Stock Code: 3015

FSP Technology Inc.

Parent Company Only Financial Statements and Independent Auditors' Report

2021 and 2020

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Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Opinions

We have audited the Parent Company Only Financial Statements of FSP Technology Inc. (the "Company"), which comprise the Parent Company Only Balance Sheets as of December 31, 2021 and 2020, and the Parent Company Only Statements of Comprehensive Income, the Parent Company Only Statements of Changes in Equity, the Parent Company Only Statements of Cash Flows, and Notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies) from January 1 to December 31, 2021 and 2020.

In our opinion, based on our audit results and the audit reports prepared by other independent auditors (please refer to Other Matters section), the accompanying Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the periods from January 1 to December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled other ethical responsibilities in accordance with the Code. Based on our audit results and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Parent Company Only Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, revenue recognition is the key audit matter that should be communicated in the audit report.

Please refer to Note IV(XV) for the accounting policy of revenue recognition and Note VI((XXI) for the related disclosure of revenue.

Description of key audit matter:

The Sales revenue of the Company is a key indicator for investors and management to evaluate financial or business performance. As a listed company, there is a high inherent risk of misrepresentation for the Company. In addition, the timing of revenue recognition and transfer of control over goods is critical to the presentation of financial statements. Therefore, we have identified revenue recognition as a key audit matter in the audit of the Consolidated Financial Statements.

Audit procedure to address the matter:

We performed the following audit procedure in respect of the above key audit matter:

- Tested the effectiveness of the design and implementation of the internal control mechanism in relation to revenue recognition.
- Conducted trend analysis for the top ten customers, including comparison of customer lists and sales revenue between the current period and the most recent period as well as the same period last year, in order to assess whether there is any significant irregularity, and to identify and analyze the reasons for any material changes.
- Performed random sample checking on the sales transactions of the year to evaluate the authenticity of these transactions, the correctness of the recognized amount of sales revenue and the reasonableness of the timing of recording.
- Reviewed samples of sales transactions for a specified period before and after the end of the year to assess whether the timing of revenue recognition is appropriate.

Other Matters

We did not audit the financial statements of certain investee companies under long-term investment using the equity method for the years ended December 31, 2021 and 2020. Those financial statements were audited by other independent auditors. Our opinion expressed herein, insofar as it relates to the amounts included in the Parent Company Only Financial Statements relative to these investee companies was based solely on the reports of other independent auditors. Total investment amount in these investee companies amounted to NT$663,717 thousand and NT$610,088 thousand, accounting for 3.58% and 3.78% of the total assets as of December 31, 2021 and 2020, respectively. Total recognized gains on these investments amounted to NT$88,389 thousand and NT$50,138 thousand, representing 10.11% and 6.73% of the total income before taxes for the years ended December 31, 2021 and 2020.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company Only Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain internal controls which are necessary for the preparation of the Parent Company Only Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the key audit matters in the audit of the Company's Parent Company Only Financial Statements for the year ended December 31, 2021. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chang, Chun-I and Chao, Min-Ju.

KPMG
Taipei, Taiwan (Republic of China)
March 18, 2022

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FSP Technology Inc.

Parent Company Only Balance Sheets

December 31, 2021 and 2020

Unit: NT$ thousands

		2021.12.31		2020.12.31	
	Assets	**Amount**	%	**Amount**	%
11xx	**Current Assets:**				
1100	Cash and cash equivalents (Note VI(I))	$ 1,683,746	9	1,961,278	12
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	316,390	2	277,620	2
1136	Financial assets at amortized cost - current (Note VI(IV))	10,800	-	-	-
1150	Notes receivable, net (Note VI(V) and (XXI))	2,682	-	426	-
1170	Accounts receivable, net (Note VI(V) and (XXI))	2,359,536	13	2,233,285	14
1180	Accounts receivable - related parties, net (Notes VI(V) and (XXI), and VII)	985,345	5	749,248	5
1200	Other receivables (Note VI(VI))	16,480	-	19,966	-
1210	Other receivables - related parties (Notes VI(VI) and VII)	40,968	-	49,665	-
130x	Inventories (Note VI(VII))	2,162,501	12	1,627,409	10
1410	Prepayments (Note VII)	65,083	-	29,057	-
1470	Other current assets	14,822	-	15,641	-
	Total current assets	7,658,353	41	6,963,595	43
15xx	**Non-current Assets:**				
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(III) and (XIX))	6,736,644	37	5,246,682	33
1550	Investments recognized through the equity method (Note VI(VIII) and (IX))	2,944,275	16	2,787,840	17
1600	Property, plant and equipment (Notes VI(X), (XIII), and (XIV), VIII and IX)	966,351	5	901,411	6
1755	Right-of-use assets (Notes VI(XI) and (XV), and VII)	49,919	-	56,710	-
1780	Intangible assets (Note VI(XII))	117,968	1	114,860	1
1840	Deferred income tax assets (Note VI(XVIII))	67,326	-	56,606	-
1900	Other non-current assets (Notes VI(X), VIII and IX)	3,844	-	7,162	-
	Total non-current assets	10,886,327	59	9,171,271	57
1xxx	**Total assets**	$ 18,544,680	100	16,134,866	100

		2021.12.31		2020.12.31	
	Liabilities and Equity	**Amount**	%	**Amount**	%
21xx	**Current Liabilities:**				
2150	Notes payable	$ 14,445	-	15,001	-
2170	Accounts payable	3,417,288	19	3,460,547	21
2180	Accounts payable - related parties (Note VII)	330,210	2	323,444	2
2200	Other payables (Note VI(XVII) and (XXII))	825,993	5	609,379	4
2220	Other payables - related parties (Note VII)	47,611	-	41,852	-
2230	Current income tax liabilities	111,599	1	57,628	1
2250	Provisions for liabilities - current (Note VI(XVI))	146,223	1	157,190	1
2280	Lease liabilities - current (Notes VI(XV) and VII)	3,040	-	6,264	-
2300	Other current liabilities (Notes VI(XIV) and (XXI), and VII)	64,258	-	53,892	-
2320	Current portion of long-term debt (Notes VI(X) and (XIV), and VIII)	73,014	-	10,608	-
	Total current liabilities	5,033,681	28	4,735,805	29
25xx	**Non-current Liabilities:**				
2540	Long-term borrowings (Notes VI(X) and (XIV), and VIII)	199,334	1	97,845	1
2570	Deferred income tax liabilities (Note VI(XVIII))	2,919	-	2,039	-
2580	Lease liabilities - non-current (Notes VI(XV) and VII)	49,239	-	52,619	-
2640	Net defined benefit liabilities - non-current (Note VI(XVII))	44,234	-	57,218	1
2670	Other non-current liabilities - others (Notes VI(XIV) and VII)	6,312	-	4,524	-
	Total non-current liabilities	302,038	1	214,245	2
2xxx	**Total liabilities**	5,335,719	29	4,950,050	31
31xx	**Equity (Note VI(III), (VIII), (XVII), (XVIII) and (XIX)):**				
3100	Capital Stock	1,872,620	10	1,872,620	12
3200	Capital surplus	1,011,016	5	1,011,016	6
3300	Retained earnings:				
3310	Legal reserve	1,033,544	6	940,416	6
3350	Unappropriated earnings	3,209,195	17	2,446,328	15
	Total retained earnings	4,242,739	23	3,386,744	21
34xx	Other Equity:				
3410	Exchange differences on translation of financial statements of foreign operations	(117,703)	(1)	(89,678)	(1)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6,200,289	34	5,004,114	31
	Total other equity	6,082,586	33	4,914,436	30
3xxx	**Total equity**	13,208,961	71	11,184,816	69
2-3xxx	**Total liabilities and equity**	$ 18,544,680	100	16,134,866	100

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

		2021		2020	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Notes VI(XXI) and VII)**	$ 12,319,833	100	10,873,018	100
5000	**Operating costs (Notes VI(VII), (X), (XI), (XII), (XVI), and (XVII), VII and XII)**	10,483,687	85	9,306,280	86
5910	Add: Unrealized sales gains (losses)	(10,948)	-	(25,953)	-
5900	**Gross profit**	1,825,198	15	1,540,785	14
6000	**Operating expenses (Notes VI(V), (X), (XI), (XII), (XV), (XVII), and (XXII), VII and XII):**				
6100	Selling and marketing expenses	445,124	4	385,878	4
6200	General and administrative expenses	487,276	4	417,538	4
6300	Research and development expenses	363,444	3	350,383	3
6450	Expected credit loss	3,828	-	4,614	-
	Total operating expenses	1,299,672	11	1,158,413	11
6900	**Net operating income**	525,526	4	382,372	3
7000	**Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (XV) and (XXIII), and VII):**				
7100	Interest income	2,375	-	7,358	-
7010	Other income	148,325	1	123,787	1
7020	Other gains and losses	(512)	-	(50,588)	-
7050	Finance costs	(3,867)	-	(2,250)	-
7070	Share of profits (losses) of subsidiaries, associates and joint ventures under equity method	202,618	2	284,687	3
	Total non-operating income and expenses	348,939	3	362,994	4
7900	**Income before income tax from continuing operations**	874,465	7	745,366	7
7950	**Less: Income tax expense (Note VI(XVIII))**	120,383	1	76,052	1
8200	**Net Income**	754,082	6	669,314	6
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss (Note VI(XVII), (XVIII) and (XIX))**				
8311	Gains (losses) on re-measurements of defined benefit plans	6,610	-	(7,821)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,854,340	15	2,044,026	19
8330	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	246	-	50,817	1
8349	Less: Income tax related to components that will not be reclassified to profit or loss	1,322	-	(1,564)	-
	Total items that will not be reclassified to profit or loss	1,859,874	15	2,088,586	20
8360	**Items that may be reclassified subsequently to profit or loss (Note VI(VIII) and (XIX))**				
8361	Exchange differences on translation of financial statements of foreign operations	(27,216)	-	28,236	-
8380	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	(809)	-	(1,400)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(28,025)	-	26,836	-
8300	**Other Comprehensive Income**	1,831,849	15	2,115,422	20
8500	**Total Comprehensive Income**	$ 2,585,931	21	2,784,736	26
	Earnings per share (unit: NT$) (Note VI(XX))				
9750	Basic earnings per share	$	4.03		3.55
9850	Diluted earnings per share	$	3.99		3.52

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen Managerial Officer: Cheng, Ya-Jen Chief Accounting Officer: Sang, Hsi-Yun

FSP Technology Inc.

Parent Company Only Statements of Changes in Equity

January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

			Retained earnings			Other equity items				
	Capital stock - common shares	**Capital surplus**	**Legal reserve**	**Unappropriated earnings**	**Total**	**Exchange differences on translation of financial statements of foreign operations**	**Unrealized gains (losses) on financial assets at fair value through other comprehensive income**	**Total**	**Treasury shares**	**Total Equity**
Balance as of January 1 2020	$ 1,922,620	1,131,801	902,027	1,745,698	2,647,725	(116,514)	3,199,064	3,082,550	-	8,784,696
Appropriation and distribution of earnings:										
Legal reserve	-	-	38,389	(38,389)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(192,262)	(192,262)	-	-	-	-	(192,262)
Changes in other capital surplus:										
Cash dividends appropriated from capital surplus	-	(96,131)	-	-	-	-	-	-	-	(96,131)
Net Income	-	-	-	669,314	669,314	-	-	-	-	669,314
Other Comprehensive Income	-	-	-	(6,241)	(6,241)	26,836	2,094,827	2,121,663	-	2,115,422
Total Comprehensive Income	-	-	-	663,073	663,073	26,836	2,094,827	2,121,663	-	2,784,736
Purchase of treasury shares	-	-	-	-	-	-	-	-	(101,003)	(101,003)
Retirement of treasury shares	(50,000)	(29,434)	-	(21,569)	(21,569)	-	-	-	101,003	-
Changes in ownership interests in subsidiaries	-	4,780	-	-	-	-	-	-	-	4,780
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	289,777	289,777	-	(289,777)	(289,777)	-	-
Balance as of December 31, 2020	1,872,620	1,011,016	940,416	2,446,328	3,386,744	(89,678)	5,004,114	4,914,436	-	11,184,816
Appropriation and distribution of earnings:										
Legal reserve	-	-	93,128	(93,128)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	-	(561,786)
Net Income	-	-	-	754,082	754,082	-	-	-	-	754,082
Other Comprehensive Income	-	-	-	5,534	5,534	(28,025)	1,854,340	1,826,315	-	1,831,849
Total Comprehensive Income	-	-	-	759,616	759,616	(28,025)	1,854,340	1,826,315	-	2,585,931
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	658,165	658,165	-	(658,165)	(658,165)	-	-
Balance as of December 31, 2021	$ 1,872,620	1,011,016	1,033,544	3,209,195	4,242,739	(117,703)	6,200,289	6,082,586	-	13,208,961

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.

