

FSP Technology Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report

For the Six Months Ended June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Preface

We have reviewed the Consolidated Financial Statements of FSP Technology Inc. and its subsidiaries, which comprise the Consolidated Balance Sheets as of June 30, 2022 and 2021, and the Consolidated Statements of Comprehensive Income from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021, and the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to June 30, 2022 and 2021. The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with the Statement of Auditing Standards 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." The procedures performed to review the consolidated financial statements include inquiry (mainly the inquiry to the persons responsible for financial and accounting affairs), analysis procedure and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note IV(II) to the consolidated financial statements, it has included part of its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the independent auditors for the same period. As of June 30, 2022 and 2021, these subsidiaries had the total assets of NT\$2,207,919 thousand and NT\$1,979,156 thousand, respectively, representing 11.03% and 9.98% of the consolidated total assets, had the total liabilities of NT\$909,433 thousand and NT\$843,981 thousand, respectively, representing 12.63% and 10.99% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NT\$61,077 thousand, NT\$22,247 thousand, NT\$112,124 thousand and NT\$41,160 thousand from April 1 to June 30, 2022 and 2021, and from January 1 to June 30, 2022 and 2021, respectively, representing 372.94%, 1.98%, (123.32)% and 3.34% of the consolidated comprehensive profit (loss), respectively.

Besides the above-mentioned in the previous paragraph, as stated in Note VI(VIII) of the consolidated financial statements, investments accounted for under the equity method of FSP Technology Inc. and subsidiaries amounted to NT\$29,737 thousand and NT\$27,361 thousand as of June 30, 2022 and 2021, respectively. The share of corporate profit recognized under the equity method were NT\$(39) thousand, NT\$1,967 thousand, NT\$1,805 thousand and NT\$3,143 thousand from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by the independent auditors.

Qualified Conclusion

Except for possible effects from financial statements of these investees mentioned in the paragraph titled “Basis for Qualified Conclusion” if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of FSP Technology Inc. and its subsidiaries as of June 30, 2022 and 2021, and their consolidated financial performance from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021, and their consolidated cash flows from January 1 to June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

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)
August 4, 2022

Notice to Readers

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.

June 30, 2022 and 2021 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Balance Sheets
As of June 30, 2022, December 31, 2021 and June 30, 2021

Unit: NT\$ thousands

		2022.6.30		2021.12.31		2021.6.30				2022.6.30		2021.12.31		2021.6.30	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
11xx	Current Assets:							21xx	Current Liabilities:						
1100	Cash and cash equivalents (Note VI(I))	\$ 3,040,757	15	2,794,253	13	2,906,466	15	2100	Short-term borrowings (Notes VI(X) and (XIII), and VIII)	\$ 10,514	-	16,315	-	35,908	-
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	469,058	3	516,074	3	570,495	3	2150	Notes payable	10,909	-	14,445	-	13,651	-
1136	Financial assets at amortized cost - current (Note VI(IV))	10,800	-	10,800	-	-	-	2170	Accounts payable	4,050,343	20	4,986,689	24	4,996,098	25
1150	Notes receivable, net (Note VI(V) and (XXI))	61,062	-	62,112	-	90,473	1	2180	Accounts payable - related parties (Note VII)	114,714	-	90,024	-	53,195	-
1170	Accounts receivable, net (Note VI(V) and (XXI))	3,358,484	17	3,864,730	19	3,826,923	19	2200	Other payables (Note VI(XVII),(XIX) and (XXII), and VII)	1,733,734	9	1,151,339	5	1,531,732	8
1180	Accounts receivable - related parties, net (Notes VI(V) and (XXI), and VII)	917,759	5	801,748	4	761,271	4	2230	Current income tax liabilities	159,780	1	167,169	1	134,553	1
1200	Other receivables (Note VI(VI) & VII)	87,027	-	73,406	-	51,286	-	2250	Provisions for liabilities - current (Note VI(XVI))	134,945	1	146,223	1	146,070	1
1220	Current income tax assets	6,794	-	5,779	-	5,836	-	2280	Lease liabilities - current (Notes VI(XV) and VII)	173,287	1	166,758	1	113,138	1
130x	Inventories (Note VI(VII))	3,294,751	17	3,590,546	17	3,064,198	16	2300	Other current liabilities (Notes VI(XIV) and (XXI))	130,496	1	92,137	1	86,619	-
1410	Prepayments (Note VI(XII))	65,177	-	77,899	-	63,570	-	2320	Current portion of long-term debt (Notes VI(X) and (XIV), and VIII)	75,091	-	73,014	-	38,225	-
1470	Other current assets	21,452	-	34,848	-	33,468	-		Total current liabilities	6,593,813	33	6,904,113	33	7,149,189	36
	Total current assets	11,333,121	57	11,832,195	56	11,373,986	58	25xx	Non-current Liabilities:						
15xx	Non-current Assets:							2540	Long-term borrowings (Notes VI(X) and (XIV), and VIII)	162,405	1	199,334	1	142,238	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(III) and (XIX))	6,195,295	31	6,763,138	32	6,081,319	31	2570	Deferred income tax liabilities	2,919	-	2,919	-	2,039	-
1536	Financial assets at amortized cost - non-current (Note VI(IV))	-	-	-	-	10,959	-	2580	Lease liabilities - non-current (Notes VI(XV) and VII)	397,673	2	474,996	2	325,574	2
1550	Investment under equity method (Note VI(VIII))	29,737	-	26,947	-	27,361	-	2640	Net defined benefit liabilities non-current	41,238	-	44,234	-	54,030	-
1600	Property, plant and equipment (Notes VI(X), (XIII), and (XIV), VIII and IX)	1,527,798	8	1,544,427	8	1,523,016	8	2645	Guarantee deposits received	510	-	500	-	495	-
1755	Right-of-use assets (Notes VI(XI) and (XV), and VII)	560,900	3	635,433	3	431,667	2	2670	Other non-current liabilities (Note VI(XIV))	2,743	-	3,970	-	3,004	-
1780	Intangible assets (Note VI(XII))	223,718	1	223,496	1	225,561	1		Total non-current liabilities	607,488	3	725,953	3	527,380	3
1840	Deferred income tax assets	82,745	-	82,240	-	72,179	-	2xxx	Total liabilities	7,201,301	36	7,630,066	36	7,676,569	39
1900	Other non-current assets (Notes VI(X), VIII and IX)	67,985	-	69,666	-	79,169	-	31xx	Equity Attributable to Owners of the Parent (Note VI(III), (VIII) & (XIX)):						
	Total non-current assets	8,688,178	43	9,345,347	44	8,451,231	42	3100	Capital Stock	1,872,620	9	1,872,620	9	1,872,620	10
								3200	Capital surplus	1,011,016	5	1,011,016	5	1,011,016	5
								3300	Retained earnings:						
								3310	Legal reserve	1,175,322	6	1,033,544	5	1,033,544	5
								3350	Unappropriated earnings	3,005,032	15	3,209,195	15	2,434,017	12
									Total retained earnings	4,180,354	21	4,242,739	20	3,467,561	17
								34xx	Other Equity:						
								3410	Exchange differences on translation of financial statements of foreign operations	(68,127)	-	(117,703)	(1)	(121,934)	(1)
								3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	5,465,136	27	6,200,289	29	5,609,102	28
									Total other equity	5,397,009	27	6,082,586	28	5,487,168	27
									Total equity attributable to shareholders of the parent	12,460,999	62	13,208,961	62	11,838,365	59
								36xx	Non-controlling Interests	358,999	2	338,515	2	310,283	2
								3xxx	Total equity	12,819,998	64	13,547,476	64	12,148,648	61
1xxx	Total assets	\$ 20,021,299	100	21,177,542	100	19,825,217	100	2-3xxx	Total liabilities and equity	\$ 20,021,299	100	21,177,542	100	19,825,217	100

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021

Unit: NT\$ thousands

	April to June, 2022		April to June, 2021		January to June, 2022		January to June, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Notes VI(XXI) and VII)	\$ 3,766,192	100	4,201,121	100	7,483,208	100	8,149,692	100
5000 Operating costs (Notes VI(VII), (X), (XI), (XII), (XV), (XVI), and (XVII), VII and XII)	3,212,137	85	3,618,718	86	6,370,106	85	7,017,210	86
5920 Add: Unrealized sales gains (losses)	(1,923)	-	(201)	-	(1,281)	-	(470)	-
5900 Gross profit	552,132	15	582,202	14	1,111,821	15	1,132,012	14
6000 Operating expenses (Notes VI(V), (VI), (X), (XI), (XII), (XV), (XVII), and (XXII), VII and XII):								
6100 Selling and marketing expenses	161,345	4	141,406	3	321,769	5	273,079	3
6200 General and administrative expenses	166,498	5	150,204	4	312,461	4	289,064	4
6300 Research and development expenses	121,021	3	114,886	3	239,379	3	220,582	3
6450 Expected credit impairment losses (gains)	(6,027)	-	1,165	-	(6,027)	-	(1,299)	-
Total operating expenses	442,837	12	407,661	10	867,582	12	781,426	10
6900 Net operating income	109,295	3	174,541	4	244,239	3	350,586	4
7000 Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (XIV), (XV) and (XXIII), and VII):								
7100 Interest income	6,134	-	4,819	-	10,183	-	12,816	-
7010 Other income	28,746	1	37,989	1	43,447	1	41,165	1
7020 Other gains and losses	78,379	2	(1,678)	-	116,721	1	(6,100)	-
7050 Finance costs	(4,757)	-	(2,905)	-	(9,862)	-	(5,688)	-
7060 Share of profits (losses) of associates and joint ventures under equity method	(39)	-	1,967	-	1,805	-	3,143	-
Total non-operating income and expenses	108,463	3	40,192	1	162,294	2	45,336	1
7900 Income before income tax from continuing operations	217,758	6	214,733	5	406,533	5	395,922	5
7950 Less: Income tax expense (Note VI(XVIII))	46,086	1	53,997	1	85,307	1	97,032	1
8200 Net Income	171,672	5	160,736	4	321,226	4	298,890	4
8300 Other comprehensive income:								
8310 Items that will not be reclassified to profit or loss (Note VI(XIX))								
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(131,875)	(3)	981,175	23	(465,091)	(6)	966,606	12
8349 Less: Income tax related to components that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total items that will not be reclassified to profit or loss	(131,875)	(3)	981,175	23	(465,091)	(6)	966,606	12
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	(24,624)	(1)	(18,852)	-	50,676	1	(32,554)	(1)
8370 Share of other comprehensive income (losses) of associates and joint ventures under equity method	1,204	-	(691)	-	2,266	-	(631)	-
8399 Less: Income tax related to items that may be reclassified subsequently	-	-	-	-	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	(23,420)	(1)	(19,543)	-	52,942	1	(33,185)	(1)
8300 Other Comprehensive Income	(155,295)	(4)	961,632	23	(412,149)	(5)	933,421	11
8500 Total Comprehensive Income	\$ 16,377	1	1,122,368	27	(90,923)	(1)	1,232,311	15
Net income (losses) attributable to:								
8610 Shareholders of the parent	\$ 152,549	4	149,902	4	285,517	4	280,985	4
8620 Non-controlling Interests	19,123	1	10,834	-	35,709	-	17,905	-
	\$ 171,672	5	160,736	4	321,226	4	298,890	4
Total comprehensive income (losses) attributable to:								
8710 Shareholders of the parent	\$ (4,604)	-	1,112,537	27	(129,998)	(2)	1,215,335	15
8720 Non-controlling Interests	20,981	1	9,831	-	39,075	1	16,976	-
	\$ 16,377	1	1,122,368	27	(90,923)	(1)	1,232,311	15
Earnings per share (unit: NT\$) (Note VI(XX))								
9750 Basic earnings per share	\$ 0.81		0.80		1.52		1.50	
9850 Diluted earnings per share	\$ 0.81		0.80		1.51		1.49	

