



# 2021 Annual Report

*Notice to readers*

*This English-version Annual Report is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Data query website related to this annual report  
(MOPS) Market Observation Post System website: [mops.twse.com.tw](http://mops.twse.com.tw)  
Company website: [www.sysgration.com](http://www.sysgration.com)

**Published on March 20, 2022**

## **I. Spokesperson and Deputy Spokesperson**

- (1) Name of Spokesperson: Hsieh, Tung-Fu
- (2) Title: General Manager
- (3) Name of Deputy Spokesperson: Dai, Yi-Ying
- (4) Title: Secretary of the Board of Directors
- (5) Tel. (02)2790-0088
- (6) E-mail: [sys5309@sysgration.com](mailto:sys5309@sysgration.com)

## **II. Headquarters and Plant**

- (1) Headquarters Address: 6F., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City  
Tel. (02)2790-0088
- (2) Nankang Plant Address: No. 26, Gongye N. Rd. (Nankang Industrial Park), Nantou City,  
Nantou County  
Tel. (049)226-3627

## **III. Share Transfer Agent**

- (1) Name: Grand Fortune Securities Co., Ltd.
- (2) Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City
- (3) Website: [www.gfortune.com.tw](http://www.gfortune.com.tw)
- (4) Tel. (02)2371-1658

## **IV. Auditor**

- (1) Name of Auditor: Chiu, Chao-Hsien, Hsu, Ming-Chuan
- (2) Name of Accounting Firm: PricewaterhouseCoopers Taiwan
- (3) Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
- (4) Website: [www.pwc.com.tw](http://www.pwc.com.tw)
- (5) Tel. (02)2729-6666

## **V. Overseas Securities Exchanges**

The Company does not issue foreign securities.

## **VI. Corporate Website: [www.sysgration.com](http://www.sysgration.com)**

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# I. Letter to Shareholders

Dear Shareholders,

The Company's operating results in 2021 and operating outlook in 2022 are reported as follows:

## 1. 2021 Annual Operating Result Report

### 1.1 Operating situation

The Company's 2021 parent company only operating revenue was NT\$2,120,074 thousand, with an increase of 63.26% compared with NT\$1,298,610 thousand in 2020. The 2021 parent company only net profit after tax was NT\$95,347 thousand, successfully turn losses into profits compared with the net loss after tax of NT\$98,315 thousand in 2020. The 2021 parent company only basic earnings per share after tax was NT\$0.62.

The Company's 2021 consolidated operating revenue was NT\$2,454,678 thousand, with an increase of 85.02% from NT\$1,326,691 thousand in 2020. The consolidated net profit after tax attributable to the parent company was NT\$95,347 thousand, a profit increase of NT\$193,662 thousand compared to the consolidated net loss after tax of NT\$98,315 thousand in 2020. The 2021 consolidated basic earnings per share after tax was NT\$0.62.

### 1.2 Financial revenue, expenditure, and profitability analysis:

#### Parent Company Only Financial Statement

Unit: NT\$1,000

Item		Year		Growth rate (%)	
		2021	2020		
Financial revenue and expenditure	Operating revenue		2,120,074	1,298,610	63.26
	Operating margin		363,854	199,057	82.79
	Net profit (loss) after tax		95,347	(98,315)	196.98
Profitability analysis	Return on assets (%)		4.12	(5.27)	178.18
	Return on shareholder's equity (%)		8.39	(9.10)	192.20
	Ratio to paid-up capital (%)	Net operating profit (loss)	3.18	(7.11)	144.73
		Net profit (loss) before tax	6.13	(6.38)	196.08
	Net profit (loss) ratio (%)		4.50	(7.57)	159.45
	Net profit (loss) per share (NT\$)		0.62	(0.64)	196.88

NT\$1,000

Item		Year		Growth rate (%)	
		2021	2020		
Financial revenue and expenditure	Operating revenue		2,454,678	1,326,691	85.02
	Operating margin		488,525	262,699	85.96
	Net profit (loss) after tax – attributable to parent company		95,347	(98,315)	196.98
Profitability analysis	Return on assets (%)		3.98	(4.91)	181.06
	Return on shareholder's equity (%)		8.39	(9.10)	192.20
	Ratio to paid-up capital (%)	Net operating profit (loss)	5.37	(6.61)	181.24
		Net profit (loss) before tax	6.13	(6.50)	194.31
	Net profit (loss) ratio (%)		3.88	(7.41)	152.36
	Net profit (loss) per share (NT\$)		0.62	(0.64)	196.88

### 1.3 Research and development

R&D Product	Summary description (product specification or function)
The multi-frequency universal wireless tire pressure monitoring system	TPMS to be compatible with more than 99% of vehicles of the United States, Europe, and Japan 315~433MHz original factories by single design, for customers to greatly reduce their inventory and financial pressure.
BLE wireless tire pressure monitoring system	Intelligent TPMS for fleet management applications such as OE front-mounted and new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses.
Camping RV intelligent electronic control system	Industrial IoT technology is used to integrate the traditional distributed electromechanical control system of the camping RV into a wireless digital central control system. It can also remotely monitor the status of camping RVs and control the surrounding electrical appliances through the 3G/4G cloud system.
DATA center power management system	Cloud server power management-related system.
Energy storage product	Development and integration of semiconductor factory backup Lithium battery and relevant industrial engineering equipment.

## 2. Summary Of 2022 Annual Operation Plan

In recent years, Sysgration Ltd. has been committed to the development of a tire pressure monitoring system (TPMS) as a vehicle safety component. In addition to actively expanding the US and Europe RF replacement market, Sysgration Ltd. globally initiated the Bluetooth BLE TPMS with multinational patents, successfully breaking into the OE market, and gradually mass-produced and shipped to internationally well-known vehicle manufacturers. In 2022, the Company will continue to expand its RF replacement market in the US and Europe, as well as continuously expand BLE TPMS applications in the US and Europe OE market, including such fleet management applications as new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Mainland Chinese government has required tire pressure detectors as a standard product for general passenger cars, and the US is also planning to install tire pressure detectors on trucks and large vehicles in the foreseeable future, the TPMS market has considerable room for development. Therefore, Sysgration Ltd. is also actively developing relevant agency partners in the United States, Europe, Japan, and Mainland China and promoting the market to major automakers and other fleet management applications around the world.

Furthermore, Sysgration Ltd. has combined industrial IoT technology and experience and applied it to automotive electronics, leading to the successful development of a recreational vehicle (RV) control system. Its technical components include industrial computers, in-car electronic control systems, smart home appliances control, mobile APPs, and cloud services. This system enables users to control all the appliances and equipment in the RV through the cloud and central control tablet. Looking forward to 2022, in addition to actively cooperating with US camping vehicle manufacturers to expand the market share, Sysgration Ltd. will also expand this industrial computer and intelligent IoT technology to other industries, such as marine electronic control systems, sports and fitness equipment, agribusiness fleet management, and virtual reality/augmented reality (VR/AR) equipment.

With regard to energy products, the Company's cumulative advantage in the power management and industrial energy storage technology will be expanded to widely promote the centralized power supply system (PSS) and battery backup system (BBS) to Data Center customers, while extending the electric vehicle's lithium battery pack experience to such industrial applications as semiconductor plant uninterrupted power systems, community energy storage systems, and power plant energy storage & voltage stabilizing systems.

## 3. Future R&D Direction Of The Company:

- (1) Enhance the product function of multi-frequency single-machine universal tire pressure monitoring system.
- (2) Expand the application of the world's initiative low-power Bluetooth BLE tire pressure detector in new-energy electric vehicles, motorcycles, heavy trucks, and buses.
- (3) Extend the camping vehicle control IoT system to navigation, virtual reality (VR/AR), and other intelligent industrial applications.
- (4) Enhance such lithium energy storage technology as the battery management system (BMS) and energy management system (EMS), and expand their applications in data centers,

semiconductor factories, residential areas, power plants, and other industries.

The company will continue to actively cultivate and solicit R&D talents, be committed to product and quality system conformity with the requirements of international laws and regulations and international certifications, and follow the current laws and regulations related to the operating process of Taiwan and foreign investment countries, in the hope of responding to market condition changes and fully grasping changes in relevant laws and regulations in the face of the external competitive environment to prepare and implement appropriate measures. The management team is also aware of any changes in policies and regulations that may affect the Company's financial and business operations. In the face of rapid changes and challenges in both the domestic and foreign environments, the Company will pay more attention to the development and sales of new products and the acquisition of patent rights in order to contribute the maximum interest to shareholders. In this regard, we hope that shareholders can give us even more support and encouragement. All the staff must also work harder to respond to the Company and adhere to the business philosophy of integrity and earnestness, so that the Company can still grow in the changing environment. The management team will also handle variables with the most responsible attitude and the most active and prudent thinking, as in the past, to improve the performance and profit of the Company.

Finally, we would once more like to thank all the shareholders for their support, trust, and encouragement.

Chairman: Lee, Yi-Ren

General Manager: Hsieh, Tung-Fu

CFO: Tsai, Hsiu-Mei



## II. Company Profile

### 1. Date Of Incorporation

The Company was established on October 14, 1977.

### 2. Company Milestones

(1) Company mergers and acquisitions: None.

(2) Reinvestment to affiliated enterprises: None.

(3) Restructuring: None.

(4) Mass transfer or replacement of shares belonging to directors, supervisors, or major shareholders holding more than 10% of the shares: None.

(5) Change of management rights, a major change in operation mode or business content, and other important matters affecting the shareholders' equity and their impact on the Company: None.

(6) Other Information:

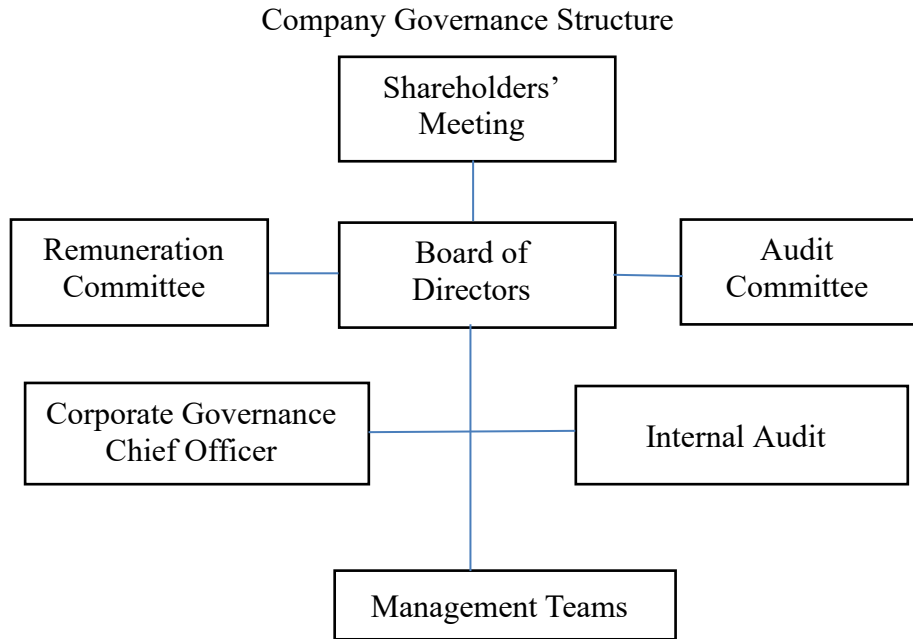
October	1977 -	The Company "Sysgration Ltd." was incorporated
December	1988 -	The Xindian Plant No. 2 workshop was purchased.
December	1989 -	The industrial land located in Neihu and Nankang was purchased. The Neihu industrial land covers an area of 160 ping, and the Nankang industrial land covers an area of 6,000 ping which is earmarked for future business use.
December	1991 -	Building of the workshop on the Nankang Industrial Land commenced.
April	1993 -	Nankang Plant No. 1 was completed.
November	1994 -	Nankang Plant No. 2 was completed.
March	1996 -	The Company's stocks were listed on TPEx on March 18, 1996.
July	1997 -	The subsidiary Sysgration (Cayman) Ltd. was incorporated.
October	1997 -	Nankang Plant No. 3 was completed.
December	1997 -	Sysgration Technology (Shenzhen) Co., Ltd. was incorporated.
July	1998 -	The subsidiary Sysgration (B.V.I.) Ltd. was incorporated.
September	1998 -	The subsidiary Sysgration (SAMOA) Ltd. was incorporated.
September	1999 -	Sysgration (USA) Inc. was closed for business.
February	2003 -	The subsidiary Sysgration USA Inc. was incorporated.
December	2005 -	Merged with Origitech Co., Ltd., The Company was the surviving company, and Origitech was the dissolved company.
April	2007 -	Sysgration (B.V.I.) Ltd. was closed for business.

September	2012 -	To facilitate company operation and management, purchased from other shareholders the remaining 8.7% shareholding of Sysgration Technology (Shenzhen) Co., Ltd. through Sysgration (Cayman) Ltd. to reach 100% shareholding held.
October	2012 -	The Board of Directors decided to set up subsidiaries, Sysgration Technology (Samoa) Ltd., and Sysgration Technology (Zhenjiang) Co., Ltd. in Zhenjiang City, Jiangsu Province, China.
December	2013 -	Acquired 28.93% shareholdings of Etasis Electronics Corp.
May	2014 -	Acquired 98% shareholding of the subsidiary, Ancher Technology Co., Ltd.
May	2014 -	Merged with Ancher Technology Co., Ltd. The Company was the surviving company, and Ancher Technology was the dissolved company
May	2014 -	Sysgration Technology (Huizhou) Co., Ltd. was incorporated.
March	2015 -	Invested in Etasis (Dongguan) Co., Ltd.
August	2015 -	Invested in Leadman Electronics USA, Inc.
November	2017 -	Merged with Etasis Co., Ltd.
August	2018 -	The paid-up capital, after the capital reduction to make up for losses, was NT\$1,511,547,090.
January	2020 -	Disposed all shareholdings of the key subsidiary, Leadman Electronics USA, Inc.
August	2020 -	Employee stock option conversion was exercised, with capital increased to NT\$1,512,597,090.
October	2020 -	Issued the fourth domestic secured convertible corporate bond of NT\$ 500 million.
November	2020 -	Employee stock option conversion was exercised, with the capital increased to NT\$1,524,847,090.
January	2021 -	Employee stock option conversion was exercised, with the capital increased to NT\$1,540,805,090.
June	2021 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,545,533,660.
February	2022 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,555,489,640.

### III. Corporate Governance Report

#### 1. Organization

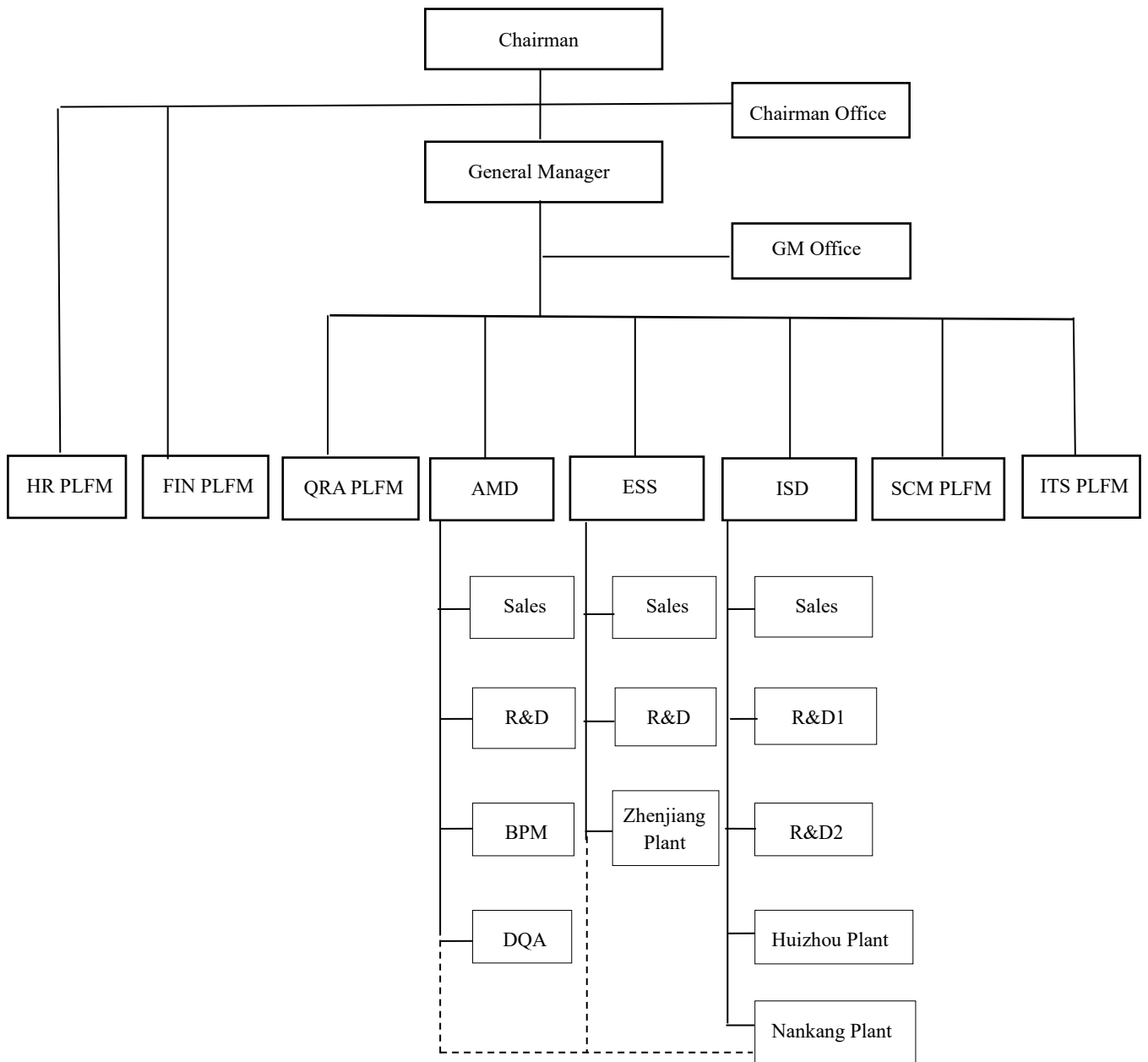
##### 1.1 Organizational chart



Sysgration has long been committed to implement company management and operating strategies into our corporate governance. In order to enhance company's overall operation and board of directors' function, information transparency, we sets up remuneration committee, audit committee to strengthen its supervision and management functions with highly disciplined and prudent attitude to exercise its duties and create best interests for all shareholders.

The general manager office is the principle coordinating unit for corporate governance related matters, with the corporate governance chief officer as well as internal audit unit to assist the general office in preparing and implementing corporate governance programs. In addition, to enhance interests of shareholders, information transparency and to assist the Board of Directors and functional committee performing their duties.

# Organizational chart



## 1.2 Major corporate functions

Department	Functions and Responsibilities
Internal Audit	To audit or spot check compliance of the Company's operation, management, and operation treatment to ensure internal control management compliance.
Chairman Office	To perform duties under the orders of the Chairman.
General Manager Office	To perform duties under the orders of the General Manager.
HR PLFM	Human resource management and organization development, provision for employee welfare, and building harmonious labor relations.
FIN PLFM	Financial analysis, accounting, statement preparation, variation analysis, capital scheduling and planning of the Company's tax, financial affairs, and investments, and monitoring the operations of the branches and subsidiaries.
SCM PLFM	Responsible for the supply chain planning and coordination to improve the Company's competitive advantage.
QRA PLFM	Responsible for the promotion, implementation, and review of quality policies to ensure the quality and reliability of products.
ITS PLFM	To construct the whole Company's safe high-speed information network system, towards the goal of the whole Company's operation automation.
AMD	Responsible for the development and marketing of the intelligent electronic control system of camping vehicles and actively cooperating with other camping vehicle manufacturers in the USA to expand market share.
ESS	Responsible for the development and marketing of power supply products and battery packs and the provision of Total Solution.
ISD	To lead ISD team, operate TPMS business, expand the market share, and create the highest profit for the Company.
Nankang Plant	Responsible for the production, incoming inspection, process inspection, process improvement, and production technology upgrade of electronic, power supply, and tire pressure monitoring system products.
Huizhou Plant	Responsible for tire pressure monitoring system production, incoming inspection, process inspection, process improvement, and production technology upgrading.
Zhenjiang Plant	Responsible for the power management system's battery module production, incoming material inspection, process inspection, process improvement, and upgrade of production technology.

2. Directors, Supervisors, And Management Teams

2.1 Directors and Supervisors

Information of Directors and Supervisors (1)

Unit: share, March 1, 2022

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note2)	Date Elected	Term of Office	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 4)	Other Position	Executives, Directors, or Supervisors who are spouses or within second degree of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Lee, Yi- Ren	Male Age 60-70	20200430	3 years	20030610	12,661,210	8.38	12,961,210	8.33	2,782,097	1.79	6,804,673	4.37	MBA, JFK. Univ. Chairman, Hipro Elec. Co. Vice Chairman & General Manager, Chicony Elec. Co. Chairman, Winmate Inc..	Chairman, Sysgration (Zhenjiang) Director, Sysgration (Huizhou)	Director	Lee, Cheng- Han	Father and son	None
Director	Taiwan	Hsieh, Tung-Fu	Male Age 50-60	20200430	3 years	20130930	459,892	0.30	700,892	0.45	0	0.00	0	0.00	Ph.D., E.E., National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp.	President, Sysgration Ltd. Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
Director	Taiwan	Lee, Cheng- Han	Male Age 30-40	20200430	3 years	20140620	434,126	0.29	611,126	0.39	0	0.00	0	0.00	Master, Science in E.E. Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	BU GM, Sysgration Ltd Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Lee, Yi- Ren	Father and son	None
Director	Taiwan	Chen, Chih-Pin	Male Age 50-60	20200430	3 years	20200430	3,537	0.00	3,537	0.00	0	0.00	0	0.00	Ph.D. program, Shanghai Univ. of Finance and Economics MBA, St. Edward's Univ., Austin, Texas. V.P. & Spokesman Acon Investment Holding Co.	Independent Director, Hengs Solar V.P., Acon Holding Co. Chairman, Dezhen Tech. Chairman, Acon Green Energy Tech. Director, Acon Pure Co. Director, Eco Gas Tech Co.	None	None	None	None
Independent Director	Taiwan	Lin, Kuan- Chao	Male Age 60-70	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Master, Accounting National Chengchi Univ. Chief, PKF Taiwan	Supervisor, Prospect Tech. Independent Director, Luminescence Tech. Co.	None	None	None	None

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note2)	Date Elected	Term of Office	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 4)	Other Position	Executives, Directors, or Supervisors who are spouses or within second degree of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	He, Ju- Hsiang	Male Age 70-75	20200430	3 years	20200430	0	0.00	0	0.00	0	0.00	0	0.00	MBA, International Exchange Program Customer Service Deputy Manager, Taiwan Life Insurance Co.	Independent Director, Polylite Taiwan	None	one	None	None
Independent Director	Taiwan	Wei, Che- Chen	Male Age 60-70	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor, Accounting National Chengchi Univ. Doctoral program, Guangzhou Sun Yat- Sen Univ. COO & Consultant, H&D Asset Manage- ment Co. Chairman, Taiwan Life Ins. Secu. Investment Trust Co. Chairman, Taiwan Int'l Securities Consulting Corp. President, TIS Securities Co.	Independent Director, EPS Bio-Tech. Co. Independent Director, Tradetool Auto Independent Director, Denso Corp.	None	None	None	None

Note 1: The corporate shareholder shall list the names and representatives of the corporate shareholders respectively (if it is a representative of the corporate shareholder, the name of the corporate shareholder shall be indicated) and shall fill in the following Table 1.

Note 2: Please list actual age in interval mode, such as 41~50 years old or 51~60 years old.

Note 3: The duration of first serving as the Director or Supervisor of the Company should be stated with a note if there is any interruption.

Note 4: If the experience is relevant to the current position, such as having worked in a certified accounting firm or at an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 5: If the Chairman and General Manager or the equivalent (top manager) are the same person, or they are spouses or first-class relatives, the Company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors should not be the employees or managers, etc.).

Table 1: Major shareholders of the institutional shareholders: Not applicable.

Table 2: Major shareholders of Table 1 institutional shareholders: Not applicable.

Information of Directors and Supervisors (2)

Directors' qualification and independent directors' independence condition disclosure:

Criteria Name	Professional qualification and experiences (Note 1 and Note 4)	Independence condition (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lee, Yi-Ren	Chairman of Hipro Elec. Co. (1990-2002) Chairman of Winmate Technologies Co., Ltd. (2003-2017) Chairman of Sysgration Ltd. (2003 to now)	Lee, Yi-Ren Chairman is assigned by the company and assumes affiliate enterprise's director, and himself, spouse or by nominee arrangement of others, holding of shares reach 14.49% of issued shares and is one of top 10 shareholders of the Company.	None
Hsieh, Tung-Fu	Vice president of Lite-On Technology Corp, Ltd. (1999-2010) Vice president of Altek Corporation (2010-2012) General Manager of Sysgration Ltd. (2013 to now)	Hsieh, Tung-Fu director is assigned by the company and assumes affiliate enterprise's director, and himself holding of shares reach 0.45% of issued shares.	None
Lee, Cheng-Han	Vice president, product marketing, of Etasis Co., Ltd. (2010-2013) Vice president of Sysgration Ltd. (2013 to now)	Lee, Cheng-Han director is assigned by the company and assumes affiliate enterprise's director, himself holding of shares reach 0.39% of issued shares.	None
Chen, Chih-Pin	Executive vice president of Sheng Feng Securities Co., Ltd. (2004-2008) BU General Manager of Sysgration Ltd. (2009-2017) Vice president and spokesperson of Acon Investment Holding Co., Ltd. (2019 to now)	Director Chen, Chih-pin himself holding of shares less than 0.01% of issued shares.	1
Lin, Kuan-Chao	Chief of Accounting firm PKF, Taiwan (2011 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	1
He, Ju-Hsiang	Internal audit manager of BNP Paris (1984-1989) Vice president of American Commercial Banks Advance Department (1989-1994) Special assistant for Chairman of Taiwan Life Insurance Co., Ltd. (2000-2016)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	1
Wei, Che-Chen	Chairman of TLG Asset Management Co., Ltd. (2009-2011) Special committee Member of Taiwan Life Insurance Co., Ltd. (2011-2015) Chief Operation Officer of He Ding Asset Management Co., Ltd. (2016 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	3

Note 1: Professional qualification and experience: describe individual director and supervisor's professional qualification and experience, and please also state the accounting or financial backgrounds of audit Committee members, if have. Furthermore, clarify whether the aforementioned persons having conditions that stated in the Company Acts Article 30.

Note 2: Please describe independent director's condition, including but not limited to himself or herself, spouse, relative within second degree of kinship, whether serving as the Company or its affiliate enterprise's director, supervisor or employees; number of shares and ratio of himself or herself, spouse, relative within second degree of kinship (or using the names of others); whether serving as director, supervisor or employee of any company which has specific relations with the Company (please refer to sub-item 5~8 of Item in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); the amount of reward he or she gets in recent 2 years from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.