Parent Company Only Statements of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 874,465	745,366
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	62,893	62,770
Amortization expenses	2,576	1,260
Expected credit loss	3,828	4,614
Interest expenses	3,867	2,250
Interest income	(2,375)	(7,358)
Dividend income	(122,933)	(107,452)
Share of profits of subsidiaries, associates and joint ventures	(202,618)	(284,687)
Loss on disposal of property, plant, and equipment	656	58
Unrealized sales gains (losses)	10,948	25,953
Unrealized foreign currency exchange gain	20,737	(13,831)
Gains on lease modifications	(80)	-
Gains on bargain purchase	(2,523)	-
Total adjustments for profit or loss	(225,024)	(316,423)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(38,770)	(123,224)
Notes receivable	(2,256)	2,221
Accounts receivable	(89,006)	118,596
Accounts receivable - related parties	(236,097)	(84,784)
Other receivables	4,035	1,616
Other receivables - related parties	8,697	10,275
Inventories	(535,092)	(391,394)
Prepayments	(35,691)	8,421
Other current assets	819	(2,948)
Total changes in operating assets	(923,361)	(461,221)
Changes in operating liabilities:		
Notes payable	(556)	619
Accounts payable	(101,854)	409,473
Accounts payable - related parties	2,907	(22,799)
Other payables	219,472	145,274
Other payables - related parties	5,747	3,789
Provisions for liabilities	(10,967)	11,853
Other current liabilities	8,235	4,282
Net defined benefit liabilities	(6,374)	(8,942)
Other non-current liabilities	3,919	2,994
Total changes in operating liabilities	120,529	546,543
Total changes in operating assets and liabilities	(802,832)	85,322
Total adjustments	(1,027,856)	(231,101)
Cash provided by operations	(153,391)	514,265
Interest received	2,441	8,317
Interest paid	(3,867)	(1,873)
Income tax paid	(77,574)	(62,339)
Net cash provided by operating activities	(232,391)	458,370
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(296,047)	(118,419)
Disposal of financial assets at fair value through other comprehensive income	660,425	216,963
Acquisition of financial assets at amortized cost	(10,959)	-
Acquisition of investments accounted for using the equity method	(22,640)	-
Acquisition of property, plant, and equipment	(124,320)	(103,155)
Disposal of property, plant and equipment	7	-
Decrease (increase) in refundable deposits	1,503	(300)
Acquisition of intangible assets	(5,684)	(436)
Increase in prepayments for equipment	-	(335)
Dividends received	155,552	127,840
Net cash flows from investing activities	357,837	122,158
Cash flows from financing activities:		
Proceeds from long-term loans	181,989	108,076
Repayments of long-term loans	(18,094)	-
Repayment of the principal of lease liabilities	(5,087)	(6,469)
Cash dividends paid	(561,786)	(288,393)
Purchase cost of treasury shares	-	(101,003)
Net cash flows used in financing activities	(402,978)	(287,789)
Net increase (decrease) in cash and cash equivalents	(277,532)	292,739
Cash and cash equivalents at the beginning of the year	1,961,278	1,668,539
Cash and cash equivalents at the end of the year	$ 1,683,746	1,961,278

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.

Notes to Parent Company Only Financial Statements

2021 and 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

FSP Technology Inc. (the "Company") was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company is primarily engaged in the manufacturing, processing and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Parent Company Only Financial Statements were authorized for issue by the Board of Directors on March 18, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

The Company has initially adopted the following new amendments to IFRS since January 1, 2021, and there was no significant impact on the Parent Company Only Financial Statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Company has adopted the following new amendments, which do not have a significant impact on the Parent Company Only Financial Statements, since April 1, 2021.

- Amendment to IFRS 16 "COVID-19 Related Rent Concessions beyond 30 June 2021"

(II) The impact of IFRS endorsed by the FSC but not yet adopted by the Group

The Company assesses that the adoption of the following new amendments effective from January 1, 2022 will not have a significant impact on the Parent Company Only Financial Statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(III) IFRSs issued by the International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the IASB, but not yet endorsed by the FSC:

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 "Classification of liabilities as current or non-current"	The amendments are intended to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain maturity dates should be classified as current (or to be due within one year) or non-current on the balance sheets. The amendments also clarify the classification requirements for debts that companies may settle by conversion into equity.	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	Amendments to IAS 1 mainly include: · Requiring companies to disclose their material accounting policies rather than their significant accounting policies; · Accounting policy information in relation to insignificant transactions, other matters or conditions shall be deemed as immaterial and the Group is not required to disclose such information; and · Not all accounting policy information relating to significant transactions, other matters or conditions is considered material for the financial statements of a company.	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	The amendments introduce a new definition of accounting estimates, clarifying that accounting estimates are monetary amounts in the financial statements that are subject to the uncertainty of measurement. The amendments also clarify the relationship between accounting policies and accounting estimates by stating that companies are required to establish accounting estimates for the purposes of the accounting policies they apply.	January 1, 2023

The Company is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Company completes the evaluation.

The Company expects that the following new and amended standards, which have not been endorsed by the FSC, will not have a significant impact on the Parent Company Only Financial Statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

IV. Summary of Significant Accounting Policies

The significant accounting policies adopted in the Parent Company Only Financial Statements are summarized as follows. The following accounting policies have been applied consistently to all periods presented in the Parent Company Only Financial Statements.

(I) Compliance declaration

The Company's accompanying Parent Company Only Financial Statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(II) Preparation basis

1. Measurement basis

The Parent Company Only Financial Statements have been prepared on a historical cost basis except for the following items:

(1) Financial assets measured at fair value through profit or loss;

(2) Financial assets measured at fair value through other comprehensive income;

(3) Defined benefit liability, which are measured based on pension fund assets plus unrecognized service costs in the previous period and unrecognized actuarial losses, less unrecognized actuarial gains, the present value of defined benefit obligations and effect of the asset ceiling as mentioned in Note IV(XVII).

2. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The Parent Company Only Financial Statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(III) Foreign currencies

1. Foreign currency transactions

   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on that date.

   Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency based on the exchange rates at the date when the fair value is determined, whereas non-monetary items denominated in foreign currencies measured at historical costs are translated using the exchange rates at the dates of the transactions. The resulting exchange differences are generally recognized in profit or loss, except for the equity instruments designated to be measured at fair value through other comprehensive income, whose exchange differences are recognized in other comprehensive income.

2. Foreign operations

   The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the period and the resulting exchange differences are recognized in other comprehensive income.

(IV) Classification criteria for current and non-current assets and liabilities

Assets are classified as current assets when one of the following criteria is met, and all other assets are classified as non-current assets:

1. It is expected to be realized, or intended to be sold or consumed in the normal operating cycle.
2. Assets held mainly for trading purpose.
3. Assets that are expected to be realized within twelve months after the balance sheet date.
4. Cash or cash equivalents, excluding restricted cash or cash equivalents that are reserved for exchange, debt repayment or under other restrictions for more than twelve months after the balance sheet date.

Liabilities are classified as current liabilities when one of the following criteria is met, and all other liabilities are classified as non-current liabilities:

1. It is expected to be settled in the normal operating cycle.
2. Assets held mainly for trading purpose.

3. Liabilities that are expected to be settled upon maturity within twelve months after the balance sheet date.
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(V) Cash and cash equivalents

Cash consists of cash on hand, checking account deposits and saving account deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. Time deposits that meet the criteria and are held for the purpose of fulfilling short-term cash commitment rather than other purposes are classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

(VI) Financial instruments

Accounts receivables are initially recognized when they are incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets (excluding accounts receivable without a significant financing component) and financial liabilities that are not measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of these financial assets or financial liabilities. Accounts receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

   The Company applies trade date accounting to all regular way purchases or sales of financial assets that are classified in the same way.

   At initial recognition, financial assets are classified into the following categories: Financial assets at amortized cost, investments in equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss. When the Company changes its business model for managing financial assets, all affected financial assets are reclassified on the first day of the next reporting period.

   (1) Financial assets at amortized cost

   Financial assets are measured at amortized cost if all of the following conditions are met and the financial assets are not designated as measured at fair value through profit or loss:

   · Financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

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

These assets are subsequently measured at amortized cost, using initial recognized amount plus or minus cumulative amortization calculated by adopting the effective interest method and taking into account the adjustment of allowance for impairment loss as well. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

At initial recognition of investments in equity instruments that are not held for trading, the Company may make an irrevocable election to present subsequent changes in fair value of the investments in other comprehensive income. This election is made on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized in profit or loss unless the dividend clearly represents the recovery of part of the investment cost. Other net gains or losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

Dividend income from equity investments is recognized on the date that the Company is eligible to receive the dividends (usually the ex-dividend date).

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

Financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. At initial recognition, the Company may irrevocably designate a financial asset, which meets the criteria to be measured at amortized cost or at fair value through other comprehensive income, to the category measured at fair value through profit or loss if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including related dividend and interest income, are recognized in profit or loss.

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit loss on financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits.

The Group measures loss allowance for notes and accounts receivable at the amount equal to lifetime expected credit loss. Taking into account reasonable and supportable information available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience, credit assessment, as well as forward-looking information, the Company measures the impairment of financial assets at amortized cost according to 12-month expected credit loss when the credit risk of the financial assets has not increased significantly since initial recognition. If there has been a significant increase in credit risk since initial recognition, the impairment is measured based on lifetime expected credit loss.
Lifetime expected credit loss refers to the expected credit loss resulting from all possible default events over the expected life of the financial instrument.
12-Month expected credit loss refers to the expected credit loss resulting from default events of the financial instrument that are likely to occur within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).
The maximum period considered when estimating expected credit loss is the maximum contractual period over which the Company is exposed to credit risk.
Expected credit loss is the probability-weighted estimate of credit loss over the expected life of financial instruments. Credit loss is measured at the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contracts and the cash flows that the Company expects to receive). Expected credit loss is discounted at the effective interest rate of the financial assets.
Loss allowance for financial assets at amortized cost is deducted from the carrying amount of the assets. The amount of provision or reversal of loss allowance is recognized in profit or loss.
The carrying amount of the financial assets is written off when the Company has no reasonable expectation of recovering the entire or part of the financial assets. The Company individually makes the assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects there will be no significant reversal on the write-off amount. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for collecting overdue amount.

(5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the financial asset in which almost all of the risks and returns associated with the ownership of the financial asset are transferred to other companies or in which the Company neither transfers nor retains nearly all of the risks and returns of ownership and it does not hold control on the financial asset.

When the Company enters into transactions of financial asset transfer, if all or almost all of the risks and returns associated with the ownership of the transferred asset is retained, the transferred asset continues to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount of consideration received, less the direct issuing cost.

(2) Treasury shares

When the Group buys back its shares recognized as equity, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from equity. Shares bought back are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to offset).

When the treasury shares are retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the shareholding. The carrying value of treasury shares in excess of the sum of the par value and premium on stock should first be offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value should be credited to capital surplus from the same class of treasury share transactions.

(3) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition is also recognized in profit or loss.

(4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or canceled, or has expired. The Group also derecognizes a financial liability when its terms are amended and the cash flows of the amended liability are substantially different, in which case a new financial liability based on the amended terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle on a net basis or to liquidate asset for settling the liabilities simultaneously.

(VII) Inventories

The cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition ready for sale. The variable manufacturing expenses are allocated based on the actual production volume. Fixed manufacturing expenses are allocated to finished goods and work in process based on the normal capacity of the production equipment. Unallocated fixed manufacturing expenses resulting from lower production capacity or idle equipment shall be recognized as cost of goods sold in the period in which they are incurred. If actual production volume is higher than the normal production capacity, the difference is recognized as a reduction of cost of goods sold. The monthly weighted-average method is adopted for the calculation of the costs.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is recognized in cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold for the period.

(VIII) Investments in associates

An associate is an entity in which the Company has significant influence, but not control over their financial and operating policies. The Company is deemed to have significant influence when it holds 20% to 50% of the voting rights of the investee company.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are recognized initially at cost. Subsequent adjustments are based on the changes in the Company's share of net assets. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated investors' interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part of interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss or retained earnings on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss or retained earnings when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss or retained earnings.

(IX) Investments in subsidiaries

When preparing the Parent Company Only Financial Statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income recognized in the Parent Company Only Financial Statements are in line with profit or loss and other comprehensive income attributable to owners of the Parent in the consolidated financial statements. In addition, shareholder's equity in the Parent Company Only Financial Statements is in line with the equity attributable to the shareholders of the parent in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(X) Property, Plant, and Equipment

1. Recognition and measurement

   Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

   If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

   Any gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

   Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

   Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss using the straight-line method over the estimated useful lives of each component of property, plant and equipment.

   Land is not depreciated.

   The estimated useful lives for the current and comparative periods are as follows:

Housing and Construction	2~50 years
Buildings and Building Improvements	5~10 years
Machinery	1~19 years
Transportation Equipment	4~11 years
Other Equipment	1~26 years

   The Company reviews depreciation methods, useful lives and residual values on each reporting date and makes appropriate adjustments when necessary.

(XI) Leases - Lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company periodically assesses whether the right-of-use asset is impaired and recognizes any impairment loss that has occurred. The right-of-use asset is adjusted when the remeasurement of the lease liabilities takes place.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date. If the interest rate implied by the lease is easy to determine, it would be used as the discount rate. If the implied interest rate is not easy to determine, the Company's incremental borrowing rate is applied. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1. Fixed payments, including in-substance fixed payments;
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
3. Amounts expected to be payable under residual value guarantees; and
4. The exercise price of a purchase option or payments of penalties for exercising the option to terminate the lease, if the lessee is reasonably certain to exercise that option.

The interests of lease liabilities are subsequently calculated using the effective interest method and lease liabilities are remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate;
2. There is a change in the estimate of the amount expected to be payable under a residual value guarantee;

3. There is a change in the assessment on the purchase option of the underlying asset;
4. There is a change in the lease term assessment resulting from a change in the estimate regarding whether the extension or termination option will be exercised;
5. There is any modification in lease subject, scope of the lease or other clauses.

When the lease liability is remeasured under the above-mentioned circumstances other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss.

When the lease liability is remeasured due to lease modification that decreases the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between the carrying amount of the right-of-use asset and the remeasurement amount of lease liability in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the Balance Sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases of buildings and construction, machinery and equipment, and transportation equipment leases and for leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company applies the practical expedient to the rent concessions that meet all of the following criteria without assessing if they are lease modification.

