaries, are cooperating with relevant pandemic prevention measures with the production and shipments schedule adjusted accordingly. The Consolidated Company assesses that the pandemic prevention measure does not have a significant finance and business impact.

31. Information on exchange rates of financial assets and liabilities denominated in foreign currencies

The following information is presented in foreign currency other than the functional currency of each entity of the Consolidated Company. The disclosed exchange rate refers to the exchange rate that such foreign currency converting into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

December 31, 2021

	Foreign currency	Exchange rate	Book value
<u>Foreign currency assets</u>			
<u>Monetary item</u>			
USD	\$ 10,443	27.680 (USD : NTD)	<u>\$ 289,064</u>
USD	5,683	6.3757 (USD : CNY)	<u>\$ 157,316</u>
<u>Foreign currency liabilities</u>			
<u>Monetary item</u>			
USD	1,682	27.680 (USD : NTD)	<u>\$ 46,559</u>
USD	1	6.3757 (USD : CNY)	<u>\$ 41</u>

December 31, 2020

	Foreign currency	Exchange rate	Book value
<u>Foreign currency assets</u>			
<u>Monetary item</u>			
USD	\$ 18,869	28.480 (USD : NTD)	<u>\$ 537,387</u>
USD	7,228	6.525 (USD : CNY)	<u>\$ 205,873</u>
<u>Foreign currency liabilities</u>			
<u>Monetary item</u>			
USD	1,869	28.480 (USD : NTD)	<u>\$ 53,220</u>
USD	42	6.525 (USD : CNY)	<u>\$ 1,214</u>

The consolidated company mainly take the foreign currency exchange risk other than the US dollar. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. Foreign currency gains/losses of material impact (including realized and unrealized):

Functional currency	2021		2020	
	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange	Functional currency exchanges for presentation currency	Net gain (loss) on foreign exchange
NTD	1 (NTD: NTD)	( \$ 9,001 )	1 (NTD: NTD)	( \$ 14,700 )
CNY	4,342 (CNY: NTD)	( <u>9,360</u> )	4,283 (CNY: NTD)	( <u>35,694</u> )
		( <u>\$ 18,361</u> )		( <u>\$ 50,394</u> )

32. Notes of disclosure

(1) Material transactions(2) and transfer investment information:

1. The Loaning of funds: Attached table 1.



2. Endorsement and Guarantee: Attached table 2.
  3. Securities held at period end( excluding investment in subsidiaries, affiliate, and Joint Ventures equities): Attached table 3.
  4. The accumulated amount of purchasing or selling the same securities reaching NTD 300 million or more than 20% of the paid-in capital: None.
  5. Acquisition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.
  6. Disposition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.
  7. Purchase and sales transactions with related party amount over NTD 100 million or 20% and above of paid-in capital: Attached table 4.
  8. Related party receivables amounting to more than NTD 100 million or 20% of paid up capital: Attached table 5.
  9. Invested company information: Attached table 6.
  10. Engagement in derivative trade: None.
  11. Business relationship and significant transactions between the parent company and subsidiaries: Attached table 7.
- (3) Information regarding investment in the territory of mainland china
1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitations on investment: Please see Attached table 8.
  2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss:
    - (1) Purchase amount and percentage and the related payables ending balance and percentage: Attached table 4 and 7.
    - (2) Sale amount and percentage and the related receivables ending balance and percentage: Attached table 4 and 7.
    - (3) Property transaction amount and the profit and loss arising from the acquisitions: None. °
    - (4) Notes endorsement and guarantee, or the provided collateral ending balance and its purpose: Attached table 2.
    - (5) The maximum financing balance, ending balance, interest rate interval, and total interest amount: Attached table 1.
    - (6) Others transactions with significant influences on the profit and loss or financial position, such as, the offer or acceptance of labor services: None.

- (4) Information on major shareholders: Name, number and percentage of shares held by shareholders with at least 5% of ownership. (Attached table 9)

33. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The consolidated company capital structure is composed by the net liability of the consolidated company (e.g. loan deducted cash and cash equivalent) and equity.

The consolidated company is not required to comply with other external capital requirements.