Note 3: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

Note 4: All the aforesaid directors do not have conditions that stated in the Company Acts Article 30.



Diversification and independence of Board of Directors:

A. Diversity of Directors

The Company's Code of Practice on Corporate Governance states that the composition of the Board of Directors shall be diverse, except for directors who are also managers of the Company not exceeding one-third of the total directors, and that they shall also have the knowledge, skills, and qualities necessary for the performance of their duties and professional backgrounds.

To achieve the ideal goal of corporate governance, the Board of Directors shall have the following capabilities:

- (A) Operational judgment.
- (B) Accounting and financial analysis ability.
- (C) Operation and management ability.
- (D) Crisis management capability.
- (E) Industry expertise.
- (F) Global market view.
- (G) Leadership.
- (H) Decision-making ability.
- (I) Risk management knowledge and ability.
- (J) Corporate governance experience.

Diversity of Directors

Name	Gender	Employee of the Company	Basic Composition						Domains of Diversity and Industrial Experience									
			Age				Independent Director Term and Seniority		Operational judgment	Accounting and financial analysis abilities	Operation and management ability	Crisis management capability	Industry Expertise	Global market view	Leadership	Decision-making ability	Risk management knowledge and ability	Corporate governance experience
			31-40	51-60	61-70	71-75	Less than 3 years	3-9 years										
Lee, Yi-Ren	Male	✓			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hsieh, Tung-Fu	Male	✓		✓					✓		✓	✓	✓	✓	✓	✓	✓	✓
Lee, Cheng-Han	Male	✓	✓						✓		✓	✓	✓	✓	✓	✓	✓	✓
Chen, Chih-Pin	Male			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lin, Kuan-Chao	Male				✓			✓	✓		✓			✓	✓	✓	✓	✓
He, Ju-Hsiang	Male					✓		✓	✓		✓			✓	✓	✓	✓	✓
Wei, Che-Chen	Male				✓			✓	✓		✓			✓	✓	✓	✓	✓

Management objective and current status:

Currently, the Company has achieved the requirement of diversity on the Board of Directors. However, in order to meet the needs of future development, we will continue to review the elements of diversity and strengthen the goal of diversity on the Board of Directors at the time of re-election.

B. Independence of Board of Directors:

The Company's Board of Directors consists of 7 directors, namely 3 independent directors, which accounts 43% of the seats. Currently not more than 2 members of the Board are with spousal relationship or relative relationship within the second degree of kinship and none of circumstances stated in Article 26-3, paragraph 3, item 3 and item 4 of Securities and Exchange Act are existed among board members. The board of directors devotes to supervise the company to observe the laws, keep financial transparency, disclose important information in real time, and make objective and independent judgments on company financials and operations. The Board's members' qualifications are already in compliance with regulatory requirements at the time of election.

## 2.2 Management Team

Unit: share, % As of March 1, 2022

Title (Note1)	Nationality	Name	Gender	Date Effectuated	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note2)	Other Position	Managers who are spouses or within second degrees of kinship			Remark (Note3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Taiwan	Hsiao, Teng-Chou (Note4)	Male	20200512	0	0.00	0	0.00	0	0.00	EMBA, National Chengchi Univ. GM, Rosewill Inc. Special Assist, ICT Corp. Executive V.P., Microlife Co.	None	None	None	None	None
General Manager	Taiwan	Hsieh, Tung-Fu	Male	20130102	700,892	0.45	0	0.00	0	0.00	Ph.D., EE of National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp	Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	Lee, Cheng-Han	Male	20160329	611,126	0.39	0	0.00	0	0.00	Master, Science in E.E., Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Lee, Yi-Ren	Father and son	None
V.P.	Taiwan	Yeh, Chia-Fu	Male	20170724	52,000	0.03	0	0.00	0	0.00	Bachelor, Chemistry NTU Director of Tongda Tech. Director, Lite-On Clean Energy Tech. Co.	President, Sysgration (Zhenjiang)	None	None	None	None
V.P.	Taiwan	Li, Fang-Mao	Male	20101105	25,075	0.02	0	0.00	0	0.00	Bachelor, Mechanics NTU of Sci. & Tech. GM, Zyxel Corp. Wuxi Plant	Director and President, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	Li, Yi-Chia	Male	20171101	11,000	0.01	0	0.00	0	0.00	Lunghwa Univ. Sci. and Tech. GM, Ancher Tech. Co. GM, Etasis Elec. Corp.	None	None	None	None	None
V.P.	Taiwan	Chang, Ping-Hua (Note 4)	Male	20200804	0	0.00	0	0.00	0	0.00	Bachelor, Doshisha Univ. Sr. Director, Denmark Steel Series Co. Sr. Director, Celxpert Energy Co.	None	None	None	None	None
V.P.	Taiwan	Hsing, Chien	Male	20190909	0	0.00	0	0.00	0	0.00	Bachelor, Info. Management, Ming Chuan Univ. GM, Jorjin Tech. Inc. V.P., Ubiqconn Tech. Inc. BU Head, Advantech Co. V.P., Advanced Digital Tech. Co.	None	None	None	None	None
V.P.	Taiwan	Chan, Wei-Chen (Note 4)	Male	20191125	0	0.00	0	0.00	0	0.00	Department of Physics, Tokai University TPV Technology, Quality Chief HP, Senior Quality Assistant	None	None	None	None	None
Director Manager	Taiwan	Hsu, Shui-Tien (Note 4)	Male	20171101	0	0.00	0	0.00	0	0.00	Bachelor of Bioscience, Fu Jen Catholic Univ. Purchasing Manager, Advantech Co.	None	None	None	None	None
Director Manager	Taiwan	Wang, Hua-Wei	Male	20110701	5,378	0.00	400	0.00	0	0.00	Bachelor of Mechanics, Hwa Hsia Univ. of Tech. R&D Director, Sysgration Ltd.	None	None	None	None	None
Director Manager	Taiwan	Wu, Jeng-Ru	Male	20150101	0	0.00	0	0.00	0	0.00	Bachelor of Electronics, Hwa Hsia Univ. of Tech. R&D Director, Shanghai Liyao Energy Co. Sr. R&D Manager, Lite-On Tech. Corp.	None	None	None	None	None

Title (Note1)	Nationality	Name	Gender	Date Effected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note2)	Other Position	Managers who are spouses or within second degrees of kinship			Remark (Note3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director Manager	Taiwan	Huang, Yao-Lun	Male	20180705	35,000	0.02	0	0.00	0	0.00	Master, Creative Design, NTU of Tech. Sr. R&D Manager, Liteon Tech.Corp.	None	None	None	None	None
Director Manager	Taiwan	Tsai, Hsiu-Mei	Female	20170717	63,000	0.04	0	0.00	0	0.00	MBA, Univ. of Washington CFO, Taiwan Chinsan Elec. Co. CFO, TaiSol Electronics Co.	None	None	None	None	None
Director Manager	Taiwan	Li, Tsung-Po	Male	20190401	0	0.00	0	0.00	0	0.00	Bachelor, Fu Jen Catholic Univ. Sr. manager, Winmate Inc.	None	None	None	None	None
Director Manager	Taiwan	Li, Mu- Sen	Male	20191216	0	0.00	0	0.00	0	0.00	Bachelor of E.E., National Taiwan University of Sci.& Tech. R&D Director, Jorjin Tech. Inc. CTO Automotive Products, Sef Tech Co. Manager, Wistron	None	None	None	None	None

Note 1: The data for the General Manager, V.P., Director, heads of departments and branches should be included, and those whose positions are equivalent to a General Manager, V.P., Director, regardless of title, should also be disclosed.

Note 2: If the experience is relevant to the current position, such as having worked in the auditor's CPA firm or an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 3: If the General Manager or equivalent position to the top manager and the Chairman are the same person or are spouses or relatives within the first degree of kinship, the company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of independent directors and more than half of the directors should not be employees or managers, etc.)

Note 4: Mr. Hsu, Shui-Tien resigned on 2021/01/29, Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Hsiao, Teng-Chou resigned on 2021/03/8, and Mr. Chan, Wei-Chen resigned on 2021/03/15.

2.3 If the Chairman and General Manager or the top manager are the same person or are spouses or relatives within the first degree of kinship, the Company should explain the reasons, reasonability, necessity, and corresponding measures:

The Company's Chairman and General Manager are not relatives within the first or second degree of kinship.

3 Remuneration Of Director, Supervisor, General Manager And Vice President In The Most Recent Years

3.1 Remuneration of general director and independent director (disclosure of individual name and remuneration method)

Unit: NT\$1,000; %;

For the Year 2021 ended December 31

Title	Name	Director Remuneration								Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Relevant Remuneration Received by Directors Who are Also Employees								Total Amount of Items A,B,C,D,F,G and Ratio to Net Profit After Tax		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit-Sharing of Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	All companies in the consolidated financial statements	
Chairman	Lee, Yi-Ren	0	0	0	0	0	0	60	60	60	60	4,745	4,745	0	0	0	0	0	0	4,805	4,805	0
Director	Hsieh, Tung-Fu	0	0	0	0	0	0	60	60	60	60	3,244	4,284	108	108	0	0	0	0	3,412	4,452	0
Director	Lee, Cheng-Han	0	0	0	0	0	0	60	60	60	60	3,255	3,255	108	108	0	0	0	0	3,423	3,423	0
Director	Chen, Chih-Pin	0	0	0	0	0	0	360	360	360	360	0	0	0	0	0	0	0	0	360	360	0
Independent Director	Lin, Kuan-Chao	0	0	0	0	0	0	385	385	385	385	0	0	0	0	0	0	0	0	385	385	0
Independent Director	He, Ju- Hsiang	0	0	0	0	0	0	385	385	385	385	0	0	0	0	0	0	0	0	385	385	0
Independent Director	Wei, Che-Chen	0	0	0	0	0	0	385	385	385	385	0	0	0	0	0	0	0	0	385	385	0

Note 1: The relationship between director remuneration payment policies, standards, and amount: the remuneration of directors of the Company shall be determined in accordance with the Articles of Incorporation of the company.

Note 2: Severance Pay was defined contribution amount allocated, not the actual amount paid.

Remuneration Scale Table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements H	The Company	Companies in the Consolidated Financial Statements I
Under NT\$1,000,000	Lee, Yi-Ren / Hsieh, Tung-Fu / Lee, Cheng- Han / Chen, Chih-Pin / Lin, Kuan- Chao / He, Ju-Hsiang / Wei, Che-Chen	Lee, Yi-Ren / Hsieh, Tung-Fu /Lee, Cheng- Han / Chen, Chih-Pin / Lin, Kuan- Chao/He, Ju-Hsiang/Wei, Che-Chen	Chen, Chih-Pin / Lin, Kuan-Chao / He, Ju-Hsiang / Wei, Che-Chen	Chen, Chih-Pin / Lin, Kuan-Chao / He, Ju-Hsiang / Wei, Che-Chen
NT\$1,000,000 ~ NT\$2,000,000	None	None	None	None
NT\$2,000,000 ~ NT\$3,500,000	None	None	Hsieh, Tung-Fu Lee, Cheng-Han	Lee, Cheng-Han
NT\$3,500,000 ~ NT\$5,000,000	None	None	Lee, Yi-Ren	Lee, Yi-Ren Hsieh, Tung-Fu
NT\$5,000,000 ~ NT\$10,000,000	None	None	None	None
NT\$10,000,000 ~ NT\$15,000,000	None	None	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	7	7	7	7

Note 1: Director names must be listed separately (corporate shareholder is listed separately with legal representative), as well as general director and independent director, with payments being disclosed in a summary sheet. If a director is also the general manager or vice president, please fill the table (3-1), or (3-2-1) and (3-2-2) below.

Note 2: It means the remuneration of the director in the most recent year (including the director's salary, duty increment, severance pay, various bonuses, incentive payments, etc.).

Note 3: The remuneration for the director in the most recent year approved by the Board of Directors.

- Note 4: The relevant business execution expenses of the director in the most recent year (including the travel fees, special expenses, allowances, accommodation, vehicle distribution, etc.). In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the director's remuneration.
- Note 5: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by directors concurrently (including concurrently as president, vice president, managers, and employees) in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, fuel cost, and other payments. If there is a driver, please note the remuneration is paid by the Company to the driver but not included in the director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of an employee stock option certificate, restricted employee rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.
- Note 6: The concurrent director (including concurrently as president, vice president, managers, and employees) getting the employee payment (including stocks and cash) in recent years, which should reveal the employee payment approved by the Board of Directors in the most recent fiscal year; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3.
- Note 7: The total remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated report shall be disclosed.
- Note 8: The total remuneration paid to each director by the Company is disclosed in the class to which they belong.
- Note 9: The total remuneration paid by all companies (including the Company) to each director of the Company in the consolidated report shall be disclosed. The names of the directors shall be disclosed in the classes to which they belong.
- Note10: Net income refers to the net profit after tax for the most recent year. For those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement in the most recent year.
- Note11: a. This column shall clearly state the amount of remuneration received by the directors in connection with the transfer of investment other than from the subsidiary.
- b. If a director of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the director of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column I of the remuneration scale, and the domain name shall be changed to "all reinvestment businesses."
- c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's directors as directors, supervisors, or managers of the business transferred other than from the subsidiaries.
- \* The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for disclosure purposes only and not for taxation purposes.

3.2 Remuneration of the Supervisor: The Company has set up the audit committee, so there is no supervisor remuneration.

3.3 Remuneration of the General Manager and Vice President (individually disclose name and method of remuneration)

Unit: NT\$1,000 ; For the Year 2021 ended December 31

Title	Name	Salary (A)		Severance Pay (B) (Note 2)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Remuneration from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Hsiao, Teng-Chou (Note 1)	20,308	22,595	709	709	4,113	4,113	0	0	0	0	25,130 26.36%	27,417 28.73%	0
General Manager	Hsieh, Tung-Fu													
Vice President	Lee, Cheng-Han													
Vice President	Yeh, Chia-Fu													
Vice President	Li, Fang-Mao													
Vice President	Li, Yi-Chia													
Vice President	Chang, Ping-Hua (Note 1)													
Vice President	Hsing, Chien													
Vice President	Chan, Wei-Chen (Note 1)													

\*Those whose positions are equivalent to general manager or vice president (e.g.: president, CEO, chief supervisor, etc.) must be disclosed.

Note 1: Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Hsiao, Teng-Chou resigned on 2021/03/8, and Mr. Chan, Wei-Chen resigned on 2021/03/15.

Note 2: Severance pay is defined contribution amount allocated, not the actual amount paid.

Note 3: The remuneration disclosed above is different from the concept of income in the Income Tax Law. Therefore, the information is only for disclosure purposes not for taxation purposes.

3.4 Remuneration of the top five executives (disclosure of individual names and remuneration methods)

Unit: NT\$1,000 for the year 2021 ended December 31

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Remuneration from an Invested Company Other than The Company's Subsidiary or the Parent Company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Hsieh, Tung-Fu	2,443	3,482	108	108	802	802	0	0	0	0	3,353 3.52%	4,392 4.61%	0
Vice President	Li, Fang-Mao	1,572	2,196	108	108	542	542	0	0	0	0	2,222 2.33%	2,846 2.98%	0
Vice President	Lee, Cheng-Han	2,853	2,853	108	108	402	402	0	0	0	0	3,363 3.53%	3,363 3.53%	0
Vice President	Yeh, Chia-Fu	1,989	2,612	108	108	442	442	0	0	0	0	2,539 2.66%	3,162 3.32%	0
Vice President	Hsing, Chien	2,732	2,732	108	108	462	462	0	0	0	0	3,302 3.46%	3,302 3.46%	0

Note 1: Severance pay is the allocation amount, not the actual amount paid.

Note 2: The remuneration disclosed in this table is different from the income concept under the Income Tax Law. Therefore, this table is for information disclosure purpose only, and is not for taxation purpose.



Remuneration Scale Table

Range of Remuneration	Name of General Manager and Vice President	
	The Company	All companies in the consolidated financial statements
Under NT\$1,000,000	Chang, Ping-Hua / Chan, Wei-Chen	Chang, Ping-Hua / Chan, Wei-Chen
NT\$1,000,000 ~ NT\$2,000,000	Hsiao, Teng-Chou	Hsiao, Teng-Chou
NT\$2,000,000 ~ NT\$3,500,000	Hsieh, Tung-Fu / Lee, Cheng-Han / Li, Yi-Chia / Hsing, Chien / Li, Fang-Mao / Yeh, Chia-Fu	Lee, Cheng-Han / Li, Yi-Chia / Hsing, Chien / Li, Fang-Mao / Yeh, Chia-Fu
NT\$3,500,000 ~ NT\$5,000,000	None	Hsieh, Tung-Fu
NT\$5,000,000 ~ NT\$10,000,000	None	None
NT\$10,000,000 ~ NT\$15,000,000	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
<b>Total</b>	<b>9</b>	<b>9</b>

Note 1: The names of General Manager and Vice President shall be listed separately, to disclose the payments in a summary manner. If a director serves as both General Manager or Vice President for the Company, please fill the sheet below and above (1-1) or (1-2-1) and (1-2-2).

Note 2: The salary, duty increment, severance pay of the General Manager and Vice President in the most recent year.

Note 3: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by the General Manager and Vice President in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the 'director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment", including the acquisition of employee stock option certificate, restricted employee rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.

Note 4: The employee payment (including stocks and cash) of the General Manager and Vice President in recent years, which approved by Board of Directors; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3. net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement in the most recent year.

Note 5: The total amount of remuneration paid to the General Manager and Vice President of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 6: The total amount of remuneration paid to each General Manager and Vice President by the Company is disclosed in the class to which they belong.

Note 7: The total amount of remuneration paid by all companies (including the Company in the consolidated report shall be disclosed, and the names of the General Manager and Vice President shall be disclosed in the classes to which they belong.

Note 8: Net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the income of parent company only financial statement in the most recent year.

Note 9: a. This column shall clearly state the amount of remuneration received by the General Manager and Vice President in connection with the transfer of investment other than from the subsidiaries

b. If a General Manager and Vice President of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the General Manager and Vice President of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column E of the remuneration scale. The domain name shall be changed to "all reinvestment businesses."

c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's General Manager and Vice President as directors, supervisors, or managers of the business transferred other than from the subsidiaries.

\* The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for the disclosure purpose only and not for taxation purposes.

Profit Sharing of Employee Bonuses to Executive Officers

December 31, 2021

	Title	Name	Employee Bonuses - in stock	Employee Bonuses - in Cash	Total	Ratio of Total Amount to net Profit After Tax (%)
Executive Officers	CEO	Hsiao, Teng-Chou (Note 5)	0	0	0	0
	General Manager	Hsieh, Tung-Fu				
	Vice President	Lee, Cheng-Han				
		Yeh, Chia-Fu				
		Li, Fang-Mao				
		Li, Yi-Chia				
		Chang, Ping-Hua (Note 5)				
		Hsing, Chien				
		Chan, Wei-Chen (Note 5)				
	Director Manager	Hsu, Shui-Tien (Note 5)				
		Wang, Hua-Wei				
		Wu, Jeng-Ru				
		Huang, Yao-Lun				
		Tsai, Hsiu-Mei				
		Li, Tsung-Po				
Li, Mu-Sen						

Note 1: The individual names and titles should be disclosed, but the profit distribution may be disclosed in a summary manner.

Note 2: The amount of remuneration (including stock and cash) approved by the Board of Directors to the managers in the most recent year. If it is impossible to estimate, the proposed distribution for this year will be calculated in proportion to the actual distribution from last year. Net income means the net profit after tax in the most recent year; for those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement for the most recent year.

Note 3: The scope of application for managers is as follows, in accordance with the Letter TCZSZ No. 0920001301 dated March 27, 2003:

- (1) President and equivalent level
- (2) Vice President and equivalent level
- (3) Director manager or equivalent level
- (4) Supervisor of a financial department
- (5) Supervisor of an accounting department
- (6) Other person who has the right to manage and sign for the Company

Note 4: If directors, Vice President, and Vice Presidents receive the employee remuneration (including shares and cash), they should fill in this form in addition to Attached Table 1-2.

Note 5: Mr. Hsu, Shui-Tien resigned on 2021/01/29, Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Hsiao, Teng-Chou resigned on 2021/03/8, and Mr. Chan, Wei-Chen resigned on 2021/03/15.

3.3 Comparative analysis of the ratios of total remuneration paid to the Company's Directors, Supervisors, General Manager, and Vice Presidents by the Company and all the companies in the consolidated financial statements for the most recent two years to net profit after tax, and description of the policies, standards, and combinations of compensation, procedures for determining the compensation, and their relevance to business performance and future risks.

Unit: NT\$1,000

Year	2021				2020					
Title	Total Remuneration		Net Profit After Tax	Ratio of Total Remuneration to Net Profit After Tax (%)		Total Remuneration		Net Profit After Tax	Ratio of Total Remuneration to Net Profit After Tax (%)	
	the Company	All companies in the consolidated financial statements		the Company	All companies in the consolidated financial statements	the Company	All companies in the consolidated financial statements		the Company	All companies in the consolidated financial statements
Directors	6,440	6,440	95,347	6.75	6.75	6,232	6,232	(98,315)	(6.34)	(6.34)
General Manager and Vice Presidents	25,130	27,417		26.36	28.75	25,294	27,548		(25.73)	(28.02)
Total	31,570	33,857		33.11	35.50	31,526	33,780		(32.07)	(34.36)

The Articles of Incorporation of the Company stipulates that the Directors shall be remunerated by the Company for performing their duties in the Company, irrespective of business profits and losses and that such remuneration shall be paid to the extent of their participation in the operation of the Company and the value of their contribution to the Company, and to the extent of the profit of the Company and at the usual level of the same industry. The General Manager and Vice Presidents shall conduct the business of the Company on the orders of the Board of Directors, and the appointment, dismissal, and remuneration shall be governed by Company Law. When the Company has a surplus, it shall be distributed in accordance with the provisions of Article 25 of the Company's Articles of Incorporation. In the last two years, there was no surplus allocation in the Company. The remuneration of the directors and supervisors were travel expenses; the executive officers' payments and salaries were in accordance with the Company personnel management rules, bonuses, and other employee rewards in consideration of the Company's operating performance and future risks and decided according to personal performance and quarterly performance assessment. Total remunerations paid to directors, general manager and vice presidents have no significant change in the most recent two years.

## 4 Operation of Corporate Governance

### 4.1 Operation of the Board of Directors

#### (1) Board of Directors

In the most recent year (2021), the Board of Directors held eight (8) meetings (A). The attendance of the directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Chairman	Lee, Yi-Ren	8	0	100	None
Director	Hsieh, Tung-Fu	8	0	100	None
Director	Lee, Cheng-Han	8	0	100	None
Director	Chen, Chih-Pin	7	1	88	None
Independent Director	Lin, Kuan-Chao	8	0	100	None
Independent Director	He, Ju-Hsiang	8	0	100	None
Independent Director	Wei, Che-Chen	8	0	100	None

Other items:

- Matters listed in Article 14-3 of the Securities and Exchange Act and resolutions of the Board of Directors' meetings which are opposed or subject to qualified opinions by the Independent Directors and recorded or declared in writing, shall be stated with the date, sessions, contents of the motion, all Independent Directors' opinions, and the Company's response to the Independent Directors' opinions:

The Company's 2021 Board of Directors' meeting motions relating to the matters set forth in Article 14-3 of the Securities and Exchange Act are as follows:

Meeting Date	Motion Content	Opinions of Independent Directors and the Company's Response
2021.01.14 The 5 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	A. Adopted the Company's "Performance Assessment Methods of the Board of Directors" . B. Adopted the Company's capital increase record date of employee stock option execution. C. Adopted bank credit line of forward exchange trading. D. Adopted plan for acquisition of land.	Approved Unanimously by All Independent Directors in Attendance.

2021.03.18 The 6 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	A. Adopted “Internal control system effectiveness assessment” and “Statement of internal control system.” Of 2020. B. Adopted the Company's 2020 annual loss appropriation and compensation. C. Adopted increase endorsement guarantee amount of RMB 10 million for Sysgration Electronics Technology (Zhenjiang) Co. Ltd. D. Adopted the amendment of the Company's “Authorization Delegation List.” E. Adopted the Company’s CEO resignation.	Approved Unanimously by All Independent Directors in Attendance.
2021.04.16 The 7 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	Adopted to discontinue the private placement approved by 2020 shareholders' meeting.	Approved Unanimously by All Independent Directors in Attendance.
2021.05.11 The 8 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	A. Adopted the Company’s capital increase record date of employee stock option execution. B. Adopted appointment for chief corporate governance officer. C. Adopted change of spokesperson.	Approved Unanimously by All Independent Directors in Attendance.
2021.07.07 The 9 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	Adopted to provide NT 10 million endorsement guarantee for Sysgration Electronics Technology (Huizhou) Co. Ltd.	Approved Unanimously by All Independent Directors in Attendance.
2021.10.26 The 11 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	A. Adopted to stipulate the Company’s “Risk Management Organizational Structure” and “Risk Management Policies and Procedures” . B. Adopted investment on Imeier Green Technology Co., Ltd .	Approved Unanimously by All Independent Directors in Attendance.
2021.11.09 The 12 <sup>nd</sup> Meeting of 14 <sup>th</sup> Session	A. Adopted 2022 audit plan. B. Adopted revision of “Procedures for Insider Trading Prevention Management”.	Approved Unanimously by All Independent Directors in Attendance.

2. If directors withdraw motions in conflict of interest, state with the names of the directors, the content of the motion, the reasons for avoidance, and the voting result.

Meeting Date	Name of Director	Motion content	Reasons for Avoidance and Voting Result
2021.01.14 The 5 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	Lee, Yi-Ren Lee, Cheng-Han Hsieh, Tung-Fu	The Company’s 2020 year-end bonus release for managers.	Except for Chairman Lee, Yi-Ren, Director Lee, Cheng-Han, and Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che-Chen, asked the other directors present and approved the motion without objection.

2021.05.11 The 8 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	Hsieh, Tung-Fu	The Company's spokesperson change.	Except for Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.
2021.07.07 The 9 <sup>th</sup> Meeting of 14 <sup>th</sup> Session	Hsieh, Tung-Fu	The Company's senior executives' remunerations and welfare adjustment.	Except for Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.