1. Rent concession is a direct consequence of the COVID-19 pandemic;
2. As a result of the change in lease payments, revised consideration for the lease is almost the same as, or less than, the consideration for the lease prior to the change;
3. Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
4. There is no change in substance to the other terms and conditions of the lease.

With the application of practical expedient, the amount of changes in lease payments arising from rent concessions is recognized in profit or loss for the reporting period.

(XII) Intangible assets

1. Recognition and measurement

   Goodwill of the Company occurred in the business combination prior to the date of IFRS adoption. Upon conversion to IFRS endorsed by the FSC, the Company elected to restate only those business combinations that occurred after January 1, 2012 (inclusive). For acquisitions made before January 1, 2012, the amount of goodwill was recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on January 10, 2009, and Accounting Standards and related interpretations (hereinafter referred to as "previously generally accepted accounting principles") issued by the Accounting Research and Development Foundation of the Republic of China.

Company's other separately acquired intangible assets with finite useful lives, including software and patents, are carried at cost less accumulated amortization and accumulated impairment losses.

2. Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of the asset less the estimated residual value, and is recognized in profit or loss using the straight-line method over the estimated useful life of the intangible asset when it becomes available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software cost	1~5 years
Patent	91 months

The Company reviews the amortization method, useful life and residual value of the intangible assets on each reporting date and makes appropriate adjustments when necessary.

(XIII) Impairment of non-financial assets

The Company assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (excluding inventories, deferred income tax assets, employee benefit related assets) may be impaired. If any such indication exists, then the recoverable amount of the asset is estimated. Goodwill is tested for impairment on an annual basis.

For the purpose of impairment testing, assets are divided into the smallest group of identifiable assets that generates cash inflows largely independent of the cash inflows from other individual asset or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(XIV) Provisions for liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for maintenance is recognized when the underlying products or services are sold. The provision is estimated based on historical maintenance rates and maintenance cost per unit.

(XV) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. Transfer of control of the product occurs when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products are shipped to the specific location, the risks of obsolescence and loss are transferred to the customer, and either the customer accepts the products according to the sales contract with the acceptance provisions being invalid or the Company has objective evidence that all criteria for acceptance have been satisfied.

(XVI) Government grant

When the Company can receive the government grant relating to the operating activities, such grant with no conditions attached is recognized as non-operating income. The Company recognizes the grant relating to assets as deferred income at fair value when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. The above deferred income is recognized as non-operating income over the estimated useful lives of the related assets on a systematic basis. If the government grant is used to compensate the Company's expenses or losses, such government grant is recognized in profit or loss over the period necessary to match it with the related expenses, for which it is intended to compensate, on a systematic basis.

(XVII) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution pension plans are expensed during the period in which employees render services.

2. Defined benefit plans

   The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

   The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation result may be beneficial to the Company, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, the minimum contribution requirements are considered.

   The remeasurements of the net defined benefit liability comprise actuarial gains and losses, return on plan assets (excluding interest), and any changes in the effect of the asset ceiling (excluding interest). The remeasurements of the net defined benefit liability are recognized in other comprehensive income and reflected in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) is calculated based on the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

   When the plan is revised or reduced, the amount of changes in benefits related to the past service costs or reduced benefits or losses is recognized in profit or loss. When the settlement occurs, the Company shall recognize the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

   Short-term employee benefit obligations are expensed during the period in which employees render services. If the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees and the obligation can be estimated reliably, the amount of payments is recognized as a liability.

(XVIII) Income Tax

Income taxes comprise current taxes and deferred income taxes. Current and deferred income taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current income taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received based on tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for the following temporary differences:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred income taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset when the following criteria are met:

1. The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:

(1) The same taxable entity; or

(2) Different taxable entities which intend to settle current income tax assets and income tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered or significant amounts of deferred income tax liabilities are expected to be settled.

(XIX) Business combinations

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Company recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

On an transaction-by-transaction basis, the Company measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

(XX) Earnings per Share

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the Parent Company Only Financial Statements. Basic EPS of the Company is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares include estimates of employee compensation.

(XXI) Segment Information

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the Parent Company Only Financial Statements.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Parent Company Only Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

The Parent Company Only Financial Statements involve material judgment as to whether the Company has substantive control over the investee, FSP Group USA Corp. and it has a material impact on the amounts recognized in the Parent Company Only Financial Statements. The related information is as follows:

In the Parent Company Only Financial Statements, there is no accounting policy that involves significant estimates and assumptions, and the information on accounting policies does not have a material impact on the amounts recognized in the Parent Company Only Financial Statements.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on hand	$ 1,458	1,014
Cash equivalents - Repurchase agreements	-	114,435
Deposits in saving accounts	940,156	623,782
Deposits in checking accounts	2,021	2,969
Time deposits	740,111	1,219,078
	$ 1,683,746	1,961,278

Please refer to Note VI(XXIV) for the disclosure of interest rate risk of the Company's financial assets and liabilities.

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

	2021.12.31	2020.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Beneficiary certificates	$ 232,758	210,388
Private equity funds	12,000	-
Foreign unlisted stocks	71,632	67,232
Total	$ 316,390	277,620

The Company recognized dividend income of NT$420 thousand and NT$0 in 2021 and 2020 respectively from the above financial assets at fair value through profit or loss.

Please refer to Note VI(XXIII) for the amounts recognized in profit or loss arising from remeasurement at fair value.

Please refer to Note VI(XXIV) for the information of market risk.

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

		2021.12.31	2020.12.31
Equity instruments at fair value through other comprehensive income			
Domestic listed stock - Voltronic Power Technology Corp.	$	6,213,715	5,040,921
Domestic listed stock - JESS-LINK Products Co., Ltd.		351,144	109,200
Domestic listed stock - WT Microelectronics Co., Ltd.		48,950	48,550
Domestic listed stock - Taiwan Cement Corp.		2,400	-
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.		6,150	-
Foreign listed stocks		18,118	19,344
Domestic unlisted stocks		96,167	28,667
Total	**$**	**6,736,644**	**5,246,682**

1. Investments in equity instruments at fair value through other comprehensive income

   The Company holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, so these investments have been designated to be measured at fair value through other comprehensive income.

   The Company recognized dividend income of NT$122,513 thousand and NT$107,452 thousand in 2021 and 2020 respectively from the above investments in equity instruments designated as measured at fair value through other comprehensive income.

   In order to meet the needs of funding plan, the Company divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income in 2021 and 2020 and the fair value at the time of disposal was NT$660,425 thousand and NT$216,963 thousand with disposal gains of NT$658,165 thousand and NT$215,901 thousand, respectively.
2. Please refer to Note VI(XXIV) for the information of market risk.

(IV) Financial assets at amortized cost

		2021.12.31	2020.12.31
Corporate bond - Novaland Group (NVL)	$	10,800	-
Less: Allowance for impairment loss		-	-
Total	**$**	**10,800**	**-**

The Company assesses that the asset is held to maturity to receive contractual cash flows. The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Company purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT$10,959 thousand with a coupon rate of 10.00%.
2. Please refer to Note VI(XXIV) for the information of credit risk.

(V) Notes receivable and accounts receivable

		2021.12.31	2020.12.31
Notes receivable	$	2,682	426
Accounts receivable		2,392,342	2,263,095
Accounts receivable - related parties		985,345	749,248
Less: Allowance for impairment loss		(32,806)	(29,810)
	$	**3,347,563**	**2,982,959**

Company's notes receivable and accounts receivable were not discounted or provided as collaterals.

The Company applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information, including macro economy and related industry information, is taken into consideration as well.

Analysis of expected credit loss on notes receivable and accounts receivable of the Company was as follows:

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 3,007,546	0.35	10,532
Past due within 30 days	109,271	14.41	15,748
Past due 31-60 days	2,464	40.57	1,000
Past due 61-90 days	2,717	72.80	1,978
Past due 91-120 days	78	82.48	64
Past due over 121 days	2,412	100.00	2,412
	$ 3,124,488		**31,734**

The carrying amount of the above notes and accounts receivable did not include the account receivable due from subsidiaries and a specific customer, amounting to NT$250,520 thousand and NT$5,361 thousand, respectively. The above-mentioned accounts receivable was not overdue.

Due to poor recovery of the account receivable due from this customer, the Company has specifically recorded an allowance for loss of NT$1,072 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 2,755,699	0.20	5,385
Past due within 30 days	18,100	12.38	2,241
Past due 31-60 days	6,053	37.90	2,294
Past due 61-90 days	4,068	73.31	2,982
Past due 91-120 days	823	82.27	677
Past due over 121 days	12,272	100.00	12,272
	$ 2,797,015		**25,851**

The carrying amount of the above notes and accounts receivable did not include the account receivable due from subsidiaries and a specific customer, amounting to NT$195,961 thousand and NT$19,793 thousand, respectively. The above-mentioned accounts receivable was not overdue.

Due to poor recovery of the account receivable due from this customer, the Company has specifically recorded an allowance for loss of NT$3,959 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

Changes in the allowance for notes receivable and accounts receivable were as follows:

		2021	2020
Beginning balance	$	29,810	29,149
Impairment losses recognized		3,828	4,614
Write-off		(832)	(3,953)
Ending balance	$	32,806	29,810

(VI) Other receivables

		2021.12.31	2020.12.31
Other receivables	$	16,480	19,966
Other receivables - related parties		40,968	49,665
Less: Allowance for impairment loss		-	-
	$	57,448	69,631

As of December 31, 2021 and 2020, there were no overdue for all other receivables (including related parties).

(VII) Inventories

		2021.12.31	2020.12.31
Finished goods	$	1,039,194	851,759
Work in process		491,915	371,510
Raw materials		631,392	404,140
	$	2,162,501	1,627,409

Breakdown of cost of goods sold:

		2021	2020
Inventories sold	$	10,347,849	9,293,633
Inventory valuation loss (reversal gain)		14,795	(32,975)
Unallocated manufacturing expense		87,786	9,768
Loss on inventory obsolescence		33,086	35,856
Loss (gain) on inventory counts		171	(2)
	$	10,483,687	9,306,280

As of December 31, 2021 and 2020, the Company did not pledge any inventories as collateral.

(VIII) Investments Accounted for Using the Equity Method

A summary of the Company's investments accounted for using the equity method at the reporting date is provided below:

	2021.12.31	2020.12.31
Subsidiary	$ 2,917,328	2,762,521
Associate invested through subsidiary	26,947	25,319
	$ 2,944,275	2,787,840

1. Subsidiary

   Please refer to the consolidated financial statements for the year ended December 31, 2021.

2. Associate invested through subsidiary

   The financial information of insignificant associates that are invested through subsidiary and the Company adopts the equity method for recognition is summarized below. The amount is included in the Parent Company Only Financial Statements.

	2021.12.31	2020.12.31
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	$ 26,947	25,319

	2021	2020
Attributable to the Company:		
Income from Continuing Operations	$ 3,284	3,049
Other comprehensive income	(809)	(1,400)
Total comprehensive income	$ 2,475	1,649

3. Collateral

   As of December 31, 2021 and 2020, the Company did not pledge any investments accounted for under the equity method as collateral.

(IX) Business combinations

In order to expand the business in Turkey, the Company acquired 91.41% of the shares of FSP Turkey Dis Tic. Ltd. Sti. for NT$22,640 thousand (US$800 thousand) on May 31, 2021, and gained control over the company.

For the seven-month period from the acquisition date to December 31, 2021, the revenue and net profit contributed by FSP Turkey amounted to NT$49,700 thousand and NT$4,951 thousand, respectively. If the acquisition had occurred on January 1, 2021, management estimates that the Company's net income in 2021 would have reached NT$755,328 thousand. When estimating these amounts, management has assumed that the fair value adjustments on the date of acquisition had been the same and the acquisition had occurred on January 1, 2021.

The fair values of the major categories of consideration transferred at the date of acquisition were as follows:

Cash	**$**	**22,640**

As of May 31, 2021, the fair value of identifiable assets and liabilities was as follows:

Cash and cash equivalents	$	26,472
Net notes receivable		494
Net accounts receivable		11,899
Inventories		16,528
Prepayments		6,172
Other current assets		309
Property, Plant, and Equipment		736
Other Non-Current Assets		2
Accounts payable		(8,796)
Other payables		(19,665)
Other current liabilities		(6,624)
	$	**27,527**

Gains on bargain purchase arising from acquisition:

Transfer Price	$	22,640
Add: Non-controlling interests (measured by non-controlling interest's proportionate share of identifiable net assets)		2,364
Less: The fair value of identifiable net assets		(27,527)
Gains on bargain purchase (recognized in other income)	**$**	**(2,523)**

(X) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Construction in progress and equipment under installation	Total
Cost or deemed cost:								
Balance as of January 1, 2021	$ 264,211	686,117	3,725	209,814	1,908	222,081	76,595	1,464,451
Addition	-	53,120	351	20,533	1,585	21,917	24,156	121,662
Disposal and obsolescence	-	(2,295)	-	(1,274)	-	(774)	-	(4,343)
Reclassification (Note 1)	-	72,691	-	-	-	1,665	(72,876)	1,480
Balance as of December 31, 2021	$ 264,211	809,633	4,076	229,073	3,493	244,889	27,875	1,583,250
Balance as of January 1, 2020	$ 264,211	683,924	3,143	195,184	1,908	217,391	1,305	1,367,066
Addition	-	2,193	582	15,027	-	4,706	75,308	97,816
Disposal and obsolescence	-	-	-	(415)	-	(16)	-	(431)
Reclassification	-	-	-	18	-	-	(18)	-
Balance as of December 31, 2020	$ 264,211	686,117	3,725	209,814	1,908	222,081	76,595	1,464,451
Depreciation and impairment loss:								
Balance as of January 1, 2021	$ -	204,109	1,127	168,907	1,908	186,989	-	563,040
Recognition in current period	-	26,807	447	11,974	159	18,152	-	57,539
Disposal and obsolescence	-	(1,790)	-	(1,169)	-	(721)	-	(3,680)
Balance as of December 31, 2021	$ -	229,126	1,574	179,712	2,067	204,420	-	616,899
Balance as of January 1, 2020	$ -	178,736	702	158,473	1,908	167,614	-	507,433
Recognition in current period	-	25,373	425	10,801	-	19,381	-	55,980
Disposal and obsolescence	-	-	-	(367)	-	(6)	-	(373)
Balance as of December 31, 2020	$ -	204,109	1,127	168,907	1,908	186,989	-	563,040
Carrying amounts:								
Balance as of December 31, 2021	$ 264,211	580,507	2,502	49,361	1,426	40,469	27,875	966,351
Balance as of December 31, 2020	$ 264,211	482,008	2,598	40,907	-	35,092	76,595	901,411

Note 1. For the year ended December 31, 2021, the amount transferred from equipment prepayment was NT$1,480 thousand.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of December 31, 2021 and 2020.