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to June 30, 2022 and 2021

Unit: NT\$ thousands

	Equity Attributable to Owners of the Parent										
	Retained earnings					Other equity items		Total	Total equity attributable to shareholders of the parent	Non-controlling Interests	Total Equity
	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				
Balance as of January 1, 2021	\$ 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	307,844	11,492,660
Appropriation and distribution of earnings:											
Legal reserve	-	-	93,128	(93,128)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	(561,786)	(16,901)	(578,687)
Net Income	-	-	-	280,985	280,985	-	-	-	280,985	17,905	298,890
Other Comprehensive Income	-	-	-	-	-	(32,256)	966,606	934,350	934,350	(929)	933,421
Total Comprehensive Income	-	-	-	280,985	280,985	(32,256)	966,606	934,350	1,215,335	16,976	1,232,311
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	2,364	2,364
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	361,618	361,618	-	(361,618)	(361,618)	-	-	-
Balance as of June 30, 2021	\$ 1,872,620	1,011,016	1,033,544	2,434,017	3,467,561	(121,934)	5,609,102	5,487,168	11,838,365	310,283	12,148,648
Balance as of January 1, 2022	\$ 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	338,515	13,547,476
Appropriation and distribution of earnings:											
Legal reserve	-	-	141,778	(141,778)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(617,964)	(617,964)	-	-	-	(617,964)	-	(617,964)
Net Income	-	-	-	285,517	285,517	-	-	-	285,517	35,709	321,226
Other Comprehensive Income	-	-	-	-	-	49,576	(465,091)	(415,515)	(415,515)	3,366	(412,149)
Total Comprehensive Income	-	-	-	285,517	285,517	49,576	(465,091)	(415,515)	(129,998)	39,075	(90,923)
Distribution of cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(18,591)	(18,591)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	270,062	270,062	-	(270,062)	(270,062)	-	-	-
Balance as of June 30, 2022	\$ 1,872,620	1,011,016	1,175,322	3,005,032	4,180,354	(68,127)	5,465,136	5,397,009	12,460,999	358,999	12,819,998

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to June 30, 2022 and 2021

Unit: NT\$ thousands

	January to June, 2022	January to June, 2021
Cash flows from operating activities:		
Income before income tax	\$ 406,533	395,922
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	182,193	164,325
Amortization expenses	4,721	1,133
Gain on expected credit loss	(6,027)	(1,299)
Interest expenses	9,862	5,688
Interest income	(10,183)	(12,816)
Dividend income	(55)	-
Share of profits (losses) of associates and joint ventures under equity method	(1,805)	(3,143)
Loss (gain) on disposal and scrap of property, plant and equipment	(99)	73
Unrealized sales gains (losses)	1,281	470
Rent concessions reclassified to revenue	(3,274)	-
Gains on bargain purchase	-	(2,523)
Total adjustments for profit or loss	176,614	151,908
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	47,016	(4,763)
Notes receivable	1,050	(4,526)
Accounts receivable	512,273	(211,560)
Accounts receivable - related parties	(116,011)	(144,518)
Other receivables	(13,385)	18,442
Inventories	295,795	(392,339)
Prepayments	12,191	18,540
Other current assets	13,396	(9,178)
Other non-current assets	(833)	1,338
Total changes in operating assets	751,492	(728,564)
Changes in operating liabilities:		
Notes payable	(3,536)	(1,350)
Accounts payable	(936,346)	144,435
Accounts payable - related parties	24,690	(26,809)
Other payables	(53,367)	(16,950)
Provisions for liabilities	(11,278)	(11,120)
Other current liabilities	38,221	11,626
Net defined benefit liabilities	(2,996)	(3,188)
Other non-current liabilities	-	1,640
Total changes in operating liabilities	(944,612)	98,284
Total changes in operating assets and liabilities	(193,120)	(630,280)
Total adjustments	(16,506)	(478,372)
Cash provided by operations	390,027	(82,450)
Interest received	9,947	12,951
Interest paid	(9,867)	(5,039)
Income tax paid	(94,216)	(67,039)
Net cash provided by operating activities	295,891	(141,577)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(168,198)	(204,543)
Disposal of financial assets at fair value through other comprehensive income	270,950	363,006
Acquisition of financial assets at amortized cost	-	(10,959)
Increase in prepayments for investment	-	(5,000)
Acquisition of subsidiaries (deducting cash obtained)	-	3,832
Acquisition of property, plant, and equipment	(65,209)	(90,186)
Disposal of property, plant and equipment	294	263
Acquisition of intangible assets	(4,408)	(5,656)
Decrease (increase) in refundable deposits	(678)	720
Increase in prepayments for equipment	(812)	(11,056)
Dividends received	55	-
Net cash flows from investing activities	31,994	40,421
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(5,801)	3,746
Proceeds from long-term loans	-	71,360
Repayments of long-term loans	(35,941)	(14,790)
Repayment of the principal of lease liabilities	(80,828)	(78,442)
Net cash flows used in financing activities	(122,570)	(18,126)
Effects of exchange rate changes on the balance of cash held in foreign currencies	41,189	(25,369)
Net increase (decrease) in cash and cash equivalents	246,504	(144,651)
Cash and cash equivalents at the beginning of the year	2,794,253	3,051,117
Cash and cash equivalents at the end of the year	\$ 3,040,757	2,906,466

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended June 30, 2022 and 2021

(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 and its subsidiaries (the “Group”) are 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

These Consolidated Financial Statements were authorized for issue by the Board of Directors on August 4, 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 Group has initially adopted the following new amendments to IFRS since January 1, 2022, and there was no significant impact on its Consolidated 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”

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

The Group assesses that the adoption of the following new amendments effective from January 1, 2023 will not have a significant impact on the Consolidated Financial Statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(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 Group, have been issued by the IASB, but not yet endorsed by the FSC:

<u>New or Amended Standards</u>	<u>Content of Amendment</u>	<u>Effective Date per International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	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

The Group 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 Group completes the evaluation.

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”

IV. Summary of Significant Accounting Policies

Except for the following descriptions, the consolidated financial statements adopt the same significant accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2021 for details.

(I) Compliance declaration

This consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the “Preparation Regulations”) and IFRS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the necessary information that shall be disclosed in annual consolidated financial statements prepared in accordance with IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the IFRSs endorsed by the FSC”).

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(II) Basis of consolidation

The consolidated financial statements adopt the preparation principles as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV(III) of the consolidated financial statements for the year ended December 31, 2021 for details.

1. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements are as follows:

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.6.30	2021.12.31	2021.6.30	
The Company	FSP International Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	FSP Group Inc.	Engaged in safety certification	100.00%	100.00%	100.00%	Note 3
"	Amacrox Technology Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	3Y Power Technology (TAIWAN) Inc. ("3Y Power")	Trading and manufacturing of power supplies and related electronic products	65.87%	65.87%	65.87%	Note 3
"	Harmony Trading (HK) Ltd.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	FSP Technology USA Inc.	Business development and product technical service	100.00%	100.00%	100.00%	Note 3
"	FSP Turkey Dis Tic.Ltd.Sti. ("FSP Turkey")	Business development and product technical service	91.41%	91.41%	91.41%	Notes 2 and 3
FSP International Inc. (BVI)	Shenzhen Huili Electronic Co., Ltd. ("Huili")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
"	FSP Technology Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Proteck Electronics (Samoa) Corp.	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Power Electronics Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	Famous Holding Ltd.	Investment holdings	100.00%	100.00%	100.00%	
"	FSP International (HK) Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
FSP Technology Inc. (BVI)	FSP-C R&D Center ("FSP Jiangsu")	Research & development and design of various energy saving technology	100.00%	100.00%	100.00%	Note 3

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.6.30	2021.12.31	2021.6.30	
Protek Electronics (Samoa) Corp.	Protek Electronics (China) Corp. (“Protek Dongguan”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
Power Electronics Co., Ltd. (BVI)	Zhonghan Electronics (Shenzhen) Co., Ltd. (“Zhonghan”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Famous Holding Ltd.	WUXI SPI Technology Co., Ltd. (“WUXI SPI”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
“	WUXI Zhonghan Technology Co., Ltd. (“WUXI Zhonghan”)	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
FSP International (HK) Ltd.	Hao Han Electronic Technology (Jian) Co., Ltd. (“Hao Han”)	Trading and manufacturing of electronic components	100.00%	100.00%	100.00%	Note 3
WUXI Zhonghan	Shenzhen Zhonghan Technology Co., Ltd. (“Zhonghan Tech.”)	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
“	Proteck Power North America, Inc.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
3Y Power	3Y Power Technology Inc. (“3Y Power USA”)	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
“	Luckyfield Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
Luckyfield Co., Ltd.	WUXI 3Y Technology Co., Ltd. (“WUXI 3Y”)	Design, manufacturing and trading of power supplies	100.00%	100.00%	100.00%	Notes 1 and 3

Note 1: The Company invested in WUXI 3Y through Luckyfield Co., Ltd., and the comprehensive shareholding percentage as of June 30, 2022, December 31, 2021 and June 30, 2021 were all 65.87%.