3. Information on the Board of Directors' self-assessment (or peer assessment), the scope, method, and content of the assessment:

Assessment Cycle	Assessment Period	Assessment Scope	Assessment Method	Assessment Content
Annually	2021/01/01 ~ 2021/12/31	Performance assessment of BOD, individual directors, and functional committees	The assessment methods include the self-assessment of individual board member, the self- assessment of the Board and of the functional committee.	(1) The Board Performance assessment: Including the degree of participation in the operation of the Company, the improvement of the decision- making quality of the Board of Directors, Board composition and structure, director selection and continuing education, and internal control, etc., a total of 40 items. (2) Individual board member Performance assessment: Including the mastery of corporate goals and tasks, the awareness of director's responsibilities, participation in corporate operations, internal relationship management and communication, professional and continuing education of directors, and internal control, etc., a total of 23 items. (3) Performance assessment of the functional committees (Audit Committee and Remuneration Committee): Including the degree of participation in the Company's operation, the awareness of the responsibilities of the committee, the improvement of the decision- making quality of the committee, the composition and selection of

				the members of the committee, internal control, etc. The self-assessment items for Audit Committee and the Remuneration Committee are 22 and 20 respectively.
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4. The objectives to strengthen the functioning of the Board of Directors (e.g., setting up the audit committee, improving the information transparency, etc.) in current and recent years, and the assessment of the implementation:

- (1) The Board of Directors of the Company operates in accordance with the laws and regulations, the Articles of Incorporation of the Company, and the resolutions of Shareholders' meeting to exercise its functions and powers. In addition to having the professional knowledge, skills, and qualities necessary for performing their duties, all the directors shall follow the principle of loyalty, integrity, and duty of care to create the maximum benefits for all shareholders.
- (2) The Company has set up the audit committee and remuneration committee to assist in performing the duties and supervision of the Board of Directors. To improve the supervision function and strengthen the management function, the "Rules of Procedure for Board of Directors' meeting" has been formulated, containing the main discussion contents, procedures, items to be stated, announcements, and other matters that should be followed to establish a good system for the Board of Directors.
- (3) In 2021 year, we adopt questionnaire self-assessment mode, and ranked the result in the following five grades:

Average score	Grade
4.76~5.00	Excellent
4.00~4.75	Good
3.00~3.99	Fair
2.00~2.99	Poor
1.00~1.99	Extremely poor

A. Board of Directors performance self-assessment result

Evaluators:

Chairman Lee, Yi-Ren; Director Lee, Cheng-Han; Director Hsieh, Tung-Fu; Director Chen, Chih-Pin; Independent Director Wei, Che-Chen; Independent Director Lin, Kuan-Chao; Independent Director He, Ju-Hsiang; a total of 7 persons..

Item	Questions	Average score	Grade
Participation in company operation	12	4.82	Excellent
Upgrade board of directors decision-making quality	11	4.90	Excellent
Composition and structure of board of directors	6	4.90	Excellent
Director appointment and educating	5	4.89	Excellent
Internal control	6	4.90	Excellent
Average score		4.88	Excellent

Assessment Result:

The overall average score of Board of Directors performance assessment is between 4.82~4.90, excellent grade, and meets performance expectation.

B. Board of Directors performance self-assessment result

Evaluators:

Chairman Lee, Yi-Ren; Director Lee, Cheng-Han; Director Hsieh, Tung-Fu; Director Chen, Chih-Pin; Independent Director Wei, Che-Chen; Independent Director Lin, Kuan-Chao; Independent Director He, Ju-Hsiang; a total of 7 persons.

Item	Questions	Average score	Grade
Master of company targets and tasks	3	4.95	Excellent
Cognition of director responsibilities	3	5.00	Excellent
Participation in company operation	8	4.93	Excellent
Internal relation management and communication	3	4.81	Excellent
Director specialty and educating	3	5.00	Excellent
Internal control	3	4.95	Excellent
Average score		4.94	Excellent

Assessment Result:

The overall average score of director member performance assessment is between 4.81~5.00, excellent grade, and meets performance expectation.

C. Audit Committee performance self-assessment result

Evaluators:

Independent Director Wei, Che-Chen; Independent Director Lin, Kuan-Chao; Independent Director He, Ju-Hsiang



Item	Questions	Average score	Grade
Participation in company operation	4	5.00	Excellent
Upgrade directors decision-making quality	5	4.67	Good
Composition and structure of committee	7	4.86	Excellent
Committee member appointment and educating	3	5.00	Excellent
Internal control	3	4.67	Good
Average score		4.84	Excellent

Assessment Result:

The overall average score of Audit Committee performance assessment is between 4.67~5.00, excellent grade, and meets performance expectation.

#### D. Remuneration Committee self-assessment result

Evaluators:

Independent Director Wei, Che-Chen; Independent Director Lin, Kuan-Chao;  
Independent Director He, Ju-Hsiang

Item	Questions	Average score	Grade
Participation in company operation	4	5.00	Excellent
Upgrade directors decision-making quality	5	4.60	Good
Composition and structure of committee	5	4.73	Good
Committee member appointment and educating	3	5.00	Excellent
Internal control	3	5.00	Excellent
Average score		4.87	Excellent

Assessment Result:

The overall average score of Remuneration Committee performance assessment is between 4.60~5.00, excellent grade, and meets performance expectation.

#### (4) Comprehensive assessment result:

The internal comprehensive self-assessment from board of directors, individual director member and each functional committee performance in 2021, the average scores are all ranked excellent grades, and all meet our performance expectation. As for 2021 appraisal results, we have reported to the Board of Directors on 2022/1/18. Based on these assessment results, the Company will continue to improve our management and promote corporate governance.

Note 1: Where directors and supervisors are institutional legal entities, they shall disclose the names of the corporate shareholders and their representatives.

Note 2: (1) If a director or supervisor resign before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of Board meetings and the actual attendance during his/her term in office.

(2) Before the end of the year, if there are any director or supervisor re-election, it should fill the new and former director or supervisor in the columns and indicate that the director or supervisor is former, new, or re-elected and the date of election in the remarks column; the actual attendance rate (%) is calculated based on the number of Board meetings and the actual attendance number during his/her term in office.

#### 4.2 Operation of the Audit Committee:

The qualifications of the Audit Committee are the same as those of the Remuneration Committee. The purpose of the establishment of the Audit Committee is to strengthen the supervisory function of the Board of Directors, which is responsible for supervising the proper expression of the Company's Financial Statements, the selection (demission), independence and performance of the certified accountants, the effective implementation of the Company's internal control system, the Company's compliance with the relevant laws and regulations, and the management and control of the Company's existing or potential risks. Its main functions and responsibilities are to:

1. Establish or amend the internal control system in accordance with Article 14 (1) of the Securities and Exchange Act.
2. Assess the effectiveness of the internal control system.
3. Formulate or amend the procedures for the acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, and the procedures of major financial business activities in accordance with Article 36-1 of the Securities and Exchange Act.
4. Handle the matters involving the director's interests.
5. Handle the material transaction of assets or derivatives.
6. Handle the loans, endorsements, or provide guarantees for material assets.
7. Raise, issue or place the private placement securities.
8. Appoint and dismiss auditors.
9. Appoint or dismiss the finance, accounting, or internal audit directors.
10. Approve the annual audited financial report and approve the second quarterly financial report if certified and audited by the accountant.
11. Address other major matters stipulated by the Company or the competent authority.

In the most recent year (2021), the Audit Committee has held 6 meetings (A). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Independent Director	Lin, Kuan-Chao	6	0	100	None
Independent Director	He, Ju-Hsiang	6	0	100	None
Independent Director	Wei, Che-Chen	6	0	100	None

Other matters:

1. If the operation of Audit Committee has any of the following circumstances, the meeting date, session and content of audit committee meeting, independent director's opposition or subject to qualified opinions or major suggestion, as well as audit committee's resolutions and the Company's response to the opinion of the Audit Committee shall be stated.

- (1) The matters listed in Article 14-5 of the Securities Exchange Act.
- (2) Other matters, other than those mentioned above, which have not been approved by the Audit Committee but have been approved upon by more than two-thirds of all the directors.

The motions of the Company's Audit Committee in 2021 related to Article 14-5 of the Securities Exchange Act are listed below. The Audit Committee had communicated with the relevant attended personnel on the relevant motions. All the motions were approved by the present members. There was no opposition or subject to qualified opinions, and there was also no motion not approved by the Audit Committee and subject to consent by more than two-thirds of all the directors.

Meeting Date	Motion Contents	Independent Director's opposition or subject to qualified opinions or major suggestion	Opinions of Committee and the Company's Response
2021.01.14 The 5 <sup>th</sup> Meeting of 2 <sup>nd</sup> Session	Adopted plan for acquisition of land.	None	Approved by all members in attendance..
2021.03.18 The 6 <sup>th</sup> Meeting of 2 <sup>nd</sup> Session	A. Adopted "Internal control system effectiveness assessment" and "Statement of internal control system." Of 2020. B. Adopted the Company's 2020 audited financial statements and business report. C. Adopted the Company's 2020 annual loss appropriation and compensation.	None	Approved by all members in attendance...

	D. Adopted increase endorsement guarantee amount of RMB 10 million for Sysgration Electronics Technology (Zhenjiang) Co. Ltd. E. Adopted the amendment of the Company's "Authorization Delegation List."		
2021.07.07 The 8 <sup>th</sup> Meeting of 2 <sup>nd</sup> Session	Adopted to provide NT 10 million endorsement guarantee for Sysgration Electronics Technology (Huizhou) Co. Ltd.	None	Approved by all members in attendance.
2021.11.09 The 10 <sup>th</sup> Meeting of 2 <sup>nd</sup> Session	A. Adopted 2022 audit plan. B. Adopted amendment of "Procedures for Insider Trading Prevention Management" .	None	Approved by all members in attendance..

2. If Independent Directors withdraw motions in conflict of interest, shall state the Independent Director's name, content of the motion, reason for the withdrawal, and the voting situation: no such situation exists.
3. Communication between the Independent Directors and the internal audit supervisor, and the CPAs (including the key issues of financial and business status of the Company, methods, and results of the communication).
  - (1) The Audit Committee of the Company shall be composed of all independent directors. It shall hold at least one meeting a quarter and may be convened at any time as necessary.
  - (2) Communication between the internal audit supervisor and the Audit Committee:  
The Company's Audit Committee maintains good communication with internal audit supervisor. The main communication and interactions are as follows:
    - (a) The internal audit supervisor shall attend each Audit Committee and Board meeting to report on the findings of the audit and the improvement progress of abnormal matters during the period, reply to any questions raised by the Independent Directors, and strengthen the audit work according to the instructions, to ensure the effectiveness of the internal control system and give full play to the supervision function.
    - (b) Internal audit supervisor shall regularly report on any abnormal matters found in the audit to the Audit Committee, review the internal rules and regulations, and moderately revise the relevant measures to continuously optimize the operating process.
    - (c) The meeting dates and matters communicated by the Independent Directors and the internal audit supervisor through the Audit Committee in 2021 were as follows. In addition to providing the audit progress report and deficiency tracking report to the Independent Directors for reference, the internal audit supervisor also report and reply to any questions raised by the Independent Director make improvements and follow up according to the suggestions made by the Independent Directors.

Date	Attendants	Communication items	Results
2021/1/14 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	2020 November - December internal audit report.	Adopted.
2021/3/18 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	1. 2021 January and February internal audit report. 2. Effectiveness assessment on 2020 internal control system and statement discussion.	Adopted.
2021/5/11 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	1. 2021 March internal audit report. 2. Mainland subsidiary's 2021 first- quarter internal audit report.	Adopted.
2021/08/11 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	2021 April to June internal audit report.	Adopted.
2021/10/26 Internal audit special report meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	1. Subsidiary audit method report. 2. 2022 audit plan and risk assessment discussion. 3. Internal audit report on IT and Cyber securities. 4. Audit report suggestion.	Adopted item 1, item 2 and item 3.  Independent director Lin, Kuan-Chao suggested monthly reviewing and discussing the auditing findings with Committee members in advance before submitting formal report. Audit supervisor has followed the suggestion.
2021/11/09 Audit Committee meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Audit Supervisor: Kuo, Zhen-Lin	1. 2021 July and September internal audit reports 2. Mainland subsidiary's 2021 third-quarter internal audit report. 3. 2022 audit plan discussion.	Adopted.

(3) Communication between the CPAs and the Audit Committee:

The Company has organized meetings for the independent directors and auditing CPAs regularly every year, to communicate at completion stage annually or semi-annually,

and to report to the independent directors as for auditing procedures, internal control deficiency findings, significant adjustment and other material communication matters in financial statements.

Date	Attendants	Communication items	Results
2021/03/18 Pre-meeting Conference	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang  Auditor CPA Chiu, Chao-Hsien	1. Audit procedures on each individual company of Sysgration due to novel coronavirus influences in 2020. 2. Audit scope for each composition of Sysgration group and participation level of auditing teams. 3. Assessment on key audit matters and CPAs' auditing procedures and results. 4. Any significant adjustment. 5. Other communication items.	All agreed and adopted
2021/03/18 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang  Auditor CPA Chiu, Chao-Hsien	CPAs' auditing result son consolidated and parent company only financial reports of 2021.	All agreed and adopted
202108/11 Pre-meeting Conference	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang  Auditor CPA Hsu, Ming-Chuan	1. 2021Q2 valuation of COVID-19 influence on company's continuous operation capacity, asset impairment, fund-raising risk. 2. Audit scope for each composition of Sysgration group and participation level of auditing teams. 3. Auditing procedure on related parties' transactions and no abnormality found. 4. Any significant adjustment. 5. Other communication items.	All agreed and adopted

Note 1: Before the end of a year, and if any independent director resigns, shall note his or her term date, actual attendance (%), which is calculated by audit committee meeting frequencies and his or her engagements during the term of office in remark column.

Note 2: Before the end of a year, and if any independent director is reelected, shall list the former and present independent directors and note separately with reelection date in remark column, whose actual attendance (%) is calculated by audit committee meeting frequencies and his or her engagements during the term of office.

#### 4.3 The difference between the operation of corporate governance and the Code of Practice on Corporate Governance for Listed Companies and the reasons

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
1. Has the Company established and disclosed the code of practice on corporate governance in accordance with the Code of Practice on Corporate Governance for Listed Companies?	✓		The Company has established and disclosed the code of practice on corporate governance on its website, as well as relevant regulations for shareholders' equity safeguard, board of directors' function reinforcement, perform of audit committee function, regard of interested parties' rights, and promotion of information transparency.	Compliance with the Code of Practice on Corporate Governance without significant differences.
2. Company's equity structure and shareholders' equity				
(1) Has the Company established the internal operating procedures to deal with shareholder suggestions, doubts, disputes, and lawsuits and implemented them in accordance with the procedures?	✓		(1) The Company has various internal operating procedures. Shareholders may contact the Company at any time by telephone, e-mail, or mail correspondence if they have any suggestions or doubts. If any dispute or lawsuit is true, they may notify the Company in accordance with the legal procedures. The Company will request its appointed legal counsel to assist in managing the matter.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(2) Does the Company keep a list of the major shareholders who control the Company and the ultimate controllers of the major shareholders?	✓		(2) The Company keeps a list of the major shareholders and the ultimate controllers of the major shareholders and shall report relevant information according to the provisions.	
(3) Has the Company established and implemented the risk control and firewall mechanism with affiliated enterprises?	✓		(3) The Company has also set up proper organizational control framework, to supervise and manage subsidiary's major financial and business operations at all times, and make regular checks on its relevant affairs in accordance with internal control system for maintaining effective corporate risk control and firewall mechanism.	
(4) Has the Company adopted the internal regulations to prohibit its insiders from trading securities by undisclosed information in the market?	✓		(4) The Company has stipulated the "Processing Procedures for Internal Significant Information" in 2010 and amended "Procedures for Insider Trading Prevention Management" in 2020, to prohibit its insiders to trade securities by using undisclosed information; besides, the company has also promoted regularly and organize relevant educational training courses.	
3. Composition and duties of the Board of Directors				
(1) Has the Board of Directors drawn up and implemented a diversity policy on the composition of its members?	✓		(1) The Company has formulated and implemented the "Code of Practice on Corporate Governance" to draw up and implement a diversity policy on the Board's membership. Furthermore, the nomination and selection of the Board members shall be conducted following the provisions of the Articles of Incorporation of the Company. In addition to assessing the candidates' academic experience and qualifications, the "Code of Practice on Corporate Governance" and the "Method for Election of Directors" shall be observed to ensure the diversity and independence of the directors.  The Company's board of directors shall possess abilities of operation judgement, accounting and financial analysis, operating management, crisis management, industry knowledge, global market view, leadership, decision-making capacity, risk management, corporate governance experience, and	Compliance with the Code of Practice on Corporate Governance without significant differences.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
			etc. to implement company's diversity principles, including gradually add board of directors members with corporate governance, environment sustainability, enterprise social responsibility, legal aspects concepts and backgrounds for better supervising and guiding the company's development under international trend. Furthermore, the company's directors have achieved diversity requirements, and it will continuously review and strengthen during re-election to meet the needs of future development.	
(2) In addition to the Remuneration Committee and Audit Committee, does the Company voluntarily set up other functional committees?		✓	(2) The Company does not set up any other functional committees except the Remuneration Committee and Audit Committee.	
(3) Has the Company formulated the performance evaluation methods and evaluation measures, conducted the annual performance evaluation, and reported performance evaluation results to the Board of Directors for reference in the salaries and remuneration of individual directors and the nomination for renewal of office?	✓		(3) The Company's Board of Directors adopted "Performance Assessment Methods of the Board of Directors" on 2021/01/14, and performed internal assessment at least once a year. 2021 Board of Directors and each functional committee performance self-assessment results: (a) Assessment period: January 1, 2021, to December 31, 2021 (b) Internal performance assessment results of individual board member: the individual director's performance meets expectations. (c) Overall board of directors and functional committee performance assessment result: Overall board of directors, Remuneration Committee and Audit Committee performance meet expectation. (d) The performance assessment result of Board of Directors, Remuneration Committee and Audit Committee had been reported to Board of Directors on 2022/01/18. (e) The results of assessment will be taken into consideration for the re-election of Board' members and his or her remuneration.	
(4) Does the Company regularly evaluate the independence of the auditing CPAs?	✓		(4) The Company evaluates the independence and competence of the auditing CPAs appointed and submits to the Audit Committee and the Board of Directors for approval annually. On May 11, 2021, the Audit Committee and the Board of Directors evaluated the independence and competence of CPAs Chiu, Chao-Hsien, and Hsu, Ming-Chuan of PricewaterhouseCoopers Taiwan. The main assessment procedures include: (a) Company evaluation: The financial department will check each of the two certified accountants individually to establish compliance with the 16 evaluation items set out in the Company's "Independence and Competence Evaluation Form" and submit the contents and results of the evaluation form to the Audit Committee and the Board of Directors for review. (b) Self-assessment by the accounting firm: Through the certified public accountant law and rule of internal independence of the accounting firm, the inspectors in charge of the self-assessment and accountants shall assess themselves in compliance	



Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies																									
	Y	N	Explanation																										
			with the independent provisions. The firm shall issue the written documents to verify the independence of the accountant with respect to its evaluation contents and the results and submit them to the Audit Committee and the Board of Directors as the basis for evaluation.																										
4. Does the listed company configure the corporate governance personnel of competency and in the appropriate number, and specifies the corporate governance director responsible for corporate governance-related matters (including but not limited to providing required data for directors and supervisors to perform business, assisting the directors and supervisors in following the law, carrying out the matters related to the meeting of the Board of Directors and Shareholders in accordance with the law, and making the minute records for the meetings of Board of Directors and Shareholders, etc.)?	✓		<p>The Board of Directors has appointed the Chief Financial Officer Tsai, Hsiu-Mei on 2021/5/11 as the Company's Corporate Governance Officer, to manage and supervise corporate governance related affairs.</p> <p>Operation implementation conditions in 2021 and as of 2022/2/28 are as below:</p> <p>A. The company has dealt with 9 times of BOD meetings and 2021 general shareholders' meeting related matters, and provided meeting minutes to directors and shareholders timely.</p> <p>B. Stipulated and amended of "Procedures For Insider Trading Prevention Management", "Risk Management Policies and Procedures", "Sustainable Development Best Practice Principles".</p> <p>C. Provided refresher courses and assisted 7 directors to educate for 97 hours in 2021.</p> <p>D. Assisted director to officiate, and provided data required.</p> <p>E. 2021 corporate governance officer's further education conditions:</p> <table border="1"> <thead> <tr> <th>Training Organization</th> <th>Date</th> <th>Course name</th> <th>Educating hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Accounting Research and Development Foundation</td> <td>1100910</td> <td>Evaluate enterprise ESG sustainable performance new trend and pioneering thinking</td> <td>3</td> <td rowspan="6">18</td> </tr> <tr> <td>1100913</td> <td>New rules for Remunerations of Director and Supervisor and corporate governance practice analysis</td> <td>3</td> </tr> <tr> <td>1100913</td> <td>Practical issue analysis on China IFRS policy development and report and other supervision laws compliance</td> <td>3</td> </tr> <tr> <td>1100914</td> <td>Analysis on money laundering control and combating of terrorism financing practice and relevant legal liabilities</td> <td>3</td> </tr> <tr> <td>1100914</td> <td>Latest corporate governance policies and codes and common deficiency</td> <td>3</td> </tr> <tr> <td>1100924</td> <td>"Sustainable Development Report" practice analysis under Corporate Governance 3.0 Policy</td> <td>3</td> </tr> </tbody> </table>	Training Organization	Date	Course name	Educating hours	Total hours	Accounting Research and Development Foundation	1100910	Evaluate enterprise ESG sustainable performance new trend and pioneering thinking	3	18	1100913	New rules for Remunerations of Director and Supervisor and corporate governance practice analysis	3	1100913	Practical issue analysis on China IFRS policy development and report and other supervision laws compliance	3	1100914	Analysis on money laundering control and combating of terrorism financing practice and relevant legal liabilities	3	1100914	Latest corporate governance policies and codes and common deficiency	3	1100924	"Sustainable Development Report" practice analysis under Corporate Governance 3.0 Policy	3	Compliance with the Code of Practice on Corporate Governance without significant differences.
Training Organization	Date	Course name	Educating hours	Total hours																									
Accounting Research and Development Foundation	1100910	Evaluate enterprise ESG sustainable performance new trend and pioneering thinking	3	18																									
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	1100924	"Sustainable Development Report" practice analysis under Corporate Governance 3.0 Policy	3																										

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
5. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and designated section for stakeholders on the Company website to respond to key CSR issues concerned by interested parties properly?	✓		The Company has a spokesperson and deputy spokesperson system, and a specific section for stakeholders on the Company website. Shareholders, employees, customers, suppliers, and any important corporate responsibility issues or opinions are responded to by dedicated personnel to serve as a channel for communication with stakeholders. Brief descriptions of stakeholders' concerned issues and communication channels are as described in summary (12) below.	Compliance with the Code of Practice on Corporate Governance without significant differences.
6. Does the Company appoint a professional shareholder service agency to handle the shareholders' affairs?	✓		The Company's stock affairs and matters related to the shareholders' meeting are entrusted to professional shareholder agency, Grand Fortune Securities Co., Ltd. to handle.	Compliance with the Code of Practice on Corporate Governance without significant differences.
7. Information disclosure (1) Has the company set up a website to disclose the information on its financial standing and corporate governance?  (2) Does the Company implement other ways of disclosing information (such as setting up an English website, assigning a special person to collect and disclose the Company's information, implementing a spokesman system, and webcasting investor conferences)?  (3) Does the company announce and report its annual financial report within two months after the end of each fiscal year, and announce and report the financial report of the first, second, and third quarters and the operating situation of each month before the prescribed time?	✓  ✓		(1) The Company has a website in both Chinese and English, where it discloses the financial, business, and corporate governance information related to the Company.  (2) The Company sets an English website to disclose financial, business, as well as corporate governance information, and also designates specific persons to collect and disclose company information, with its own spokesperson to state company financial and business conditions to the outside. Besides, corporate briefing information is published on company website as prescribed for investors' understanding.  (3) The Company publishes the financial reports for the first, second, and third quarters and the annual financial reports and the operating situation of each month within the prescribed time limit.	Compliance with the Code of Practice on Corporate Governance without significant differences.
8. Is there other important information that helps to understand the situation of the corporate governance operation of the Company (including, but not limited to, the employees' rights and interests, employee care, relations of investors and suppliers, rights of stakeholders, directors' and supervisors' further education, risk management policy and execution of risk measurement, execution of customer policy, and purchase of liability insurance for directors and supervisors of the Company, etc.)?	✓		Other important information to help to understand the operation of corporate governance is described in the following summary.	Compliance with the Code of Practice on Corporate Governance without significant differences.

Summary:

- (1) Employee rights and interests: The Company holds regular labor and management meetings so that the employees' opinions can be valued and communicated effectively.
- (2) Employee care: The Company has established a good relationship of mutual trust with its employees through various welfare systems, including education and training, and various activities organized from time to time.
- (3) Investor relations: The Company's website indexes the public data observation station, through which the investors can understand the Company's relevant information, and it has a spokesperson and deputy spokesperson system as the way to contact the Company.
- (4) Supplier relations: The Company communicates with suppliers smoothly and communicates with integrity.
- (5) Rights of stakeholders: The Company lists relevant contact information and windows on its website to protect the rights and stakeholders and maintain smooth communication channels.
- (6) Continuing education for Directors: To strengthen the implementation of corporate governance, the Company actively encourages the directors to participate in continuing their education and discloses the information in the corporate governance area of the Open Information Observatory.

Continuing Education for Directors of the Company in the Most Recent Year.

Title	Name	Host unit	Continuing education course	Continuing educated hours	Total educated hours	Comply with the "Key Points of Directors' and Supervisors' Continuing Education Promotion of Listed Companies?"
Director	Lee, Yi-Ren	Vision International Management Consulting Co.	Three Major Financial statements Data Decryption	3	8	Yes
		TWSE/GTSM Listed Companies Association	Taiwan Industrial Acquisition and Transformation & Creation	2		
		Taiwan Investor Relations Association	Analysis on Acquisition Practice	3		
Director	Hsieh, Tung-Fu	Taiwan Corporate Governance Association	Audit Committee Establishment and Operation	3	9	Yes
		Taiwan Securities & Futures Institute	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3		
		Taiwan Corporate Governance Association	Analysis on Money Laundering and Ore-criminal (Including Insider Trading)	3		
Director	Li, Cheng- Han	Accounting Research and Development Foundation	Analysis on Corporate "Copyright" Protection and Legal Liability	3	6	Yes
		Taiwan Securities & Futures Institute	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3		
Director	Chen, Chih- Pin	Taiwan Corporate Governance Association	Attentions on Unusual Transactions	3	27	Yes
		Gretai Securities Market	OTC or Emerging Company's Insider Equity Promotion Illustration Meeting	3		
		Taiwan Investor Relations Association	Digital Transformation of Post-epidemic Era	3		
		Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6		
		Gretai Securities Market	2021 Gretai Sustainable Upgrade On-Line Forum	2		
		Taiwan Corporate Governance Association	Future Corporate Governance Trend in Corporate Governance 3.0 View	3		
		Taiwan M&A and Private Equity Association	Advanced Mergers and Acquisitions (M&A) Course for Professionals	24		
Independent Director	He, Ju- Hsiang	Taiwan Corporate Governance Association	Changes under 5G Era: Industrial Upgrading, Future Business Application and New Normal of Post-epidemic Era	3	9	Yes
		Taiwan Corporate Governance Association	Corporate Merger and Acquisition Practice Sharing-centered on Hostile Acquisition	3		
		Taiwan Corporate Governance Association	Business Strategies and Corporate Governance Response to Unsustainable Risk from The View of Novel Coronavirus	3		
Independent Director	Lin, Kuan- Chao	National Federation of Certified Public Accountants Association of the R.O.C	Analysis on Each Tax Dispute Event	3	15	Yes
		National Federation of Certified Public Accountants Association of the R.O.C	Anti-tax-evasion and Trend (Including CFC) Entity & On-line Video Seminar	3		
		National Federation of Certified Public Accountants Association of the R.O.C	Analysis on Non-profit Public Institution and Organization's Income Tax Practice	3		
		National Federation of Certified Public Accountants Association of the R.O.C	Tax Planning of Trust Assets Transfer	3		
		National Federation of Certified Public Accountants Association of the R.O.C	New Chapter for Virtual Currency and Money Laundering Control	3		
Independent Director	Wei, Che- Chen	Taiwan Corporate Governance Association	Legal Precautions for Insider Shareholding Management and Share Transaction	3	6	Yes
		Taiwan Corporate Governance Association	Understanding of Interested Party Transaction and Unusual Transaction from Practice Cases	3		

(7) Implementation of risk management policies and risk measurement standards:

The Company's Board of Directors had adopted its risk management organizational framework and "Risk Management Policies and Procedures" on 2021/10/26. The Company reported its 2021 implementation of risk management to the Board of Directors on 2021/11/9 meeting.