(XI) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction, transportation equipment and office equipment leased by the Company were as follows:

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	Land	Housing and Construction	Transportation Equipment	Office Equipment	Total
Costs of right-of-use assets:					
Balance as of January 1, 2021	$ 11,375	56,877	1,452	-	69,704
Addition	-	-	716	-	716
Reduction (contract expired and early termination of contract)	-	(10,496)	(661)	-	(11,157)
Balance as of December 31, 2021	$ 11,375	46,381	1,507	-	59,263
Balance as of January 1, 2020	$ 11,572	56,877	1,559	229	70,237
Addition	-	-	394	-	394
Reduction (contract modification and contract expired)	(197)	-	(501)	(229)	(927)
Balance as of December 31, 2020	$ 11,375	56,877	1,452	-	69,704
Depreciation of right-of-use assets:					
Balance as of January 1, 2021	$ 1,098	11,067	829	-	12,994
Depreciation in current period	544	4,188	622	-	5,354
Reduction (contract expired and early termination of contract)	-	(8,343)	(661)	-	(9,004)
Balance as of December 31, 2021	$ 1,642	6,912	790	-	9,344
Balance as of January 1, 2020	$ 554	5,533	676	171	6,934
Depreciation in current period	544	5,534	654	58	6,790
Reduction (contract modification and contract expired)	-	-	(501)	(229)	(730)
Balance as of December 31, 2020	$ 1,098	11,067	829	-	12,994
Carrying amounts:					
Balance as of December 31, 2021	$ 9,733	39,469	717	-	49,919
Balance as of December 31, 2020	$ 10,277	45,810	623	-	56,710

(XII) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets for the years ended December 31, 2021 and 2020 were as follows:

	Goodwill	Software cost	Patent	Total
Costs:				
Balance as of January 1, 2021	$ 114,411	5,821	15,863	136,095
Addition in current period	-	5,684	-	5,684
Reduction in current period	-	(4,437)	-	(4,437)
Balance as of December 31, 2021	$ 114,411	7,068	15,863	137,342
Balance as of January 1, 2020	$ 114,411	5,585	15,863	135,859

	Goodwill	Software cost	Patent	Total
Addition in current period	-	436	-	436
Reduction in current period	-	(200)	-	(200)
Balance as of December 31, 2020	$ 114,411	5,821	15,863	136,095
Amortization and impairment loss:				
Balance as of January 1, 2021	$ -	5,372	15,863	21,235
Amortization for the period	-	2,576	-	2,576
Reduction in current period	-	(4,437)	-	(4,437)
Balance as of December 31, 2021	$ -	3,511	15,863	19,374
Balance as of January 1, 2020	$ -	4,312	15,863	20,175
Amortization for the period	-	1,260	-	1,260
Reduction in current period	-	(200)	-	(200)
Balance as of December 31, 2020	$ -	5,372	15,863	21,235
Carrying amounts:				
Balance as of December 31, 2021	$ 114,411	3,557	-	117,968
Balance as of December 31, 2020	$ 114,411	449	-	114,860

1. Amortization expenses

   The amortization of intangible assets was included in the following items of the Statements of Comprehensive Income for the years ended December 31, 2021 and 2020:

	2021	2020
Operating costs	$ 348	290
Operating expenses	2,228	970

2. Impairment test for goodwill

   (1) In accordance with IAS 36, goodwill acquired through a business combination should be tested for impairment at least annually. Goodwill is tested for impairment by allocating goodwill to the cash-generating unit that is expected to benefit from the synergy of consolidation. Goodwill arising from the business combination is fully attributed to the Company's Kaohsiung Branch. Therefore, the impairment of goodwill is assessed by calculating the value in use and the carrying amount of net assets of the Company's Kaohsiung Branch to determine whether an impairment loss should be recorded.

(2) The recoverable amount of the cash-generating unit is based on its value in use. Value in use is determined by discounting the future cash flows arising from the continuing use of the unit. The calculation of the value in use (including goodwill) is based on the following key assumptions:

A. The cash flow projections were based on historical figures, actual operating results and 5-year business plan. Cash flows beyond 5 years have been projected with zero growth rate.

B. The Company estimated the pre-tax discount rate based on the weighted-average cost of capital, which was 9.10% and 9.44% for the years ended December 31, 2021 and 2020, respectively.

(3) According to the asset impairment test conducted in 2021 and 2020, no impairment losses were recognized as the recoverable amount of cash-generating unit was higher than the carrying amount.

(XIII) Short-term loans

The details of the Company's short-term borrowings are provided below:

		2021.12.31	**2020.12.31**
Secured bank borrowings	**$**	**-**	**-**
Unused facility	**$**	**678,500**	**808,750**
Interest rate range		**-**	**0.98**

Please refer to Note VIII for the details of the Company's assets pledged as collateral for bank borrowings.

(XIV) Long-term loans

The details of the Company's long-term borrowings are provided below:

		2021.12.31	**2020.12.31**
Secured bank borrowings	$	272,348	108,453
Less: current portion of long-term debt		73,014	10,608
Total	**$**	**199,334**	**97,845**
Unused facility	**$**	**-**	**259,930**
Interest rate range		**1.58**	**1.58**

1. Collateral for bank borrowings

   Please refer to Note VIII for the details of the Company's assets pledged as collateral for bank borrowings.

2. Government-subsidized loan with preferential interest rate

   In August 2020, the Company obtained a NT$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses". Drawdown period was until

December 31, 2021 and multiple drawdowns were allowed. For the periods from January 1, 2021 to December 31, 2021 and from August 3, 2020 to December 31, 2020, the amount of actual utilization was NT$185,580 thousand and NT$111,070 thousand respectively. Based on market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT$3,591 thousand and NT$2,994 thousand respectively, which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities.

(XV) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2021.12.31	2020.12.31
Current	$ 3,040	6,264
Non-current	49,239	52,619
Total	**$ 52,279**	**58,883**

Please refer to Note VI(XXIV) Financial Instrument for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expense on lease liabilities	**$ 980**	**1,096**
Variable lease payments not included in the measurement of lease liabilities	**$ 149**	**419**
Expenses of short-term leases	**$ 438**	**1,139**
Rent concession arising from the COVID-19 pandemic (recognized in other income)	**$ -**	**66**

Amount recognized in the Statements of Cash Flows was as follows:

	2021	2020
Total cash outflow in operating activities	$ 1,567	2,654
Total cash outflow in financing activities	5,087	6,469
Total cash flows on lease	**$ 6,654**	**9,123**

1. Lease of land, buildings and construction

   The Company leases land, buildings and construction as factories, office premises, staff quarters and warehouses with lease terms ranging from 3 to 10 years for factories and 1 to 3 years for office premises and warehouses. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Company in 2021 were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	**$ 149**	**1**

2. Other leases

The Company leases machinery and transportation equipment with the lease terms ranging from three months to three years.

The lease terms of some of Company's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered as short-term leases or leases of low-value assets and the Company elected to apply exemption and did not recognize related right-of-use assets and lease liabilities.

(XVI) Provisions for liabilities

	2021	2020
Balance at January 1	$ 157,190	145,337
Addition of provision during the year	116,273	88,886
Amount utilized during the year	(127,240)	(77,033)
Balance at December 31	**$ 146,223**	**157,190**

The provision of the Company is mainly for sales-related maintenance obligation. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

(XVII) Employee benefits

1. Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets was as follows:

	2021.12.31	2020.12.31
Present value of defined benefit obligation	$ 198,693	201,796
Fair value of plan assets	(154,459)	(144,578)
Net defined benefit liabilities	**$ 44,234**	**57,218**

The Company makes contribution of defined benefit plan to the labor pension reserve account at Bank of Taiwan. Under the Labor Standards Act, pension benefit of each eligible employee is calculated based on the number of units accrued from service years and the average monthly salaries of the last 6 months prior to retirement.

(1) Composition of plan assets

The pension fund contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum returns per year shall not be lower than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, the balance of the labor pension reserve account at Bank of Taiwan was NT$153,741 thousand. For information on the labor pension fund assets, including yield of the fund and the asset portfolio, please refer to the website of the Bureau of Labor Funds.

(2) Changes in present value of the defined benefit obligations

Changes in present value of the defined benefit obligations in 2021 and 2020 were as follows:

	2021	2020
Defined benefit obligations at January 1	$ 201,796	193,824
Service costs and interest in the year	3,405	2,569
Remeasurement on the net defined benefit liabilities (assets)		
- Actuarial loss arising from experience adjustments	2,911	3,003
- Actuarial loss arising from changes in demographic assumption	420	294
- Actuarial loss (gain) arising from changes in financial assumption	(7,793)	8,967
Benefits paid by the plan	(2,046)	(5,694)
Effect of plan curtailment	-	(1,167)
Defined benefit obligations at December 31	**$ 198,693**	**201,796**

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Fair value of plan assets on January 1	$	(144,578)	(135,485)
Interest income		(426)	(997)
Remeasurement on the net defined benefit assets - Return on plan assets (excluding interests)		(2,148)	(4,443)
Amount contributed to the plan		(9,353)	(8,818)
Benefits paid by the plan		2,046	5,165
Fair value of plan assets on December 31	**$**	**(154,459)**	**(144,578)**

(4) Expenses recognized in profit or loss

Details of expenses (gains) recognized in profit or loss for the years ended December 31, 2021 and 2020:

		2021	2020
Service benefit for the period	$	2,812	(20)
Net interest expense of net defined benefit liabilities		167	425
	$	**2,979**	**405**
Operating costs	$	280	-
Selling and marketing expenses		394	-
General and administrative expenses		1,025	405
Research and development expenses		1,280	-
	$	**2,979**	**405**

(5) Actuarial assumptions

The major assumptions of the actuarial valuation to calculate the present value of the defined benefit obligation at the end of reporting period were as follows:

	2021.12.31	2020.12.31
Discount rate	0.70%	0.30%
Future salary increases	2.00%	2.00%

The Company estimates to make contribution of NT$3,711 thousand to the defined benefit plan in the year following December 31, 2021.

The weighted-average duration of the defined benefit plan is 9 years.

(6) Sensitivity analysis

The impact of a change in assumptions on the present value of the defined benefit obligation as of December 31, 2021 and 2020 is summarized below:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2021		
Discount rate (change by 0.25%)	(4,673)	4,864
Future salary adjustment rate (change by 0.25%)	4,739	(4,576)
December 31, 2020		
Discount rate (change by 0.25%)	(5,040)	5,246
Future salary adjustment rate (change by 0.25%)	5,087	(4,912)

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. In practical terms, many assumptions are interrelated and changing one individual assumption may trigger the changes in other assumptions. The method used to conduct the sensitivity analysis is consistent with the calculation of the net pension liabilities recognized in the balance sheets.

The method and assumptions used to conduct the sensitivity analysis are the same as those in the previous year.

2. Defined contribution plans

Per Company's defined contribution plan, the Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, in relation to the defined contribution plan, the Company recognized pension expenses of NT$26,702 thousand and NT$26,950 thousand, respectively, which had been contributed to the Bureau of Labor Insurance.

3. Short-term employee benefits

For the years ended December 31, 2021 and 2020, the Company contributed NT$11,430 thousand and NT$0 respectively to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

As of December 31, 2021 and 2020, the Company had accrued unused leave bonuses of NT$22,213 thousand and NT$20,433 thousand, respectively, which were recorded under other payables.

(XVIII) Income Tax

1. Income tax expense

Details of income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Income tax expense (benefit) for the period			
Income tax expense incurred	$	125,927	81,479
Adjustment for prior year		5,618	(3,816)
		131,545	77,663
Deferred income tax benefit			
Origination and reversal of temporary differences	$	(11,162)	(1,611)
Income tax expense	**$**	**120,383**	**76,052**

Details of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Items that will not be reclassified to profit or loss:			
Gains (losses) on re-measurements of defined benefit plans	**$**	**1,322**	**(1,564)**

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the Parent Company Only Statements of Comprehensive Income was as follows:

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

		2021	2020
Income before Tax	$	**874,465**	**745,366**
Income tax using the Company's statutory tax rate	$	174,893	149,073
Invest gain on long-term investment under the equity method		(40,524)	(56,937)
Cash dividend income		(24,586)	(21,490)
Non-deductible expenses		7,540	9,716
Gains on securities transactions		131,633	43,180
Gains on exemption from securities transaction tax		(133,335)	(44,229)
Adjustments in respect of prior years		5,618	(3,816)
Tax on undistributed earnings (5%)		10,428	4,645
Tax incentives		(12,006)	(4,460)
Basic income tax amount		722	-
Others		-	370
Total	$	**120,383**	**76,052**

2. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2021 and 2020 were as follows:

		Unrealized valuation gains
Deferred income tax liabilities:		
January 1, 2021	$	(2,039)
Debit income statement		(880)
December 31, 2021	$	(2,919)
January 1, 2020	$	(443)
Debit income statement		(1,596)
December 31, 2020	$	(2,039)

		Allowance for inventory valuation loss	Pension provision	Unrealized foreign exchange gain or loss	Others	Total
Deferred income tax assets:						
January 1, 2021	$	13,202	8,159	22,828	12,417	56,606
(Debit)/Credit income statement		2,959	(1,275)	7,949	2,409	12,042
Debit other comprehensive income		-	(1,322)	-	-	(1,322)
December 31, 2021	**$**	**16,161**	**5,562**	**30,777**	**14,826**	**67,326**
January 1, 2020	$	19,797	8,277	17,325	6,436	51,835
(Debit)/Credit income statement		(6,595)	(1,682)	5,503	5,981	3,207
Credit other comprehensive income		-	1,564	-	-	1,564
December 31, 2020	**$**	**13,202**	**8,159**	**22,828**	**12,417**	**56,606**

3. Income tax assessment

   The tax returns for the years up to 2019 filed by the Company have been approved by the tax authority.