34. Segment information

The consolidated company is operated for cooling fan production, purchase and sale mainly. The major business decision maker evaluate the operating performance based on the whole operating result. Therefore, the consolidated company is a single operating department and mainly operated in China. The operating department information and consolidated financial statements are consistent for 2021 and 2020.

(1) Main revenues from products and service

The major product and service revenue of the consolidated company analyzed as below:

	<u>2021</u>	<u>2020</u>
Cooling fan	\$ 1,810,824	\$ 1,570,774
Others	<u>28,390</u>	<u>7,391</u>
	<u>\$ 1,839,214</u>	<u>\$ 1,578,165</u>

(2) Information by areas

The territory information of consolidated company is as below. The revenue is classified per customers' geographic location and the non-current asset is classified per asset's geographic location.

<u>Area</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers		
China	\$ 1,518,509	\$ 1,182,800
Taiwan	75,575	115,654
Others	<u>245,130</u>	<u>279,711</u>
Total	<u>\$ 1,839,214</u>	<u>\$ 1,578,165</u>
Non-current assets:		
China	\$ 630,667	\$ 640,261
Taiwan	209,175	165,878
Others	<u>576</u>	<u>1,688</u>
Total	<u>\$ 840,418</u>	<u>\$ 807,827</u>

Non-current asset exclude financial instrument and deferred tax asset.

(3) Information on key customers

Income generated from a single customer for more than 10% of the consolidated company's total income is as follows:

	<u>2021</u>	<u>2020</u>
Customer A	\$ 400,988	\$ 306,975
Customer B	<u>387,397</u>	<u>393,218</u>
	<u>\$ 788,385</u>	<u>\$ 700,193</u>

SUN MAX TECH LIMITED and its subsidiaries

The Loaning of Funds

2021

Unit: Unless otherwise stated, NT\$ Thousand

Attached table 1

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period	Balance, ending	The actual amounts disbursed	Interest rate collars	Nature of financing	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note)	Total limit of financing (Note)	Remarks
													Name	Value			
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Other receivables - related parties- Other	Yes	\$ 99,873 ( USD 3,500 )	\$ - ( USD - )	\$ - ( USD - )	2%	The necessity of short-term financing	\$ -	Operation turnover	\$ -	-	-	\$ 575,584	\$ 575,584	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Other receivables - related parties- Other	Yes	97,475 ( USD 3,500 )	60,896 ( USD 2,200 )	60,896 ( USD 2,200 )	1.5%	The necessity of short-term financing	-	Operation turnover	-	-	-	575,584	575,584	
0	Sun Max Tech Limited	POWER LOGIC TECH. INC	Other receivables - related parties- Other	Yes	51,363 ( USD 1,800 )	- ( USD - )	- ( USD - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	575,584	575,584	
1	POWER LOGIC TECH. INC	CICHENG TECHNOLOGY CO., LTD.	Other receivables - related parties- Other	Yes	10,000	10,000	-	1.5%	The necessity of short-term financing	-	Operation turnover	-	-	-	95,518	95,518	
2	POWER LOGIC HOLDINGS INC.	Sun Max Tech Limited	Other receivables - related parties- Other	Yes	19,975 ( USD 700 )	- ( USD - )	- ( USD - )	2%	The necessity of short-term financing	-	Operation turnover	-	-	-	419,161	419,161	
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	Other receivables - related parties	Yes	43,873 ( RMB 10,000 )	43,415 ( RMB 10,000 )	8,683 ( RMB 2,000 )	3.5%	The necessity of short-term financing	-	Operation turnover	-	-	-	452,675	452,675	
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	Other receivables - related parties	Yes	26,324 ( RMB 6,000 )	26,049 ( RMB 6,000 )	26,049 ( RMB 6,000 )	3.5%	The necessity of short-term financing	-	Operation turnover	-	-	-	452,675	452,675	
7	POWER LOGIC TECH (TAI YI) CO., LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Other receivables - related parties	Yes	65,810 ( RMB 15,000 )	- ( RMB - )	- ( RMB - )	4%	The necessity of short-term financing	-	Operation turnover	-	-	-	452,675	452,675	
7	POWER LOGIC TECH (TAI YI) CO., LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Other receivables - related parties	Yes	52,293 ( RMB 12,000 )	52,098 ( RMB 12,000 )	52,098 ( RMB 12,000 )	3.5%	The necessity of short-term financing	-	Operation turnover	-	-	-	452,675	452,675	

Note: Should fill in the operating procedure of lending company's money to others, lending limitation for individual party and total lending amount.