Note 2: The Company acquired a 91.41% stake in FSP Turkey for NT\$22,640 thousand (US\$800 thousand) on May 31, 2021 and it became a subsidiary of the Company since then.

Note 3: It was a non-significant subsidiary, and its financial statements were not reviewed by the independent auditors.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

2. Subsidiaries which are not included in the Consolidated Financial Statements: None.

(III) Employee benefits

The pension cost under defined benefit plan for the interim period is calculated based on actuarial pension cost rate of the preceding ending date of the fiscal year from the start to the end of the year, and adjusted for material market fluctuations, material project modifications, settlements or other material one-time matters for the period.

(IV) Income Tax

The Group measured and disclosed the income tax expenses of the interim period pursuant to Paragraph B12, IAS 34 "Interim Financial Reporting."

Income tax expenses were accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Income tax expenses recognized directly in equity or other comprehensive income were measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

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

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgments, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. Actual results may differ from the estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the Group's accounting policies are consistent with Note V of the consolidated financial statements for the year ended December 31, 2021.

VI. Details of Significant Accounts

Except for the following descriptions, the details of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2021 for relevant information.

(I) Cash and cash equivalents

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Cash on hand	\$ 9,764	10,346	7,560
Cash equivalents			
Money market funds	-	21,651	-
Repurchase agreements	200,000	-	196,757
Deposits in saving accounts and checking accounts	1,804,622	1,772,124	1,769,348
Time deposits	1,026,371	990,132	932,801
	<u>\$ 3,040,757</u>	<u>2,794,253</u>	<u>2,906,466</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial assets mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates	\$ 202,056	232,758	214,259
Private equity funds	18,000	12,000	-
Foreign unlisted stocks	71,632	71,632	71,632
Structured deposits	177,370	199,684	284,604
Total	<u>\$ 469,058</u>	<u>516,074</u>	<u>570,495</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group held structured deposits and expected yields ranged from 1.40% to 3.25%, 1.40% to 3.30%, and 1.40% to 3.45% with maturity from July 2022 to September 2022, January 2022 to March 2022, and July 2021 to August 2021, respectively.

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Equity instruments at fair value through other comprehensive income			
Domestic listed stock - Voltronic Power Technology Corp.	\$ 5,536,983	6,213,715	5,658,175
Domestic listed stock - JESS-LINK Products Co., Ltd.	368,499	351,144	297,600
Domestic listed stock - WT Microelectronics Co., Ltd.	48,350	48,950	48,600
Domestic listed stock - Taiwan Cement Corp.	1,975	2,400	2,550
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.	4,760	6,150	-
Domestic over-the-counter (OTC) stock - Coretronic Corporation	50,200	-	-
Foreign listed stocks	14,367	18,118	19,233
Foreign unlisted stocks	26,494	26,494	26,494
Domestic unlisted stocks	143,667	96,167	28,667
Total	<u>\$ 6,195,295</u>	<u>6,763,138</u>	<u>6,081,319</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

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

The Group 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 Group recognized dividend income of NT\$55 thousand and NT\$0 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income from January 1 to June 30, 2022 and 2021, respectively.

In order to meet the needs of funding plan, the Group divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income from January 1 to June 30, 2022 and 2021 and the fair value at the time of disposal was NT\$270,950 thousand and NT\$363,006 thousand with disposal gains of NT\$270,062 thousand and NT\$361,618 thousand, respectively.

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

(IV) Financial assets at amortized cost

	2022.6.30	2021.12.31	2021.6.30
Corporate bond - Novaland Group (NVL)	\$ 10,800	10,800	10,959
Less: Loss allowances	-	-	-
Total	\$ 10,800	10,800	10,959

The Group 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 Group 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

	2022.6.30	2021.12.31	2021.6.30
Notes receivable	\$ 61,062	62,112	90,473
Accounts receivable	3,383,391	3,904,501	3,873,271
Accounts receivable - related parties	917,759	801,748	761,271
Less: Loss allowances	(24,907)	(39,771)	(46,348)
Total	\$ 4,337,305	4,728,590	4,678,667

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

The Group 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.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Analysis of expected credit loss on notes receivable and accounts receivable of the Group's operating entity in Taiwan was as follows:

	2022.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,314,234	0~0.19	5,552
Past due within 30 days	130,257	0~8.44	9,970
Past due 31-60 days	16,406	26.64	4,370
Past due 61-90 days	3,432	51.36	1,763
	<u>\$ 3,464,329</u>		<u>21,655</u>

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$14,332 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$2,866 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.

	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	\$ 3,511,925	0~0.35	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
	<u>\$ 3,628,867</u>		<u>31,734</u>

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$5,361 thousand. Due to poor recovery of the account receivable due from this customer, the Group 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.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	2021.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,583,525	0~0.17	5,649
Past due within 30 days	53,015	10.90	5,781
Past due 31-60 days	437	34.43	151
Past due 61-90 days	66	66.39	44
Past due 91-120 days	17	76.74	13
Past due over 121 days	14,725	100.00	14,725
	<u>\$ 3,651,785</u>		<u>26,363</u>

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$34,787 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$6,957 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.

The analysis of the expected credit loss on notes receivable and accounts receivable for the Group's operating entities in Mainland China is provided below:

	2022.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 680,699	0.06	380
Past due within 30 days	8,182	0.06	5
Past due 31-60 days	1	0.06	-
Past due 61-90 days	2,199	0.06	1
	<u>\$ 691,081</u>		<u>386</u>

	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	\$ 939,699	0.04	366
Past due within 30 days	21,821	0.04	8
Past due 31-60 days	5,407	0.04	2
Past due 61-90 days	2,497	0.04	1
Past due over 121 days	13	0.04	-
	<u>\$ 969,437</u>		<u>377</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 863,071	0.66	5,705
Past due within 30 days	45,773	0.66	302
Past due 31-60 days	2,501	0.66	16
Past due 61-90 days	342	0.66	2
Past due 91-120 days	249	0.66	2
Past due over 121 days	5,691	0.66	38
	<u>\$ 917,627</u>		<u>6,065</u>

The analysis of the expected credit loss on notes receivable and accounts receivable for other operating entities of the Group is provided below:

	2022.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 163,945	-	-
Past due within 30 days	16,414	-	-
Past due 31-60 days	9,476	-	-
Past due 61-90 days	2,628	-	-
Past due 91-120 days	7	-	-
	<u>\$ 192,470</u>		<u>-</u>

	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	\$ 139,257	-	-
Past due within 30 days	17,666	-	-
Past due 31-60 days	1,185	-	-
	<u>\$ 158,108</u>		<u>-</u>

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,588 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	2021.6.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 108,113	-	-
Past due within 30 days	5,072	-	-
Past due 31-60 days	615	-	-
Past due 61-90 days	22	-	-
Past due 91-120 days	4	-	-
Past due over 121 days	27	-	-
	<u>\$ 113,853</u>		<u>-</u>

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,963 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

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

	January to June, 2022	January to June, 2021
Beginning balance	\$ 39,771	42,029
Acquired through business combination	-	1,073
Impairment losses recognized (reversed)	(6,027)	3,510
Write-off	(8,986)	-
Effect of exchange rate changes	149	(264)
Ending balance	<u>\$ 24,907</u>	<u>46,348</u>

(VI) Other receivables

	2022.6.30	2021.12.31	2021.6.30
Other receivables	\$ 87,521	73,866	51,749
Less: Loss allowances	(494)	(460)	(463)
	<u>\$ 87,027</u>	<u>73,406</u>	<u>51,286</u>

Changes in loss allowance for other receivables:

	January to June, 2022	January to June, 2021
Beginning balance	\$ 460	5,348
Reversal of impairment loss	-	(4,809)
Effect of exchange rate changes	34	(76)
Ending balance	<u>\$ 494</u>	<u>463</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(VII) Inventories

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Finished goods	\$ 1,728,436	1,844,900	1,325,674
Work in process	653,915	712,743	616,400
Raw materials	912,400	1,032,903	1,122,124
	<u>\$ 3,294,751</u>	<u>3,590,546</u>	<u>3,064,198</u>

Breakdown of cost of goods sold:

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Inventories sold	\$ 3,136,310	3,583,087	6,264,082	6,966,430
Loss on inventory write-down	36,461	15,056	52,188	19,714
Loss (gain) on inventory counts	1	114	1	114
Unallocated manufacturing expense	33,234	20,379	47,704	30,774
Loss on inventory obsolescence	6,131	82	6,131	178
	<u>\$ 3,212,137</u>	<u>3,618,718</u>	<u>6,370,106</u>	<u>7,017,210</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not pledge any inventories as collateral.

(VIII) Investments Accounted for Using the Equity Method

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Associate	<u>\$ 29,737</u>	<u>26,947</u>	<u>27,361</u>

1. Associate

Aggregated financial information on associates that were accounted for using the equity method and were not individually material to the Group is summarized below. These financial information was included in the amount of the Consolidated Financial Statements.

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	<u>\$ 29,737</u>	<u>26,947</u>	<u>27,361</u>

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Attributable to the Group:				
Income (Loss) from Continuing Operations	\$ (39)	1,967	1,805	3,143
Other comprehensive income	1,204	(691)	2,266	(631)
Total comprehensive income	<u>\$ 1,165</u>	<u>1,276</u>	<u>4,071</u>	<u>2,512</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

2. Collateral

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not pledge any investments accounted for under the equity method as collateral.

3. Unreviewed Investments Recognized Through the Equity Method

The shares of profit or loss and other comprehensive income entitled by Group and investments recognized through the equity method are calculated on the basis of the financial statements which has not been reviewed by the independent auditors.