(XIX) Capital and other equity

1. Common stock issuance

   As of December 31, 2021 and 2020, the Company's authorized common stock was NT$3,600,000 thousand with the par value of NT$10 per share. 187,262 thousand shares were issued.

   The changes in outstanding shares of common stock in 2021 and 2020 were as follows:

Unit: Thousands of shares

	2021	**2020**
Balance at January 1	187,262	192,262
Retirement of treasury shares	-	(5,000)
Balance at December 31	**187,262**	**187,262**

2. Capital surplus

The Company's capital surplus was as follows:

		2021.12.31	**2020.12.31**
Paid-in capital in excess of par value	$	1,006,236	1,006,236
Adjustments arising from changes in percentage of ownership in subsidiaries		4,780	4,780
	$	**1,011,016**	**1,011,016**

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, can be transferred to common stock as stock dividends or distributed by cash based on the original shareholding percentage. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in each year shall not exceed 10% of paid-in capital.

3. Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting tax and accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, along with the unappropriated earnings from the previous years, can be distributed as dividends to stockholders after the shareholders' meeting approves the distribution plan submitted by the Board of Directors.

As per the dividend policy set forth in the Company's Articles of Incorporation, the Company's dividend policy is based on the assessment of the Company's future capital budget, planning of future capital requirements, financial structure and earnings, etc. The Board of Directors shall prepare a proposal for the distribution of earnings, which shall be approved by the shareholders' meeting. As the Company is in a stable growth stage in its business life cycle, under the trend of concentration in the industry, in order to continue to expand its scale for sustainable operation and stable growth, the residual dividend policy is adopted. Future earnings will be distributed in the form of stock dividends or cash dividends as appropriate depending on the Company's operating performance, and cash dividends distributed shall not be lower than 5% of the total dividend distribution.

(1) Legal reserve

If the Company has no accumulated deficit, it may, subject to a resolution approved by the shareholders' meeting, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(2) Special reserve

Pursuant to the Ruling issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from other stockholders' equity shall be set aside from current and prior year earnings. If it is the deduction amount of other shareholders' equity accumulated in the previous period, the special reserve of the same amount shall not be distributed from the undistributed earnings of the previous period. When the amount of the deduction of shareholders' equity is reversed subsequently, the reversed amount can be included in the distributable earnings.

(3) Earning distribution

On July 20, 2021 and June 16, 2020, the Company's shareholders' meeting resolved on the distribution of earnings for the years ended December 31, 2020 and 2019, and the amount of dividends distributed to shareholders was as follows:

	2020	2019
Cash dividend distributed to the shareholders of common stock	$ 561,786	192,262

In addition, on June 16, 2020, the shareholders' meeting of the Company resolved to distribute the capital surplus of NT$96,131 thousand in cash, at NT$0.5 per share.

On March 18, 2022, the shareholders' meeting resolved on the distribution of earnings for the year ended December 31, 2021, and the amount of dividends distributed to shareholders was as follows:

	2021
Cash dividend distributed to the shareholders of common stock	$ 617,964

Information related to earning distribution approved and resolved by the Company's Board of Directors and shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

4. Treasury stock

As resolved by the Board of Directors on March 19, 2020, the Company planed to purchase 5,000 thousand shares of its common stock from March 20, 2020 to May 19, 2020 in order to maintain the Company's credit and shareholders' right at the price range between NT$15 to NT$25 per share. The Company purchased back 5,000 thousand shares of common stock from March 23, 2020 to May 5, 2020 at the average price of NT$20.20 per share with total amount of NT$101,003 thousand. The Company's Board of Directors resolved that June 25, 2020 was the capital reduction effective date and related statutory registration has been completed.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

5. Other equity items (net after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2021	$ (89,678)	5,004,114	4,914,436
Exchange differences on translation of financial statements of foreign operations	(27,216)	-	(27,216)
Share of other comprehensive income (losses) of associates and joint ventures under equity method	(809)	-	(809)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	1,854,340	1,854,340
Disposal of equity instruments at fair value through other comprehensive income	-	(658,165)	(658,165)
Balance as of December 31, 2021	$ (117,703)	6,200,289	6,082,586
Balance as of January 1, 2020	$ (116,514)	3,199,064	3,082,550
Exchange differences on translation of financial statements of foreign operations	28,236	-	28,236
Share of other comprehensive income (losses) of associates and joint ventures under equity method	(1,400)	-	(1,400)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	2,044,026	2,044,026
Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	-	50,801	50,801
Disposal of equity instruments at fair value through other comprehensive income	-	(289,777)	(289,777)
Balance as of December 31, 2020	$ (89,678)	5,004,114	4,914,436

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(XX) Earnings per Share

Unit: Thousands of shares

		2021	2020
Basic earnings per share:			
Net income attributable to the ordinary shareholders of the Company	$	754,082	669,314
Weight-average number of ordinary shares outstanding		187,262	188,632
Basic earnings per share (Unit: In New Taiwan Dollars)	$	4.03	3.55
Diluted earnings per share:			
Net income attributable to the ordinary shareholders of the Company	$	754,082	669,314
Weight-average number of ordinary shares outstanding		187,262	188,632
Employee compensation		1,627	1,373
Weight-average number of ordinary shares outstanding		188,889	190,005
Diluted earnings per share (Unit: In New Taiwan Dollars)	$	3.99	3.52

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

		2021	2020
Primary geographical markets:			
Taiwan	$	3,082,102	2,321,157
China		3,181,832	3,207,349
U.S.A.		1,535,740	1,305,495
Germany		2,161,664	1,924,441
Other countries		2,358,495	2,114,576
	$	12,319,833	10,873,018
Major product/service line:			
Sales of power supply	$	12,319,833	10,873,018

2. Contract balance

		2021.12.31	2020.12.31	2020.1.1
Notes and accounts receivable (including related parties)	$	3,380,369	3,012,769	3,021,417
Less: Loss allowances		(32,806)	(29,810)	(29,149)
Total	$	3,347,563	2,982,959	2,992,268
Contract liabilities (recognized in other current liabilities)	$	41,625	33,487	34,952

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was NT$9,217 thousand and NT$8,665 thousand, respectively.

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXII) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to NT$65,000 thousand and NT$50,000 thousand, respectively, and the remuneration for Directors of NT$7,000 thousand and NT$5,600 thousand, respectively. The said amounts, which were recognized as operating expenses in 2021 and 2020, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and Directors, multiplied by the distribution percentage specified in the Company's Articles of Incorporation. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Parent Company Only Financial Statements for the years ended December 31, 2021 and 2020. Information related to remuneration to employees and Directors resolved by the Board of Directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(XXIII) Non-operating income and expenses

1. Interest income

	2021	2020
Bank deposits	$ 2,375	7,358

2. Other income

	2021	2020
Gains on bargain purchase	$ 2,523	-
Dividend income	122,933	107,452
Other income		
Government grant	1,006	310
Rent concessions reclassified to revenue	-	66
Income of management fee / service fee	6,733	7,099
Others	15,130	8,860
	$ 148,325	**123,787**

3. Other gains and losses

	2021	2020
Foreign currency exchange loss	$ (12,846)	(63,754)
Gain on financial assets measured at fair value through profit or loss	12,910	13,224
Loss on disposal of property, plant and equipment	(656)	(58)
Gains on lease modifications	80	-
	$ (512)	**(50,588)**

4. Finance costs

	2021	2020
Interest expense:		
Bank borrowings	$ 2,626	1,091
Lease liabilities	980	1,096
Others	261	63
	$ 3,867	**2,250**

(XXIV) Financial instruments

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

(2) Concentration of credit risk

As of December 31, 2021 and 2020, top three customers accounted for 31% of the Company's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. Above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using 12-month expected credit loss.

2. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the Company's operations and mitigate the impact of cash flow fluctuations. The management of the Company supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Long-term loans	$ 272,348	280,391	37,791	38,953	77,529	126,118	-
Notes payable	14,445	14,445	14,445	-	-	-	-
Accounts payable	3,417,288	3,417,288	3,417,288	-	-	-	-
Accounts payable - related parties	330,210	330,210	330,210	-	-	-	-
Other payables	825,993	825,993	825,993	-	-	-	-
Other payables - related parties	47,611	47,611	47,611	-	-	-	-
Lease liabilities	52,279	60,556	1,989	1,943	3,706	10,406	42,512
	$ 4,960,174	4,976,494	4,675,327	40,896	81,235	136,524	42,512
December 31, 2020							
Non-derivative financial liabilities							
Long-term loans	$ 108,453	112,956	360	11,909	28,332	72,355	-
Notes payable	15,001	15,001	15,001	-	-	-	-
Accounts payable	3,460,547	3,460,547	3,460,547	-	-	-	-
Accounts payable - related parties	323,444	323,444	323,444	-	-	-	-
Other payables	609,379	609,379	609,379	-	-	-	-
Other payables - related parties	41,852	41,852	41,852	-	-	-	-
Lease liabilities	58,883	68,136	3,640	3,607	4,530	10,385	45,974
	$ 4,617,559	4,631,315	4,454,223	15,516	32,862	82,740	45,974

The Company does not expect that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amounts.

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

The Company's financial assets and liabilities exposed to significant foreign currency exchange risk were as follows:

		2021.12.31			2020.12.31	
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
RMB	$ 148,772	4.344	646,266	142,837	4.377	625,198
USD	142,279	27.680	3,938,283	144,879	28.480	4,126,154
Non-monetary items						
USD	2,534	28.268	71,632	2,361	28.476	67,232
USD	1,080	27.680	29,894	963	28.480	27,426
HKD	5,104	3.549	18,118	5,271	3.670	19,344
Financial liabilities						
Monetary items						
RMB	104,427	4.344	453,631	114,545	4.377	501,363
USD	119,810	27.680	3,316,341	117,193	28.480	3,337,657
HKD	12,417	3.549	44,068	12,263	3.673	45,042

(2) Sensitivity analysis

The Company's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, non-current financial assets measured at fair value through other comprehensive income, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of December 31, 2021 and 2020, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, and Hong Kong Dollar with all other factors remaining unchanged, net income would have increased or decreased by NT$30,820 thousand and NT$34,692 thousand respectively in 2021 and 2020. The analysis of the two periods was conducted on the same basis.

(3) Foreign exchange gain (loss) on monetary items

The information regarding foreign exchange gain or loss (including realized and unrealized) on monetary items translated into the functional currencies is as follows:

	2021		2020	
	Foreign exchange gain (loss)	**Average exchange rate**	**Foreign exchange gain (loss)**	**Average exchange rate**
NTD	$ (12,846)	-	(63,754)	-

4. Market risk

   If the prices of equity securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

	2021		2020	
Security price at the reporting date	**Other comprehensive income (pre-tax)**	**Pre-tax income**	**Other comprehensive income (pre-tax)**	**Pre-tax income**
Increase by 5%	$ 332,024	-	260,901	-
Decrease by 5%	$ (332,024)	-	(260,901)	-

   Please refer to Note VI(IV) "Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions"for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

   The Company's demand deposits and time deposits are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

   (1) Category of financial instruments and their fair value

   Company's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 232,758	232,758	-	-	232,758
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Subtotal	316,390	232,758	-	83,632	316,390
Financial assets at fair value through other comprehensive income					
Domestic listed stock	$ 6,622,359	6,622,359	-	-	6,622,359
Foreign listed stock	18,118	18,118	-	-	18,118
Non-publicly quoted equity instruments measured at fair value	96,167	-	-	96,167	96,167
Subtotal	6,736,644	6,640,477	-	96,167	6,736,644
Financial assets at amortized cost					
Corporate bond	10,800	-	-	-	-
Cash and cash equivalents	1,683,746	-	-	-	-
Notes receivable and accounts receivable	3,347,563	-	-	-	-
Other receivables	57,448	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	3,284	-	-	-	-
Subtotal	5,102,941	-	-	-	-
Total	**$ 12,155,975**	**6,873,235**	**-**	**179,799**	**7,053,034**
Financial liabilities measured at amortized cost					
Bank borrowings	$ 272,348	-	-	-	-
Notes payable and accounts payable	3,761,943	-	-	-	-
Other payables	873,604	-	-	-	-
Lease liabilities	52,279	-	-	-	-
Total	**$ 4,960,174**	**-**	**-**	**-**	**-**

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2020.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 210,388	210,388	-	-	210,388
Non-publicly quoted equity instruments measured at fair value	67,232	-	-	67,232	67,232
Subtotal	277,620	210,388	-	67,232	277,620
Financial assets at fair value through other comprehensive income					
Domestic listed stock	$ 5,198,671	5,198,671	-	-	5,198,671
Foreign listed stock	19,344	19,344	-	-	19,344
Non-publicly quoted equity instruments measured at fair value	28,667	-	-	28,667	28,667
Subtotal	5,246,682	5,218,015	-	28,667	5,246,682
Financial assets at amortized cost					
Cash and cash equivalents	1,961,278	-	-	-	-
Notes receivable and accounts receivable	2,982,959	-	-	-	-
Other receivables	69,631	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	4,787	-	-	-	-
Subtotal	5,018,755	-	-	-	-
Total	**$ 10,543,057**	**5,428,403**	**-**	**95,899**	**5,524,302**
Financial liabilities measured at amortized cost					
Bank borrowings	$ 108,453	-	-	-	-
Notes payable and accounts payable	3,798,992	-	-	-	-
Other payables	651,231	-	-	-	-
Lease liabilities	58,883	-	-	-	-
Total	**$ 4,617,559**	**-**	**-**	**-**	**-**

(2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market.