1. The total lending amount to others can't exceed 20% of latest net financial statements recently audited or reviewed by CPA. The lending to 100% direct or in-direct owned subsidiaries is not subjected to the limitation, but the highest amount can't exceed 40% of latest net financial statements.
2. Business related company or entity: The total lending amount can't exceed 10% of latest net financial statements recently audited or reviewed by CPA. The individual lending amount can't exceed the transaction amount of recent year. The transaction amount is the purchase or sale amount which is higher.
3. Business related company or entity with short-term loan requirement to the Company: the total lending amount can't exceed 10% of latest net financial statements recently audited or reviewed by CPA and the individual lending amount can't exceed 5% of latest financial statements net value recently audited or reviewed by CPA. The lending to 100% direct or in-direct owned subsidiaries is not subjected to the limitation, but the highest total lending amount and individual lending amount can't exceed 40% of latest net financial statements.
4. The total amount of subsidiaries lending to others can't exceed 40% of subsidiary's latest financial statements net value.
5. Business related company or entity with subsidiary, the total lending amount can't exceed 20% of subsidiary's latest net financial statements. The individual lending amount can't exceed the transaction amount of recent year. The transaction amount is the purchase or sale amount which is higher.
6. Business related company or entity with short-term loan requirement to the subsidiary: the total lending amount can't exceed 20% of subsidiary's latest net financial statements. The individual lending amount can't exceed 10% of latest subsidiary's net financial statements. The net value is based on the latest financial statement audited or reviewed by CPA.
7. The intercompany loan between 100% direct or in-direct owned domestic subsidiaries is not subjected to the previous three limitation, but the highest total lending amount and individual lending amount can't exceed 40% of subsidiary's latest net financial statements.
8. The intercompany loan between 100% direct or in-direct owned foreign subsidiaries is not subjected to the previous four limitation, but the highest total lending amount and individual lending amount can't exceed Subsidiary's latest net financial statements.

**SUN MAX TECH LIMITED and its subsidiaries**  
**Endorsement and Guarantee**  
**2021**

Attached table 2

Unit: Unless otherwise stated, NT\$ Thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	The highest balance of endorsements and/or guarantees in the current period	The ending balance of endorsements and/or guarantees	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Remarks
		Company name	Relation											
0	Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Parent Company and Subsidiaries	Note 2	\$ 30,000	\$ 30,000	\$ -	\$ -	2%	Note 3	Y	N	N	
0	Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Parent Company and Subsidiaries	Note 2	142,675 (USD 5,000)	138,400 (USD 5,000)	-	-	10%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	5,707 (USD 200)	- (USD -)	-	-	0%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	85,605 (USD 3,000)	- (USD -)	-	-	0%	Note 3	Y	N	N	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Parent Company and Subsidiaries	Note 2	170,340 (USD 6,000)	83,040 (USD 3,000)	-	-	6%	Note 3	Y	N	N	
0	Sun Max Tech Limited	DONG GUAN DONG LI DIAN ZI CO. LTD	Parent Company and Sub-subsi-dary	Note 2	8,561 (USD 300)	- (USD -)	-	-	0%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-subsi-dary	Note 2	61,423 (RMB 14,000)	17,366 (RMB 4,000)	-	-	1%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	POWER LOGIC TECH (TAI YI) CO., LTD	Parent Company and Sub-subsi-dary	Note 2	71,338 (USD 2,500)	- (USD -)	-	-	0%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	DONG GUAN DONG LI DIAN ZI CO. LTD	Parent Company and Sub-subsi-dary	Note 2	52,648 (RMB 12,000)	52,098 (RMB 12,000)	17,182 (RMB 3,958)	-	4%	Note 3	Y	N	Y	
0	Sun Max Tech Limited	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Parent Company and Sub-subsi-dary	Note 2	65,367 (RMB 15,000)	65,122 (RMB 15,000)	-	-	5%	Note 3	Y	N	Y	

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: The endorsement guarantee amount to individual company by the Company do not exceed 10% of latest net financial statements audited by CPA :  $1,438,961 \times 10\% = 143,896$ , but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The endorsement guarantee amount to individual company do not exceed 150% net value of the Company:  $1,438,961 \times 150\% = 2,158,442$ .