(IX) Acquisition of subsidiaries and non-controlling interests

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

For the one-month period from the acquisition date to June 30, 2021, the revenue and net profit contributed by FSP Turkey amounted to NT\$7,659 thousand and NT\$131 thousand, respectively. If the acquisition had occurred on January 1, 2021, management estimates that the Group's revenue from January 1 to June 30, 2021 would have reached NT\$8,193,752 thousand with a net income of NT\$8300,136 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	<u><u>\$ 22,640</u></u>
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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)
	<u><u>\$ 27,527</u></u>

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)	<u><u>\$ (2,523)</u></u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(X) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment from January 1 to June 30, 2022 and 2021 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportati on Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Cost or deemed cost:									
Balance as of January 1, 2022	\$ 310,476	1,155,739	27,589	1,177,087	19,031	474,302	74,207	27,875	3,266,306
Addition	-	25,417	386	18,238	-	19,950	358	72	64,421
Disposal and obsolescence	-	-	-	(2,630)	(1,128)	(7,975)	-	-	(11,733)
Reclassification (Note 1)	-	19,103	-	5,139	-	-	-	(19,829)	4,413
Effect of exchange rate changes	-	5,840	527	19,161	383	2,180	1,515	-	29,606
Balance as of June 30, 2022	<u>\$ 310,476</u>	<u>1,206,099</u>	<u>28,502</u>	<u>1,216,995</u>	<u>18,286</u>	<u>488,457</u>	<u>76,080</u>	<u>8,118</u>	<u>3,353,013</u>
Balance as of January 1, 2021	\$ 310,476	1,098,471	27,416	1,110,067	16,812	435,223	66,062	78,707	3,143,234
Acquired through business combinations (Note VI (IX))	-	-	-	222	-	533	-	-	755
Addition	-	-	-	19,749	1,589	20,948	1,117	48,332	91,735
Disposal and obsolescence	-	(259)	-	(4,151)	-	(608)	-	-	(5,018)
Reclassification (Note 1)	-	-	-	174	-	1,979	-	(185)	1,968
Effect of exchange rate changes	-	(5,210)	(368)	(12,861)	(243)	(1,470)	(998)	-	(21,150)
Balance as of June 30, 2021	<u>\$ 310,476</u>	<u>1,093,002</u>	<u>27,048</u>	<u>1,113,200</u>	<u>18,158</u>	<u>456,605</u>	<u>66,181</u>	<u>126,854</u>	<u>3,211,524</u>
Depreciation and impairment loss:									
Balance as of January 1, 2022	\$ -	469,062	7,387	824,346	13,085	378,664	29,335	-	1,721,879
Recognition in current period	-	23,857	1,057	45,866	554	18,538	4,620	-	94,492
Disposal and obsolescence	-	-	-	(2,521)	(1,128)	(7,889)	-	-	(11,538)
Effect of exchange rate changes	-	4,647	129	13,243	286	1,432	645	-	20,382
Balance as of June 30, 2022	<u>\$ -</u>	<u>497,566</u>	<u>8,573</u>	<u>880,934</u>	<u>12,797</u>	<u>390,745</u>	<u>34,600</u>	<u>-</u>	<u>1,825,215</u>
Balance as of January 1, 2021	\$ -	479,797	5,371	751,234	13,354	348,326	21,343	-	1,619,425
Acquired through business combinations (Note VI (IX))	-	-	-	-	-	19	-	-	19
Recognition in current period	-	23,553	1,024	41,494	463	17,386	4,000	-	87,920
Disposal and obsolescence	-	(259)	-	(3,883)	-	(540)	-	-	(4,682)
Effect of exchange rate changes	-	(4,000)	(74)	(8,594)	(187)	(945)	(374)	-	(14,174)
Balance as of June 30, 2021	<u>\$ -</u>	<u>499,091</u>	<u>6,321</u>	<u>780,251</u>	<u>13,630</u>	<u>364,246</u>	<u>24,969</u>	<u>-</u>	<u>1,688,508</u>
Carrying amounts:									
Balance as of January 1, 2022	\$ 310,476	686,677	20,202	352,741	5,946	95,638	44,872	27,875	1,544,427
Balance as of June 30, 2022	<u>\$ 310,476</u>	<u>708,533</u>	<u>19,929</u>	<u>336,061</u>	<u>5,489</u>	<u>97,712</u>	<u>41,480</u>	<u>8,118</u>	<u>1,527,798</u>
Balance as of June 30, 2021	<u>\$ 310,476</u>	<u>593,911</u>	<u>20,727</u>	<u>332,949</u>	<u>4,528</u>	<u>92,359</u>	<u>41,212</u>	<u>126,854</u>	<u>1,523,016</u>

Note 1: From January 1 to June 30, 2022 and 2021, the amount transferred from equipment prepayment was NTS\$4,413 thousand and NTS\$1,968 thousand, respectively.

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 June 30, 2022, December 31, 2021 and June 30, 2021.

(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 Group were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Costs of right-of-use assets:				
Balance as of January 1, 2022	\$ 27,546	1,046,660	3,451	1,077,657
Reduction (contract modification)	-	(87)	-	(87)
Effect of exchange rate changes	354	23,113	23	23,490
Balance as of June 30, 2022	<u>\$ 27,900</u>	<u>1,069,686</u>	<u>3,474</u>	<u>1,101,060</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	<u>Land</u>	<u>Housing and Construction</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 29,112	783,629	3,404	816,145
Addition	-	-	716	716
Reduction (contract expired)	-	-	(287)	(287)
Effect of exchange rate changes	(276)	(11,093)	(16)	(11,385)
Balance as of June 30, 2021	<u>\$ 28,836</u>	<u>772,536</u>	<u>3,817</u>	<u>805,189</u>
Depreciation of right-of-use assets:				
Balance as of January 1, 2022	\$ 3,062	437,245	1,917	442,224
Depreciation in current period	513	86,737	451	87,701
Effect of exchange rate changes	31	10,193	11	10,235
Balance as of June 30, 2022	<u>\$ 3,606</u>	<u>534,175</u>	<u>2,379</u>	<u>540,160</u>
Balance as of January 1, 2021	\$ 2,154	299,010	1,561	302,725
Depreciation in current period	535	75,353	517	76,405
Reduction (contract expired)	-	-	(287)	(287)
Effect of exchange rate changes	(20)	(5,295)	(6)	(5,321)
Balance as of June 30, 2021	<u>\$ 2,669</u>	<u>369,068</u>	<u>1,785</u>	<u>373,522</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 24,484</u>	<u>609,415</u>	<u>1,534</u>	<u>635,433</u>
Balance as of June 30, 2022	<u>\$ 24,294</u>	<u>535,511</u>	<u>1,095</u>	<u>560,900</u>
Balance as of June 30, 2021	<u>\$ 26,167</u>	<u>403,468</u>	<u>2,032</u>	<u>431,667</u>

(XII) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets from January 1 to June 30, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Software cost</u>	<u>Patent</u>	<u>Total</u>
Costs:				
Balance as of January 1, 2022	\$ 218,672	15,603	15,863	250,138
Addition in current period	-	4,408	-	4,408
Reduction in current period	-	(98)	-	(98)
Reclassification (Note)	-	-	623	623
Effect of exchange rate changes	-	1	5	6
Balance as of June 30, 2022	<u>\$ 218,672</u>	<u>19,914</u>	<u>16,491</u>	<u>255,077</u>
Balance as of January 1, 2021	\$ 218,672	12,851	15,863	247,386
Addition in current period	-	5,656	-	5,656
Effect of exchange rate changes	-	(2)	-	(2)
Balance as of June 30, 2021	<u>\$ 218,672</u>	<u>18,505</u>	<u>15,863</u>	<u>253,040</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Goodwill	Software cost	Patent	Total
Amortization and impairment loss:				
Balance as of January 1, 2022	\$ -	10,779	15,863	26,642
Amortization for the period	-	4,684	37	4,721
Reduction in current period	-	(98)	-	(98)
Reclassification (Note)	-	-	92	92
Effect of exchange rate changes	-	1	1	2
Balance as of June 30, 2022	<u>\$ -</u>	<u>15,366</u>	<u>15,993</u>	<u>31,359</u>
Balance as of January 1, 2021	\$ -	10,485	15,863	26,348
Amortization for the period	-	1,133	-	1,133
Effect of exchange rate changes	-	(2)	-	(2)
Balance as of June 30, 2021	<u>\$ -</u>	<u>11,616</u>	<u>15,863</u>	<u>27,479</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 218,672</u>	<u>4,824</u>	<u>-</u>	<u>223,496</u>
Balance as of June 30, 2022	<u>\$ 218,672</u>	<u>4,548</u>	<u>498</u>	<u>223,718</u>
Balance as of June 30, 2021	<u>\$ 218,672</u>	<u>6,889</u>	<u>-</u>	<u>225,561</u>

Note: It was transferred from prepayments.

(XIII) Short-term loans

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

	2022.6.30	2021.12.31	2021.6.30
Credit loans	<u>\$ 10,514</u>	<u>16,315</u>	<u>35,908</u>
Unused facility	<u>\$ 631,748</u>	<u>803,882</u>	<u>814,382</u>
Interest rate range	<u>1.00~2.79</u>	<u>1.00~2.26</u>	<u>1.00~2.26</u>

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

(XIV) Long-term loans

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

	2022.6.30	2021.12.31	2021.6.30
Secured bank borrowings	\$ 237,496	272,348	180,463
Less: current portion of long-term debt	<u>75,091</u>	<u>73,014</u>	<u>38,225</u>
Total	<u>\$ 162,405</u>	<u>199,334</u>	<u>142,238</u>
Unused facility	<u>\$ 20,000</u>	<u>20,000</u>	<u>186,930</u>
Interest rate range	<u>1.58</u>	<u>1.41~1.58</u>	<u>1.41~1.58</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

1. Collateral for bank borrowings

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

2. Government-subsidized loan with preferential interest rate

In August 2020, the Group 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. As of the expiry date of December 31 and June 30, 2021, the amount of actual utilization of the Group was NT\$185,580 thousand and NT\$73,000 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\$1,640 thousand, respectively, which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities. Such deferred revenue was transferred to other income amounted to NT\$276 thousand, NT\$241 thousand, NT\$634 thousand and NT\$442 thousand, respectively, from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021.