In 2021, after identified, measured, and assessed, the company's major potential risks including supply chain risk, operation risk, cyber security risk, and relevant countermeasures described as below:

A. Supply chain risk

1. Materials with long-term delivery period, purchase for future 3-6 months from supplier in advance, to ensure feedstock.
2. Key parts and components such as IC, etc., set safety inventories as a standby.
3. Implementing 2nd Source, to disperse delivery risk.
4. Hold weekly meetings with suppliers, and confirm their outputs and delivery dates.
5. investigate whether China suppliers are influenced by power restriction and their countermeasures, to ensure raw material supplies are not affected.
6. Seek for spot market sources, and if it is special specification or with high unit price, obtain client's inventory or price difference commitment in advance.
7. Set up direct accounts with major IC manufacturers for direct transaction and supply of goods.

B. Operation risk

1. Mainland electricity restriction

(1) Huizhou Factory's countermeasures:

- A. Shift production of high-power consumption equipment, such as SMT and UPS production to night off-peak period
- B. Add 1,000KVA power generation assembly to Yuxin Technology Park where the factory located.

(2) Zhenjiang Factory's countermeasures: may change shifts to cope with as power limit is not serious.

2. COVID-19 cluster infection risk

(1) Perform daily anti-epidemic investigation questionnaire on staff health conditions.

(2) Control measurements in response to level of COVID-19: wear a mask at all time at workplace; monitor body temperature during working hours; sectionalize workplaces of Nankang employees; and when under Grade 3 Alert, visitors to the company and factories shall carry their normal nucleic acid tests within 3 days.

3. Direct staff shortage:

(1) Cooperate with external labor agency, to provide short-term labor supply.

(2) Seek through multiple channels, such as 104 Job Bank, government employment assistance projects, cooperation with colleges, mainland labor agency markets, as well as colleague introduction.

(3) Indirect labor supports.

(4) Implement automatic production line: Huizhou Factory has already set up a TPMS automatic line, while Nankang Factory is under planning.

C. Cyber security risk

1. Organizational structure: integrate planning, adjust measures to local conditions, centralize management, control, and sectionize responsibilities.

2. 2021 cyber security implementations:

(1) Automatic backup: set up independent backup network segment, to automatically back up and recover each service host data

(2) Microsoft 365 implementation (including PC System Upgrade): PC operating system upgrade WIN7->10, import cloud OS

(3) E-mail backup and check: automatic backup for outgoing emails, and check to verify before sending.

(4) Anti-virus system update: replace latest defense system, and include PC and service host into

(5) Mobile storage control: except for special application, it is prohibited to use external storage device

(6) Network behavior record: comprehensively record individual's external website behaviors

(7) Real-time communication record: except for special application, it is prohibited to send files by using real-time communication software

(8) Cyber security educational training

(8) Implementation of consumer protection policies: The Company has sale force team responsible for providing services to customers to ensure a timely response to customers' needs.

(9) Situation of the Company-purchased liability insurance for the directors: The Company has purchased the liability insurance for the directors.

Item	Insured Object	Insurance Company	Insured period
1	All the directors	Nan Shan General Insurance Company	From July 1, 2020 to July 1, 2021
2	All the directors	Nan Shan General Insurance Company	From July 1, 2021 to July 1, 2022

(10) Succession planning for the members of the Board of Directors and important management:

The Company pays close attention to the succession planning for the members of the Board of Directors who have professional competence and expertise in various fields. Succession planning for key management levels is to select the grassroots managers with development potential, cultivate their decision-making and judgment ability, and cultivate talent to obtain the work challenge and learning opportunities to achieve succession planning. In 2021, the Company's training course arrangements consist of quality control, legal affairs, patent right, insider trading, business secret, cyber security, responsible business alliance code of conduct, etc., totally 53 hours, training to cultivate future management cadre.

(11) Education and training on security exchange laws and regulations:

The company has organized a round of educational training "Precautions to Insider Share Trading" on 2021/03/18 on the subject of insider's equity transaction declaration and insider trading prevention. Besides, it has also promoted the "Common Form Pattern of Insider's Shareholding Declaration in Violation of Securities Exchange Act" on 2022/08/02 through e-mail.

(12) Communication with stakeholders had already reported to the Board of Directors on 2021/10/26, and concerned issues and communication channels are described as follows:

Stakeholders	Meanings to the Company	Communication Method/Frequency	Concerned Issues	Concerned Contents	Responses and Actions
Shareholder and Investor	All invested shareholders (including potential) of the Company are equal to access company's substantial information in order to realize sustainable market value.	1. Shareholders' meeting/every year. 2. Investor conference/irregular. 3. Publishing operating revenue/every month. 4. Public information observation/real-time update. 5. Company website/real-time update.	1. Economic performance. 2. Regulatory Compliance. 3. Risk control.	1. Influence from political and economic situations on operating performance. 2. Market competition and changes. 3. Financial performance. 4. Company's future profitability.	1. Organize general shareholders' meeting, once. 2. Organize investor conference, twice. 3. Regularly disclose company's financial and business information on public observation station and company website. 4. Set up spokesperson and acting spokesperson to reply to investors' concerned issues.
Client	We must care client's demands, master industrial development trend and provide professional services, for achieving client's demands.	1. Product discussion/as project required. 2. Business reviewing meeting/every month. 3. Specific issue meeting/irregular. 4. Client visiting/irregular. 5. Client auditing/irregular.	1. Economic performance. 2. Customer privacy. 3. Quality control. 4. Innovation and R&D. 5. Regulatory Compliance.	1. Plan and schedule of Company technology development. 2. Company capacity planning and production information.	1. Through quality control, problem solving procedures to continually satisfy clients' expectations and thereby to enhance satisfaction 2. Protect clients' privacy, and accept clients' evaluation in any time. 3. Arrange high-level reciprocal visits, strengthen public-private partnerships, and create win-win situation.
Supplier	Supplier provides the Company with good products and services. In the spirit of enhancing mutual understanding and mutual trust, both sides can support each other when facing difficulties and achieve a sustainable development.	1. New supplier appraising/as demanded. 2. Supplier auditing/irregular. 3. Project meeting/irregular.	1. Risk control. 2. Regulatory Compliance. 3. Economic performance. 4. Quality control.	1. Focus on international norms and trends. 2. Initiation of sustainable development and continue to improve. 3. Raw material quality requirement.	1. Organize project meetings and supplier audits irregularly as demanded, communicate with suppliers for operating development target, and actively response to suppliers' concerned issues. 2. Continuously encourage suppliers to develop innovative business model against environmental impact, keep up with the trend of international key enterprises to implement corporate sustainable development together.
Employee	Employee is the most important partner for a company's sustainable development, and through each policy and management rule to continuously promote talents' potential abilities and create more operating benefits.	1. Labor-employer meeting/four times a year. 2. Welfare committee meeting/10 times every year on the average. 3. Communication letter box/real-time update. 4. Department communication meeting/as required. 5. Internal message announcement/in real-time.	1. Economic performance. 2. Employment. 3. Labor and employer relation. 4. Occupational safety and health. 5. Staff development.	1. Smooth and effective labor-employer communication channel. 2. Suitable, safe and healthy work environment. 3. Employee education and training and career development.	1. Through various communication channels to convey the company's policies and development direction to staffs, and accept staffs' feedback in any time to adjust strategies and propose countermeasures. 2. Ensure employees' safety and health according to principles of protecting staff, care for health, preventing accident and reducing occupational injury. 3. Provide educational training courses irregularly to strengthen their professional skills.

Government Authority	Strictly follow government authority's relevant rules, actively cooperate with regulatory policies, keep smooth and effective communication channel, and keep track of government policy and regulation states.	<ol style="list-style-type: none"> <li>1. Reply to requirements of government authorities in official document/in real-time</li> <li>2. Update company website, disclose information observation station/every month, quarter, and year</li> <li>3. Questionnaire and interview/irregular</li> <li>4. Accept government authority's appraisal/every year</li> <li>5. Participate in government authority's activities/irregular</li> </ol>	<ol style="list-style-type: none"> <li>1. Economic performance</li> <li>2. Regulatory Compliance</li> <li>3. Risk control</li> <li>4. Corporate governance</li> </ol>	Company integrity and Regulatory Compliance	Provide relevant report or reply as required by laws and regulations.
Media	Media plays a role of bridge between company and interested party, as it helps the stakeholders to acquire company information timely, and improving company's image.	<ol style="list-style-type: none"> <li>1. Reply media inquiry through telephone and e-mail/in real-time</li> <li>2. Clarify incorrect and misleading report from media in MPOS/irregular</li> </ol>	<ol style="list-style-type: none"> <li>1. Economic performance</li> <li>2. Innovation and R&amp;D</li> </ol>	<ol style="list-style-type: none"> <li>1. Company's latest performance and future expectations</li> <li>2. Company innovation and development</li> </ol>	Collect and integrate media concerned events, reports and comments, and report to company's management team as the reference for company's operation direction.

(13) Intellectual Property Management Policy:

The Company adheres to "quality and innovation" as its product development concept, and establishes a complete management system of product intellectual property and a R&D road map combining company's goals to maintain its advanced technologies and differentiate from other products, thus maintaining competitiveness advantages of company product as well as R&D achievements. 2021 intellectual property management had been reported to the Board of Directors on 2022/01/18.

Internal educations and trainings related to intellectual property management in 2021 are as below:

Date	Content	Training Hours	Employees Trained
2021/07/15	Patent Research	2	10
2021/08/18	Confidential Corporate Information and Business Secret Protection	1	93
2021/08/19	How to Compare Whether the Patent Is Infringed?	2	10
2021/09/15	Corporate Information Protection Awareness	2	106
2021/10/13	Business Secret	2	115

9. Please state the improved situation based on the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange in the recent year and prioritize the improvement issues and measures for those who have not been improved.

Sysgration has strengthened the disclosure of our financials, business, and corporate governance through our website and public information observatory. Sysgration has increased the transparency of corporate information to comply with the Code of Practice on Corporate Governance.

Note: Operation conditions, check whether "Yes" or "No", shall describe in abstract field.

#### 4.4 Composition, responsibilities, and operation of the Remuneration Committee

The Remuneration Committee of the Company is responsible for evaluating the salary and compensation of the directors and managers of the Company. It provides the Board of Directors with the performance evaluations and compensation decisions of the directors and managers. The composition and operation of the Remuneration Committee for the most recent year and up to the date of the Annual Report are as follows:

##### 1. Professional qualifications and independence analysis of Remuneration Committee members

###### Information on the members of the Remuneration Committee

February 28, 2022

Identity (Note 1)	Qualification Name	Professional Qualification and Experience (Note 2)	Independence Condition (Note 3)	Number of concurrent positions as members of the remuneration committee of other public offering companies
Convener	Wei, Che-Chen	Chairman, TLG Asset Management Co., Ltd. (2009-2011) Special committee member, Taiwan Life Insurance Co., Ltd. (2011-2015) COO, He Ding Asset Management Co., Ltd. (2016 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	3
Committee Member	He, Ju-Hsiang	Internal audit manager, BNP Paris (1984-1989) Deputy general manager, American commercial Banks (1989-1994) Chairman Special assistant, Taiwan Life Insurance Co., Ltd. (2000-2016)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	1
Committee Member	Lin, Kuan-Chao	Chief of Accounting Firm PKF, Taiwan (2011 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	1

Note 1: Please state each remuneration committee member's period of service, professional qualification and experience as well as independence condition in the table, and remark if he or she is an independent director (if he or she is the convener, please note).

Note 2: Professional qualification and experience: describe individual remuneration committee member's professional qualification and experience.

Note 3: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

##### 2. Operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) The term of the current members: From April 30, 2020, to April 29, 2023.

The Remuneration Committee held 6 meetings (A) in the most recent year. The attendance recode of Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Convener	Wei, Che-Chen	5	0	100	None
Committee member	He, Ju-Hsiang	5	0	100	None
Committee member	Lin, Kuan-Chao	5	0	100	None

Other items:

- a. If the Board of Directors does not accept or amend the suggestion of the Remuneration Committee, it should state the meeting date of the Board of Directors, session, motion content, resolution of the Board of Directors, and response of the Company to the Remuneration Committee opinion (if the remuneration approved by the Board of Directors is superior to the suggestion of the Remuneration Committee, it shall state the difference and reason): No such situation exists.
- b. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: No such situation exists.

The Company's Remuneration Committee's resolutions and results of the most recent year and as of the annual report publication date are as follows: All the resolutions have been approved by the members present without objection or qualified opinion.

Meeting date	Motion content	Results of the Remuneration Committee's decisions and the Company's response to the Remuneration Committee's opinions
2021/01/14 4 <sup>th</sup> meeting of 4 <sup>th</sup> Session	(1) Revision of the Company's "Measurement of business bonus". (2) Revision of the Company's "Measurement of operation bonus". (3) The Company's 2020Q4 business bonus release for managers. (4) The Company's 2020Q4 operation bonus release for managers. (5) The Company's 2020 year-end bonus release for managers.	Approved by all committee members in attendance.
2021/03/18 5 <sup>th</sup> meeting of 4 <sup>th</sup> Session	Executive managers' compensation of the Company.	Approved by all committee members in attendance.
2021/05/11 6 <sup>th</sup> Meeting of 4 <sup>th</sup> Session	The Company 2020 Q4 and annual operation bonus release for executive managers.	Approved by all committee members in attendance.
2021/07/07 7 <sup>th</sup> Meeting of 4 <sup>th</sup> Session	Executive managers' remuneration and welfare adjustment.	Approved by all committee members in attendance.
2021/10/26 8 <sup>th</sup> Meeting of 4 <sup>th</sup> Session	The Company's ISD business unit 2021Q1- 2021 Q3 business bonus release for executive managers.	Approved by all committee members in attendance.
2022/01/18 9 <sup>th</sup> Meeting of 4 <sup>th</sup> Session	(1) Revision of the Company's "Measurement of operation bonus". (2) Executive managers' remuneration and welfare adjustment. (3) The Company's 2021 year-end bonus release for executive managers.	Approved by all committee members in attendance.
2022/03/17 10 <sup>th</sup> Meeting of 4 <sup>th</sup> Session	(1) The Company's new hired executive manager's and internal audit head's remunerations. (2) The Company's 2021Q4 and 2021 annual ISD BU operation bonuses release for executive managers.	Approved by all committee members in attendance.

- Note: (1) If a member of the Remuneration Committee leaves before the end of the year, the resignation date shall be indicated in the remarks column, and the attendance rate (%) shall be calculated based on the number of meetings of the Remuneration Committee and the attendance in person times during his/her term in office.
- (2) Before the end of the year, if any member of the Remuneration Committee is re-elected, the new member and the former member shall be filled in. The former member, new member, or re-elected member and the re-election date shall be indicated in the remark column. The attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during his/her term of office and his/her attendance in person.



### 3. Responsibilities of the Remuneration Committee

The Remuneration Committee of the Company evaluates the remuneration and compensation policies and systems for the directors and executive managers of the Company professionally and objectively and makes recommendations to the Board for its decision making. The main responsibilities are as follows:

- (1) To formulate and regularly review the policies, systems, standards, and structures of performance evaluation and the remuneration of directors and managers.
- (2) To regularly evaluate and formulate the remuneration of directors and executive managers.
- (3) To regularly evaluate the achievement of performance objectives of the directors and managers of the Company, and to determine the contents and amounts of their individual salaries and remuneration.

4.5 Implementation of sustainable development and differences/reasons between market-listed and public limited company's Code of Practice on Sustainable Development:

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies										
	Y	N	Explanation											
1. Whether the Company has set up a sustainable development management structure, as well as relevant special (part-time) unit to follow up related matters under the supervision of executive managers authorized by Board of Directors.	✓		<p>The Company has already designated a task force of the ESG project to promote and ordinate sustainable development. The General Manager is project head. We have set up promotion teams according to relevant issues, while each team consists of one leader and several members, to jointly promote company's sustainable development .</p> <p>The Company's ESG project team structure and responsibilities are as follows:</p>	Conform to Code of Practice on Sustainable Development, without significant difference.										
			<table border="1"> <thead> <tr> <th>Team</th> <th>Responsibilities</th> </tr> </thead> <tbody> <tr> <td>Corporate governance team</td> <td>Integrity management, organizational strategic vision, risk management, regulatory compliance, stockholders' rights and interest maintenance, information transparency and economic performance.</td> </tr> <tr> <td>Employee care team</td> <td>Employee remunerations and welfare, management of job function, labor-employer relationship, training, employment environment, human rights, regulatory compliance and complaint mechanism.</td> </tr> <tr> <td>Society care team</td> <td>Society care, community participation, public benefit activities, corporate image, and complaint mechanism.</td> </tr> <tr> <td>Environment sustainability team</td> <td>Environment sustainability policy, enterprise carbon reduction management, environment sustainability promotion, raw materials/energy/water source management, greenhouse gas and other gases discharge, effluent sewage</td> </tr> </tbody> </table>		Team	Responsibilities	Corporate governance team	Integrity management, organizational strategic vision, risk management, regulatory compliance, stockholders' rights and interest maintenance, information transparency and economic performance.	Employee care team	Employee remunerations and welfare, management of job function, labor-employer relationship, training, employment environment, human rights, regulatory compliance and complaint mechanism.	Society care team	Society care, community participation, public benefit activities, corporate image, and complaint mechanism.	Environment sustainability team	Environment sustainability policy, enterprise carbon reduction management, environment sustainability promotion, raw materials/energy/water source management, greenhouse gas and other gases discharge, effluent sewage
			Team		Responsibilities									
			Corporate governance team		Integrity management, organizational strategic vision, risk management, regulatory compliance, stockholders' rights and interest maintenance, information transparency and economic performance.									
			Employee care team		Employee remunerations and welfare, management of job function, labor-employer relationship, training, employment environment, human rights, regulatory compliance and complaint mechanism.									
Society care team	Society care, community participation, public benefit activities, corporate image, and complaint mechanism.													
Environment sustainability team	Environment sustainability policy, enterprise carbon reduction management, environment sustainability promotion, raw materials/energy/water source management, greenhouse gas and other gases discharge, effluent sewage													

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2. Whether the Company has conducted risk assessments on operating environment, society and governance issues according to materiality principles, and stipulated relevant risk management policies or strategies?	✓		The Company's Board of Directors had adopted to stipulate the risk management organizational structure and "Risk Management Policies and Procedures" on 2021/10/26, and integrated its materiality principles into operating related environment, society and corporate governance risk management strategies. Besides, it had also reported the implement of risk	Conform to Code of Practice on Sustainable Development, without significant difference.						

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<p>3. Environmental issues</p> <p>(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?</p>	✓		<p>(1) To protect natural environment and achieve sustainable development, the Company continues to march on the eco-friendly direction in terms of its product design, R&amp;D and production, with corresponding certifications as follows:</p> <p>(a) ISO14001:2015 Certification (validation:2020/01/08~2023/01/07) Passed URS external verification in 2020/01, covering all the Company's products.</p> <p>(b) IECQ QC80000:2017 Certification (validation:2020/03/06~2023/03/05) Passed ARES external verification in 2020/3 for all of its electrical machineries, electronic components and HFS products within supply chain to reduce or eliminate hazardous substances production and maintain environmental sustainability.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

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<p>(2) Whether improve energy service efficiency and apply the low environmental load impact recycling materials?</p> <p>(3) Whether the Company has evaluated potential influences and opportunities from climate change and adopted relevant countermeasures?</p>	<p>Y</p> <p>✓</p> <p>✓</p>	<p>N</p> <p>Explanation</p> <p>(2) The Company respectfully abides by domestic environmental regulations, and responses to international green product activities. The company's current applied packing materials are reproducible or recyclable, to reduce loads to the environment.</p> <p>(3) The Company, with the help of relevant internal department's evaluations on the potential impacts and its degree, identified the following risk issues and opportunities: Potential risks:</p> <table border="1" data-bbox="922 807 1868 1348"> <thead> <tr> <th data-bbox="922 807 1133 855">Items</th> <th data-bbox="1133 807 1339 855">Risks</th> <th data-bbox="1339 807 1868 855">Response Measures</th> </tr> </thead> <tbody> <tr> <td data-bbox="922 855 1133 1034" rowspan="2">Environmental regulation</td> <td data-bbox="1133 855 1339 1034" rowspan="2">Increasing difficulty in wastes disposal</td> <td data-bbox="1339 855 1868 962">Promote source classification and waste reduction, materials or packing materials recycling.</td> </tr> <tr> <td data-bbox="1339 962 1868 1034">Production materials must be eco-friendly such as RoHS.</td> </tr> <tr> <td data-bbox="922 1034 1133 1348" rowspan="3">Global warming</td> <td data-bbox="1133 1034 1339 1348" rowspan="3">Air conditioner load increased and electricity shortage</td> <td data-bbox="1339 1034 1868 1106">Implement energy conservation measures, such as turn off lights during lunch break.</td> </tr> <tr> <td data-bbox="1339 1106 1868 1177">Purchase energy-efficient equipment as a priority.</td> </tr> <tr> <td data-bbox="1339 1177 1868 1249">Cultivate green plants to add green space and reduce heat island effect.</td> </tr> <tr> <td data-bbox="1339 1249 1868 1348">Participate in low carbon organization and discussion, and provide green energy or renewable energy suggestion.</td> </tr> </tbody> </table>	Items	Risks	Response Measures	Environmental regulation	Increasing difficulty in wastes disposal	Promote source classification and waste reduction, materials or packing materials recycling.	Production materials must be eco-friendly such as RoHS.	Global warming	Air conditioner load increased and electricity shortage	Implement energy conservation measures, such as turn off lights during lunch break.	Purchase energy-efficient equipment as a priority.	Cultivate green plants to add green space and reduce heat island effect.	Participate in low carbon organization and discussion, and provide green energy or renewable energy suggestion.	<p>Conform to Code of Practice on Sustainable Development, without significant difference.</p>
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<p>(4) Whether the Company has counted greenhouse gas discharge amount, water consumption and total wastes amount of past two years, and formulated greenhouse gas and water consumption reduction or other wastes management policy?</p>	Y ✓	<p>N</p> <p>Explanation</p> <p>(4) The Company's greenhouse gas emissions are primary from electricity and water consumption. According to conversion rate provided by TaiPower Company and Taiwan Water Corporation's, the Company's GHG are as below:</p> <table border="1" data-bbox="900 635 1870 850"> <thead> <tr> <th rowspan="2">Emission Year</th> <th colspan="2">Water</th> <th colspan="2">Electricity</th> <th rowspan="2">Total GHG (tons)</th> <th rowspan="2">GHG Intensity (t CO<sub>2</sub>e /\$M Revenue)</th> </tr> <tr> <th>consumption (m<sup>3</sup>)</th> <th>GHG (tons)</th> <th>consumption (KWh)</th> <th>GHG (tons)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>16,911</td> <td>2.57</td> <td>3,161.19</td> <td>1,586.92</td> <td>1,589.49</td> <td>1.20</td> </tr> <tr> <td>2021</td> <td>18,327</td> <td>2.79</td> <td>3,892.74</td> <td>1,954.15</td> <td>1,956.94</td> <td>0.80</td> </tr> </tbody> </table> <p>Besides continuous improving energy efficiency, The Company has installed solar panels at its Nankang factory located in Nantou, Taiwan and signed a net-metering program with TaiPower Co. selling renewable power produced from its solar generator resulting carbon offsetting effects in the last 2 years are as follows:</p> <table border="1" data-bbox="967 1114 1780 1369"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">item</th> <th colspan="2">Solar Energy</th> </tr> <tr> <th>Renewable electricity (KWh)</th> <th>GHG Offsetting (tons)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td></td> <td>12.89</td> <td>6.47</td> </tr> <tr> <td>2021</td> <td></td> <td>12.29</td> <td>6.17</td> </tr> </tbody> </table>	Emission Year	Water		Electricity		Total GHG (tons)	GHG Intensity (t CO <sub>2</sub> e /\$M Revenue)	consumption (m <sup>3</sup> )	GHG (tons)	consumption (KWh)	GHG (tons)	2020	16,911	2.57	3,161.19	1,586.92	1,589.49	1.20	2021	18,327	2.79	3,892.74	1,954.15	1,956.94	0.80	Year	item	Solar Energy		Renewable electricity (KWh)	GHG Offsetting (tons)	2020		12.89	6.47	2021		12.29	6.17	<p>Conform to Code of Practice on Sustainable Development, without significant difference.</p>
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			<p>Waste Management: the Company, through process design, technology improvement and material recycling, has reduced raw materials consumption, and reduce waste at source. The Company's major wastes are production leftover materials, packing materials or abandoned wastes, which are commissioned by qualified wastes treatment factory for recycling and reusing, with total waste produced in recent years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Innocuous waste (tons)</th> <th>Hazardous waste (tons)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>91.12</td> <td>0</td> </tr> <tr> <td>2021</td> <td>127.23</td> <td>0</td> </tr> </tbody> </table> <p>The Company's emission reduction target takes 2021 as baseline year, and the goal is to reduce at least 2% of total greenhouse gas intensity per million of operating revenues within 5 years. Measures taken are as below:</p> <table border="1"> <thead> <tr> <th>Target Item</th> <th>Implement Measures</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Greenhouse gases reduction</td> <td>1. Promote paperless and recycling policies reducing paper usage.</td> </tr> <tr> <td>2. Use ROHS and WEEE compliance materials only in production</td> </tr> <tr> <td>3. Encourage employees to use reusable utensils</td> </tr> <tr> <td>4. upgrade equipment to more energy efficient models</td> </tr> <tr> <td>5. Link energy and production data in order to optimize energy consumption and reduce GHG emission.</td> </tr> </tbody> </table>	Year	Innocuous waste (tons)	Hazardous waste (tons)	2020	91.12	0	2021	127.23	0	Target Item	Implement Measures	Greenhouse gases reduction	1. Promote paperless and recycling policies reducing paper usage.	2. Use ROHS and WEEE compliance materials only in production	3. Encourage employees to use reusable utensils	4. upgrade equipment to more energy efficient models	5. Link energy and production data in order to optimize energy consumption and reduce GHG emission.	Conform to Code of Practice on Sustainable Development, without significant difference.
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<p>4. Social issues</p> <p>(1) Has the Company formulated relevant management policies and procedures under the relevant laws and regulations and international human rights conventions?</p>	✓		<p>(1) The Company has formulated staff manual and administrative rules according to relevant labor acts. Sysgration also supports international principles aimed at protecting and promoting human rights, as described in the UN Universal Declaration of Human Rights, the UN Global Compact, the International Labor Organization' Declaration of Fundamental Principles and Rights at Work, and other international covenants of human rights and basic principles, and devotes to integrate human rights and spirits into its corporation value and culture and</p>	Conform to Code of Practice on Sustainable Development, without significant difference.									