Note 3: The total endorsement guarantee amount by the Company do not exceed 20% of latest net financial statements audited by CPA :  $1,438,961 \times 20\% = 287,792$ , but the endorsement guarantee amount to 100% direct or in-direct owned company by the Company is not subjected to the previous limitation. The total endorsement guarantee amount do not exceed 150% net value of the Company:  $1,438,961 \times 150\% = 2,158,442$ .

SUN MAX TECH LIMITED and its subsidiaries  
 Marketable securities held at yearend  
 December 31, 2021

Attached table 3

Unit: except noted otherwise, presented in thousand Taiwan dollars and shares.

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value	Ratio of Shareholding	Fair value	
POWER LOGIC TECH. INC	Private equity-SONG JYE TECHNOLOGY CO., LTD.	-	The financial assets measured for the fair values through other comprehensive income- non-current	700	\$ 2,086	14%	\$ 2,086	

SUN MAX TECH LIMITED and its subsidiaries

The purchase or sale with the related party for an amount exceeding NT\$100 million or 20% of paid-in capital

2021

Attached table 4

Unit: Unless otherwise stated, NT\$ Thousand

Purchasing (selling) company	Name of Counterparty	Relation	Transaction				Trading terms different from general trade and reasons		Account receivable(payable)		Remarks
			Purchas (Sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage to total account receivable (payable)	
SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Affiliate	Sale	\$ 266,934	43.84%	Payment term is due 90 days from the invoice date	-	-	\$ 74,162	45.58%	
POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Affiliate	Sale	206,260	20.71%	Payment term is due 90 days from the invoice date	-	-	12,208	6.49%	
POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	Affiliate	Sale	360,343	36.18%	Payment term is due 90 days from the invoice date	-	-	12,290	6.53%	
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	DONG GUAN DONG LI DIAN ZI CO. LTD	Affiliate	Sale	70,297	5.72%	Payment term is due 90 days from the invoice date	-	-	15,883	3.94%	
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	POWER LOGIC TECH (TAI YI) CO., LTD	Affiliate	Sale	845,705	68.83%	Payment term is due 90 days from the invoice date	-	-	110,414	27.40%	
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Affiliate	Sale	66,856	5.44%	Payment term is due 90 days from the invoice date	-	-	53,164	13.19%	
DONG GUAN DONG LI DIAN ZI CO. LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Affiliate	Sale	139,735	20.57%	Payment term is due 90 days from the invoice date	-	-	46,738	25.81%	

Note: the sales and account receivable is eliminated from this consolidated statement.



SUN MAX TECH LIMITED and its subsidiaries  
Accounts receivable-related party reaching NTD 100,000 thousand or more than 20% of the Paid-in shares capital  
December 31, 2021

Attached table 5

Unit: Unless otherwise stated, NT\$ Thousand

The company booked in the receivables	Name of Counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Provision for loss allowance
					Amount	Process		
SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Affiliate	\$ 74,162	3.95 times	\$ -	-	\$ 23,119	\$ -
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	POWER LOGIC TECH (TAI YI) CO., LTD	Affiliate	110,414	3.96 times	-	-	90,520	-

Note: the receivables from related parties is eliminated from this consolidated statement.