(XV) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2022.6.30	2021.12.31	2021.6.30
Current	\$ 173,287	166,758	113,138
Non-current	397,673	474,996	325,574
Total	\$ 570,960	641,754	438,712

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

The amounts recognized in profit or loss were as follows:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Interest expense on lease liabilities	\$ 2,560	2,034	5,288	4,256
Variable lease payments not included in the measurement of lease liabilities	\$ 299	379	775	747
Expenses of short-term leases	\$ 1,886	2,619	5,420	5,149
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ 33	15	58	30
Rent concession arising from the COVID-19 pandemic (recognized in other income)	\$ 3,274	-	3,274	-

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

	January to June, 2022	January to June, 2021
Total cash outflow in operating activities	\$ 11,541	10,182
Total cash outflow in financing activities	80,828	78,442
Total cash flows on lease	\$ 92,369	88,624

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

1. Lease of land, buildings and construction

The Group leases land, buildings and construction as factories, office premises, staff quarters and warehouses with lease terms ranging from 1 to 10 years. 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 Group from January 1 to June 30, 2022 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	\$ 775	8

2. Other leases

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

The lease terms of some of Group'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 Group elected to apply exemption and did not recognize related right-of-use assets and lease liabilities.

(XVI) Provisions for liabilities

	January to June, 2022	January to June, 2021
Balance as of January 1	\$ 146,223	157,190
Addition of provision during the year	31,793	62,448
Amount utilized during the year	(43,071)	(73,568)
Balance as of June 30	\$ 134,945	146,070

The provision of the Group 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

Since no major market fluctuations, major reductions, liquidations or other major one-off events occurred after the previous annual reporting date, the Group has measured and disclosed the pension costs for the interim period by the pension costs determined by actuary on December 31, 2021 and 2020.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

The details of costs and expenses presented by the Group are as follows:

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Operating costs	\$ 98	72	170	135
Selling and marketing expenses	144	102	247	188
General and administrative expenses	332	262	600	484
Research and development expenses	432	328	766	606
	<u>\$ 1,006</u>	<u>764</u>	<u>1,783</u>	<u>1,413</u>

2. Defined contribution plans

The pension expenses of the Company and its domestic consolidated subsidiaries in accordance with the Measures for Determining Pension Appropriation are as follows:

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Operating costs	\$ 540	513	1,088	1,044
Selling and marketing expenses	1,611	1,493	3,154	2,981
General and administrative expenses	2,164	2,148	4,353	4,295
Research and development expenses	3,799	3,685	7,633	7,411
	<u>\$ 8,114</u>	<u>7,839</u>	<u>16,228</u>	<u>15,731</u>

Per the above mentioned defined contribution plan, it 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 Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

In accordance with local regulations, other consolidated subsidiaries recognized pension expenses of NT\$25,141 thousand, NT\$24,261 thousand, NT\$50,184 thousand and NT\$47,165 thousand, respectively, from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021.

From April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021, the Group contributed NT\$3,190 thousand, NT\$3,144 thousand, NT\$6,375 thousand and NT\$6,289 thousand, respectively, to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

3. Other short-term employee benefits

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had accrued unused leave bonuses of NT\$44,057 thousand, NT\$44,230 thousand and NT\$42,551 thousand, respectively, which were recorded under other payables.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(XVIII) Income Tax

The income tax expense of the Group from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021 were as below:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Income tax expense for the period	\$ 46,086	53,997	85,307	97,032

The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2019.

(XIX) Capital and other equity

Except for the following descriptions, there was no significant change in the capital and other equity of the Group from January 1 to June 30, 2022 and 2021. Please refer to Note VI(XX) of the consolidated financial statements for the year ended December 31, 2021 for details.

1. Earning distribution

On March 18, 2022 and March 18, 2021, the Board of Directors resolved on the amount of cash dividends of the distribution of earnings for the years ended December 31, 2021 and 2020, respectively, and the amount of dividends distributed to shareholders was as follows:

	2021	2020
Cash dividend distributed to the shareholders of common stock	\$ 617,964	561,786

The abovementioned distributions were not paid yet as of June 30, 2022 and 2021 and were recored as other payables. 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.

2. 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, 2022	\$ (117,703)	6,200,289	6,082,586
Exchange differences on translation of financial statements of foreign operations	47,310	-	47,310
Share of other comprehensive income of associates and joint-ventures under the equity method	2,266	-	2,266
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(465,091)	(465,091)
Disposal of equity instruments at fair value through other comprehensive income	-	(270,062)	(270,062)
Balance as of June 30, 2022	\$ (68,127)	5,465,136	5,397,009

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	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	(31,625)	-	(31,625)
Share of other comprehensive income of associates and joint- ventures under the equity method	(631)	-	(631)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	966,606	966,606
Disposal of equity instruments at fair value through other comprehensive income	-	(361,618)	(361,618)
Balance as of June 30, 2021	<u>\$ (121,934)</u>	<u>5,609,102</u>	<u>5,487,168</u>

3. Non-controlling interests (net after tax)

	January to June, 2022	January to June, 2021
Beginning balance	\$ 338,515	307,844
Net income for the year attributable to non- controlling interests	35,709	17,905
Exchange differences on translation of financial statements of foreign operations	3,366	(929)
Distribution of cash dividends to non- controlling interests	(18,591)	(16,901)
Increase in non-controlling interests	-	2,364
	<u>\$ 358,999</u>	<u>310,283</u>

(XX) Earnings per Share

	April to June, 2022	April to June, 2021	Unit: Thousands of shares	
	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Basic earnings per share:				
Net income attributable to the ordinary shareholders of the Company	<u>\$ 152,549</u>	<u>149,902</u>	<u>285,517</u>	<u>280,985</u>
Weight-average number of ordinary shares outstanding	<u>187,262</u>	<u>187,262</u>	<u>187,262</u>	<u>187,262</u>
Basic earnings per share (Unit: \$ In New Taiwan Dollars)	<u>0.81</u>	<u>0.80</u>	<u>1.52</u>	<u>1.50</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	April to June, 2022	April to June, 2021	Unit: Thousands of shares January to June, 2022	January to June, 2021
Diluted earnings per share:				
Net income attributable to the ordinary shareholders of the Company	<u>\$ 152,549</u>	<u>149,902</u>	<u>285,517</u>	<u>280,985</u>
Weight-average number of ordinary shares outstanding	187,262	187,262	187,262	187,262
Employee compensation	732	526	1,355	958
Weight-average number of ordinary shares outstanding	<u>187,994</u>	<u>187,788</u>	<u>188,617</u>	<u>188,220</u>
Diluted earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 0.81</u>	<u>0.80</u>	<u>1.51</u>	<u>1.49</u>

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

		April to June, 2022					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
Taiwan	\$	429,698	139,233	-	-	-	568,931
China		769,639	159,503	455,402	155,044	4,557	1,544,145
U.S.A.		290,993	7,226	-	-	189,614	487,833
Germany		518,399	19,331	-	-	-	537,730
Other countries		603,298	5,365	-	-	18,890	627,553
		<u>\$ 2,612,027</u>	<u>330,658</u>	<u>455,402</u>	<u>155,044</u>	<u>213,061</u>	<u>3,766,192</u>
Major product/service line:							
Sales of power supply	\$	<u>2,612,027</u>	<u>330,658</u>	<u>455,402</u>	<u>155,044</u>	<u>213,061</u>	<u>3,766,192</u>
		April to June, 2021					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
Taiwan	\$	785,174	131,007	-	-	-	916,181
China		714,846	118,431	561,911	223,870	5,907	1,624,965
U.S.A.		338,159	3,187	-	-	134,138	475,484
Germany		597,747	12,057	-	-	-	609,804
Other countries		563,581	3,781	-	-	7,325	574,687
		<u>\$ 2,999,507</u>	<u>268,463</u>	<u>561,911</u>	<u>223,870</u>	<u>147,370</u>	<u>4,201,121</u>
Major product/service line:							
Sales of power supply	\$	<u>2,999,507</u>	<u>268,463</u>	<u>561,911</u>	<u>223,870</u>	<u>147,370</u>	<u>4,201,121</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

January to June, 2022						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:						
Taiwan	\$ 1,031,222	277,930	-	-	-	1,309,152
China	1,451,230	294,525	904,662	273,941	9,447	2,933,805
U.S.A.	577,312	10,598	-	-	371,455	959,365
Germany	925,702	55,414	-	-	-	981,116
Other countries	1,251,518	10,134	-	-	38,118	1,299,770
	\$ 5,236,984	648,601	904,662	273,941	419,020	7,483,208
Major product/service line:						
Sales of power supply	\$ 5,236,984	648,601	904,662	273,941	419,020	7,483,208

January to June, 2021						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:						
Taiwan	\$ 1,475,389	236,706	-	-	-	1,712,095
China	1,448,646	192,402	1,031,028	396,504	10,542	3,079,122
U.S.A.	646,590	7,835	-	-	263,861	918,286
Germany	1,236,953	27,767	-	-	-	1,264,720
Other countries	1,161,326	6,818	-	-	7,325	1,175,469
	\$ 5,968,904	471,528	1,031,028	396,504	281,728	8,149,692
Major product/service line:						
Sales of power supply	\$ 5,968,904	471,528	1,031,028	396,504	281,728	8,149,692

2. Contract balance

	2022.6.30	2021.12.31	2021.6.30
Notes and accounts receivable (including related parties)	\$ 4,362,212	4,768,361	4,725,015
Less: Loss allowances	(24,907)	(39,771)	(46,348)
Total	\$ 4,337,305	4,728,590	4,678,667
Contract liabilities (recognized in other current liabilities)	\$ 99,508	52,856	59,055

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.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

The accrued amounts of the Company's employee remuneration for the three months and six months ended June 30, 2022 and 2021 were NT\$16,368 thousand, NT\$12,161 thousand, NT\$26,815 thousand, and NT\$23,154 thousand, respectively, and the accrued amounts of directors' remuneration for the periods then ended were NT\$2,001 thousand, NT\$2,027 thousand, NT\$3,567 thousand and NT\$3,859 thousand, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating expenses for the periods. 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. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price on the day preceding the Board of Directors' meeting.