A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Company, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined with reference to quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by referencing to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the Balance Sheets date.

The fair value of financial instruments held by the Company that are not publicly quoted equity instruments with no active market is estimated using the market comparable company method. The key assumptions of the market comparable company method are based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies. This estimate of the equity securities has been adjusted for the effect of lack of market liquidity.

(3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds and financial assets measured at fair value through other comprehensive income.

The Company's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because they are independent of each other.

Table of quantitative information of significant unobservable inputs is provided below:

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	· Net worth multiple (2.59 and 1.94 for the years ended December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value
		· Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	· Net asset value	· The higher the net assets value, the higher the fair value
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	· Net worth multiple (2.40-5.42 and 6.81 for the years ended December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value
		· P/E ratio multiple (29.67 for the year ended December 31, 2021)	
		· Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the discount for lack of market liquidity, the lower the fair value

(4) Fair value measurement in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,363	(4,363)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,234	(3,234)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	475	(475)
December 31, 2020						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	3,362	(3,362)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,433	(1,433)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(XXV) Financial risk management

1. Overview

   The Company is exposed to the following risks arising from financial instruments:

   (1) Credit risk

   (2) Liquidity risk

   (3) Market risk

   In this Note, the Company has disclosed the information on exposure to the aforementioned risks, and the Company's objectives, policies and procedures to measure and manage these risks.

2. Risk management framework

   The Board of Directors is responsible for developing and overseeing the Company's risk management framework.

   The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, to monitor the risk and to manage the exposure within the risk limits. Risk management policies and systems are reviewed on a regular basis to reflect the changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures so that all employees understand their roles and responsibilities.

3. Credit risk

   Credit risk refers to the risk of financial loss to the Company resulting from the failure of a customer or counterparty of a financial instrument to meet their contractual obligations, and arises primarily from the Company's accounts receivable and security investment.

   (1) Accounts receivable and other receivables

   The Company's customers are concentrated in a wide range of power supply-related industries. To mitigate the credit risk of accounts receivable, the Company continuously evaluates the financial position of customers and purchases insurance for the accounts receivable of customers in high-risk areas or with special characteristics to reduce the Company's accounts receivable risk. The Company regularly evaluates the possibility of receivables collection and makes provision for bad debts accordingly; overall, management is able to effectively manage the risk of accounts receivable.

The Company has established the credit policy under which it is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms and conditions. Purchasing limits are established for each individual customer and limits are reviewed periodically. Customers who do not meet the requirement of credit rating can only trade with the Company on an prepayment basis.

(2) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the financial department of the Company. Since the counterparties of transactions and obligations of the Company are banks with good credit standing, and financial institutions, corporate and government with investment grade and above, default risk is limited and hence there is no significant credit risk.

(3) Guarantee

It is the policy of the Company to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, the Company did not provide any guarantee.

4. Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in settling its financial liabilities by delivering cash or other financial assets and fails to fulfill its related obligations. The Company manages its liquidity by ensuring that the Company has sufficient liquidity to meet its liabilities as they fall due under normal and stressful circumstances without incurring unacceptable losses or damaging the Company's reputation.

The Company ensures that it has sufficient cash to meet all contractual obligations. In addition, the Company had unused facilities in the amount of NT$678,500 thousand and NT$1,068,680 thousand as of December 31, 2021 and 2020, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable level, while optimizing the return of investment.

(1) Foreign exchange risk

The Company is exposed to foreign exchange risk on sales, procurement and loans that are denominated in a currency other than the functional currencies of the Company. Company's functional currencies mainly include New Taiwan Dollar. The currencies used in these transactions are mainly New Taiwan Dollar, Hong Kong Dollar, US Dollar and Renminbi.

There is no significant difference or significant change in the receivables and payables of the Company, so the Company currently adopts natural hedge as the main exchange rate hedging policy to mitigate the risk.

(2) Interest rate risk

The Company's financial assets exposed to the risk of fair value change arising from interest rate changes are bank deposits, but the impact of changes in interest rates on the fair value of the related financial assets is not significant.

(3) Other market price risk

Company's current financial assets at fair value through profit or loss and non-current financial assets at fair value through other comprehensive income mainly consist of investment in domestic funds, private equity funds, listed stocks, foreign listed stocks and foreign unlisted stocks. Because they are measured at fair value, the Company is exposed to the risk of changes in the market price of equity securities. In order to manage market risk, the Company selects investment targets carefully and controls its position in order to mitigate the market risk.

(XXVI) Capital management

It is the policy of the Board of Directors to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the development of future operations. Capital consists of the Company's share capital, capital surplus, retained earnings, other equity. The Board of Directors is responsible for controlling the debt-to-equity ratio and the level of common stock dividends.

As of December 31, 2021 and 2020, debt-to-equity ratio was as follows:

	2021.12.31	2020.12.31
Total Liabilities	$ 5,335,719	4,950,050
Less: cash and cash equivalents	(1,683,746)	(1,961,278)
Net liability	**$ 3,651,973**	**2,988,772**
Equity	**$ 13,208,961**	**11,184,816**
Debt-to-equity ratio	**27.65%**	**26.72%**

As of December 31, 2021, there was no material change in the Company's capital management.

(XXVII) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities in 2021 and 2020 was as follows:

	2021.1.1	Cash flows from:	Non-cash changes: Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2021.12.31
Long-term loans	$ 108,453	163,895	-	-	-	-	-	272,348
Lease liabilities	58,883	(5,087)	716	(2,233)	-	-	-	52,279
Total liabilities from financing activities	$ 167,336	158,808	716	(2,233)	-	-	-	324,627

	2020.1.1	Cash flows from:	Non-cash changes: Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2020.12.31
Long-term loans	$ -	108,076	-	-	-	-	377	108,453
Lease liabilities	65,155	(6,469)	394	(197)	-	-	-	58,883
Total liabilities from financing activities	$ 65,155	101,607	394	(197)	-	-	377	167,336

VII. Related Party Transactions

(I) Related party name and relationship

Related parties that had transactions with the Company during the reporting periods were listed below:

Related Party	Relationship with the Company
FSP Group USA Corp.	Associate of the Company
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. (“Amacrox”)	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Voltronic Power Technology Corp.	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange	Substantive related party
FSP International Inc. (BVI)	Subsidiary of the Company
FSP Group Inc.	Subsidiary of the Company
Amacrox Technology Co., Ltd. (BVI)	Subsidiary of the Company
Power Electronics Co., Ltd. (BVI)	Subsidiary of the Company
FSP Technology Inc. (BVI)	Subsidiary of the Company
Harmony Trading (HK) Ltd.	Subsidiary of the Company
FSP Technology USA Inc.	Subsidiary of the Company

Related Party	Relationship with the Company
FSP Turkey Dis Tic.Ltd.Sti.	Subsidiary of the Company
FSP International (HK) Ltd.	Subsidiary of the Company
Proteck Electronics (Samoa) Corp.	Subsidiary of the Company
Luckyield Co., Ltd.	Subsidiary of the Company
Famous Holding Ltd.	Subsidiary of the Company
Amacrox GmbH	Subsidiary of the Company
Proteck Power North America, Inc.	Subsidiary of the Company
3Y Power Technology Inc.	Subsidiary of the Company
3Y Power Technology (TAIWAN) Inc. (“3Y Power”)	Subsidiary of the Company
FSP-C R&D Center (“FSP Jiangsu”)	Subsidiary of the Company
Shenzhen Huili Electronic Co., Ltd. (“Huili”)	Subsidiary of the Company
Dongguan Protek Electronics Corp.	Subsidiary of the Company
Zhonghan Electronics Shenzhen Co., Ltd.	Subsidiary of the Company
WUXI SPI Technology Co., Ltd. (“WUXI SPI”)	Subsidiary of the Company
Wuxi Zhonghan Technology Co., Ltd.	Subsidiary of the Company
Haohan Electronic Technology (Ji'an) Co., Ltd.	Subsidiary of the Company
Shenzhen Zhong Han Science & Tech. Co., Ltd.	Subsidiary of the Company
Wuxi Xiangyuan Electronics Co., Ltd.	Subsidiary of the Company
Li, Hung-Neng	Director of the Company

(II) Significant related party transactions

1. Operating revenue

Significant sales amount to related parties was as follows:

	2021	2020
Subsidiary	$ 584,271	463,680
Associate	57,170	67,381
Other related party	2,133,125	1,818,841
	$ 2,774,566	**2,349,902**

The prices and credit terms of the Company's sales to the above related parties were not significantly different from those of its regular customers.

2. Purchases

The amounts of goods purchased from related parties, raw materials purchased by related parties on behalf of the Company and processing of products were as follows:

	2021	2020
Subsidiary	$ 1,935,359	1,920,517
Other related party	210,723	180,020
	$ 2,146,082	**2,100,537**

The Company did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers except that the payment term for some subsidiaries was 5 days after the monthly settlement.

3. Receivables from related parties

The details of the receivables and prepayment of the Company arising from sales transactions and business needs were as follows:

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts receivable	Subsidiary	$ 250,520	195,961
Accounts receivable	Associate	15,710	32,561
Accounts receivable	Other related party	719,115	520,726
		985,345	749,248
Other receivables	Subsidiary		
	Famous Holding Ltd.	8,307	8,312
	FSP Jiangsu	258	10,028
	Others	10,756	7,468
Other receivables	Associate	680	447
Other receivables	Other related party		
	FSP Power Solution GmbH	7,297	11,960
	Others	13,670	11,450
		40,968	49,665
		$ 1,026,313	**798,913**

As of December 31, 2021 and 2020, loss allowance for the above accounts receivable was recognized based on the expected credit loss rate. As of December 31, 2021 and 2020, there was no loss allowance recognized for other receivables.

4. Payable and prepayment to related parties

Accounts payable and prepayment arising from purchases of goods and raw materials and processing of products:

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts payable	Subsidiary	$ 240,186	243,440
Accounts payable	Other related party	90,024	80,004
		330,210	323,444
Other payables	Subsidiary	14,829	13,382
		$ 345,039	**336,826**
Prepayments	WUXI SPI	**$ 7,383**	**-**

5. Service from related party

The Company entered into a billing management service contract with 3Y Power, a subsidiary of the Company, to provide management guidance on the establishment of related departments, application systems and professional information services to 3Y Power at an annual cost of US$240 thousand. The Company also provides machinery and equipment services to 3Y Power.

The breakdown of the above income from the provision of management and equipment services to 3Y Power is as follows:

	2021	2020
Income from management service	$ 6,733	7,099
Income from machinery and equipment service	616	648
	$ 7,349	**7,747**

The details of technical service fees, labor costs and commissions paid by the Company to the related parties are as follows:

	2021	2020
Subsidiary		
FSP Technology USA Inc.	$ 4,966	7,071
Others	2,174	1,507
Associate		
FSP Group USA Corp.	8,933	10,515
Other related party		
Amacrox	8,496	6,830
Sparkle Power Inc.	4,665	5,360
Others	5,855	3,628
	$ 35,089	**34,911**

The Company recognized the following payables to related parties and advance receipts (recorded as other current liabilities and other non-current liabilities) as a result of the above transactions:

Accounting Subject	Related party category/name		2021.12.31	2020.12.31
Other payables	Subsidiary	$	25,601	18,331
Other payables	Associate		574	658
Other payables	Other related party		6,607	9,481
			32,782	28,470
Other current liabilities	Subsidiary			
	3Y Power		620	620
Other non-current liabilities	Subsidiary			
	3Y Power		2,014	2,630
		$	**35,416**	**31,720**

6. Leases

In 2020, the Company leased an office building from the Director of the Company and entered into a three-year lease agreement with reference to the rental rate of offices in the neighboring areas, with a total contract amount of NT$2,800 thousand. The interest expense recognized in the year ended December 31, 2020 was NT$260 thousand and the balance of lease liabilities as of December 31, 2020 was NT$14,386 thousand.

(III) Compensation for key management personnel

Compensation for key management personnel

		2021	2020
Short-term employee benefits	$	57,163	52,776
Post-employment benefits		596	527
	$	**57,759**	**53,303**

VIII. Pledged Assets

The carrying amount of pledged assets for custom duty performance guarantee, and borrowings was as follows:

Assets	Pledged to secure	2021.12.31	2020.12.31
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	$ 100	100
Land	Long-term and short-term loan facilities	161,077	161,077
Housing and Construction	Short-term loan facilities	186,447	96,509
Total		$ 347,624	257,686

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of December 31, 2021 and 2020, the guarantee facilities extended by banks for customs and excise duties were NT$200,000 thousand, and utilized facilities were NT$60,000 thousand and NT10,000 thousand, respectively.

(II) The Company purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the Company in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US$2,268,402.22, should be borne jointly by the Company, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September

27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court on November 18,2011.