SUN MAX TECH LIMITED and its subsidiaries  
The information of the invested company, the location, and so on  
2021

Attached table 6

Unit: Unless otherwise stated, NT\$ Thousand

Investor	Investee's name (Note 1, 2)	Location	Principal business	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit/loss recognized in the current period	Remarks
				Current yearend	Last yearend	Quantity	Proportion	Book value			
Sun Max Tech Limited	POWER LOGIC TECH. INC	Taiwan	sales of cooling fan	\$ 169,200	\$ 169,200	16,920	100	\$ 249,072	\$ 40,561	\$ 40,561	
Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	Samoa	Investment in holding company and sales of cooling fan	248,602 (USD 8,245)	248,602 (USD 8,245)	6,850	100	419,680	( 1,589)	( 1,589)	
Sun Max Tech Limited	UNITED STRATEGY INC.	Samoa	Investment holding	369,224 (USD 12,144)	369,224 (USD 12,144)	2,465	100	889,805	192,133	192,133	
Sun Max Tech Limited	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	BVI	Investment in holding company and sales of cooling fan	46,741 (USD 1,550)	46,741 (USD 1,550)	490	100	116,064	32,078	29,492 (Note 4)	
POWER LOGIC TECH. INC	CICHENG TECHNOLOGY CO., LTD.	Taiwan	sales of cooling fan	40,000	-	4,000	80	37,368	( 3,290)	( 2,632)	

Note 1: If the public company is foreign holding company registered and takes the consolidated statements as the major statement according local laws, it is acceptable to disclose to the holding company only for foreign invested disclosure.

Note 2: Fill in by following regulations if not belongs to Note 1:

- (1) Columns of "Investee name", "Area", "Operating items", "Original investment amount" and "Shares-holding at period end" should be filled in order according to the (public) Company reinvestment and the reinvestment of investee. The relationship between the (public) Company and investee is required to be indicated in the remarks column (e.g. it is a subsidiary or subordinate).
- (2) "The investee income" column should be filled in with profit or loss amount of investee of the period.
- (3) "The investee income" column is filled in with the recognized direct invested subsidiaries and investee profit and loss under equity of the Company only. No need to fill in other than these two. The subsidiary profit and loss included re-investment profit and loss to be recognized according to the regulations should be confirmed when filling in the "Recognized direct invested subsidiary profit and loss of the period".

Note 3: The details information of investee in China, please refer to the Attached table 8.

Note 4: Including unrealized gross from intercompany transactions.

SUN MAX TECH LIMITED and its subsidiaries

The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts

2021

Unit: Unless otherwise stated, NT\$ Thousand

Attached table 7

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			The ratio of consolidated total income or assets (Note 3)
				Title	Amount	Terms and conditions	
0	Sun Max Tech Limited	POWER LOGIC HOLDINGS INC.	1	(Increase) / decrease in Other receivables	\$ 60,896	Note 4	2.42%
1	POWER LOGIC TECH. INC	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	24,780	Note 4	1.35%
1	POWER LOGIC TECH. INC	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	43,185	Note 4	2.35%
1	POWER LOGIC TECH. INC	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Sales revenue	54,579	Note 4	2.97%
1	POWER LOGIC TECH. INC	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Accounts receivable	13,321	Note 4	0.53%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	26,349	Note 4	1.43%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Sales revenue	266,934	Note 4	14.51%
5	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Accounts receivable	74,162	Note 4	2.95%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Sales revenue	139,735	Note 4	7.60%
6	DONG GUAN DONG LI DIAN ZI CO. LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Accounts receivable	46,738	Note 4	1.86%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Sales revenue	360,343	Note 4	19.59%
7	POWER LOGIC TECH (TAI YI) CO., LTD	POWER LOGIC HOLDINGS INC.	3	Accounts receivable	12,290	Note 4	0.49%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Sales revenue	206,260	Note 4	11.21%
7	POWER LOGIC TECH (TAI YI) CO., LTD	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Accounts receivable	12,208	Note 4	0.49%
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	12,409	Note 4	0.67%
7	POWER LOGIC TECH (TAI YI) CO., LTD	DONG GUAN DONG LI DIAN ZI CO. LTD	3	(Increase) / decrease in Other receivables	34,734	Note 4	1.38%
7	POWER LOGIC TECH (TAI YI) CO., LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Sales revenue	37,498	Note 4	2.04%
7	POWER LOGIC TECH (TAI YI) CO., LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	Accounts receivable	18,029	Note 4	0.72%
7	POWER LOGIC TECH (TAI YI) CO., LTD	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	3	(Increase) / decrease in Other receivables	52,098	Note 4	2.07%
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Sales revenue	70,297	Note 4	3.82%
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	DONG GUAN DONG LI DIAN ZI CO. LTD	3	Accounts receivable	15,883	Note 4	0.63%
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	POWER LOGIC TECH (TAI YI) CO., LTD	3	Sales revenue	845,705	Note 4	45.98%
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	POWER LOGIC TECH (TAI YI) CO., LTD	3	Accounts receivable	110,414	Note 4	4.39%