For the years ended December 31, 2021 and 2020, the Company provided its remuneration to employees amounted 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, which was consistent with the actual status of the distribution. The information can be obtained from the open information monitoring website.

(XXIII) Non-operating income and expenses

1. Interest income

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Bank deposits	\$ 5,595	4,819	9,644	12,816
Interest income of financial assets at amortized cost	539	-	539	-
	<u>\$ 6,134</u>	<u>4,819</u>	<u>10,183</u>	<u>12,816</u>

2. Other income

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Gains on bargain purchase	\$ -	2,523	-	2,523
Dividend income	27	-	55	-
Other income				
Government grant	16,792	23,644	21,406	24,270
Rent concessions reclassified to revenue	3,274	-	3,274	-
Tax refund	4,893	8,154	8,118	9,000
Gain on write-off of overdue payable	-	-	3,847	-
Others	3,760	3,668	6,747	5,372
	<u>\$ 28,746</u>	<u>37,989</u>	<u>43,447</u>	<u>41,165</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

3. Other gains and losses

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Foreign currency exchange gain (loss), net	\$ 79,331	(7,776)	115,613	(14,146)
Gain on financial assets measured at fair value through profit or loss	(249)	6,344	1,772	8,271
Gain (loss) on disposal of property, plant and equipment, net	29	(150)	99	(73)
Others	<u>(732)</u>	<u>(96)</u>	<u>(763)</u>	<u>(152)</u>
	<u>\$ 78,379</u>	<u>(1,678)</u>	<u>116,721</u>	<u>(6,100)</u>

4. Finance costs

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Interest expense:				
Bank borrowings	\$ 2,197	871	4,574	1,432
Lease liabilities	<u>2,560</u>	<u>2,034</u>	<u>5,288</u>	<u>4,256</u>
	<u>\$ 4,757</u>	<u>2,905</u>	<u>9,862</u>	<u>5,688</u>

(XXIV) Financial instruments

Except for the following descriptions, there has been no significant changes in the classification and fair value of the Group's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXV) of consolidated financial statements for the year ended December 31, 2021 for relevant information.

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 June 30, 2022, December 31, 2021 and June 30, 2021, top three customers accounted for 25%, 28% and 28%, respectively, of the Group'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.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The management of the Group 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
June 30, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 10,514	10,572	7,457	3,115	-	-	-
Long-term loans	237,496	243,572	39,234	39,057	77,606	87,675	-
Notes payable	10,909	10,909	10,909	-	-	-	-
Accounts payable	4,050,343	4,050,343	4,050,343	-	-	-	-
Accounts payable - related parties	114,714	114,714	114,714	-	-	-	-
Other payables	1,733,734	1,733,734	1,733,734	-	-	-	-
Lease liabilities	570,960	594,459	90,342	91,498	180,366	170,691	61,562
Guarantee deposits received	510	510	-	-	-	-	510
	\$ 6,729,180	6,758,813	6,046,733	133,670	257,972	258,366	62,072
December 31, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 16,315	23,332	16,406	6,926	-	-	-
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	4,986,689	4,986,689	4,986,689	-	-	-	-
Accounts payable - related parties	90,024	90,024	90,024	-	-	-	-
Other payables	1,151,339	1,151,339	1,151,339	-	-	-	-
Lease liabilities	641,754	670,148	88,163	88,427	182,148	250,601	60,809
Guarantee deposits received	500	500	-	-	-	-	500
	\$ 7,173,414	7,216,868	6,384,857	134,306	259,677	376,719	61,309
June 30, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 35,908	36,170	21,636	14,534	-	-	-
Long-term loans	180,463	186,662	17,971	22,815	46,833	99,043	-
Notes payable	13,651	13,651	13,651	-	-	-	-
Accounts payable	4,996,098	4,996,098	4,996,098	-	-	-	-
Accounts payable - related parties	53,195	53,195	53,195	-	-	-	-
Other payables	1,531,732	1,531,732	1,531,732	-	-	-	-
Lease liabilities	438,712	462,518	75,568	44,158	105,756	180,238	56,798
Guarantee deposits received	495	495	-	-	-	-	495
	\$ 7,250,254	7,280,521	6,709,851	81,507	152,589	279,281	57,293

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

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

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

	2022.6.30			2021.12.31			2021.6.30		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB	\$ 209,366	4.439	929,376	263,138	4.344	1,143,071	206,188	4.309	888,464
USD	146,917	29.720	4,366,373	161,337	27.680	4,465,808	157,507	27.860	4,388,145
HKD	8,185	3.788	31,005	7,725	3.549	27,416	7,841	3.587	28,126
EUR	149	31.050	4,626	444	31.320	13,906	401	33.150	13,293
<u>Non-monetary items</u>									
USD	2,534	28.268	71,632	2,534	28.268	71,632	2,534	28.268	71,632
USD	1,143	29.720	33,970	1,080	27.680	29,894	1,074	27.860	29,922
RMB	6,322	4.191	26,494	6,322	4.191	26,494	6,322	4.191	26,494
HKD	3,801	3.780	14,367	5,104	3.549	18,118	5,343	3.600	19,233
<u>Financial liabilities</u>									
<u>Monetary items</u>									
RMB	100,355	4.439	445,476	111,426	4.344	484,035	114,792	4.309	494,639
USD	105,105	29.720	3,123,721	138,025	27.680	3,820,532	133,215	27.860	3,711,370
HKD	10,345	3.788	39,187	13,709	3.549	48,653	11,922	3.587	42,764

(2) Sensitivity analysis

The Group'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, short-term borrowings, 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 June 30, 2022 and 2021, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, Hong Kong Dollar and Euro with all other factors remaining unchanged, net income would have increased or decreased by NT\$68,920 thousand and NT\$42,770 thousand, respectively, from January 1 to June 30, 2022 and 2021. The analysis of the two periods was conducted on the same basis.

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

As the Group has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (losses) (including realized and unrealized) from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021 were NT\$79,331 thousand, NT\$(7,776) thousand, NT\$115,613 thousand and NT\$(14,146) thousand, respectively.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
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4. Market risk

If the prices of 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:

	January to June, 2022		January to June, 2021	
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%	\$ 301,258	10,103	301,308	10,713
Decrease by 5%	\$ (301,258)	(10,103)	(301,308)	(10,713)

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 Group's demand deposits, time deposits and short-term liabilities 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

Group'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:

	2022.6.30				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 202,056	202,056	-	-	202,056
Private equity funds	18,000	-	-	18,000	18,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	177,370	-	-	177,370	177,370
Subtotal	469,058	202,056	-	267,002	469,058
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	6,010,767	6,010,767	-	-	6,010,767
Foreign listed stock	14,367	14,367	-	-	14,367
Non-publicly quoted equity instruments measured at fair value	170,161	-	-	170,161	170,161
Subtotal	6,195,295	6,025,134	-	170,161	6,195,295

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Corporate bond	\$ 10,800	-	-	-	-
Cash and cash equivalents	3,040,757	-	-	-	-
Notes receivable and accounts receivable	4,337,305	-	-	-	-
Other receivables	87,027	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	19,188	-	-	-	-
Refundable deposits (classified in other non-current assets)	39,968	-	-	-	-
Subtotal	7,535,045	-	-	-	-
Total	\$ 14,199,398	6,227,190	-	437,163	6,664,353
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 248,010	-	-	-	-
Notes payable and accounts payable	4,175,966	-	-	-	-
Other payables	1,733,734	-	-	-	-
Lease liabilities	570,960	-	-	-	-
Guarantee deposits received	510	-	-	-	-
Total	\$ 6,729,180	-	-	-	-
		2021.12.31			
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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
Structured deposits	199,684	-	-	199,684	199,684
Subtotal	516,074	232,758	-	283,316	516,074
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	122,661	-	-	122,661	122,661
Subtotal	6,763,138	6,640,477	-	122,661	6,763,138

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Corporate bond	\$ 10,800	-	-	-	-
Cash and cash equivalents	2,794,253	-	-	-	-
Notes receivable and accounts receivable	4,728,590	-	-	-	-
Other receivables	73,406	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,779	-	-	-	-
Refundable deposits (classified in other non-current assets)	39,290	-	-	-	-
Subtotal	7,665,118	-	-	-	-
Total	\$ 14,944,330	6,873,235	-	405,977	7,279,212
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 288,663	-	-	-	-
Notes payable and accounts payable	5,091,158	-	-	-	-
Other payables	1,151,339	-	-	-	-
Lease liabilities	641,754	-	-	-	-
Guarantee deposits received	500	-	-	-	-
Total	\$ 7,173,414	-	-	-	-
		2021.6.30			
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 214,259	214,259	-	-	214,259
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	284,604	-	-	284,604	284,604
Subtotal	570,495	214,259	-	356,236	570,495
Financial assets at fair value through other comprehensive income					
Domestic listed stock	6,006,925	6,006,925	-	-	6,006,925
Foreign listed stock	19,233	19,233	-	-	19,233
Non-publicly quoted equity instruments measured at fair value	55,161	-	-	55,161	55,161
Subtotal	6,081,319	6,026,158	-	55,161	6,081,319

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Corporate bond	\$ 10,959	-	-	-	-
Cash and cash equivalents	2,906,466	-	-	-	-
Notes receivable and accounts receivable	4,678,667	-	-	-	-
Other receivables	51,286	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,629	-	-	-	-
Refundable deposits (classified in other non-current assets)	36,106	-	-	-	-
Subtotal	7,702,113	-	-	-	-
Total	\$ 14,353,927	6,240,417	-	411,397	6,651,814
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 216,371	-	-	-	-
Notes payable and accounts payable	5,062,944	-	-	-	-
Other payables	1,531,732	-	-	-	-
Lease liabilities	438,712	-	-	-	-
Guarantee deposits received	495	-	-	-	-
Total	\$ 7,250,254	-	-	-	-

(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 Group, 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 Consolidated Balance Sheets date.

The fair value of financial instruments held by the Group 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.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(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 Group'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.

Because the correlation between significant unobservable input value and fair value cannot be fully identified in practice, Group's structured deposits are not included in the disclosure of quantitative information of significant unobservable input values and the sensitivity analysis of fair value for reasonably possible alternative assumptions.