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	Y	<p data-bbox="813 391 1888 550" style="text-align: center;">Explanation</p> <p data-bbox="813 550 1888 614">commits to human rights protection. Sysgration’s human rights related protection measures include:</p> <table border="1" data-bbox="907 550 1870 1434"> <thead> <tr> <th data-bbox="907 550 1093 614">Concerned Issues</th> <th data-bbox="1093 550 1870 614">Measures</th> </tr> </thead> <tbody> <tr> <td data-bbox="907 614 1093 837" rowspan="3">Occupational safety management</td> <td data-bbox="1093 614 1870 694">1. Regularly monitor workplace environment and maintain facilities and equipment, to ensure workplace safety.</td> </tr> <tr> <td data-bbox="1093 694 1870 774">2. Regularly detect and replace drink water, lighting equipment and fire-fighting apparatus in work sites.</td> </tr> <tr> <td data-bbox="1093 774 1870 837">3. Regularly organize in-job staff labor safety and sanitation education and training, to improve staff’s safety awareness.</td> </tr> <tr> <td data-bbox="907 837 1093 981" rowspan="2">Maternal protection</td> <td data-bbox="1093 837 1870 917">1. Strictly follow up labor laws and Gender Equality in labor laws.</td> </tr> <tr> <td data-bbox="1093 917 1870 981">2. Set up breastfeeding rooms to meet female colleagues’ demands.</td> </tr> <tr> <td data-bbox="907 981 1093 1157">Prohibition of Using Child Labor</td> <td data-bbox="1093 981 1870 1157">1. Prohibit to employ person under the age of 16. 2. Check identification document of the candidate in recruiting process in the first place. The new hires are also required to submit their original identification documents onboarding for verification.</td> </tr> <tr> <td data-bbox="907 1157 1093 1434" rowspan="4">Staff health management</td> <td data-bbox="1093 1157 1870 1204">1. Organize regular staff health examination.</td> </tr> <tr> <td data-bbox="1093 1204 1870 1300">2. Establish workplace health care for employees by collaboration with hospital to enhance convenient access to employees.</td> </tr> <tr> <td data-bbox="1093 1300 1870 1364">3. Organize health education lectures, and guide staffs to promote physical and mental health.</td> </tr> <tr> <td data-bbox="1093 1364 1870 1434">4. Set up each various clubs and encourage staffs to participate in leisure activities to relieve stress.</td> </tr> </tbody> </table>	Concerned Issues	Measures	Occupational safety management	1. Regularly monitor workplace environment and maintain facilities and equipment, to ensure workplace safety.	2. Regularly detect and replace drink water, lighting equipment and fire-fighting apparatus in work sites.	3. Regularly organize in-job staff labor safety and sanitation education and training, to improve staff’s safety awareness.	Maternal protection	1. Strictly follow up labor laws and Gender Equality in labor laws.	2. Set up breastfeeding rooms to meet female colleagues’ demands.	Prohibition of Using Child Labor	1. Prohibit to employ person under the age of 16. 2. Check identification document of the candidate in recruiting process in the first place. The new hires are also required to submit their original identification documents onboarding for verification.	Staff health management	1. Organize regular staff health examination.	2. Establish workplace health care for employees by collaboration with hospital to enhance convenient access to employees.	3. Organize health education lectures, and guide staffs to promote physical and mental health.	4. Set up each various clubs and encourage staffs to participate in leisure activities to relieve stress.	<p data-bbox="1888 718 2148 925">Conform to Code of Practice on Sustainable Development, without significant difference.</p>
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Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies								
	Y	N	Explanation									
(2) Has the Company set and implemented reasonable measures for employee welfare (including remuneration, leave, and other benefits) and properly reflected its business performance or results in employee remuneration?			<table border="1"> <tr> <td rowspan="3">No forced labor</td> <td>1. Strictly follow up labor laws, and stipulate working rules and relevant personal regulations.</td> </tr> <tr> <td>2. Record staffs' attendance and overtime, remind them as well as their direct managers of staffs' overtime situation. The compensation of overtime shall be compliant to labor laws.</td> </tr> <tr> <td>3. Adjust staff's workload and assist he or she to improve work efficiency to reduce overtime.</td> </tr> <tr> <td rowspan="3">Prohibit sexual harassment and gender discrimination</td> <td>1. Strictly stipulate the prohibition of discrimination and sexual harassment in work rules and personnel management regulations, to provide a fair and safe work environment.</td> </tr> <tr> <td>2. Organize discrimination prohibition and prevention of sexual harassment courses, to enhance staffs' gender equality awareness.</td> </tr> <tr> <td>3. Provide compliant channels to staff expressing their opinions in time, and assign specific person to handle such events.</td> </tr> </table>	No forced labor	1. Strictly follow up labor laws, and stipulate working rules and relevant personal regulations.	2. Record staffs' attendance and overtime, remind them as well as their direct managers of staffs' overtime situation. The compensation of overtime shall be compliant to labor laws.	3. Adjust staff's workload and assist he or she to improve work efficiency to reduce overtime.	Prohibit sexual harassment and gender discrimination	1. Strictly stipulate the prohibition of discrimination and sexual harassment in work rules and personnel management regulations, to provide a fair and safe work environment.	2. Organize discrimination prohibition and prevention of sexual harassment courses, to enhance staffs' gender equality awareness.	3. Provide compliant channels to staff expressing their opinions in time, and assign specific person to handle such events.	Conform to Code of Practice on Sustainable Development, without significant difference.
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	2. Organize discrimination prohibition and prevention of sexual harassment courses, to enhance staffs' gender equality awareness.											
	3. Provide compliant channels to staff expressing their opinions in time, and assign specific person to handle such events.											
✓		(2) In addition to actively implement humanity management and each welfare measures, the Company also adheres to the profit-sharing concept with its staffs, to attract and encourage outstanding talents, whose remunerations are determined according to company's operating results. Under the concept of workplace diversity and equalization, the company's female workers in the end of 2021 accounts 54% of the total, including over 30% of senior female executives.	Conform to Code of Practice on Sustainable Development, without significant difference.									

Evaluation Item	Implementation Status		Explanation	Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N		
(3) Does the Company provide employees with a safe and healthy working environment and regularly implement health and safety education for employees?	✓		(3) The Company attaches great importance to the health and safety of its employees. It has signed an agreement with Boren General Hospital to provide health maintenance services and advocacy services to employees every week, in addition to providing health consultations to employees by its professional physicians and medical personnel. Moreover, the Company will regularly check the safety of the work environment, carry out an employee health check, promote safety and hygiene from time to time, and communicate relevant precautions and health management knowledge to employees through the internal network. The Company did not have any occupational accident or injury occurred in 2021.	Conform to Code of Practice on Sustainable Development, without significant difference.
(4) Does the Company establish an effective career development training program for employees?	✓		(4) The Company encourages employees to further their knowledge and aims at developing outstanding talents. In addition to arranging the internal education and training, employees can also apply for external education and training to enhance their abilities and develop their career skills.	
(5) Regarding customer health and safety, customer privacy, and the marketing and labeling of products and services, does the Company follow relevant laws and international standards and formulate relevant policies and complaint procedures to protect the rights and	✓		(5) The Company's products are related to the electronics, automobile, and energy storage equipment industries and the products are subject to strict international standards. Therefore, the marketing and labeling of the Company's products are in accordance with the relevant laws and international standards. Also, product liability insurance is purchased for some of the Company's products to protect the rights and interests of consumers. If any questions about the product, the Company can be	

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
<p>interests of consumers?</p> <p>(6) Does the Company have a supplier management policy requiring the suppliers to follow relevant standards in environmental protection, occupational health and safety, labor rights, and other issues, and what are the conditions of implementation?</p>	✓		<p>reached by phone or e-mail. The Company will assign a dedicated person to understand the situation and coordinate and properly deal with the relevant matters.</p> <p>(6) The Company has established the "Operation Instruction for Manufacturer Management Evaluation." It requires the associated manufacturers to sign the "Code of Conduct for the Supplier's Corporate Social and Environmental Responsibility" and the "Letter of Commitment for Integrity, Environmental Protection, and Social Responsibility," which requires and advocates our suppliers to cooperate together with the Company to promote corporate social responsibility on environmental protection, occupational health and safety, labor and human rights, and integrity management. The Company also evaluates the supplier through daily interaction and regular evaluation. If the supplier violates the corporate responsibility or has a significant negative impact on the environment and society, the contact between the two parties will be terminated. If any complaint is received, it will be verified and dealt with in a confidential manner.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.
<p>5. Whether the Company has referred international standards or guidelines for the preparation of reports, sustainable development report and other disclosure</p>	✓		<p>Although the Company is without any certainty or guarantee from a third verification unit, it has already stipulated Sustainable Development Codes, to fulfill sustainable development by considering interested parties' interests, with fair and reasonable attitude to clients, and require its suppliers</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies	
	Y	N	Explanation		
reports for company's non-financial information? Whether the aforesaid report is certified or assured by a third verification unit?			to comply with social environment responsibility protocol specifications.		
6. In case of the company has stipulated its sustainable development codes according to the Market Listed Corporate Code of Practice on Sustainable Development, please state its functions and differences: the Company has already stipulated “Sustainable Development Best Practice Principles” and discloses relative information on its website, and strictly abides by during daily operation.					
7. Other important information for understanding the Company's sustainable development implementation:  (1) To promote sustainable development, except for the original environmental management levels, the company also adds labor safety and health risk assessments and measures, labor's right promotion, and encourages the balance of work and leisure. Besides, the company officially forbids the sexual harassment on staffs, maintains occupational safety and staff physical and mental health, as well as obeys commercial ethics, protects intellectual property, trade secrets, etc..  (2) The Company has obtained the following certificates:					
Certification	Plant Site	Certificate number	Verification unit	Verification date	Due (effective) date
IATF 16949:2016	Nankang	44 111 202142	TUV NORD	2021/02/03	2024/02/02
	Huizhou	0334722	NQA	2018/09/19	2021/09/18
	Zhenjiang	44 111 160420	TUV NORD	2019/02/14	2022/02/13
ISO 9001:2015	Nankang	44 100 202142	TUV NORD	2021/02/22	2024/02/22
	Huizhou	45740	NQA	2018/12/13	2021/12/13
	Zhenjiang	44 100 160420	TUV NORD	2019/02/14	2022/02/13

Evaluation Item	Implementation Status				Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies	
	Y	N	Explanation			
ISO 14001:2015	Nankang	110255/A/0001/UK/En	URS		2020/01/08	2023/01/07
	Huizhou	U919119E30682R1M	Beijing Hangxing Quality Certification Center Co., Ltd.		2019/07/17	2022/07/16
	Zhenjiang	LBC20E0026ROM	United Standard Certification Co. LTD		2020/05/28	2023/05/27
ISO 45001:2018	Nankang	110255/B/0001/UK/En	URS		2020/01/08	2023/01/07
	Huizhou	U919119S30642R1M	Beijing Hangxing Quality Certification Center Co., Ltd.		2019/07/17	2022/07/16
	Zhenjiang	LBC20S0018ROM	United Standard Certification Co. LTD		2020/05/28	2023/05/27
IECQ QC80000:2017	Nankang	IECQ-H ARES 20.0008	IECQ		2020/03/06	2023/03/06
IECQ-H ARES 20.0008	Nankang	ARES/TW/2002001HSPM	IECQ		2020/03/06	2023/03/05
Environmental Management System	Zhenjiang	LBC20E0026ROM	United Standard Certification Co. LTD		2020/05/28	2023/05/27

(3)The Company's material risk issues and risk management strategies.

Major issues	Risk assessment items	Risk management strategies
Environment	Occupational safety	1. Provide safe and health working environment to employees. 2. Reduce employee disabling injuries frequency and severity ratio 3. Achieve zero accident, and prevent occupational diseases.
	Wastes management	Continue to promote waste reduction at the source and recycling.
	Climatic change	Continue to implement greenhouse gas reduction measures
	Energy management	Develop green-energy product and continue to improve energy-saving performance
Society	Talent development	Plan and organize talent development to achieve sustainable development
	Human rights	1. Assist staff maintaining physical and psychological health and balance between work and life. 2. Provide multiple opinion channels for staff to create a harmonious labor-employer relationship.



Evaluation Item		Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
		Y	N	Explanation	
Corporate management	Commercial ethics			Ethical management in all aspects of business.	
	Supplier sustainable management			Conduct supplier sustainable management appraisal.	
	Customer service			Continue to provide more competitive products.	
	Regulatory Compliance			Continue to reify laws and decrees to company polices, and offer training courses to employees.	

Note 1: If "Yes" is ticked, please describe the major policies, strategies, measures adopted and implemented; if "No" is ticked, please explain the reasons and how the relevant policies, strategies, and measures will be implemented in the future.

Note 2: If the Company has prepared a corporate social responsibility report, the summary should indicate how to consult the corporate social responsibility report and the page number of the index instead.

Note 3: The materiality principle refers to an issue of environment, society, and corporate governance that significantly impacts investors and other interested parties of the Company.

#### 4.6 Performance of ethical management and implementation measures:

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
<p>1. Establishment of a policy and plan of integrity management</p> <p>(1) Has the company formulated a policy of ethical management approved by the Board of Directors and clearly stated the policy and practice of ethical management in the rules and regulations and external documents, as well as the commitment of the Board of Directors and executive management to actively implement the business policy?</p> <p>(2) Has the Company established a risk assessment mechanism for dishonest conduct, regularly analyzed and evaluated the business activities within the scope of business with a high risk of dishonest conduct, and based on this, formulated a plan to prevent dishonest conduct, which shall at least cover the preventive measures for the conduct in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company, based on integrity and ethical operation principle, has stipulated the “Ethical Management Guidelines” and “Code of Ethics” to as principles for its business, directors, senior managers and group staffs to obey and build up good commercial operation modes. The “Ethical Management Guidelines” is disclosed on its website for reference to the public.</p> <p>(2) The internal rules of the Company, such as the operating rules for preventing insider trading and the employee handbook, stipulate that all employees shall not engage in or be involved in any dishonest business activities, and the audit unit shall conduct regular audits and prevent such activities through internal reporting.</p>	<p>Compliance with the Code of Ethical Management without significant differences.</p>

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
(3) Has the Company defined the operating procedures, conduct guidelines, punishment, and reporting system for violations to prevent dishonest acts and implement, and regularly reviewed the plan for revising and exposing the violations?	✓		(3) The Company has a " Code of Ethics" and relevant internal measures and policies . The punishment and appeal system for violations has been defined, advocated, and implemented through internal education and training.	Compliance with the Code of Ethical Management without significant differences.
2. Implementation of ethical management				
(1) Has the Company assessed the ethical record of its dealing parties and has included in the contracts entered into with its dealing parties a clause on ethical conduct?	✓		(1) The Company requires its business associates to sign a "Letter of Commitment on Integrity, Environmental Protection, and Social Responsibility," which stipulates that the business associates shall abide by integrity and shall not grant or receive improper benefits to the employees of the Company. They also regularly assess the integrity of their business operations and whether they violate their ethical records to ensure that their business operations are transparent and fair.	Compliance with the Code of Ethical Management without significant differences.
(2) Does the Company set up a dedicated unit under the Board of Directors to promote the honest operation, and regularly (at least once a year) report to the Board of Directors its policy of honest operation and the plan to prevent dishonest behavior and supervise its implementation?	✓		(2) The Company's human resource department acts as its integrity operation coordination unit, aiming at promoting and supervising company's ethical management policy and preventing dishonesties. On the other hand, the internal audit unit also provides supervision and examination on each operating department to conform to internal control rules.  The implementation of ethical management in 2021 had been reported to the Board of Directors on 2021/11/09 and details are as below:	

Evaluation Item	Operation Condition		Explanation	Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N		
(3) Has the Company formulated and implemented a policy to prevent conflict of interest and provided appropriate channels for presentation?	✓		1. Promote and illustrate the Company's ethical management culture at new hired employees' orientation program.	Compliance with the Code of Ethical Management without significant differences.
			2. Stipulated the "Procedures for insider trading Prevention Management" to forbid its directors and staffs to obtain profits by utilizing undisclosed information in market.	
			3. When a director or manager is appointed, the company shall, upon registration, mail he or she the "Insiders' Shareholding Trading Guideline", and inform them of relevant laws and regulations.	
			4. Promote the document of "Common Pattern of Insider Shareholding Change Declaration in Violation of Securities Exchange Act" through e-mail, and urge insiders to handle shareholding change according to laws.	
			5. Upon performance assessment in every quarter, morality and personal integrity must be included in.	
			6. Staffs and suppliers must sign the "Letter of Commitment of Honesty" every year and declare to abide strictly.	
			(3) The Company conducts all business activities in accordance with the law and will release important information in accordance with the law to achieve information transparency; if there is a conflict of interest in the vote of the Board of Directors, the person shall be withdrawn.	

Evaluation Item	Operation Condition		Explanation	Situation and Reasons for Differences from Code of Integrity Management for Listed Companies																																
	Y	N																																		
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management? Has the internal audit unit drawn up relevant audit plans based on the assessment results of the risks of dishonest conduct and checked the compliance of the plan to prevent the dishonest conduct, or entrust an accountant to conduct the audit?	✓		(4) The Company has established an effective accounting formulation and internal control system. The Company's internal audit unit shall conduct the audit according to the annual audit plan approved by the Board of Directors, submit the report to the Audit Committee, report the implementation of its audit to the Audit Committee and the Board of Directors, and report to the competent authority according to the relevant provisions.	Compliance with the Code of Ethical Management without significant differences.																																
(5) Does the Company regularly hold internal and external education and training on ethical management?	✓		(5) The Company held external and internal training courses on the related subjects of ethical management in 2021, a total of 12 course hours and 399 head counts been trained.																																	
<table border="1"> <thead> <tr> <th>Date</th> <th>Contents</th> <th>Hours</th> <th>Head Counts</th> </tr> </thead> <tbody> <tr> <td>2021/03/18</td> <td>Insiders' share trading guidelines</td> <td>2h</td> <td>15</td> </tr> <tr> <td>2021/07/15</td> <td>Patent research.</td> <td>2h</td> <td>10</td> </tr> <tr> <td>2021/08/18</td> <td>confidential information and business secret protection</td> <td>1h</td> <td>93</td> </tr> <tr> <td>2021/08/19</td> <td>How to compare whether the patent is infringed?</td> <td>2h</td> <td>10</td> </tr> <tr> <td>2021/09/15</td> <td>Corporate information protection</td> <td>2h</td> <td>106</td> </tr> <tr> <td>2021/10/13</td> <td>Business secret.</td> <td>2h</td> <td>60</td> </tr> <tr> <td>2021/10/20</td> <td>Contract related matters.</td> <td>1h</td> <td>105</td> </tr> </tbody> </table>				Date	Contents	Hours	Head Counts	2021/03/18	Insiders' share trading guidelines	2h	15	2021/07/15	Patent research.	2h	10	2021/08/18	confidential information and business secret protection	1h	93	2021/08/19	How to compare whether the patent is infringed?	2h	10	2021/09/15	Corporate information protection	2h	106	2021/10/13	Business secret.	2h	60	2021/10/20	Contract related matters.	1h	105	
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Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
<p>3. Operation of the Company's reporting system</p> <p>(1) Has the Company formulated a specific reporting and reward system, established a convenient reporting channel, and designated an appropriate person in charge of handling the report?</p> <p>(2) Has the Company set the standard operating procedures to investigate complaints, the follow-up measures to be taken after the investigation is completed, and a relevant confidentiality mechanism?</p> <p>(3) Has the Company taken measures to protect the informant from improper treatment due to reporting?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has formulated relevant and specific whistleblowing system and was disclosed on the Company's website, with proper officers for effectively perform the appeal. An informer may prosecute through letter, e-mail and telephone and etc., of which, whistleblowing on shareholders, investors or other stakeholders are accepted by spokesperson or deputy spokesperson, while that on internal employees, clients, or suppliers are processed by human resource department.</p> <p>(2) the company shall process whistleblowing events based on "Whistleblowing Procedures", in which stipulated corresponding operating procedures and secrecy mechanism, to maintain informer's rights and privacy.</p> <p>(3) The Company's whistleblowing Procedures expressly stipulate that the accepting unit shall not disclose informer's identity, to effectively maintain appeal system and prevent informer from improper treatments.</p>	<p>Compliance with the Code of Ethical Management without significant differences.</p>
<p>4. Strengthened information disclosure</p> <p>(1) Does the Company disclose the content and effectiveness of its ethical management on its website and on its Open Information Observatory?</p>	<p>✓</p>		<p>The Company's Code of Ethical Management is disclosed on its website and on the Open Information Observatory.</p>	<p>Compliance with the Code of Ethical Management without significant differences.</p>

Evaluation Item	Operation Condition		Explanation	Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N		
5. If the Company has its own code of ethical management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please state the difference between its operation and the code: No differences exist.				
6. Other important information that will help us to understand the ethical management operation of the Company: The Company has an accounting system, internal audit, and other operations. It has formulated the “Corporate Governance Principles” and “Ethical Management Guidelines” for the Company's executive management and employees to follow. The internal auditors also regularly report to the Audit Committee and the Board of Directors on the Company's internal control system and various audits. In addition, the Audit Committee and the Board of Directors will be informed of any work or content revision that needs to be strengthened so that the ethical management system can be effectively implemented.				

4.7 If the Company has a corporate governance code and relevant regulations, it shall disclose its inquiry methods:

Please refer to the Company's website ([www.sysgration.com](http://www.sysgration.com)) and the Open Information Observatory.

4.8 Other important information which is sufficient to enhance the understanding of the operation of corporate governance may be disclosed together:

In order to establish a good internal material information processing and disclosure mechanism, avoid the improper disclosure of information, and ensure the consistency and accuracy of the information published by the Company to the outside world, the Company hereby establishes the "Internal Material Information Processing Procedure."

## 4.9 Implementation of the internal control system

### 1. Statement of internal control

Sysgration Ltd.  
Statement of the internal control system

Date: March 17, 2022

The Company's internal control system of 2021, based on the results of its own assessment, is hereby stated as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the management team of the Company, and the Company has established such a system. The objective is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance, and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
2. The internal control system has its innate limitations, no matter how perfect the design is. An effective internal control system can only provide a reasonable assurance for achieving the above three objectives. Moreover, due to the change in the environment, the effectiveness of the internal control system may change. However, The Company has a self-monitoring mechanism for its internal control system. Once any deficiencies are identified, the Company shall take corrective action.
3. The Company judges whether the design and implementation of the internal control system are effective or not according to the "Guidelines for Handling the Establishment of Internal Control System by Public Offering Companies" (hereinafter referred to as the "Guidelines for Handling"). The internal control system used in the "Guidelines for Handling" is the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision operation. Each component includes several items. For the foregoing items, please refer to the "Guidelines for Handling."
4. The Company has adopted the above internal control system judgment items and evaluated the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the foregoing assessment, the Company considers that the internal control system of the Company as of December 31, 2021 (including the supervision and management of the subsidiaries), including an understanding of the effectiveness of operations and the extent to which efficiency objectives are achieved, and the report is reliable, timely, transparent, and in compliance with relevant codes and major regulations with relevant internal control systems, so the design and implementation are effective and can reasonably ensure that the above objectives are achieved.
6. This Statement will be the main content of the Company's annual report and prospectus and will be disclosed publicly. Any false or concealment of the above information will be subject to the legal liability of Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement is approved by the Board of Directors of the Company on March 17, 2022. Among the seven directors present, there are no opposing opinions, and they agree with the contents of this Statement and hereby declare as such.

Sysgration Ltd.

Chairman: Lee, Yi-Ren

General Manager: Hsieh, Tung-Fu



2. If an accountant is entrusted with reviewing the internal control system professionally, the audit report of the accountant shall be disclosed: None.

4.10 In the most recent year, as of the publication date of the annual report, the Company and its internal personnel have been punished according to the law, or the Company has punished its internal personnel for violating the provisions of the internal control system. The punishment result may have a significant impact on the shareholders' rights and interests or securities prices. The content of the punishment, main deficiency, and improvement measures are as below: None.

4.11 Important resolutions from the shareholders' and the Board of Directors meeting in the most recent year, as of the publication date of the annual report:

1. Contents and implementation of important resolutions of the meeting of shareholders

Date	Important resolutions of the meeting of shareholders	Implementation
2021/07/30	1.Approved 2020 business report, parent company only and consolidated financial statements.	The Company's 2020 annual financial statement has been approved at shareholders' meeting, and disclosed on the Open Information observation station website for reference.
	2.Approved 2020 annual loss appropriation and compensation.	Had been appropriated according to shareholders' meeting resolution.