(Continued on next page)

(Continued from previous page)

No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				Title	Amount	Terms and conditions	The ratio of consolidated total income or assets (Note 3)
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Sales revenue	\$ 66,856	Note 4	3.64%
8	Taiyi (Jiangxi) Electronic Technology Co., Ltd.	SUNNY SHARP INTERNATIONAL LIMITED TAIWAN BRANCH (BVI)	3	Accounts receivable	53,164	Note 4	2.11%

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:

- (1) Fill in "0" for parent company.
- (2) The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

- (1) The Company to the Subsidiary.
- (2) The Subsidiary to the Bank.
- (3) The Subsidiary to the Subsidiary.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 4: The transaction term is no apparent difference existed for related and non-related party.

Note 5: The transaction above and over 10 million.

SUN MAX TECH LIMITED and its subsidiaries  
Information regarding investment in the territory of mainland china  
2021

Attached table 8

Unit: Unless otherwise stated, NT\$ Thousand

Names of investees in China	Principal business	Paid-in shares Capital	Mode of investments (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Invested company's profit and loss	Ratio of shareholding of investment directly or indirectly made by the Company	Investment profit/loss recognized in current period (Note 2)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
					Outward remittance	Recover							
POWER LOGIC TECH (TAI YI) CO., LTD	Production and sale of cooling fan	\$ 126,746 ( CNY 27,500 )	2 (POWER LOGIC HOLDINGS INC.)	\$ -	\$ -	\$ -	\$ -	( \$ 988 )	100.00	( \$ 490 ) (Note 4)	\$ 452,715 (Note 4)	\$ -	
DONG GUAN DONG LI DIAN ZI CO. LTD	Production and sale of cooling fan	88,456 ( HKD 21,000 )	2 (UNITED STRATEGY INC.)	-	-	-	-	44,374	100.00	50,468 (Note 4)	234,653 (Note 4)	-	
Taiyi (Jiangxi) Electronic Technology Co., Ltd.	Production and sale of cooling fan	546,019 ( CNY 117,494 )	2 (UNITED STRATEGY INC.)	-	-	-	-	163,907	100.00	162,309 (Note 4)	709,601 (Note 4)	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Compliance with the limit of investment in Mainland China set forth by Investment Commission of MOEA
Not applicable	Not applicable	Not applicable

Note 1: There are three types of investments labeled by the respective number:

- (1) Direct investment in China.
- (2) Investment in China through the third region (please indicate the invested company in the third region).
- (3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:

- (1) Please mark out if there has no investment gain or loss yet because the investment is still under planning.
- (2) The basis of recognition of investment income is classified into following three types, which should be marked out.
  - A. Financial statements audited by international firm cooperated with accounting firm in R.O.C.
  - B. Financial statements audited by the CPAs who audit the parent company in Taiwan.
  - C. Others.

Note 3: all figures presented in new Taiwan dollars.

Note 4: including the un-realized gross profit from inter-company transaction

Sun Max Tech Limited  
Major shareholder information  
December 31, 2021

Attached table 9

Name of Principle shareholder	Shares	
	Shareholding (shares)	Ratio of Shareholding
The investment account of SINOTEAM HOLDINGS INC. is managed by Taishin International Commercial Bank.	6,308,395	19.65%

Note 1: The information on major shareholders in this table is based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares of book-entry securities (including treasury stocks). The number of shares recorded in the consolidated financial statements and the actual number of delivered book-entry securities may differ depending on the calculation basis for preparation.