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> · Net worth multiple (2.77, 2.59 and 2.42 as of 2022.6.30, 2021.12.31 and 2021.6.30, respectively) · Discount for lack of market liquidity (29.39% as of 2022.6.30, 2021.12.31 and 2021.6.30) 	<ul style="list-style-type: none"> · The higher the multiple, the higher the fair value · 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	<ul style="list-style-type: none"> · Net asset value 	<ul style="list-style-type: none"> · 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	<ul style="list-style-type: none"> · P/E ratio multiple (9.69, 9.69~29.67 and 10.15 as of 2022.6.30, 2021.12.31, and 2021.6.30, respectively) · Net worth multiple (2.70~5.71, 2.40~5.42 and 6.78 as of 2022.6.30, 2021.12.31 and 2021.6.30, respectively) · Discount for lack of market liquidity (29.39% as of 2022.6.30、2021.12.31 and 2021.6.30) 	<ul style="list-style-type: none"> · The higher the multiple, the higher the fair value · The higher the discount for lack of market liquidity, the lower the fair value

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

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

The Group'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
June 30, 2022						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	5,009	(5,009)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	564	(564)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,346	(3,346)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	366	(366)
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	Price-to-earnings ratio	5%	-	-	475	(475)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	552	(552)
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)

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
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	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
June 30, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,099	(4,099)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,020	(1,020)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,301	(1,301)

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.

(XXV) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management comparing to those disclosed in Note VI(XXVI) of the consolidated financial statements for the year ended December 31, 2021.

(XXVI) Capital management

The Group's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2021. In addition, there were no significant changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI(XXVII) of the consolidated financial statements of 2021 for relevant information.

(XXVII) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities from January 1 to June 30, 2022 and 2021 was as follows:

	2022.1.1	Cash flows from:	Non-cash changes				2022.6.30
			Changes in interest rate	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	
Long-term loans	\$ 272,348	(35,941)	1,089	-	-	-	237,496
Short-term loans	16,315	(5,801)	-	-	-	-	10,514
Lease liabilities	641,754	(80,828)	-	-	13,395	(3,361)	570,960
Total liabilities from financing activities	<u>\$ 930,417</u>	<u>(122,570)</u>	<u>1,089</u>	<u>-</u>	<u>13,395</u>	<u>(3,361)</u>	<u>818,970</u>

	2021.1.1	Cash flows from:	Non-cash changes				2021.6.30
			Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	
Long-term loans	\$ 123,243	56,570	-	-	-	-	180,463
Short-term loans	32,162	3,746	-	-	-	-	35,908
Lease liabilities	522,577	(78,442)	716	-	(6,139)	-	438,712
Total liabilities from financing activities	<u>\$ 677,982</u>	<u>(18,126)</u>	<u>716</u>	<u>-</u>	<u>(6,139)</u>	<u>650</u>	<u>655,083</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

VII. Related Party Transactions

(I) Related party name and relationship

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

<u>Related Party</u>	<u>Relationship with the Group</u>
FSP Group USA Corp.	Group's associate
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. ("Voltronic")	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
Cheng, Ya-Jen	Chairman of the Company

(II) Significant related party transactions

1. Operating revenue

The amounts of significant sales to related parties were as follows:

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Associate	\$ 21,683	20,105	35,542	29,420
Other related party	<u>631,203</u>	<u>545,584</u>	<u>1,191,485</u>	<u>1,079,050</u>
	<u>\$ 652,886</u>	<u>565,689</u>	<u>1,227,027</u>	<u>1,108,470</u>

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

2. Purchases

The amounts of purchases from related parties were as follows:

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Other related party	<u>\$ 96,871</u>	<u>31,486</u>	<u>136,350</u>	<u>101,670</u>

The Group purchased goods from the above-mentioned related parties, and 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.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

3. Receivables from related parties

The details of the receivables of the Group arising from sales transactions, business needs and disbursement fee were as follows:

Accounting Subject	Related party category/name	2022.6.30	2021.12.31	2021.6.30
Accounts receivable	Associate	\$ 22,542	15,710	21,897
	Other related party	895,217	786,038	739,374
Other receivables	Associate	409	680	114
	Other related party			
	FSP Power Solution GmbH	14,516	7,297	10,179
	Others	10,032	13,673	12,513
		<u>24,957</u>	<u>21,650</u>	<u>22,806</u>
		<u>\$ 942,716</u>	<u>823,398</u>	<u>784,077</u>

For the details of the loss allowance for accounts receivable -related party as of June 30, 2022, December 31, 2021 and June 30, 2021, please refer to Note VI(V). Please refer to Note VI(VI) for the details of the loss allowance for other receivables - other related party, 3Y Power Exchange.

4. Payables to related parties

The details of the payables arising from the purchase of goods and the purchase via related parties were as follows:

Accounting Subject	Related party category/name	2022.6.30	2021.12.31	2021.6.30
Accounts payable	Other related party	<u>\$ 114,714</u>	<u>90,024</u>	<u>53,195</u>

5. Purchase of services from related parties

The details of the technical service fee, labor fee and commission paid by the Group to the related parties were as follows:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Associate				
FSP Group USA Corp.	\$ 2,242	2,314	4,578	4,690
Other related party				
Amacrox	1,295	1,992	3,294	3,970
Sparkle Power Inc.	26	2,688	51	4,622
Others	1,135	2,869	1,653	3,144
	<u>\$ 4,698</u>	<u>9,863</u>	<u>9,576</u>	<u>16,426</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

The details of the Group's recognized payable amounts due to related parties as a result of the above transactions and payments/collections on behalf of related parties were as follows:

Accounting Subject	Related party category/name	2022.6.30	2021.12.31	2021.6.30
Other payables	Associate	\$ 982	574	1,065
	Other related party	7,988	6,924	12,704
		\$ 8,970	7,498	13,769

6. Leases

In January 2019, the Group leased an office to the Chairman of the Company, and this lease transaction was recognized as a right-of-use asset and lease liability of NT\$9,487 thousand on January 1, 2020, in accordance with IFRS 16. The recognized interest expense from April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021 was NT\$33 thousand, NT\$37 thousand, NT\$67 thousand and NT\$75 thousand, respectively. The balance of lease liabilities as of June 30, 2022, December 31, 2021 and June 30, 2021 were NT\$7,260 thousand, NT\$7,710 thousand and NT\$8,157 thousand, respectively.

(III) Compensation for key management personnel

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Short-term employee benefits	\$ 8,260	8,500	16,996	17,466
Post-employment benefits	164	173	341	348
	\$ 8,424	8,673	17,337	17,814

VIII. Pledged Assets

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

Assets	Pledged to secure	2022.6.30	2021.12.31	2021.6.30
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	\$ 100	100	100
Restricted demand deposits (recognized in other non-current assets)	Litigation guarantee	19,088	18,679	18,529
Land	Long-term and short-term borrowings	161,077	161,077	161,077
Housing and Construction	Long-term and short-term borrowings	182,449	186,447	93,474
Total		\$ 362,714	366,303	273,180

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of June 30, 2022, December 31, 2021 and June 30, 2021, the guarantee facilities extended by banks for customs and excise duties were NT\$215,000 thousand, and utilized facilities were NT\$33,000 thousand, NT\$63,000 thousand and NT\$33,000 thousand, respectively.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

- (II) The Group 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 Group 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 Group, 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.

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

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

- (III) The Group believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, we filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. We 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 Group did not approve the rejection. On January 16, 2019, the Group 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 Group is still waiting for the final decision of the Supreme Court before enforcing the decision.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(IV) The Group received a court notice on July 20, 2020 regarding a lawsuit filed by the Group's customer Jiangsu Lemote Tech Co., Ltd. (hereinafter referred to as Lemote) for transaction contract disputes. Lemote claimed that there were anomalies in the Group's products and requested the refund of payments already made and payment for related damages with a total amount of RMB 4,266,789.46. It also filed for a property preservation ruling with Changshu People's Court for freezing bank deposits equivalent to the aforementioned value totaling RMB 4,300,000 (listed under other non-current assets). The Court rendered a ruling on August 27, 2021 that required Lemote to return the products of the Group and required the Group to refund payments totaling RMB 2,822,600 paid by Lemote, pay a compensation of RMB 900,000, and pay RMB litigation expenses of 374,581, totaling more than RMB 4.09 million. The Group rejected the product anomaly stated by Lemote and the court ruling and filed an appeal to the Suzhou Intermediate People's Court in September 2021.

(V) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had entered into purchase agreements for property, plant and equipment amounting to NT\$13,000 thousand, NT\$53,386 thousand and NT\$199,739 thousand, respectively, and had paid NT\$7,429 thousand, NT\$30,759 thousand and NT\$138,290 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

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

By nature	April to June, 2022			April to June, 2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	396,618	227,624	624,242	440,670	226,028	666,698
Insurance expense	1,571	16,353	17,924	1,541	16,830	18,371
Pension expense	23,153	11,108	34,261	22,147	10,717	32,864
Other employee benefit expense	10,796	9,617	20,413	12,634	9,263	21,897
Depreciation expenses	69,269	22,470	91,739	60,277	21,594	81,871
Amortization expenses	192	2,296	2,488	36	544	580

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

By function By nature	January to June, 2022			January to June, 2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	755,741	454,373	1,210,114	826,439	443,605	1,270,044
Insurance expense	3,378	33,907	37,285	3,181	33,363	36,544
Pension expense	46,375	21,820	68,195	44,048	20,261	64,309
Other employee benefit expense	23,580	18,886	42,466	23,889	18,242	42,131
Depreciation expenses	137,350	44,843	182,193	121,093	43,232	164,325
Amortization expenses	348	4,373	4,721	67	1,066	1,133

(II) Seasonality in Operation

The operation of the Group is not subject to impacts from seasonal or cyclical factors.