2. Major resolutions of the Board of Directors

Date	Material Resolutions of the Board of Directors
2021/01/14	<ol style="list-style-type: none"> <li>1. Adopted "Performance Evaluation Measures of the Board of Directors".</li> <li>2. Adopted 2021 business plan.</li> <li>3. Adopted the Company's capital increase record date of employee stock option execution.</li> <li>4. Adopted bank loan credit.</li> <li>5. Adopted bank credit line of forward exchange trading.</li> <li>6. Adopted convening annual shareholders' meeting of 2021.</li> <li>7. Adopted ESS BU bonus plan.</li> <li>8. Adopted revision of "Measurement of business bonus".</li> <li>9. Adopted revision of the Company's "Measurement of operation bonus".</li> <li>10. Adopted the Company's 2020Q4 business bonus release for managers.</li> <li>11. Adopted the Company's 2020Q4 operation bonus release for managers.</li> <li>12. Adopted the Company's 2020 year-end bonus release for managers.</li> <li>13. Adopted plan for acquisition of land.</li> </ol>
2021/03/18	<ol style="list-style-type: none"> <li>1. Adopted "Internal control system effectiveness assessment" and "Statement of internal control system." Of 2020.</li> <li>2. Adopted the Company's 2020 audited financial statements and business report.</li> <li>3. Adopted the Company's 2020 annual loss appropriation and compensation.</li> <li>4. Adopted increase endorsement guarantee amount for Sysgration Electronics Technology (Zhenjiang) Co. Ltd.</li> </ol>

Date	Material Resolutions of the Board of Directors
	5. Adopted CEO's resignation. 6. Adopted executive managers' compensation release. 7. Adopted the amendment of the Company's "Authorization Delegation List."
2021/04/16	Adopted to discontinue the private placement approved by 2020 shareholders' meeting.
2021/05/11	1. Adopted evaluation of the independence and competence of the auditing CPAs. 2. Adopted the Company's capital increase record date of employee stock option execution. 3. Adopted appointment for chief corporate governance officer. 4. Adopted bank loan credit. 5. Adopted change of Spokesperson. 6. Adopted 2020Q4 and year-end operation bonus release for managers.
2021.07.07	1. Adopted to change the date of 2021 Annual Shareholders' Meeting. 2. Adopted to provide endorsement guarantee for Sysgration Electronics Technology (Huizhou) Co. Ltd. 3. Adopted compensation of executive managers.
2021/08/11	Adopted bank loan credit.
2021/10/26	1. Adopted Risk Management Organization and Procedures. 2. Adopted the Company's 2021 Q1-Q3 operation bonus release for managers. 3. Adopted Investment Proposal.
2021/11/09	1. Adopted 2022 audit plan. 2. Adopted revision of "Procedures for Insider Trading Prevention Management". 3. Adopted bank loan credit.
2022/01/18	1. Adopted 2022 business plan. 2. Adopted revision of "Corporate Social Responsibility Best Practice Principles". 3. Adopted the Company's capital increase record date of employee stock option execution and conversion of convertible bonds. 4. Adopted bank loan credit. 5. Adopted convening annual shareholders' meeting of 2022. 6. Adopted revision of the Company's "Measurement of Operation Bonus". 7. Adopted compensation adjustment of executive managers. 8. Adopted the Company's 2021 year-end bonus release for managers.
2022/03/17	1. Adopted "Internal control system effectiveness assessment" and "Statement of internal control system." Of 2021. 2. Adopted the Company's 2021 audited financial statements and business report. 3. Adopted the Company's 2021 annual profit and loss appropriation proposal. 4. Adopted bank loan credit. 5. Adopted amendment of Articles of Incorporation. 6. Adopted private placement of common shares. 7. Adopted revision of agendas for 2022 annual shareholders' meeting. 8. Adopted hiring of internal audit head. 9. Adopted hiring of new executive manager. 10. Adopted establishment of EVS division and hiring of EVS head. 11. Adopted new hired internal audit head's and executive managers' compensation. 12. Adopted the Company's 2021Q4 operation bonus and 2021 business bonus release for managers

- 4.12 In the most recent year, as of the publication date of the annual report, the directors or supervisors have different opinions on the adoption of material resolutions by the Board of Directors, and there is a record or written statement: None.
- 4.13 In the most recent year and up to the publication date of the annual report, the resignation of the Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, and Research and Development Supervisor:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CEO	Hsiao, Teng-Chou	2020/05/12	2021/03/08	Resignation
Audit supervisor	Kuo, Zhen-Lin	2016/07/22	2022/03/11	Resignation

## 5 Information On CPA's Services Fees

### 5.1 Audit Services Fee

Unit: NT\$ 1000

Accounting Firm	Accountant name	Accountant audit period	Audit Fees	Non-Audit Fees	Total	Remark
PricewaterhouseCoopers	Chiu, Chao-Hsien	2021/01/01~2021/12/31	4,120	335	4,455	
	Hsu, Ming-Chuan					

Note: The Company's 2021 non-audit fees is NT\$ 335 thousand, including fees related to registration charge of NT\$ 85 thousand and NT\$ 250 thousand of TP report fees.

5.2 Where the accounting firm is changed and the amount of audit fees paid in the year of the change is less than that in the year before the change, the amount of audit fees and the reasons before and after the change shall be disclosed: None.

5.3 Where the audit fees have been reduced by more than 10% compared with the previous year, the amount, proportion, and reasons for the reduction of audit fees shall be disclosed: None.

6 Information of Replacement of CPA: None.

7 Information To Be Disclosed Regarding The Chairman, General Manager, Or Chief Manager In Charge Of The Financial Or Accounting Affairs Of The Company Who Has Worked For Auditing Accounting Firm Or Its Affiliated Companies Within The Last One Year: None.

8 Changes Of Shareholding And Pledge Of Directors, Supervisors, Executive Managers, And Shareholders Holding More Than 10% Of The Shares.

#### 8.1 Changes in shareholding

Title	Name	2021		as of March 1, 2022	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Lee, Yi-Ren	300,000	0	0	0
Director	Lee, Cheng-Han	77,000	0	0	0
Director	Chen, Chih-Pin	0	0	0	0
Director /General Manager	Hsieh, Tung-Fu	39,000	0	0	0
Independent Director	Lin, Kuan-Chao	0	0	0	0
Independent Director	Wei, Che-Chen	0	0	0	0
Independent Director	He, Ju-Hsiang	0	0	0	0
CEO	Hsiao Teng-Chou (note3)	0	0	0	0
Vice President	Yeh, Chia-Fu	12,000	0	0	0
Vice President	Li, Fang-Mao	(72,000)	0	0	0
Vice President	Li, Yi-Chia	(9,000)	0	0	0
Vice President	Hsing, Chien	0	0	0	0
Vice President	Chang, Ping-Hua (note3)	0	0	0	0
Vice President	Chan, Wei-Chen (note3)	0	0	0	0
Director Manager	Wang, Hua-Wei	(40,000)	0	(50,000)	0
Director Manager	Wu, Jeng-Ru	0	0	0	0
Director Manager	Huang, Yao-Lun	0	0	15,000	0
Director Manager	Li, Tsung-Po (note3)	0	0	0	0
Director Manager	Lin, Mu-Sen	0	0	0	0
Director Manager	Lo, Mei-Lien (note3)	0	0	0	0
Director Manager	Hsu, Shui-Tien (note3)	0	0	0	0
Director Manager	Tsai, Hsiu-Mei	27,000	0	0	0

Note 1: The shareholders holding more than 10% of the Company's total shares shall be marked as major shareholders and listed separately.

Note 2: If the relative person of shares transfer or pledged is a related party, the following table should be completed.

Note 3: Mr. Hsiao, Teng-Chou resigned on 2021/03/08, Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Chan, Wei-Chen resigned on 2021/03/15, Mr. Li, Tsung-Po resigned on 2021/2/28, Mr. Hsu, Shui-Tien resigned on 2021/01/29, Ms. Luo, Mei-Lian onboard date was 2021/03/01.

8.2 Transfer of shares information: None.

8.3 Pledge of shares information: None.

## 9 Relationship Among The Top Ten Shareholders

As of March 1, 2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Lee, Yi-Ren	12,961,210	8.33%	2,782,097	1.79%	6,804,673	4.37%	Wu, Cui-Ying	Spouse	None
Talent Investment Co., Ltd.	6,804,673	4.37%	0	0.00%	0	0.00%	Lee, Yi-Ren	Company representative	None
Capital OTC Fund	2,800,000	1.80%	0	0.00%	0	0.00%	None	None	None
Wu, Cui-Ying	2,782,097	1.79%	12,961,210	8.33%	0	0.00%	Lee, Yi-Ren	Spouse	None
Wu, Xi-Kun	1,607,000	1.03%	0	0.00%	0	0.00%	None	None	None
Lin, Yu-Ye	1,227,000	0.79%	0	0.00%	0	0.00%	None	None	None
Qian Xing Investment Co., Ltd	1,192,890	0.77%	0	0.00%	0	0.00%	Ye, Shuo-Tang	Company representative	None
Representative: Ye, Shuo-Tang	0	0.00%	0	0.00%	0	0.00%	Qian Xing Investment Co., Ltd	Company representative	None
Tze Shin International Co., Ltd.	1,000,000	0.64%	0	0.00%	0	0.00%	Huang, Chun-Fa	Company representative	None
Representative: Huang, Chun-Fa	0	0.00%	0	0.00%	0	0.00%	Tze Shin International Co., Ltd.	Company representative	None
Zhan, Da-Qing	999,000	0.64%	0	0.00%	0	0.00%	None	None	None
Zhang, Qing-Quan	857,000	0.55%	0	0.00%	0	0.00%	None	None	None
Total	32,230,870	20.71%	15,743,307	10.12%	6,804,673	4.37%			

Note 1: All the top ten shareholders must be listed. The names of the corporate shareholders and the names of the representatives shall be listed if they are corporate shareholders.

Note 2: The calculation of the shareholding ratio refers to calculating the shareholding ratio in the name of oneself, spouse, minor child, and by nominee arrangement.

Note 3: The shareholders listed above, including the institutional shareholders and natural persons, shall disclose their relationships according to the issuer's financial statement reporting standards.

## 10 Ownership Of Shares In Affiliated Enterprises

Unit: share; %, as of December 31, 2021

Affiliated Enterprises (Note 2)	Ownership by the Company		Direct or Indirect Ownership by the Directors, Supervisors, and Executive Managers		Comprehensive Ownership	
	Shares	%	Shares	%	Shares	%
Sysgration Technology (Samoa) Ltd.	21,800,000	100%	0	0%	21,800,000	100%
Sysgration (Samoa) Ltd.	15,938,000	100%	0	0%	15,938,000	100%
Sysgration USA. Inc.	300,000	100%	0	0%	300,000	100%
Sysgration Technology (Zhenjiang) Ltd.	Note1	100%	Note1	100%	Note1	100%
Sysgration Technology (Huizhou) Ltd.	Note1	100%	Note1	100%	Note1	100%

Note 1: No shares issued.

Note 2: Long-term investment by the Company using the equity method.

## IV. Capital Overview

### 1. Capital And Shares

#### 1.1 Source of capital

##### (1) Capitalization information

Unit: NT\$1,000; 1,000 shares

Year/Month	Par Value (NT\$/share)	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2020/08	ESOP NT\$21.8	300,000	3,000,000	151,260	1,512,597	ESOP execution \$ 1,050	No	ZSSJ No.10901162960
2020/12	ESOP NT\$21.8	300,000	3,000,000	152,485	1,524,847	ESOP execution \$ 12,250	No	ZSSJ No.10901225500
2021/02	ESOP NT\$21.8/NT\$10	300,000	3,000,000	154,081	1,540,805	ESOP execution \$ 15,958	No	ZSSJ No.11001018930
2021/06	ESOP NT\$21.8/NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	154,553	1,545,534	CB conversion \$ 29 ESOP execution \$ 4,700	No	ZSSJ No.11001092500
2022/02	ESOP NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	155,549	1,555,489	CB conversion \$ 220 ESOP execution \$ 776	No	ZSSJ No.11101015970
Note 6	Staff stock option 10 NT\$	300,000	3,000,000	155,588	1,555,880	ESOP execution \$ 39	No	Note 6

Note 1: Information for the year as of the date of publication should be completed.

Note 2: The effective (approved) date and document number of the capital increase shall be noted.

Note 3: The shares issued under par value shall be marked in a prominent manner.

Note 4: If the monetary claims or technology are used as paid-in capital, it shall be stated clearly, and the types and amounts of such assets shall be noted.

Note 5: In the case of a private placement, it shall be marked in a prominent manner.

Note 6: From January 1, 2022 to February 28, 2022, the total execution of employee stock option is 39 thousand shares and the actual number of shares outstanding as of February 28, 2022, is 155,588 thousand shares; it is expected to apply for the registration of capital change after the end of the first quarter of 2022.

##### (2) Stock Type

Unit: share, As of March 1, 2022

Stock Type	Authorized Capital				Remark
	Outstanding Shares		Unissued Shares	Total	
	Listed	Unlisted			
Registered Common Stock	155,587,964	0	144,412,036	300,000,000	None

Note: The common stock includes the executed converted employee stock options that have not yet been registered for change of 39,000 shares; it is expected to apply for the registration of capital change after the end of the first quarter of 2022.

##### (3) Information of Self Registration: None.

#### 1.2 Shareholder structure

Unit: share; person As of March 1 2022

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Qty						
Number of Shareholders	1	2	163	34	38,076	38,276
Shareholding (shares)	21	7,785	13,390,930	1,112,912	141,076,316	155,587,964
Shareholding (%)	0.00%	0.01%	8.61%	0.71%	90.67%	100.00%

### 1.3 Shareholding distribution status

Unit: share; person As of March 1, 2022

Class of Shareholding (shares)	Number of shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	16,285	1,812,998	1.17%
1,000 - 5,000	17,935	35,733,494	22.97%
5,001 - 10,000	2,186	17,550,189	11.28%
10,001 - 15,000	655	8,514,152	5.47%
15,001 - 20,000	379	7,112,341	4.57%
20,001 - 30,000	333	8,593,077	5.52%
30,001 - 40,000	135	4,869,458	3.13%
40,001 - 50,000	99	4,619,748	2.97%
50,001 - 100,000	160	11,498,037	7.39%
100,001 - 200,000	59	7,891,350	5.07%
200,001 - 400,000	29	8,224,428	5.29%
400,001 - 600,000	3	1,604,804	1.03%
600,001 - 800,000	7	4,528,018	2.91%
800,001 - 1,000,000	4	3,661,000	2.35%
More than 1,000,000	7	29,374,870	18.88%
Total	38,276	155,587,964	100.00%

### 1.4 List of major shareholders

Unit: share As of March 1, 2022

Name of Shareholder	Shares	Shareholding	
		shares	%
Lee, Yi-Ren		12,961,210	8.33%
Talent Investment Co., LTD		6,804,673	4.37%
Capital OTC Fund		2,800,000	1.80%
Wu, Cui-Ying		2,782,097	1.79%
Wu, Xi-Kun		1,607,000	1.03%
Lin, Yu-Ye		1,227,000	0.79%
Qian Xing Investment Co., LTD		1,192,890	0.77%
Tze Shin International Co., Ltd.		1,000,000	0.64%
Zhan, Da-Qing		999,000	0.64%
Zhang, Qing-Quan		857,000	0.55%
Total		32,230,870	20.71%

### 1.5 Market price, net worth, earnings, dividend, and related information for the last two years

Unit: NT\$

Item	Year		2020	2021	Current year as of February 28, 2022	
Market Price per Share (Note 1)	Highest		55.5	47.0	43.45	
	Lowest		9.95	23.9	33.85	
	Average		31.80	38.75	39.97	
Net Worth per Share (Note 2)	Before Distribution		6.92	7.82	-	
	After Distribution		6.92	7.82	-	
Earnings per Share	Weighted Average Number of Shares		152,032,433	154,249,746	-	
	Earnings per Share (Note 3)		(0.64)	0.62	-	
Dividend per Share	Cash Dividend		0	0	-	
	Stock Dividend	Retained Earnings Allotment		0	0	-
		Capital Reserve Allotment		0	0	-
	Accumulated Unpaid Dividend (Note 4)		0	0	-	
Return on Investment	Price/Earnings Ratio (Note 5)		(49.69)	62.50	-	
	Price/Dividend Ratio (Note 6)		N/A	N/A	-	
	Cash Dividend Yield Rate (Note 7)		N/A	N/A	-	

\* If the retained earnings or capital reserves are distributed as dividends, the market price adjusted retroactively according to the number of shares issued and cash dividend information shall be disclosed.

Note 1: The data source is from the TPEx trading website.

Note 2: It shall list the highest and lowest market prices of each year and calculate the average market price of each year according to the transaction value and volume of each year.

Note 3: The earnings per share before and after adjustment should be shown in retroactive adjustment if stock dividends were distributed.

Note 4: Accumulated unpaid accrued dividends of the current year shall be disclosed separately.

Note 5: Price/Earnings Ratio = Average Market Price/Earnings per share.

Note 6: Price/Dividends Ratio = Average Market Price/Cash Dividends per Share.

Note 7: Cash Dividend Yield Rate = Cash Dividend per Share/ Average Market Price.

Note 8: The net worth per share and earnings per share should be filled in the latest quarter as of the publication date of the annual report, which has been audited (reviewed) by CPAs.

## 1.6 Dividend policy and implementation status

(1) Dividend policy stipulated in the Articles of Incorporation:

If there is a surplus in the annual gross final accounts of the Company, the taxes shall be withheld firstly, and previous losses shall be made up. The subsequent deduction of 10% shall be the statutory surplus reserve unless the statutory surplus reserve has reached the Company's paid-up capital. In addition, a special surplus reserve shall be set aside according to the operational needs of the Company and the provisions of laws and regulations. If there is still a surplus and the surplus has not been distributed at the beginning of the period, the Board of Directors shall draw up a surplus distribution plan and submit it to the shareholders' meeting for resolution to distribute or keep the surplus. In order to meet the Company's long-term business development, future capital needs, and long-term business planning, no more than 90% of the distributable earnings shall be allocated annually as the distribution of dividends to shareholders, except that the accumulated distributable earnings are less than 5% of the paid-in capital. The cash dividend shall not be less than 10% of the total dividend, but if the amount of cash dividend allocated is less than NT\$0.5 per share, it may be paid out in share dividend.

(2) The proposed dividend distribution at this shareholders' meeting: None.

## 1.7 Impact of proposed share dividends at this shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, no share dividend allotment is proposed at this shareholders' meeting.

## 1.8 The remuneration of employees, directors, and supervisors

(1) The percentage or scope of remuneration for employees, directors, and supervisors as set out in the Articles of Incorporation:

If the Company makes profits in the year, it shall allocate 10% to 15% for the remuneration of its employees and no more than 3% for the remuneration of its directors. However, if the Company still has accumulated losses, it shall reserve the amount to make up in advance.

The stock or cash payments to employees referred to in the preceding paragraph may include the employees of affiliated companies who meet certain conditions. The Board of Directors shall be authorized to determine the conditions and distribution methods.

(2) The basis for estimating the profit-sharing remuneration distribution of employees, directors, and supervisors, and the accounting treatment in the event of any discrepancy between the actual amount allocated and the estimated amount:

The Company did not estimate or allocate any profit-sharing remuneration to its employees, directors, and supervisors in 2021, so there was no discrepancy.

(3) Remuneration distribution approved by the Board of Directors:

(a) If there is any difference between the amount of cash or stock allotment as remuneration to employees and remuneration to directors and supervisors, and the annual estimated amount of recognized expenses, the amount of the difference, reasons for the difference, and treatment shall be disclosed:

The Company did not recognize or distribute any profit-sharing remuneration for its employees or directors and supervisors in 2021.

(b) The ratio of employees' profit-sharing stock remuneration to net income of parent company only:

The Company did not distribute any profit-sharing stock remuneration to its employees in 2021.

(4) If there is any difference between the actual distribution of remuneration to employees, directors, and supervisors in the previous year (including the number of shares allocated, the number of shares allocated, and the share price), and the recognized remuneration to employees, directors, and supervisors, the number of the difference, reasons for the difference, and treatment shall be stated as follows:

The Company did not allocate any remuneration to its employees, directors, and supervisors in 2021.

## 1.9 Buy-back of treasury stock: None.



## 2. Corporate Bonds

### 2.1 Information related to corporate bonds issued:

The Company applied for the issuance of the fourth domestic secured convertible corporate bonds, which the Financial Supervision Commission approved with Letter Jin- Guan-Zheng-Fa-Zi No. 1090357651 on September 29, 2020, with a total issuance amount of NT\$500 million.

Type of Corporate Bond	The Fourth Domestic Secured Convertible Corporate Bonds	
Issue Date	October 20, 2020	
Face Value	NT\$100,000 per voucher	
Issuing and Trading Location	Domestic TPEX	
Issue Price	Issued at 100.2% of par value	
Total Issue Amount	NT\$500 million	
Coupon Rate	0%	
Tenor	Three years. Maturity date: October 20, 2023	
Guarantee Agency	Hua Nan Commercial Bank Ltd.	
Trustee	The Shanghai Commercial & Savings Bank, Ltd.	
Underwriter	Fubon Securities Co., Ltd.	
Certified Lawyer	HANDSOME ATTORNEYS-AT-LAW: Lawyer Qiu, Ya-Wen	
CPAs	PricewaterhouseCoopers Taiwan: Accountant Chiu, Chao-Hsien, Hsu, Ming-Chuan	
Repayment Method	The term is three years; unless converted or redeemed according to the conversion method, the bond shall be repaid in a lump sum in cash at maturity according to the face value of the bond.	
Un-Repaid Amount	None.	
Redemption or Early Repayment Clause	<ol style="list-style-type: none"> <li>1. From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40<sup>th</sup> day before the maturity date (September 11, 2023), if the closing price of the Company's common shares exceeds the then- conversion price by 30% for thirty consecutive business days (included), the Company may, within thirty business days thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice.</li> <li>2. From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40<sup>th</sup> day before the maturity date (September 11, 2023), if the circulating balance of the converted bonds is less than 10% of the total amount originally issued, the Company may, at any time thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice.</li> </ol>	
Restrictive Clause	<ol style="list-style-type: none"> <li>1. If the holders of the convertible bonds request the conversion during January 1 of the current year to the 15<sup>th</sup> business days (excluded) prior to the date of the cessation of transfer of cash dividends required by the Company in the current year, they may participate in the cash dividend (stock dividend) distribution of the previous year decided on the shareholders' meeting of the current year.</li> <li>2. From the 15<sup>th</sup> business days before the record date of cash dividends (included) to ex- dividend date (included), the conversion of the convertible corporate bonds shall be stopped.</li> <li>3. If the holders of the convertible corporate bonds who request the conversion during the day following ex-dividend date to December 31 (included) of the current year, shall not be entitled to the cash dividend of the previous year by the resolution of the shareholders' meeting of the current year but may participate in the cash dividend (stock dividend) of the next year.</li> </ol>	
Name of Credit Rating Agency, Rating Date, and Corporate Bond Rating Result	None.	
Other Rights Attached	Converted Amount as of the Publication Date Of the Annual Report	NT\$ 7,800,000
	Issuance and Conversion Method	Please refer to the bond issuance data in the bond information area of the Open Information Observatory.
Possible Dilution of shareholding due To Bond Issuance and Conversion, Exchange, Subscription, and Term; and Impact on Existing Shareholders' Equity.	None	
Name of Custodian Institution For Exchanged Objective	Not applicable	

### 2.2 Data of convertible corporate bonds

Type of Corporate Bonds( Note 1)		The 4 <sup>th</sup> Domestic Secured Convertible Corporate Bonds	
Item	Year	2021	Current year ending on February 28, 2022 (Note 4)
		Market price of the convertible corporate bond (Note 2)	Highest
Lowest	108.05		115.00
Average	122.21		123.39
Conversion price		35.00	35.00
Issue date and conversion price at issuance	October 20, 2020; NT\$35.00		
Conversion methods (Note3)	Issue of new shares		

Note 1: Fields are adjusted according to actual transaction.

Note 2: If the overseas corporate bonds have more than one trading place, they shall list separately by trading places.

Note 3: Delivery of issued shares or issue of new shares.

Note 4: The information for the year ending the publication date of the annual report should be provided.

2.3 Data on exchangeable corporate bonds: None.

2.4 Information on shelf registration of corporate bonds: None.

2.5 Information on corporate bonds with warrants: None.

### 3. Preferred Stocks

None.

### 4. Overseas Depository Receipts

None.

### 5. Employee Stock Options

Please refer to Page 83 to Page 84 for details.

### 6. New Restricted Employee Shares

None.

### 7. New Shares Issuance In Connection With Merger And Acquisition

None.

### 8. Implementation Of The Financing Plan

The Company issued the 4<sup>th</sup> domestic secured convertible corporate bonds in 2020 and its financial plan is described as follows:

#### 8.1 Content of plan

- (1) Approval date and document number by the competent authority: approved by the Financial Supervisory Commission (FSC) in Letter JGZFZ No. 1090357651 on September 29, 2020.
- (2) Total fund required for this project: NT\$501,000,000.
- (3) Fund source of this fundraising plan: issue 5,000 coupons of the fourth domestic secured convertible corporate bonds, with face value of NT\$100,000 per coupon; the total amount of issue is NT\$500 million, issue price according to 100.2% of the face value, and the tenor of issue is three years.
- (4) Fund use: to repay the bank loan of NT\$100,000,000 and enrich the operating working capital of NT\$401,000,000.
- (5) Plan Schedule

unit: NT\$1,000

Plan Item	Scheduled Completion Date	Total Fund Raised	Fund Use Schedule		
			2020Q4	2021Q1	2021Q2
Bank Loan Repayment	2020Q4	100,000	100,000		
Working Capital Injection	2021Q2	401,000	100,000	150,000	151,000
Total		501,000	200,000	150,000	150,000

#### 8.2 Implementation status

The Company issued the fourth domestic secured convertible corporate bonds and completed fund raising in October 2020. As of the fourth quarter of 2021, the implementation status was as follows:

- (1) Bank loan repayment

Unit: NT\$1,000

Plan item	Implementation		Amount	Causes of the progress advance or lag and the improvement plan
2020Q4	Used Amount	Scheduled	100,000	According to the fund usage plan, the bank loans have been fully repaid in the fourth quarter of 2020.
		Actual	100,000	

- (2) Working capital Injection

Unit: NT\$1,000

Plan item	Implementation		Amount	Causes of the progress advance or lag and the improvement plan
2020Q4	Used amount	Scheduled	100,000	The Company has appropriated the working capital in operation according to planned schedule of funding.
		Actual	100,000	
2021Q1	Used amount	Scheduled	150,000	
		Actual	150,000	
2021Q2	Used amount	Scheduled	151,000	
		Actual	151,000	

Unit: NT\$1,000

Item	2020	2021
Current assets	1,489,122	2,123,237
Current liabilities	518,436	1,047,574
Total liabilities	1,112,789	1,695,792
Operating income	1,326,691	2,454,678
Interest expense	2,043	1,424
Earnings (loss)per share	(0.64)	0.62

Data source: The Company's audited(reviewed) Financial Statements.

The Company issued the fourth domestic secured convertible corporate bonds in 2020, which was expected to increase the long-term financial stability, enhance the Company's operational competitiveness, improve its financial structure and solvency, and reduce its short-term interest expense by NT\$485 thousand per year. As of the second quarter of 2021, all funding plans were on schedule, and the related benefits were in line with expectations. With the help of working capital injection, The Company operating income increased significantly and has turned loss into profit in 2021.

Employee stock options:

(1) The Company's unexpired employee stock options shall be disclosed for the status as of the publication date of the annual report and its impact on shareholders' equity.