The litigation between the Company and O2 was separated from the aforementioned litigation between O2 and Beyond Innovation on July 21, 2009. However, the Company has not yet received a notice of hearing from the US Court.

The Company was implicated by the use of Beyond Innovation's products, and after learning that Beyond Innovation's products involved in such disputes, the Company has switched to alternative materials that do not involve infringement disputes. According to the intellectual property right guarantee signed by the Company and Beyond Innovation, Beyond Innovation shall bear all liabilities, losses, damages, costs, or other expenses incurred by the Company as a result of the use of its products. As a result, Beyond Innovation shall bear the adjudication costs borne by the Company. Therefore, the attorneys' fees and litigation costs incurred in the above patent litigation do not have a significant impact on the Company's financial statements. The Company recognized the aforementioned expenses in as expenses for the year in which they occurred based on fiscal conservatism.

(III) The Company believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, the Company filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. The Company first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and the Company did not agree with the rejection. On January 16, 2019, the Company filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019, and the Company is still waiting for the final decision of the Supreme Court before enforcing the decision.

(IV) As of December 31, 2021 and 2020, the Company had entered into purchase agreements for property, plant and equipment amounting to NT$47,218 thousand and NT$168,935 thousand, respectively, and had paid NT$26,798 thousand and NT$76,452 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as well as other non-current assets.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

A summary of employee benefits, depreciation, and amortization by function is provided below:

By function / By nature	2021			2020		
	Operation Costs	**Operation Expenses**	**Total**	**Operation Costs**	**Operation Expenses**	**Total**
Employee benefits						
Salary expense	62,610	709,559	772,169	56,164	647,300	703,464
Insurance expense	6,103	50,158	56,261	5,430	46,362	51,792
Pension expense	2,264	27,417	29,681	2,092	25,263	27,355
Remuneration Paid to Directors	-	9,150	9,150	-	7,390	7,390
Other employee benefit expense	3,802	24,756	28,558	3,166	24,302	27,468
Depreciation expenses	5,417	57,476	62,893	4,606	58,164	62,770
Amortization expenses	348	2,228	2,576	290	970	1,260

Information regarding the number of employee and employee benefit expenses as of December 31, 2021 and 2020 is as follows:

	2021	2020
Number of Employees	762	759
Directors not in concurrent employment	7	7
Average employee benefits expense	$ 1,174	1,077
Average employee salary expense	$ 1,023	935
Average adjustment of employee salary	9.41%	
Supervisor's remuneration	$ -	-

The Company's compensation policy, including Directors, Supervisors, managers and employees, is as follows:

(I) Remuneration Paid to Directors

According to the Article 20 of the Company's Articles of Incorporation, if there is any profit in the year, no more than 3% shall be allocated as the Director's remuneration. The payment standard of transportation fee is in accordance with the regulations on the payment of remuneration for Directors and functional members, and the transportation fee is NT$5 thousand per person each time. If Director is also an employee, remuneration shall be paid in accordance with the provision of (3).

(II) Remuneration of Independent Directors

The Company's independent directors do not participate in the distribution of Directors' remuneration under Article 20 of the Company's Articles of Incorporation. However, the Company is required to pay each independent director a fixed quarterly compensation regardless of profit or loss. If an Independent Director resigns during the quarter, his or her remuneration shall be calculated proportionally based on the period of services in the quarter.

(III) Remuneration of Managerial Officers

The remuneration of the Company's managers is based on the Company's "Manager Salary and Remuneration Management Regulations", taking into account the salary level of the position in the market, the scope of roles and responsibilities of the position in the Company and the contribution to the Company's business goals. The remuneration of the managers is reviewed by the Remuneration Committee and implemented after the approval by the Board of Directors. When determining reasonable remuneration, the Company considers its overall operating performance, future business risks, development trends of the industry, individual performance achievement and contribution to the Company's financial results. Manager's performance and reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors, who will also revise the remuneration policy if deemed appropriate according to the actual operating conditions and relevant laws and regulations.

(IV) Remuneration of Employees

Employee salaries are determined in accordance with the Company's "Salary Management Guidelines" and with reference to average salary in the market and organizational structure. Employee salaries are adjusted in a timely manner according to market salary trends and government regulations. According to the Article 20 of the Company's Articles of Incorporation, the Company should allocate a minimum of 6% of annual profit, if any, to employee remuneration. But if there is any accumulated deficit, the Company's profit should be reserved to cover the deficit in the first place. Remuneration of employees can be paid in stock or cash, and the distribution of stock or cash to employees may include subsidiary's employees who meet certain criteria. The Board of Directors is authorized to determine the method of distribution. To retain talented employees, the Company has created an employee stock ownership trust and makes fixed monthly contributions to the Company's incentive fund as rewards for employees.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions is disclosed as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
The Company	Stock:							
	Mekong Resort Development Construction Co., Ltd.	－	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	
	Beneficiary certificates:							
	Fuh Hwa Ruei Neng Fund I	－	〃	5,000,000	55,589	-	55,589	
	Fuh Hwa Ruei Neng Fund I	－	〃	4,000,000	45,058	-	45,058	
	Fuh Hwa Guardian Fund	－	〃	3,504,199	64,647	-	64,647	
	Fuh Hwa Ruei Hua Fund	－	〃	1,961,169	21,182	-	21,182	
	Fuh Hwa Jhih Neng Fund I	－	〃	3,000,000	31,918	-	31,918	
	Taiwan ESG	－	〃	400,000	14,364	-	14,364	
	Private equity fund:							
	Mesh Cooperative Ventures Fund	－	〃	12,000,000	12,000	2.46	12,000	
					316,390		316,390	
The Company	Stock:							
	Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	4,021,822	6,213,715	4.60	6,213,715	
	JESS-LINK Products Co., Ltd.	－	〃	8,492,000	351,144	6.96	351,144	
	WT Microelectronics Co., Ltd.	－	〃	1,000,000	48,950	0.74	48,950	
	Taiwan Cement Corp.	－	〃	50,000	2,400	-	2,400	
	Taiwan Semiconductor Manufacturing Co., Ltd.	－	〃	10,000	6,150	-	6,150	
	TOT BIOPHARM International Co., Ltd.	－	〃	1,195,200	18,118	0.19	18,118	
	Eastern Union Interactive Corp.			880,000	58,667	4.43	58,667	
	Guoyu Global Co., Ltd.	－	〃	500,000	5,000	16.67	5,000	
	Taiwan Truewin Technology Co., Ltd.	－	〃	500,000	32,500	2.85	32,500	
					6,736,644		6,736,644	
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	－	〃	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	－	〃	-	26,494	3.54	26,494	
					6,763,138		6,763,138	
The Company	Bond:							
	Novaland Group (NYL)	－	Financial assets at amortized cost	9,000	10,800	-	10,800	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300,000 thousand or 20% of the paid-in capital:

Unit: Shares

Company Name	Type and Name of Securities	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Cost	Gains (Losses) on Disposal	Shares	Amount
The Company	Stock: Voltronic Power Technology Corp.	Financial assets at fair value through other comprehensive income			4,500,822	5,040,921	-	-	479,000	660,425	2,260	658,165	4,021,822	6,213,715 (Note)

Note: The ending balance includes unrealized gain or loss on financial assets.

5. Acquisition of real estate at costs which exceed NT$300,000 thousand or 20% of the paid-in capital: None.
6. Disposal of real estate at prices which exceed NT$300,000 thousand or 20% of the paid-in capital: None.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

7. Total purchases from and sales to related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(497,301)	(4.04)	Note 1			176,243	5.21	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(586,236)	(4.76)	Note 1			147,782	4.37	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(589,751)	(4.79)	Note 1			305,772	9.05	
The Company	Fortron/ Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(418,581)	(3.40)	Note 1			75,109	2.22	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(328,551)	(2.67)	Note 1			138,416	4.09	
The Company	FSP Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(131,045)	(1.06)	Note 1			56,617	1.67	
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	939,867	10.80	Note 4		Note 4	(104,088) (Note 3)	(2.77)	
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	433,479	4.98	Note 4		Note 4	(42,251) (Note 3)	(1.12)	
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	237,150	2.72	Note 4		Note 4	(17,971) (Note 3)	(0.48)	
The Company	Voltronic	The Company is the Director of this company	Purchases	210,723	2.42	Note 5			(90,024)	(2.39)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	260,047	2.99	Note 1			(81,547)	(2.17)	
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(315,435)	(17.16)	Note 1			80,601	12.03	
3Y Power	Huili	Affiliate	Purchases	247,178	17.99	Note 4		Note 4	(22,094)	(3.82)	

Note 1. The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2. Including purchases of products, purchases of raw materials and processing.

Note 3. Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4. The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5. The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

8. Receivables from related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	176,243	2.98	-		126,119	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	305,772	2.71	-		122,751	-
The Company	FSP North America	Substantive related party of the Company	147,782	4.85	-		34,022	-
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	138,416	2.20	-		109,459	-
Huili	The Company	100% owned investment via indirect shareholding	104,088	9.19	-		104,088	-

Note: As of March 4, 2022.

9. Derivative instruments transactions: None.

(II) Information on Invested Companies:

Investment information in 2021 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period (Note)	Investment gain (loss) recognized for the period (Note)	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount			
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,199,388	108,773	108,773	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	372	(110)	(110)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	60,168	850	850	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	663,717	134,172	88,389	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,788	(86)	(86)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	1,853	276	276	Subsidiary
	FSP Turkey Dis Tic.Ltd.Sti.	Turkey	Business development and product technical service	22,640	-	6,673,000	91.41	16,989	4,951	4,526	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	121,029	3,791	-	Sub-subsidiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	217,707	437	-	Sub-subsidiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,358,711	58,092	-	Sub-subsidiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	16,069	(7,993)	-	Sub-subsidiary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	72,009	58,126	-	Sub-subsidiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,871	332	-	Sub-subsidiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	26,947	7,299	3,284	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	14,778	(2,469)	-	Sub-subsidiary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	220,428	37,349	-	Sub-subsidiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	3,768	26	-	Sub-subsidiary

Note: The investment gain or loss recognized by the company is based on the financial statements of the investees audited by the CPA of the parent company in Taiwan and accounted for under the equity method, except for the financial statements of 3Y Power, 3Y Power Technology Inc. and Luckyied Co. which are audited by other CPA.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(III) Information on investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period (Note 3)	Carrying amount of investment at the end of the period (Note 3)	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	145,090	(II), 1	176,873	-	-	176,873	(6,735)	100.00	(6,735)	334,217	197,299
Zhonghan	Processing of power supply	224,107 (Note 2)	(II), 1	104,342	-	-	104,342	465	100.00	465	210,110	75,044
WUXI SPI	Processing of power supply	722,364 (Note 2)	(II), 1	508,326	-	-	508,326	(46,442)	100.00	(46,442)	124,058	-
WUXI Zhonghan	Manufacturing and trading of power supply	416,099	(II), 1	380,595	-	-	380,595	104,499	100.00	104,499	1,240,577	-
Zhong Han	Manufacturing and trading of power supply	130,320	(II), 1	20,196	-	-	20,196	86,745	100.00	86,745	747,135	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (Note 2)	(II), 1	13,380	-	-	13,380	3,791	100.00	3,791	122,715	-
Protek Dongguan	Processing of power supply	39,391	(II), 1	38,038	-	-	38,038	(7,988)	100.00	(7,988)	15,892	-
Hao Han	Transformer processing	163,673 (Note 2)	(II), 1	-	-	-	-	58,126	100.00	58,126	72,009	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,122	(II), 2	-	-	-	-	26	65.87	17	3,768	-

Note 1. Method of investment can be divided into the following 3 categories:

(I) Direct investment in mainland China.

(II) Indirect investment in mainland China through a holding company established in other countries

1. Through FSP International Inc. to invest in mainland China.
2. Through 3Y Power to invest in mainland China.

(III) Others.

Note 2. This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3. The investment profits and losses and the carrying amount of the investment at the end of the period recognized by the company are based on the financial statements of the investee company audited by the CPA of Taiwan's parent company, except for WUXI 3Y, whose financial statements are audited by other CAP in Taiwan.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK$12,500 thousand and US$35,640 thousand)	1,486,767 (Note 2) (HK$12,500 thousand and US$52,110 thousand)	7,925,377 (Note 1)

Note 1. 60% of net worth.

Note 2. For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to the mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD: 1:28.0088, CNY/TWD: 1:4.3413, HKD/TWD: 1:3.6031). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period is based on the exchange rates on December 31 2021 (USD/TWD: 1:27.6800, CNY/TWD: 1:4.3440, HKD/TWD: 1:3.5490).

3. Significant transactions with the investee company in mainland China:

For the direct or indirect significant transactions between the Group and its investee companies in mainland China in 2021, please refer to the description of "Information on Significant Transactions".

(IV) Information on Major Shareholders:

Shareholding Name of Major Shareholders	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.	15,091,766	8.05%
Cheng, Ya-Jen	12,167,477	6.49%
Yang, Fu-An	11,792,834	6.29%
Wang, Tsung-Shun	11,605,794	6.19%

1. The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares in accordance with the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to Market Observation Post System website.
3. The percentage of shareholding is calculated by rounding to two decimal places.

XIV. Segment Information

Please refer to the consolidated financial statements for the year ended December 31, 2021.

FSP Technology Inc.