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 from January 1 to June 30, 2022 and 2021 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):

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	56,528	-	56,528	
	Fuh Hwa Ruei Neng Fund I	—	"	4,000,000	45,876	-	45,876	
	Fuh Hwa Guardian Fund	—	"	3,504,199	66,004	-	66,004	
	Fuh Hwa Ruei Hua Fund	—	"	1,961,169	21,616	-	21,616	
	Yuanta FTSE4Good TIP Taiwan ESG ETF Securities Investment Trust Fund	—	"	400,000	12,032	-	12,032	
	Private equity fund:							
	Mesh Cooperative Ventures Fund	—	"	18,000,000	18,000	3.69	18,000	
					291,688		291,688	

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(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: Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	3,831,822	5,536,983	4.39	5,536,983	
	JESS-LINK Products Co., Ltd.	—	"	10,000,000	368,499	8.19	368,499	
	WT Microelectronics Co., Ltd.	—	"	1,000,000	48,350	0.74	48,350	
	Taiwan Cement Corp.	—	"	50,000	1,975	-	1,975	
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	"	10,000	4,760	-	4,760	
	Coretronic Corporation	—	"	1,000,000	50,200	0.26	50,200	
	TOT BIOPHARM International Co., Ltd.	—	"	1,195,200	14,367	0.19	14,367	
	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.	—	"	1,000,000	70,000	4.69	70,000	
	Liwatt X Inc.	—	"	1,000,000	10,000	14.29	10,000	
					<u>6,168,801</u>		<u>6,168,801</u>	
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	"	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	—	"	-	26,494	3.54	26,494	
					<u>6,195,295</u>		<u>6,195,295</u>	
The Company	Bond: Novaland Group (NYL)	—	Financial assets at amortized cost	9,000	<u>10,800</u>	-	<u>10,800</u>	

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: None.
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.
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)	(287,021)	(5.22)	Note 1			182,637	5.74	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(167,986)	(3.06)	Note 1			121,135	3.81	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(395,250)	(7.19)	Note 1			345,609	10.86	
The Company	Fortron/ Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(191,174)	(3.48)	Note 1			119,081	3.74	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(109,963)	(2.00)	Note 1			77,964	2.45	Note 6
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	322,763	9.21	Note 4		Note 4	(34,431) (Note 3)	(1.09)	Notes 5 and 6
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	182,370	5.21	Note 4		Note 4	(35,235) (Note 3)	(1.12)	Note 6

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

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	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	100,228	2.86	Note 4		Note 4	(17,422) (Note 3)	(0.55)	Note 6
The Company	Voltronic	The Company is the Director of this company	Purchases	136,350	3.89	Note 5			(114,714)	(3.64)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	200,370	5.72	Note 1			(173,212)	(5.49)	Note 6
3Y Power	3Y Power Technology Inc.	100% owned investment via direct shareholding	(Sales)	(180,368)	(16.45)	Note 1			64,260	8.97	Note 6
3Y Power	Huili	Affiliate	Purchases (Note 2)	139,007	20.42	Note 4		Note 4	(25,507) (Note 3)	(4.00)	Note 6

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.

Note 6: Eliminated under consolidation.

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 1)	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	182,637	3.20	-		33,772	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	345,609	2.43	-		-	-
The Company	FSP North America	Substantive related party of the Company	121,135	2.50	-		31,318	-
The Company	Fortron/Source (Europa) GmbH	Substantive related party of the Company	119,081	3.94	-		-	-
3Y Power	The Company	65.87% owned reinvestment via indirect shareholding	173,212 (Note 2)	3.17	-		23,544	-

Note 1: As of July 25, 2022.

Note 2: Eliminated under consolidation.

9. Derivative instruments transactions: None.

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of total consolidated operating revenue or total assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Company	3Y Power	1	Cost of goods sold	200,370	No significant difference from other suppliers	2.68%
0	The Company	Huili	1	Cost of goods sold	322,763	No comparison is available	4.31%
0	The Company	Zhonghan	1	Cost of goods sold	182,370	No comparison is available	2.44%
0	The Company	WUXI SPI	1	Cost of goods sold	100,228	No comparison is available	1.34%
0	The Company	WUXI Zhonghan	1	Operating revenue	109,963	No significant difference from other customers	1.47%
1	3Y Power	3Y Power Technology Inc.	3	Operating revenue	180,368	No significant difference from other customers	2.41%
1	3Y Power	Huili	3	Cost of goods sold	139,007	No comparison is available	1.86%

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Note 1: Fill in the number per below:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: The relationships with counterparty are as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Information is disclosed only for the amounts that exceed 1% of total consolidated assets (balance sheet items) and 1% of total revenue (income statement items).

(II) Information on Invested Companies:

Reinvestment information from January 1 to June 30, 2022 and 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	Investment gain (loss) recognized for the period	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	2,124,584	(120,592) (Note 1)	(120,592) (Note 1)	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	282	(90) (Note 2)	(90) (Note 2)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	64,394	2,180 (Note 2)	2,180 (Note 2)	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	703,601	104,721 (Note 2)	69,007 (Note 2)	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,896	108 (Note 2)	108 (Note 2)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	1,939	(49) (Note 2)	(49) (Note 2)	Subsidiary
	FSP Turkey	Turkey	Business development and product technical service	22,640	22,640	6,673,000	91.41	13,343	4,656 (Note 2)	4,256 (Note 2)	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	116,181	(4,848) (Note 2)	-	Sub-subsidiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	195,843	(20,543) (Note 1)	-	Sub-subsidiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,381,286	(7,201) (Note 1)	-	Sub-subsidiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	18,831	2,393 (Note 2)	-	Sub-subsidiary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	66,442	(7,124) (Note 2)	-	Sub-subsidiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,830	(16) (Note 2)	-	Sub-subsidiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	29,737	4,012 (Note 2)	1,805 (Note 2)	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	15,867	- (Note 2)	-	Sub-subsidiary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	251,907	20,596 (Note 2)	-	Sub-subsidiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	3,933	82 (Note 2)	-	Sub-subsidiary

Note 1: The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 2: The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 3: The profit and loss of the sub-subsidiary has been consolidated into the profit and loss of the subsidiary. The transactions between the Company and each subsidiary of the Group including sales transaction amount, accounts receivable and payable, carrying amount of long-term equity investment, except for the associates) and investment profit and loss recognized in the current period, have been eliminated in preparing the consolidated financial statements.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (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	Carrying amount of investment at the end of the period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	148,263	(II), 1	176,873	-	-	176,873	(87,275)	100.00	(87,275)	253,642	197,299
Zhonghan	Processing of power supply	229,008 (Note 2)	(II), 1	104,342	-	-	104,342	(20,596)	100.00	(20,596)	194,000	75,044
WUXI SPI	Processing of power supply	738,161 (Note 2)	(II), 1	508,326	-	-	508,326	(22,739)	100.00	(22,739)	103,931	-
WUXI Zhonghan	Manufacturing and trading of power supply	425,198	(II), 1	380,595	-	-	380,595	11,760	100.00	11,760	1,279,501	-
Zhong Han	Manufacturing and trading of power supply	133,170	(II), 1	20,196	-	-	20,196	16,600	100.00	16,600	780,121	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (Note 2)	(II), 1	13,380	-	-	13,380	(4,848)	100.00	(4,848)	117,867	-
Protek Dongguan	Processing of power supply	40,253	(II), 1	38,038	-	-	38,038	2,380	100.00	2,380	18,641	-
Hao Han	Transformer processing	167,253 (Note 2)	(II), 1	-	-	-	-	(7,124)	100.00	(7,124)	66,442	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,213	(II), 2	-	-	-	-	82	65.87	54	3,933	-

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 profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 4: The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 5: Eliminated under consolidation.

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)	1,596,059 (Note 2) (HK\$12,500 thousand and US\$52,110 thousand)	7,476,599 (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: 1:28.7247, CNY/TWD: 1:4.4265, HKD/TWD: 1:3.6698). 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 June 30, 2022 (USD/TWD: 1:29.7200, CNY/TWD: 1:4.4390, HKD/TWD: 1:3.7880).

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

Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the Group and investees in China (which have been eliminated during the preparation of consolidated financial statements) from January 1 to June 30, 2022.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(IV) Information on Major Shareholders:

Name of Major Shareholders	Shareholding	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

The Group's operating segment information and reconciliation were as follows:

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
April to June, 2022							
Revenue:							
Revenue from external customers	\$ 2,612,027	330,658	455,402	155,044	213,061	-	3,766,192
Intersegment revenue	551,866	242,484	1,044	2,645	16,210	(814,249)	-
Total revenues	\$ 3,163,893	573,142	456,446	157,689	229,271	(814,249)	3,766,192
Reportable segment profit or loss	\$ 148,152	60,743	(534)	704	10,316	(1,623)	217,758
April to June, 2021							
Revenue:							
Revenue from external customers	\$ 2,999,507	268,463	561,911	223,870	147,370	-	4,201,121
Intersegment revenue	600,225	170,879	2,866	10,866	19,776	(804,612)	-
Total revenues	\$ 3,599,732	439,342	564,777	234,736	167,146	(804,612)	4,201,121
Reportable segment profit or loss	\$ 154,089	26,947	13,909	5,640	13,854	294	214,733

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
January to June, 2022							
Revenue:							
Revenue from external customers	\$ 5,236,984	648,601	904,662	273,941	419,020	-	7,483,208
Intersegment revenue	1,018,480	427,454	2,177	6,819	30,841	(1,485,771)	-
Total revenues	\$ 6,255,464	1,076,055	906,839	280,760	449,861	(1,485,771)	7,483,208
Reportable segment profit or loss	\$ 271,984	107,885	6,225	(3,711)	24,582	(432)	406,533
January to June, 2021							
Revenue:							
Revenue from external customers	\$ 5,968,904	471,528	1,031,028	396,504	281,728	-	8,149,692
Intersegment revenue	1,115,156	336,637	6,377	17,072	46,050	(1,521,292)	-
Total revenues	\$ 7,084,060	808,165	1,037,405	413,576	327,778	(1,521,292)	8,149,692
Reportable segment profit or loss	\$ 284,893	41,598	25,903	13,002	30,633	(107)	395,922

The significant adjustment items of the above reportable segment information are described as follows:

The sum of reportable segment revenue should be deducted by the intersegment revenue amounted to NT\$814,249 thousand, NT\$804,612 thousand, NT\$1,485,771 thousand and NT\$1,521,292 thousand, respectively, for the three months and six months ended June 30, 2022 and 2021.