Employee Stock Options

As of February 28, 2022

Type of Employee Stock Option	The 5 <sup>th</sup> Employee Stock Option	The 6 <sup>th</sup> Employee Stock Option	The 7 <sup>th</sup> Employee Stock Option
Approval Date	October 20, 2015	October 26, 2017	December 30, 2019
Grant Date	January 12, 2016	October 15, 2018	August 20, 2020
Shares Granted	5,000,000 shares	4,500,000 shares	4,731,000 shares
The Ratio of Shares to be issued To the Total Outstanding Shares	3.21%	2.89%	3.04%
Duration	Five years.	Five years.	Five years.
Delivery Method	By issuing new shares.	By issuing new shares.	By issuing new shares.
Vesting Condition and Schedule	40% vested after 2 years 70% vested after 3 years 100% vested after 4 years	40% vested after 2 years. 70% vested after 3 years 100% vested after 4 years	40% vested after 2 years. 70% vested after 3 years. 100% vested after 4 years.
Number of Shares Issued for Exercised Option	2,165,000 shares	2,045,400 shares	0 shares
Total Amount of Options been Exercised	NT\$ 47,197,000	NT\$ 20,454,000	NT\$ 0
Outstanding Shares of Option to be Exercised	400 shares	1,140,700 shares	3,413,000 shares
Exercise Price of the Outstanding Shares of Option to be Exercised	NT\$21.80	NT\$10	NT\$33.80
The Ratio of Outstanding Shares of Option to be Exercised to the Total Number of Shares Issued	0.00%	0.73%	2.19%
Impact on Shareholders' Equity	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.

Note 1: The employee stock options include an employee stock option of a public offering and private placement in process. The public offering employee stock option in process refers to those approved to be effective by the Commission; private equity employee stock option in process refer to those approved by the shareholders' meeting.

Note 2: Fields are adjusted according to actual transaction.

Note 3: Delivery of issued shares or issue of new shares should be indicated.

Note 4: Fill separately if issuing (handling) date is different.

Note 5: In the case of a private placement, it shall be marked in a prominent manner.

Note 6: The 5th employee stock option expired on January 12, 2021.

## (2) List of executive managers and the Top ten employees been granted with stock option.

As of February 28, 2022

Category	Title	Name	Shares Granted (in thousands of shares)	The Ratio of Shares Granted to the Total Number of Shares Issued	Exercised				Unexercised			
					Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued	Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued
Executive Managers	Chairman	Lee, Yi-Ren	The fifth 970 thousand shares	0.62%	750 thousand shares	NT\$ 21.80	NT\$ 16,350 thousand	0.48%	220 thousand shares	NT\$ 21.80	NT\$ 4,796 thousand	0.14%
	CEO	Hsiao, Teng- Chou (Note 7)										
	General Manager	Hsieh, Tung-Fu										
	V.P.	Yeh, Chia-Fu										
	V.P.	Li, Fang-Mao										
	V.P.	Lee, Cheng-Han	The sixth 860 thousand shares	0.55%	488 thousand shares	NT\$ 10.00	NT\$ 4,880 thousand	0.31%	342 thousand shares	NT\$ 10.00	NT\$ 3,420 thousand	0.22%
	V.P.	Li, Jane-Hui (Note 7)										
	V.P.	Li, Yi-Chia										
	V.P.	Chang, Ping-Hua (Note 7)										
	V.P.	Chan, Wei-Chen (Note 7)										
	V.P.	Hsing, Chien	The seventh 1,462 thousand shares	0.94%	0 thousand shares	NT\$ 33.80	NT\$ 0 thousand	0.00%	912 thousand shares	NT\$ 33.80	NT\$ 30,826 thousand	0.59%
	Director Mgr.	Wang, Hua-Wei										
	Director Mgr.	Hsu, Shui-Tien (Note 7)										
	Director Mgr.	Chen, Hsin-Hung (Note 7)										
	Director Mgr.	Tsai, Hsiu-Mei										
	Director Mgr.	Huang, Yao-Lun										
Director Mgr.	Wu, Jeng-Ru											
Director Mgr.	Wen, Nai-Ruei (Note 7)											
Director Mgr.	Li, Tsung-Po (Note 7)											
Director Mgr.	Li, Mu-Sen											
Employee	Division Mgr.	Zhang, Jia-Lin	The fifth 190 thousand shares	0.12%	190 thousand shares	NT\$ 21.80	NT\$ 4,142 thousand	0.12%	0 thousand shares	NT\$ 21.80	NT\$ 0 thousand	0%
	Division Mgr.	Huang, Bao- Long										
	Division Mgr.	Gu, Rui-Sheng										
	Division Mgr.	Xu, Bo-Wen										
	Division Mgr.	Dai, Yi-Zhen										
	Division Mgr.	Lin, Yi-Cheng	The sixth 423 thousand shares	0.27%	235 thousand shares	NT\$ 10.00	NT\$ 2,345 thousand	0.15%	189 thousand shares	NT\$ 10.00	NT\$ 1,885 thousand	0.12%
	Division Mgr.	Li, Pin-Ju										
	Division Mgr.	Huang, Chun- Yong (Note 7)										
	Senior Mgr.	Chen, Shun-De										
	Senior Mgr.	Li, Cheng-Da										
	Senior Mgr.	Yu, Chih-Wei	The seventh 509 thousand shares	0.33%	0 thousand shares	NT\$ 33.80	NT\$ 0 thousand	0.00%	469 thousand shares	NT\$ 33.80	NT\$ 15,852 thousand	0.30%
	Manager	Zhuo, Shi-Qin										
	Manager	Yang, Pei-Rong										
	Assistant Manager	Zhang, Jun-Jing										
Special Ass.	Dai, Yi-Ying											
Assistant	Chen, Yan-Ling											

Note 1: Including the executive managers and employees (who have resigned or died should be indicated), individual names and titles should be disclosed, but their acquisition and subscription can be disclosed in a summary manner.

Note 2: The top 10 employees in terms of the number of shares to which the stock option are granted refer to the employees other than executive managers.

Note 3: The total number of shares issued refers to the number of shares listed in the registration change information of the Ministry of Economic Affairs.

Note 4: The exercised employee stock option price shall be the exercise price at the time of execution.

Note 5: The unexercised employee stock option price shall be the exercise price after the calculation and adjustment in accordance with the issuance method.

Note 6: Ms. Li, Jane-Hui retired on 2020/05/07, Mr. Hsu, Shui-Tien resigned on 2021/01/29, Mr. Chen, Hsin-Hung resigned on 2020/06/30, Mr. Wen, Nai- Ruei resigned on 2020/05/29, Mr. Chang, Ping-Hua resigned on 2021/02/28, Mr. Hsiao, Teng-Chou resigned on 2021/03/8, Mr. Chan, Wei-Chen resigned on 2021/03/15., Mr. Huang, Chun-Yong resigned on 2021/07/16, and Mr. Li, Tsung-Po resigned on 2022/02/28.

## V. Operation

### 1. Business Content

#### 1.1 Business scope

(1) The main contents of the Company's business:

The Company is committed to providing the best quality products for the IoT related and automotive electronics solutions, and power management solutions with advanced technology. By providing technology integration, we continue to assist customers in technology development, design and manufacturing, quality cost management, and certification of integrated solutions.

(2) Product Segmentation

Year 2021	Unit: NT\$1,000	
Product Category	Revenue Amount	Ratio of Segment Revenue To Total Revenue
Automotive electronics products	1,570,701	63.99%
Power management products	883,977	36.01%
Total	2,454,678	100.00%

(3) Current products (services) of the Company:

The Company's main business areas are tire pressure monitoring systems, automotive electronics, green energy and energy storage equipment, and power suppliers.

(4) New products (services) planned to be developed:

(a) Automotive electronics:

- (i) Embedded on-board computer.
- (ii) Automobile GPS related applications.
- (iii) Traffic safety monitor and auxiliary system.
- (iv) Automobile Android multi-media interactive platform.
- (v) Robust running gear.
- (vi) Car networking device integration and cloud application.

(b) Tire pressure monitoring system :

- (i) OE ULP Bluetooth BLE tire pressure monitor system.
- (ii) Retrofit ULP Bluetooth BLE tire pressure monitor system for passenger car, motorbike, heavy truck, and motor bus .
- (iii) Multi-frequency and single-machine replacement tire pressure monitor system.
- (iv) Analysis and application of tire pressure monitor system and IoV Big Data.
- (v) Tire pressure monitoring system and car networking cloud APP.

(c) Energy, electric power environmental protection products:

- (i) Long delay and no-break powered office & household off-peak energy storage power supply.
- (ii) Office & household off-peak energy storage power supply.
- (iii) Medical backup power supply.
- (iv) Green building backup power supply.
- (v) Data Center BBS/BBU.
- (d) Power supply products:
  - (i) SATCOM ground-based system power supply
  - (ii) Multi-layer stack power module PPS.

## 1.2 Industry overview

### (1) Current situation and development of the industry

#### (a) Automotive electronics industry market

The automobile industry has developed over more than a hundred years. The complexity of the functional requirements of a car has also increased, and a large proportion of automotive electronics is attributed to sensors. Vehicle sensors must pass rigorous mechanical or physical verifications, including dust, humidity, salt, fuel additives, vibration, and severe impact. Therefore, strict standards are a necessity. Temperature is also an important consideration. Usually, the vehicle sensors need to withstand temperature variations from -40 °C to 120 °C and maintain a considerable degree of accuracy. There are few types of automobile components, but they are large in quantity and standardized; with the development and integration of communication, electronics, optoelectronics, and other technologies. The proportion of automotive electronic components and product applications in automobiles is increasing day by day. Most product demands have no common standard and show customization characteristics. To enhance the degree of differentiation, the development of automotive electronic products is a symbol of technical energy. The relative mode of production is based on the principle of variety and small quantities. The cost of automotive electronic products is high, and the compatibility is low. Reducing the production cost of the products will be a key determining factor in whether they can be introduced into the market in large quantities.

Automotive electronics is different from the general electronics industry. The operating temperature range, power consumption size, and noise resistance of automotive electronic products have specific requirements by each manufacturer, which must meet the stringent standards of each manufacturer. Manufacturers also require a basic technical capability in the field of automotive electronics. As the automobile electronic components usually go through a development time of several years, automobile electronic products have been

extended from single- component products to systematic products in the past, combining the mechanical, optical, and electronic control system. The associated technologies are extensive, whose development processes must cooperate with the mechanical systems or control parameters of cars. The automobile electronic products have special properties, with excellent shock resistance, weather resistance, and reliability. Automotive electronic products are closely related to the safety of vehicles, so the development cost is high, and the product verification time is long. Automotive electronics require continuous onboard testing for tens of thousands of kilometers or very long periods to find problems in the ongoing testing process. When problems arise in the testing process, appropriate troubleshooting is required. Repeated testing and a large amount of verification time are the biggest characteristics of automotive electronic products.

(b) Tire pressure monitoring systems (TPMS)

A tire pressure monitoring system is an important safety device for automobiles. In addition to the United States, Europe, China, and other major passenger car sales areas which have fully equipped passenger vehicles, many countries around the world are also proposing that tire pressure monitoring system be listed as regulation standard accessories so that the global TPMS market will flourish, and OE is key for the future market. An important development trend in this market is to create a battery that has a long life but compact in size. On the other hand, with the compulsory and widespread application of TPMS in passenger vehicles, the safety awareness of users should be enhanced. In the future, TPMS will be able to be gradually introduced into the commercial vehicle sector, including logistics vehicles, heavy trucks, tractor-trailers, and buses, etc., and become a necessary safety component. Due to their much longer bodies and harsher weather conditions, the transmission distance, data acceptability, and reliability under high and low temperatures and humidity will be the fundamental focus of technology development. At the same time, compared to passenger vehicles whose owners are mostly individual car owners, commercial vehicle owners are mostly fleet companies, so this type of TPMS must also meet the needs of various fleet management, provide flexible pairing and big data management, and integrate the logistics services and other added values.

In Asia, Korea had stipulated to install TPMS onto passenger vehicles below 3.5 tons in 2014, while Taiwan had also incorporated M1 and N1 vehicle types into regulations in the half of 2016. With more attention is paid to the traffic safety around the world, the mainland China also required strictly in laws since 2017 that future's new vehicles must be installed with tire pressure monitoring system, which became the fifth country with TPMS after America, European Union, South Korea and Taiwan. At present, the global TPMS shipment is about 300 million pieces a year, and if it was estimated by mainland China's annual vehicles output,



namely more than 20 million, the demands for TPMS are about 100 million pieces, which reveals that the growth potential in the global market is amazing! Besides the mainland China, Japan, India, etc. had also finished their TPMS installation on new vehicles.

(c) Energy storage system

With the global spread of energy saving and carbon reduction initiatives, many countries have launched the new green deal. The deal entails promoting energy conservation and carbon reduction measures and using various green energy methods to reduce carbon dioxide emissions, leading to the rapid development of new energy technology. The electric power market demand for electricity storage is continuously expanding. The large-scale development of solar energy, electric vehicles, and new energy is closely related to the support of energy storage technology. Energy storage is seen as the future of the energy industry. The market of energy storage depends on the commercial, household, power policy, smart microgrid, and energy Internet growth.

Energy storage is the hard drive of energy; just as a computer hard drive is used to store data, energy storage is used to store energy. In order to make new energy, such as solar energy and wind energy, green and smart energy initiatives must be deployed as we have realized that smart energy management relies on energy storage. However, the sustainable development of an energy storage system needs to consider five aspects: safety, economy, reliability, high efficiency, and environmental friendliness. Among them, safety is the most important index, which is the basis for evaluating all energy storage systems. Safety considerations include electrical safety, battery safety, functional safety, transportation safety, electromagnetic compatibility, environmental protection, and grid-connected interface protection. In addition to understanding the different market applications and market subsidy policies in different countries, manufacturers need to ensure the safety and reliability of energy storage products. The Renewable Energy Development Ordinance was amended in April 2019 to stipulate that large power users should set up a certain proportion of renewable energy, or replace it with energy storage, purchase of renewable energy certificates, and payment of vouchers, i.e., "Administrative Measures on Installation of Renewable Energy Power Generation Equipment for Power Users with a Contracted Capacity or Above." This is commonly known as the "Large Power User Clause" and expired on April 1, 2020; the implementation date has still not yet been determined. As the domestic electric power market grows steadily and domestic battery core capacity increases – leading to battery costs gradually declining – it will continue to improve the private enterprise procurement and construction of energy storage devices. In the future, as the green electricity market grows, the industry of renewable energy power generation and the sale of electric power will be able to sell or transfer green electricity to the user by direct supply or indirect supply. Users can also install

green energy equipment and energy storage devices to participate in the auxiliary service system through a bidding mechanism and open up a new revenue source. According to the estimation of TaiPower, Taiwan still needs a 590MW energy storage system and 4GW capacity for an auxiliary service before 2025. At present, TaiPower has also planned to configure enough various kinds of auxiliary power services. 460MW is expected to be used as energy storage services from this industry.

(2) Relevance of upstream, midstream, and downstream products

Upstream	Product	Downstream
PCB factory, electronic parts, metal and plastic components, button batteries	Tire pressure monitoring system for vehicles	Auto factory, vehicle refitting factory, tire factory, wheel frame factory, vehicle accessory channel retailers
PCB factory, electronic parts, wire, LCD panel, loader	Automobile electronic system	Auto factory, vehicle refitting factory, tire factory, auto parts channel retailers, RV manufacturers
Positive electrode material, negative electrode material, electrolyte, and isolation module	Green energy and energy storage equipment	Battery module system assembly plant and terminal battery module application plant
PCB factory, battery parts, double pressure device, ejection factory, wire, metal shell, metal connection sheet	Power supplier	Computer system manufacturers, retail distributors, general users

(3) Product development trends and competition

(a) Automotive electronics industry

Electronic products for vehicles and vehicle laws and regulations have been complementary to each other. Using advanced technology to reduce traffic accidents is the focus of attention of all countries. However, the government's relevant regulations for vehicle electronic safety systems are becoming increasingly stricter and more complicated. Through the combination of cameras and a variety of sensors, automotive electronic products with both driving safety and comfort meet users' needs in a variety of situations to provide a safer driving experience. According to Gartner, in the automotive electronics market in 2018, the car body market had the largest value of US\$7.37 billion. With the increasing demand for safe driving assistance, it is expected that the market value of Advanced Driver Assistance Systems (ADAS) will surpass the market value of audio-video entertainment multimedia (US\$6.72 billion) to become the second-largest application in 2020, with a market value of US\$7.75 billion. Moreover, in 2021, the market value of ADAS is expected to be US\$10.95 billion, which will surpass the market value of car bodies of US\$9.68 billion and become the largest product application market for automotive semiconductors. The market size of ADAS will also rise

to US\$16.69 billion by 2023. In addition, IEK estimates that the global automotive electronics market size will reach US\$355 billion in 2023.

Automotive electronics refers to the electronic products used in automobiles, involving the application of machinery manufacturing, motors and electronics, information, communication, audio and video, sensing, network control, and other technologies. The current application of automotive electronics products is the "onboard audio-video navigation host," "backseat entertainment system," "road deviation warning system," "front vehicle collision avoidance warning system," "head-up display," "landscape detection system," "traffic recorder," "night vision function," "Bluetooth communication module," "digital TV module," "tire pressure monitoring system" and "power management system." In addition to the tire pressure monitor system product line, other major automotive electronic products of the Company are mainly based on the power management system and combined image identification, data collection and analysis, power integration management and Internet of Things (IoT) management, and other requirements. The aim is to integrate the original separate electronic products in the same host, considering the cost and the configuration of an appealing design. Through the process of parts integration, we can also achieve the purpose of reducing the cost and the efficiency of data analysis and convenient management. In addition, the new lifestyle in the post-epidemic era means that consumers buy the campers with suites or trail with cars or pickups to live in the wild and take vacations.

(b) Tire pressure monitoring system for vehicles

The tire pressure monitoring system (TPMS) is an electronic system that monitors the air pressure inside inflatable tires of various types of vehicles and provides tire pressure information to the driver timeously through an instrument diagram or simple low-pressure warning light to avoid the occurrence of traffic accidents caused by an under-inflated tire. Based on the consideration of vehicle safety, various countries have legislated that TPMS should be installed as a necessary device for new cars, and it has become the standard equipment for new cars. The United States is the first country in the world to legislate TPMS as standard equipment. The legislation was passed in 2005, and since September 2007, the four-wheel commercial vehicles and passenger vehicles must be equipped with TPMS. Apart from the US market, tire pressure monitoring systems have been made standard for all vehicle models in the EU since the end of 2014. With 10 million new cars sold in the EU every year, it is estimated that the market demand for Original Equipment Manufacturing (OEM) will be about 40 million. According to Frost & Sullivan's research report, the market size of TPMS in the EU will reach €532 million by 2020 with an annual compound growth rate of 30.40%.

In Asia, South Korea stipulated in 2014 that passenger vehicles under 3.5 tons must be

installed with TPMS, while Taiwan began to include the new types of small vehicles (minibuses and pickup trucks) in its TPMS installation regulations in the second half of 2016. With increased international attention to vehicle safety performance, Mainland China also legislated in 2017 that from 2020, new cars must be equipped with TPMS, becoming the fifth region in the world after the United States, the European Union, South Korea, and Taiwan to require the new cars to be equipped with TPMS. In the future, Japan, India, and other countries will also begin to regulate the installation of TPMS on new cars, which will drive market opportunities. According to QY Research, the global market for tire pressure monitor systems is expected to reach US\$3,630.65 million by 2024.

TPMS batteries are non-replaceable disposable batteries. The ideal design is 10 years of service life, but the actual situation will depend on the owner's driving conditions. Under different driving environments, the general service life falls between 5 and 7 years. After the United States and the European Union made TPMS a standard accessory in 2007 and 2012, respectively, the replacement peak period will be after 2017. The global installation demand for used vehicles and the rising market demand in Mainland China will drive the rapid expansion of TPMS demand. Since each tire pressure monitoring system has a special ID number, the driving computer can identify the installation position and device information such as tire pressure and temperature; however, it needs to readjust after replacement because the ID number is different. The Company develops a universal type TPMS, which can copy the ID number in the driving computer to a new detector, applicable to the specific models, and it has successfully occupied the sales market in the United States.

In recent years, the Company has been committed to the development of tire pressure monitoring systems of vehicle safety components. In addition to actively expanding the RF Replacement market in the United States and Europe, the world's first Bluetooth tire pressure monitoring system (BLE TPMS) with many patents has also successfully entered the automotive OE market (Original Equipment). It has been successively produced in large quantities to the world-famous vehicle manufacturers. Additionally, we will continue to expand the RF Replacement parts market in the US and Europe and continue to expand BLE TPMS application in the OE market in the US, Europe, and Japan, including the fleet management applications of vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Chinese government has made the tire pressure monitoring system a standard part of passenger cars, and the United States is considering the mandatory installation of tire pressure sensors on trucks and large vehicles, the TPMS market has considerable room for development in the future.

### 1.3 Technology and research overview

(1) The technical level and research development of the business

To maintain a high level of competitiveness in the market, the Company has been actively recruiting outstanding R&D personnel. It has also invested in developing new products and breakthroughs in key technologies, thus gradually expanding the R&D organization. At present, the R&D department is divided into the automotive electronics, power management, IoT products, and battery storage management units. the Company also has the layout of links between mobile devices and intelligent devices and even an intelligent network of the Internet of Vehicles, developing the low-power Bluetooth module and low-power WIFI modules.

(2) Education background of R&D personnel

As of the end of February 2022, the Company has a total of 86 R&D personnel, including 82 persons with college degrees or above, accounting for 95% of the total number of R&D personnel. Their educational backgrounds are as follows:

As of February 28, 2022

Education background	Master's Degree	College Degree	High School Graduate	Total
Number of people	22	60	4	86
Ratio	25.6%	69.8%	4.6%	100.0%

(3) R&D expenses in the last two years

Unit: NT\$1,000

Year	2020	2021
R&D expenses	160,627	189,409
Ratio to revenue	12.11%	7.72%

(4) Important R&D achievements

The Company's R&D department has many important achievements in new products and technologies, including the research and development of hardware circuits, software programs, product appearance, mechanism improvement, reliability testing, and design of production and testing equipment. Since the company's establishment, the R&D department has been the key department, and its R&D results include several domestic and foreign patents and inventions, which ensures the Company's competitiveness in the industry. The successfully developed products are as follows:

(a) Important achievements in the research and development of environmental- protection energy and power equipment:

- (i) Offline 300VA to 1.4KVA uninterrupted power equipment.
- (ii) Online 3KV to 6KVA uninterrupted power equipment.
- (iii) High-power redundancy power module.
- (iv) Solar charger.

(b) Tire pressure monitor system:

- (i) Multi-frequency standalone universal tire pressure monitoring system
  - (ii) RetroFit low-power Bluetooth BLE tire pressure monitoring system for passenger cars, motorcycles, heavy trucks, and buses.
  - (iii) Front-loaded OE tire pressure monitoring system installed in the car factory.
  - (iv) Big data analysis and application of tire pressure monitoring system and Internet of Vehicles
- (c) Energy storage system products
- (i) New energy electric vehicles, including passenger cars, buses, logistics vehicles, and other power battery system products.
  - (ii) Industrial solar and wind energy storage cabinets and lithium battery management system.
  - (iii) Power plant frequency and amplitude modulation management system.
  - (iv) Battery backup system for Cloud Data Center.

## 1.4 Long-term and short-term business development plans

### (1) Short-term development plan

#### (a) Product strategy

- (i) Develop a thin, compact and long-acting electric tire pressure monitoring system and integrate with big data analysis application and APP to expand the depth and breadth of research and development of tire pressure detection products more comprehensively.
- (ii) Focus on the battery pack's weight, systematization, and modularization to reduce the cost and shorten the development period by creative or functional integration, improving the product functional quality, and creating product competitiveness.

#### (b) Production strategy

- (i) Improve the ability of self-made automated test equipment to increase the production yield and quality and effectively control the inventory.
- (ii) According to the needs of different customers, provide a new vehicle battery pack design, research and development in line with different models and prices, and organize the processing and production, supplemented by the early warning system extending from ERP to KPI, to timeously detect the anomalies, prevent unexpected events, and effectively control the inventory. Expand the leading distance ahead of competitors of the same industry and form an absolute competitive advantage.
- (iii) Strengthen the diversified modular production, shorten the production cycle to meet the short lead-time needs of customers, and improve operation turnover.

#### (c) Marketing strategy

- (i) Provide the production process advantages to conform to RoHS and other environmental

protection requirements, win cooperation with large factories, and expand the market share. Using technology, quality, innovation, product differences, and patent protection to provide customers with competitive products and maintain a long-term relationship with customers.

- (ii) Based on the existing product line, actively explore potential customers and develop the third-world markets.
- (iii) Provide more value-added services to customers based on the original products and services and actively understand customers' needs and pain points to achieve customer satisfaction.
- (iv) Establish the marketing dealer alliance in Europe, America, and China, make full use of the existing distribution channels to create well-known products, strive for cooperation with big factories, and expand the market share.

## (2) Long-term development plan

### (a) Product strategy

#### (I) Tire pressure monitoring system products for vehicles:

- (i) Expand the application of tire pressure monitoring systems for vehicles and extend the product application from the current passenger cars and large commercial vehicles to the general locomotive and heavy locomotive groups.
- (ii) Move towards lightweight, thin, and long-lasting battery products for wide application to meet the specifications of different vehicle types.
- (iii) Develop multifrequency standalone replacement tire pressure monitoring system products.
- (iv) Reach out to Retrofit and AM markets to improve the awareness and popularity of the Company's products.
- (v) Retain the excellent R&D personnel, improve the technology and innovation capabilities, and strengthen the depth and breadth of existing product lines, to provide for greater market demands.

#### (II) New energy battery packs and energy storage products

- (i) Continuously develop the high-density and high-capacity battery pack products and provide customers with high-quality and high-performance products at a reasonable price.
- (ii) Develop energy storage products for both commercial and domestic use by the original power management and battery pack technology.
- (iii) Use the lithium batteries in energy storage products to extend the standby power supply time and effectively manage the high and low peak power and electricity charges.

- (III) Electronic vehicle products
  - (i) Use the original technology and add IoT, image recognition, and big data concepts to expand the product application to commodity markets beyond the automotive industry.
  - (ii) Improve the water resistance of the product and apply the product to marine products.
- (IV) Power management products
  - (i) Redesign the product to reduce material costs and provide customers with cost-effective products and services.
  - (ii) Enter the supply chain of major international companies to enhance the popularity and awareness of the Company's products.
- (b) Production strategy
  - (i) Vertically integrate the key raw materials, increase the proportion of automation production in the factory, and shorten the supplier's material delivery time for comprehensive cost control and quality improvement.
  - (ii) Consider the safety and quality of the product's design, continue to improve the production process, adopt a pipelined production mode, enhance the proportion of automation production in the factory, and shorten the supplier material delivery time for comprehensive cost control and quality improvement.
- (c) Digital media system services
  - (i) Continue to open up new sales areas and cultivate the market intensively.
  - (ii) Provide the high quality and low-cost products to achieve a win-win situation for the Company and customers.
  - (iii) Seek suitable marketing partners in major overseas marketing regions, make full use of their understanding of local markets and customers, and quickly expand the sales points and areas of products.