Details of cash and cash equivalents

December 31, 2021

Unit: In thousands of New Taiwan Dollars, Foreign currency in dollars

Item	Summary	Amount
Cash	Patty cash	$ 100
	Cash in foreign currencies:	
	JPY (JPY147,000元@0.2407)	35
	EUR (EUR1,400元@31.33)	44
	USD (USD44,000元@27.90)	1,228
	CNY (CNY11,700元@4.330)	51
	Subtotal	1,458
Bank deposits	Time deposits：	
	NTD	124,079
	USD (USD22,080,000.00元@27.90)	616,032
	Deposits in checking accounts	2,021
	Demand deposits:	
	NTD	286,992
	EUR (EUR409,196.55元@31.33)	12,820
	AUD (AUD897.90元@20.050)	18
	USD (USD18,813,232.33元@27.90)	524,889
	HKD (HKD474,955.79元@3.550)	1,686
	JPY (JPY515,507元@0.2407)	124
	CNY (CNY26,123,103.47元@4.330)	113,113
	VND (VND428,671,232.85元@0.0012)	514
	GBP (GBP0.57元@37.3000)	-
	Subtotal	1,682,288
		$ 1,683,746

FSP Technology Inc.

Statement of Notes Receivable

December 31, 2021

Unit: NT$ thousands

Customer Name	Summary	Amount		Remark
Non-related party:				
Protech Systems Co., Ltd.	Business	$	1,245	
Comlink Electronic Co., Ltd.	〃		524	
LEX Computech Co., Ltd.	〃		419	
Winsson Enterprises Co., Ltd.	〃		367	
Others (the amount of individual item in others does not exceed 5% of the account balance)	〃		127	
		$	**2,682**	

FSP Technology Inc.

Breakdown of accounts receivable

December 31, 2021

Unit: NT$ thousands

Customer Name	Summary	Amount	Remark
Related party:			
Sparkle Power Inc.	Business	$ 176,243	
Fortron/Source (Europa) GmbH	〃	75,109	
FSP (GB) Ltd.	〃	14,209	
3Y Power Technology Inc.	〃	25,285	
FSP Group USA Corp.	〃	15,710	
FSP North America	〃	147,782	
FSP Power Solution GmbH	〃	305,772	
FSP Technology USA Inc.	〃	56,617	
Wuxi Zhonghan Technology Co., Ltd.	〃	138,416	
3Y Power Technology (Taiwan) Inc.	〃	10,716	
FSP Turkey	〃	19,486	
Subtotal		985,345	
Non-related party:			
EVGA Corporation	Business	415,820	
Shenzhen Zhencheng Wangshi Imp. & Exp. Co., Ltd.	〃	411,603	
Listan GmbH	〃	226,158	
Others (the amount of individual item in others does not exceed 5% of the account balance)	〃	1,338,761	
Subtotal		2,392,342	
Less: Allowance for impairment loss		32,806	
Subtotal		2,359,536	
		$ 3,344,881	

FSP Technology Inc.

Statement of Inventories

December 31, 2021

Unit: NT$ thousands

Item	Amount: Cost	Amount: Net realizable value	Remark
Finished goods	$ 1,085,723	1,328,596	Market value refers to the estimated net realizable value
Work in process	502,282	491,915	〃
Raw materials	655,301	631,668	〃
Total	2,243,306	**2,452,179**	
Lee: allowance for inventory valuation loss	80,805		
	$ 2,162,501		

Breakdown of prepayment

Customer Name	Summary	Amount	Remark
Prepayment for purchase:			
Non-related party		$ 23,288	
Related party - WUXI SPI		7,383	
Subtotal		30,671	
Prepaid expenses		22,993	
Tax overpaid retained for offsetting the future tax payable		11,419	
		$ 65,083	

FSP Technology Inc.

Statement of Other Current Assets

December 31, 2021

Unit: NT$ thousands

Item	Summary	Amount	Remark
Payments on behalf of others		$ 13,536	
Short-term borrowings		1,213	
Others (the amount of individual item in others does not exceed 5% of the account balance)		73	
		$ 14,822	

FSP Technology Inc.

Changes in financial assets at fair value through other comprehensive income - Non-current

January 1 to December 31, 2021

Unit: NT$ thousands

Name	Beginning of Period		Increase for the period		Reduction in current period		Ending Balance		Guarantee or Pledge	Remark
	shares	Fair value	shares	Amount	shares	Amount	shares	Fair value		
Voltronic Power Technology Corp.	4,500,822	$ 5,040,921	-	1,833,219 (Note 1)	479,000	660,425	4,021,822	6,213,715	None	
JESS-LINK Products Co., Ltd.	3,000,000	109,200	5,492,000	241,944 (Note 2)	-	-	8,492,000	351,144	None	
WT Microelectronics Co., Ltd.	1,000,000	48,550	-	400 (Note 1)	-	-	1,000,000	48,950	None	
Taiwan Cement Corp.	-	-	50,000 (Note 4)	2,492 (Note 4)	-	92 (Note 1)	50,000	2,400	None	
Taiwan Semiconductor Manufacturing Co., Ltd.	-	-	10,000 (Note 3)	6,150 (Note 3)	-	-	10,000	6,150	None	
TOT BIOPHARM International Co., Ltd.	1,195,200	19,344	-	-	-	1,226 (Note 1)	1,195,200	18,118	None	
Eastern Union Interactive Corp.	480,000	28,667	300,000 (Note 4)	30,000 (Note 4)	-	-	780,000	58,667	None	
Guoyu Global Co., Ltd.	-	-	500,000 (Note 4)	5,000 (Note 4)	-	-	500,000	5,000	None	
Taiwan Truewin Technology Co., Ltd.	-	-	500,000 (Note 4)	32,500 (Note 4)	-	-	500,000	32,500	None	
		$ 5,246,682		2,151,705		661,743		6,736,644		

Note 1. Unrealized valuation gain (loss) for the period

Note 2. Including new investment cost of NT$220,145 thousand for the period and unrealized valuation gain of NT$21,799 thousand.

Note 3. Including new investment cost of NT$5,910 thousand for the period and unrealized valuation gain of NT$240 thousand.

Note 4. It is new investment cost for the period.

FSP Technology Inc.

Statement of Changes in Investments Accounted for Using the Equity Method

January 1 to December 31, 2021

Unit: NT$ thousands

	Beginning balance		Increase for the period		Reduction in current period		Ending balance			Market price or net worth			
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total	Guarantee or Pledge	Remark
FSP International Inc. (BVI)	32,202,500	$ 2,111,966	-	108,773	-	21,351	32,202,500	100.00%	2,199,388	68.99	2,221,594	None	
FSP Group Inc.	50,000	482	-	-	-	110	50,000	100.00%	372	7.44	372	None	
Amacrox Technology Co., Ltd. (BVI)	1,109,355	61,804	-	850	-	2,486	1,109,355	100.00%	60,168	59.56	66,075	None	
3Y Power	16,309,484	610,088	-	88,635	-	35,006	16,309,484	65.87%	663,717	40.22	655,983	None	
Harmony Trading (HK) Ltd.	10,000	1,874	-	-	-	86	10,000	100.00%	1,788	178.80	1,788	None	
FSP Technology USA Inc.	100,000	1,626	-	276	-	49	100,000	100.00%	1,853	18.53	1,853	None	
FSP Turkey Dis Tic.Ltd.Sti.	-	-	6,673,000	29,689	-	12,700	6,673,000	91.41%	16,989	2.92	19,470	None	
		$ 2,787,840		228,223		71,788			2,944,275		2,967,135		

Note: Including investment income of NT$202,618 thousand, exchange differences on translation of financial statements of foreign operations of NT$(28,025) thousand, benefit from defined benefit plans of subsidiaries of NT$246 thousand, net change in deferred credits - unrealized gain or loss on sales of NT$(10,948) thousand, cash dividends from investees of NT$(32,619) thousand, increase in investment by cash of NT$22,640 thousand and benefit from bargain purchase of NT$2,523 thousand.

FSP Technology Inc.

Breakdown of other non-current assets

December 31, 2021

Unit: NT$ thousands

Item	Summary	Amount	Remark
Refundable deposits	Deposits for factories, office premises, and staff quarters	$ 3,284	
Others (the amount of individual item in others does not exceed 5% of the account balance)	Others	560	
		$ 3,844	

Breakdown of notes payable

Customer Name	Summary	Amount	Remark
Hey Bro International Corp.	Business	$ 4,009	
Chroma ATE Inc.	〃	3,986	
TUV Rheinland Taiwan Ltd.	〃	2,184	
KPMG Taiwan	〃	835	
168 Food Co., Ltd.	〃	806	
Others (the amount of individual item in others does not exceed 5% of the account balance)	〃	2,625	
		$ 14,445	

FSP Technology Inc.

Statement of Accounts Payable

December 31, 2021

Unit: NT$ thousands

Customer Name	Summary	Amount		Remark
Related party:				
Shenzhen HuiLi Electronics Co., Ltd.	Business	$	93,414	
Zhonghan Electronics Shenzhen Co., Ltd.	〃		38,318	
Wuxi SPI Technology Co., Ltd.	〃		17,748	
Wuxi Zhonghan Technology Co., Ltd.	〃		3,502	
3Y Power Technology (Taiwan) Inc.	〃		81,547	
Dongguan Protek Electronics Corp.	〃		5,406	
Harmony Trading (HK) Ltd.	〃		251	
Voltronic Power Technology Corp.	〃		90,024	
Subtotal			330,210	
Non-related party:				
Yuen Tai Electrical Co., Ltd.	Business		337,392	
Avnet Asia Pte Ltd., Taiwan Branch	〃		254,750	
Others (the amount of individual item in others does not exceed 5% of the account balance)	〃		2,825,146	
Subtotal			3,417,288	
		$	**3,747,498**	

FSP Technology Inc.

Statement of Other Payables

December 31, 2021

Unit: NT$ thousands

Item	Summary	Amount
Non-related party:		
Salaries and bonuses payable	Business	$ 370,986
Remuneration payable to employees and directors	〃	72,190
Advertising fees payable	〃	75,565
Safety test fee payable	〃	105,798
Commission Payable	〃	56,683
Others (the amount of individual item in others does not exceed 5% of the account balance)	〃	144,771
		$ 825,993

Statement of Other Current Liabilities

Item	Summary	Amount	Remark
Advance payment received		$ 41,625	
Collection for others		12,712	
Others (the amount of individual item in others does not exceed 5% of the account balance)		9,921	
		$ 64,258	

FSP Technology Inc.

Statement of Operating Revenue

January 1 to December 31, 2021

Unit: NT$ thousands

Item	Item	Amount	Remark
Power supplies:			
Personal computer		$ 7,059,175	
Consumer application		4,184,970	
Industrial use		599,241	
Medical use		301,383	
Semi-finished goods		26,832	
Raw material		148,232	
		$ 12,319,833	

FSP Technology Inc.

Statement of Operating Costs

January 1 to December 31, 2021

Unit: NT$ thousands

Item	Amount Subtotal	Amount Total
Cost of self-produced goods sold		
Direct raw material	$ 7,746,683	
Add: raw materials - beginning of the period	427,226	
Purchase	8,126,733	
Less: raw materials - end of the period	(655,301)	
Sales of raw materials	(138,700)	
Loss on inventory obsolescence	(10,442)	
Loss on raw materials	(94)	
Used by departments	(2,739)	
Director labor	30,742	
Manufacturing overheads	2,300,786	
Manufacturing overheads	10,078,211	
Add: work in process - beginning of the period	377,610	
Purchase	7,364	
Less: work in process - end of the period	(502,282)	
Sales of semi-finished goods	(18,094)	
Loss on inventory obsolescence	(4,797)	
Loss on semi-finished goods	(78)	
Used by departments	(250)	
Cost of finished goods	9,937,684	
Add: finished goods - beginning of the period	888,583	
Finished goods purchased	572,200	
Loss on finished goods	1	
Less: finished goods - end of the period	(1,085,723)	
Loss on inventory obsolescence	(17,847)	
Used by departments	(16,057)	
Total cost of goods sold		10,278,841
Cost of raw material sold		138,700
Cost of semi-finished goods sold		18,094
Loss on inventory obsolescence		33,086
Loss on inventory write-down		14,795
Loss on inventory		171
Total operating costs		**$ 10,483,687**

FSP Technology Inc.

Statement of Selling and Marketing Expenses

January 1 to December 31, 2021

Unit: NT$ thousands

Item	Summary	Amount	Remark
Salary expenses		$ 111,325	
Shipping expense		105,987	
Commission expense		98,909	
Advertising expense		31,839	
Insurance expenses		26,904	
Others (the amount of individual item in others does not exceed 5% of the account balance)		70,160	
		$ 445,124	

Statement of General and Administrative Expenses

Item	Summary	Amount	Remark
Salary expenses		$ 341,557	
Depreciation		27,003	
Others (the amount of individual item in others does not exceed 5% of the account balance)		118,716	
		$ 487,276	

FSP Technology Inc.

Breakdown of R&D expenses

January 1 to December 31, 2021

Unit: NT$ thousands

Item	Summary	Amount	Remark
Salary expenses		$ 265,827	
Insurance expenses		25,894	
Depreciation		18,184	
Others (the amount of individual item in others does not exceed 5% of the account balance)		53,539	
		$ 363,444	

For the table of financial assets at amortized cost - current, please refer to Notes VI(IV) and XIII(I).

For the table of changes in property, plant and equipment, please refer to Note VI(X).

For the table of changes in accumulated depreciation of property, plant and equipment, please refer to Note VI(X).

For the table of changes in right-of-use assets, please refer to Notes VI(XI).

For the table of changes in intangible assets, please refer to Notes VI(XII).

For the table of lease liabilities, please refer to Notes VI(XV).

For the table of provisions, please refer to Notes VI(XVI).

For the table of interest income, please refer to Note VI(XXIII).

For the table of other income, please refer to Note VI(XXIII).

For the table of other gains and losses, please refer to Note VI(XXIII).

For the table of financial costs, please refer to Note VI(XXIII).