## 2. Overview Of The Market, Production, And Marketing

### 2.1 Market analysis

#### (1) Sales Region

Unit: NT\$1,000

Sales Regions	2020		2021	
	Amount	%	Amount	%
Taiwan	373,250	28.13%	428,222	17.45%
Asia	114,638	8.64%	824,307	33.58%
North America	815,725	61.49%	1,184,968	48.27%
Others	23,078	1.74%	17,181	0.70%
Total	1,326,691	100.00%	2,454,678	100.00%

#### (2) Market share and growth of the market



(a) Market share

Since the Company is currently engaged in precision OEM product design and manufacturing, such as power supply and UPS products, automotive electronic products, power products, and energy storage system products, the key product component suppliers are scattered. The one-stop processing manufacturers such as PCB factory, wire material, injection molding, and transformers are limited. In addition, there is very complicated processing and assembly of the end products, so there are no complete and objective market share statistics for reference.

(b) Future supply and demand and growth of the market

In terms of automotive electronics, IC Insight predicts that the market share of automotive electronics in global electronic system products will continue to grow slowly over the next few years, with automotive electronics accounting for 9.8% of global electronic system sales by 2021. IC Insights also predicts that industrial electronic systems will be the second-fastest-growing application category through 2021, with an average CAGR of 4.6%.

In terms of tire pressure monitoring system products, the major sales areas of the United States, Mainland China, Europe, Japan, and India have included TPMS in their specifications. In addition to the current TPMS regulations in various countries in the new car market, with the mandatory requirements of TPMS as standard equipment as the market demand, the future replacement demand in the new car market and the existing vehicle additional installation AM market will also be the future growth of TPMS operators, so the future TPMS market has considerable potential.

In terms of new vehicle energy battery packs and energy storage products, the global battery pack market is expected to double from US\$2.02 billion in 2017 to US\$8.73 billion in 2023, with a compound annual growth rate (CAGR) of 27.6%, due to the booming electric vehicle market and the rise of in-place energy storage applications. According to the statistics of Germany TÜ V Rheinland, by the end of 2017, the cumulative installation scale of energy storage projects in operation worldwide was 175.4GW, with an annual growth rate of 3.9%.

In the future, energy storage has great development space and infinite potential, and the price is key to the commercial application of energy storage. Researched by Germany TÜ V Rheinland, with the improvement of subsidy policies in various countries and a cost reduction, once the cost of energy storage batteries and systems is reduced, renewable energy and traditional petrochemical energy will have the opportunity to achieve parity competition. Especially with the rapid development of new energy, Germany, the United States, Japan, Australia, and other countries have introduced preferential subsidy policies to encourage the development and utilization of new energy power generation combined with energy storage technology. With the support of energy storage policies in various countries, the future growth of energy storage products is positive.

In terms of the global industrial computer market, driven by the development of the IoTs and

Industry 4.0, the output value of the global industrial computer market has been rising year by year recently. IHS, an industry research institution, points out that the output value of the global industrial computer market would show a compound annual growth rate of 6% and would reach a global output value of US\$4.3 billion in 2019. In addition, according to the MIC, the growth rate of the global intelligent manufacturing industry from 2016 to 2020 is about 8%-12%, which is still a growing trend.

### (3) Competition

- (a) The Company focuses on the field of ODM/OEM and establishes direct contact channels with existing international manufacturers. Through the interaction with customers, we can understand future product development and the market demand trend of customers.
- (b) The Company sets up research and development departments for different product lines. Also, it has research and development engineering teams in Huizhou and Zhenjiang of Mainland China to continuously improve the existing products and reduce design costs, to accelerate product development speed and timeously respond to the diverse needs and changes of the market and customers.
- (c) The Company has manufacturing plants in Taiwan and Mainland China and combined with the special expertise and characteristics of the supply chain manufacturers on the two shores, it can effectively control the cost, quality, and delivery time of products. It can also adjust the place of production according to the location and requirements of customers to enhance the price and service competitiveness of the Company.

### (4) Favorable and unfavorable factors and countermeasures of development prospects

#### (a) Favorable factors

##### (i) Vehicle electronics

Auto after-sales service market pays increasingly more attention to the automotive component balance between quality and price, as consumers become more attentive to vehicle driving comfort and security. Additionally, the increasing proportion of automotive electronic components to the whole vehicle cost must be considered because car manufacturers want to reduce the manufacturing costs and increase differentiation. Thus, the global automotive electronic components will continue to grow moderately. Emerging regions, such as Mainland China and India, are witnessing rapid growth in the auto market, conducive to the company's growth of automotive electronic components. In addition, the industrial structure of domestic electronics and the IC semiconductor industry is complete, with the close coordination of upstream, midstream, and downstream systems, and the industrial supply chain is also complete. Under the complete cluster effect of this industry, the Company will have access to abundant resources and strong support for technological development. Also, the domestic electronics industry has always been world-famous for innovation and cost control. In the highly competitive automobile market, the company's speed of product research and development should be

accelerated.

(ii) Power supply products and energy storage systems

In recent years, the awareness of environmental protection has risen. Energy conservation and carbon reduction, development of new energy, and improvements in energy efficiency have become a global trend. The development of the green energy industry is also born in response, making the battery technology related to the green energy industry the last industry to attract attention. Lithium-ion batteries are the best alternative to lead-acid batteries, which are well known to be dangerous but have few countermeasures.

(b) Unfavorable factors and countermeasures:

- (i) The delivery time of some key parts is lengthy.
- (ii) Mainland China manufacturers are competitive in price.
- (iii) The shortage of workers and rising wages of Mainland China.
- (iv) The electronic component industry has entered a mature period.
- (v) As the component suppliers embrace the Internet of Vehicles, the demand for initial parts exceeds the supply in the short- and medium-term.

Countermeasures:

Actively simplify the design; adopt modular production and mass procurement to reduce costs; improve processes and equipment, and improve the automation and capacity to balance the impact of increased labor costs; strategically make alliances with major suppliers, to create a win-win partnership; facilitate the cost control and development of high value-added products, to improve profit margins.

Expand the overseas marketing base; quickly grasp the customer demand and market development trends; serve customers nearby and cooperate with upstream and downstream manufacturers; and improve efficiency. Focus on reducing the costs, improving R&D capabilities and market share to increase the barriers for competitors to enter the market.

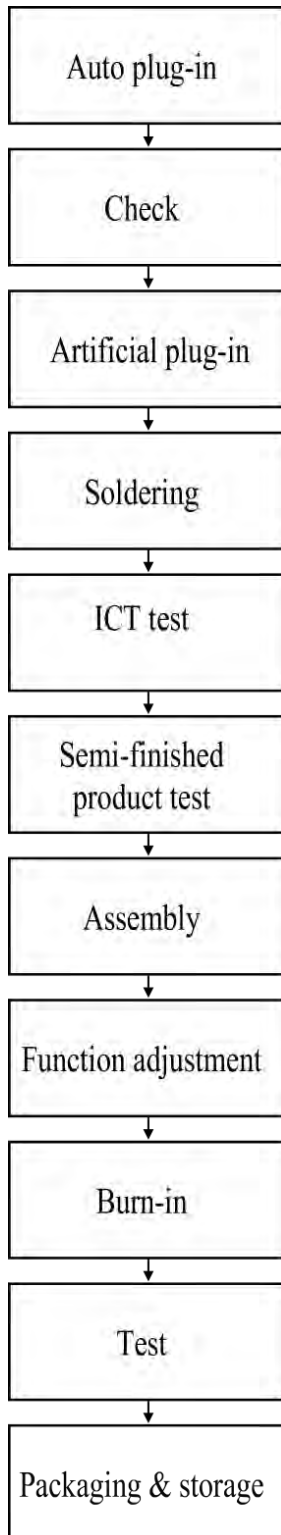
## 2.2 Application and the manufacturing process of main products

(1) Scope of application of main products

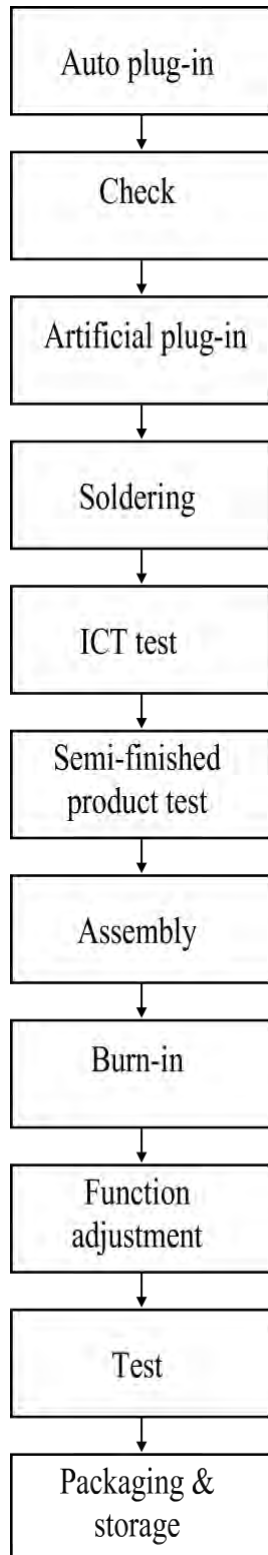
Products	Scope of application	Key function
Electronic vehicle products	RV, automotive	Switch and power monitoring, audio-visual equipment management, and data collection and analysis
Tire pressure monitoring systems	Passenger cars, trucks, trailers, locomotives, etc.	Detection of tire pressure and tire temperature during driving
Energy storage products	Electricity storage for commercial and domestic use	Provide driving power and electricity
Power supply products	Commercial and domestic computer use	Replace the low-stability high-voltage current with stable low-voltage current

Production process

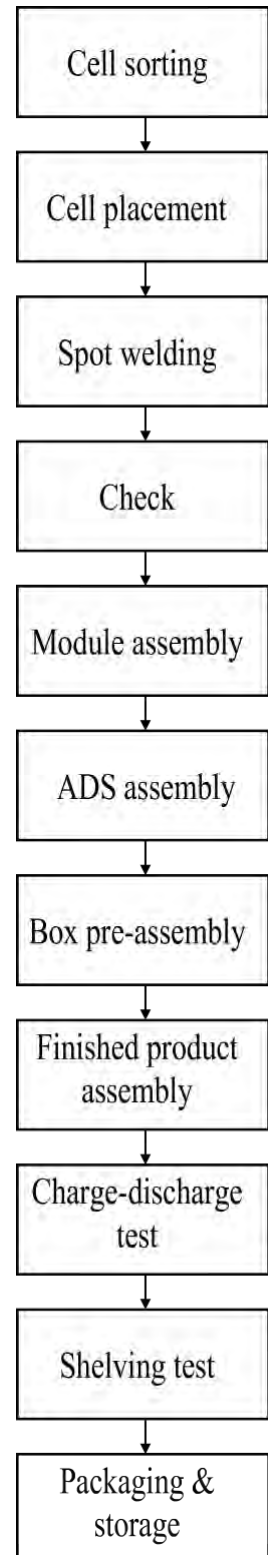
Power product



Automotive product



Energy storage product system



## 2.3 Supply status of main raw materials

The Company's main source of raw materials is mainly obtained from the place of production. Under the policy of abundant sources and maintaining at least 2 suppliers, the Company promotes supplier coordination, quality improvement, and stable and reasonable prices.

## 2.4 Data of suppliers and customers accounting for more than 10% of the total purchases (sales) in the last two years

### (1) Information of major suppliers in the last two years

Unit: NT\$1,000

Item	2020				2021			
	Name	Amount	Ratio to annual net purchases(%)	Relation with issuer	Name	Amount	Ratio to annual net purchases(%)	Relation with issuer
1	Supplier A	163,829	18.98	None	Supplier A	257,028	12.48	None
2	None	None	None	None	Supplier B	252,141	12.24	None
3	Others	699,329	81.02	None	Others	1,550,541	75.28	None
	Net purchases	863,158	100.00	None	Net purchases	2,059,710	100.00	None

Note 1: List the supplier's name and purchase amount and proportion with more than 10% of the net purchase amount in the last two years, but if the supplier's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

### (2) Information of major customers in the last two years

Unit: NT\$1,000

Item	2020				2021			
	Name	Amount	Ratio to annual net sales (%)	Relation with issuer	Name	Amount	Ratio to annual net sales (%)	Relation with issuer
1	Customer C	285,451	21.52	None	Customer A	524,306	21.36	None
2	Customer A	230,341	17.36	None	Customer B	454,091	18.50	None
3	Customer D	214,760	16.19	None	Customer C	304,243	12.39	None
4	None	None	None	None	Customer D	266,812	10.87	None
	Others	596,139	44.93	None	Others	905,226	36.88	None
	Net sales	1,326,691	100.00	None	Net sales	2,454,678	100.00	None

Note 1: List the customer's name and sales amount and proportion with more than 10% of the net sales amount in the last two years, but if the customer's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

## 2.5 Production in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Production Quantity Products	Year	2020			2021		
		capacity	Output Quantity	Output Amount	capacity	Output Quantity	Output Amount
Automotive Electronics Products		4,500	3,852	697,483	12,000	9,972	1,202,530
Power Management Products		1,700	185	636,659	700	467	1,043,838
Others		50	25	10,396	-	-	-
Total		6,250	4,062	1,344,538	12,700	10,439	2,246,368

Note 1: 2020 automotive electronics products output including OEM.

Note 2: Some product lines share multiple equipment, the production capacity includes multiple production capacities, and the personnel is also deployed among the lines, so the production capacity is substitutable among the lines. The production capacity cannot be calculated because it contains several products.

## 2.6 Sales in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Sales Products	Year	2020				2021			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Automotive Electronics Products		75	24,410	3,109	732,225	340	85,187	9,486	1,485,514
Power Management Products		43	348,232	131	206,517	42	343,035	6,676	540,942
Others		2	608	24	14,699	-	-	-	-
Total		120	373,250	3,264	953,441	382	428,222	16,162	2,026,456

### 3. Human Resource

Year		2020	2021	Current year ended at 02/28/2022
Number of Employees	Direct labor	196	186	167
	Indirect labor	165	184	185
	Other staff	145	146	148
	Total	506	516	500
Average age		36.38	37.34	37.34
Average service years		3.79	3.50	3.99
Educational background distribution ratio	PhD	0.2	0.2	0.4
	Master's degree	8.7	9.3	10.0
	College degree	42.1	44.7	44.4
	High school graduate	26.3	28.5	28.2
	Below high school	22.7	17.3	17.0

### 4. Environmental protection expenditure information

In the most recent fiscal year and up to the publication date of the annual report, the losses caused by environmental pollution (including compensation) and total disposal, and explaining its future response strategies (including improvements) and possible expenditures (including the estimated amount of potential losses, penalties, and compensations for failure to take countermeasures; if unable to estimate reasonably, it shall state the fact of unable to estimate reasonably): No such situation exists.

### 5. Labor Relation

#### 5.1 List the Company's employee welfare, further education, training, and retirement system and their implementation, as well as the agreements between employers and employees and maintenance measures to protect the employees' rights and interests.

The Company has always treated its employees with integrity. Through the welfare system that provides a satisfying and stable life for its employees and regular labor and management meetings, the Company has established a good relationship of mutual trust and mutual reliance with its employees. Therefore, although there is no union organization, the Company's employees can still display a team spirit, coordinate with the Company in making decisions, and cooperate with each other, to impregnate an atmosphere of harmony between labor and management.

##### (a) Employee welfare measures and their implementation

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Fund Regulations and allocate the welfare fund to handle welfare matters. The current welfare system includes labor insurance and national health insurance, group insurance and employee dependent insurance, birthday gifts or coupons, employee wedding and funeral allowance, travel allowance, employee car parking allowance, birthday celebrations, and year-

end party, etc.

(b) Status of advanced study and training and their implementation

The Company arranges on job training courses from time to time according to the needs of department heads and employees. To improve the quality and development of human resources and the training of new employees, we also carry out education and training activities of different functions according to the employees' personal duties, and work needs to cultivate their professional skills. The implementation situation in recent years is as follows:

Unit: NT\$

Item	Shifts	Head Count	Total hours	Expenses
New employee training	8	270	300	0
Professional functional training	33	712	1232	17,910
Total	41	982	1,532	17,910

(c) Retirement system and its implementation

The Company's pension system is governed by the Labor Standard Act and the Labor Pension Ordinance. The Company shall contribute pension of 6% of employees' monthly wages to their labor pension personal account of the Bureau of Labor Insurance as per the provisions of the Labor Pension Ordinance.

(d) Agreement between labor and employer and maintenance measures to protect employees' rights and interests:

The Company adheres to the concept of "integration of labor and management," holds regular labor meetings, establishes smooth communication channels, maintains good relations between labor and management, jointly creates productivity, shares profits, and establishes stable and harmonious relations between labor and management. In addition, the Employee Welfare Committee of the Company is responsible for handling various employee welfare issues. It holds various activities from time to time to enhance the harmonious working atmosphere and cohesion between the Company and the employees, as explained below:

- ① Regularly hold departmental communication meetings to communicate with colleagues about the Company and department's operation plan, business overview, and market conditions.
- ② Formulate sexual harassment prevention measures, complaints, and disciplinary measures to maintain a good working relationship and interaction between the sexes and avoid gender discrimination or harassment
- ③ Set up labor and management meetings, hold regular labor and management meetings for communication and consultation, and promote harmonious labor and management relations.
- ④ Set up the staff welfare committee, organize regular league health activities, and handle welfare matters.



- ⑤ Set up a flexible working hour system to benefit the work-life balance of employees.
- ⑥ On top of the basic protection of labor health insurance, the Company provides group of insurance for the employees additionally so that the life safety, medical treatment, and family of employees can obtain greater protection.

(e) Employees' working environment and protective measures for personal health and safety:

The Company is committed to fulfilling its corporate social responsibility and protecting the safety of its employees, providing a safe, healthy, and comfortable working environment as its primary objective, promoting health and safety management, and enabling employees to develop a correct sense of health – both physically and mentally. The Company is committed to the following matters:

- ① Smoking is prohibited in the office to ensure a smoke-free working environment for employees.
- ② Conduct the 5S exercise regularly to keep the environment clean and tidy.
- ③ Establish and regularly maintain relevant fire control facilities and equipment under fire protection laws and regulations.
- ④ Periodically provide health examinations for employees
- ⑤ Arrange the occupational doctors and nurses to provide on-site services, maintain the employees' occupational safety, and provide medical consultation and assistance.

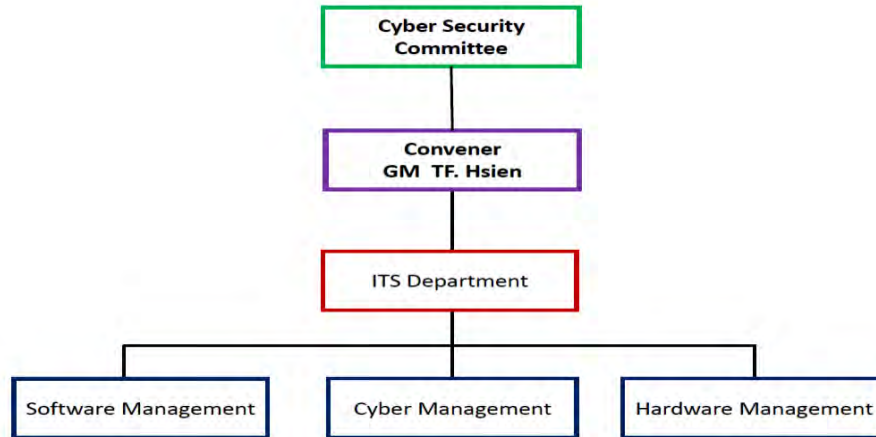
5.2 List the losses suffered from labor disputes in the most recent year and up to the date of the publication of the annual report, and disclose the current and future estimates of the amount and measures to be taken in response to the disputes. If it cannot be reasonably estimated, it shall state the fact that they cannot be reasonably estimated:

No such situation exists.

## 6. Cyber Security Management

### 6.1 State cyber security management structure, policies, detailed management schemes and resources invested on cyber security, etc.

#### (a) Cyber security management structure



#### (b) Cyber security management policies:

- (i) Set up cyber asset supervisory and control mechanism, and all staffs are responsible for protecting relevant cyber properties, to maintain the confidentiality, validity and availability of company's information security assets.
- (ii) Staffs' job duties must be appropriately differentiated, and authorize limited access to information required by work only.
- (iii) Employed staffs must be verified with relevant signed job specifications, to maintain and guarantee cyber security management during daily work.
- (iv) Establish business continuing operation management mechanism, to maintain its serviceability.
- (v) The Company's cyber security management measures shall conform to legal norms and information security policy; and establishment and modification of all cyber security management standards or procedures must follow information safety management system.
- (vi) Ensure internal data protection, proper storage and safety, and prevent improper intentions and illegal conditions.
- (vii) If an accident happened to cause damage of the rights and interests, make timely and proper response and treatment.

#### (c) Detailed implementation measures:

The Company had reported 2021 implementation of security management to the Board of Directors on 2021/11/9.

- (i) Set up independent backup network segment, to automatically back up and recover

each service host data.

(ii) PC operating system upgrade to cloud OS.

(iii) Automatic backup for outgoing emails, and check to verify before sending out.

(iv) Replace latest defence system, and include PC and service host into control.

(v) Mobile storage control: except for special application, it is prohibited to use external storage device.

(vi) Record individual's external website behaviors.

(vii) Prohibit to send files by using real-time communication software.

(viii) Cyber education and training courses.

(d) Investment on cyber security management resources:

The Company pays attention to cyber security management, and continuously increasing manpower on security protection and investing on cyber security management protection related software and hardware. The Company's investments on cyber security related software and hardware in 2021 reached NT\$ 17.52 million.

6.2 As of the publication date of the annual report, any damages, possible influences and countermeasures due to significant cyber security events, which are unable to estimated reasonably, shall state the facts:

The Company had no significant cyber security event occurred.

7. Significant contracts:

None.

## VI. Financial Overview

### 1. Financial Information

#### 1.1 Five-year financial summary

##### A. Summary of consolidated balance sheets

##### (a) Consolidated balance sheets – based on IRFSs

Unit: NT\$1,000

Item		Year	Financial information for the last five years				
			2017	2018	2019	2020	2021
Current assets			1,363,930	1,337,340	1,092,713	1,489,122	2,223,738
Property, Plant and Equipment			453,983	380,267	404,507	418,464	418,033
Intangible assets			40,868	31,114	13,931	12,698	14,650
Other assets			457,823	123,798	212,197	259,117	245,491
Total assets			2,316,604	1,872,519	1,723,348	2,179,401	2,901,912
Current liabilities	Before distribution		634,715	390,461	536,406	518,436	1,532,011
	After distribution		634,715	390,461	536,406	518,436	1,532,011
Non-current liabilities			0	0	75,821	594,353	163,781
Total liabilities	Before distribution		634,715	390,461	612,227	1,112,789	1,695,792
	After distribution		634,715	390,461	612,227	1,112,789	1,695,792
Equity attributable to owner of parent			1,577,166	1,392,246	1,094,560	1,066,612	1,206,120
Share capital	Ordinary share		2,136,381	1,511,547	1,511,547	1,524,847	1,545,534
	Advance receipts for share capital		0	0	0	15,958	9,956
Capital surplus			87,148	92,411	96,653	135,896	160,349
Retained earnings	Before distribution		(588,881)	(112,954)	(413,949)	(514,164)	(418,817)
	After distribution		(588,881)	(112,954)	(413,949)	(514,164)	(418,817)
Other equity interest			(57,482)	(98,758)	(99,691)	(95,925)	(90,902)
Treasury stock			0	0	0	0	0
Non-controlling interest			104,723	89,812	16,561	0	0
Total equity	Before distribution		1,681,889	1,482,058	1,111,121	1,066,612	1,206,120
	After distribution		1,681,889	1,482,058	1,111,121	1,066,612	1,206,120

Note: The financial information of each year has been audited by CPAs.

## (b) Parent company only balance sheets – based on IRFSs

Unit: NT\$1,000

Year		Financial information for the last five years				
		2017	2018	2019	2020	2021
Item						
Current assets		902,012	1,005,795	822,364	1,209,276	1,714,068
Property, Plant and Equipment		288,744	261,318	277,970	288,449	291,046
Intangible assets		23,272	16,837	13,282	9,177	11,356
Other assets		960,166	529,674	486,291	581,867	582,884
Total assets		2,174,194	1,813,624	1,599,907	2,088,769	2,599,354
Current liabilities	Before distribution	597,028	421,378	496,968	448,069	1,243,439
	After distribution	597,028	421,378	496,968	448,069	1,243,439
Non-current liabilities		0	0	8,379	574,088	149,795
Total liabilities	Before distribution	597,028	421,378	505,347	1,022,157	1,393,234
	After distribution	597,028	421,378	505,347	1,022,157	1,393,234
Interests attributable to owner of parent		1,577,166	1,392,246	1,094,560	1,066,612	1,206,120
Share capital	Ordinary share	2,136,381	1,511,547	1,511,547	1,524,847	1,545,534
	Advance receipts for share capital	0	0	1,050	15,958	9,956
Capital surplus		87,148	92,411	96,653	135,896	160,349
Retained earnings	Before distribution	(588,881)	(112,954)	(413,949)	(514,164)	(418,817)
	After distribution	(588,881)	(112,954)	(413,949)	(514,164)	(418,817)
Other equity interest		(57,482)	(98,758)	(99,691)	(95,925)	(90,902)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,577,166	1,392,246	1,094,560	1,066,612	1,206,120
	After distribution	1,577,166	1,392,246	1,094,560	1,066,612	1,206,120

Note: The financial information of each year has been audited by the CPAs.

B. Summary of consolidated statements of comprehensive income

(a) Consolidated statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item	Year	Financial information for the last five years				
		2017	2018	2019	2020	2021
Operating revenue		1,519,795	1,458,640	1,042,284	1,326,691	2,454,678
Gross profit from operations		164,763	215,827	94,368	262,699	488,525
Operating profit (loss)		(258,963)	(199,358)	(356,582)	(101,844)	83,561
Non-operating income and expenses		(21,163)	23,031	2,286	1,761	11,786
Profit (loss) before income tax		(280,126)	(176,327)	(354,296)	(100,083)	95,347
Net profit (loss) from operations of continued segment		(263,041)	(202,537)	(357,779)	(100,083)	95,347
Net profit (loss) from operations of discontinued segment		0	0	0	0	0
Profit (loss) for the year		(263,041)	(202,537)	(357,779)	(100,083)	95,347
Other comprehensive income(loss) for the year, net of tax		(41,531)	(2,557)	(17,400)	1,866	5,023
Total comprehensive income(loss) for the year, net of tax		(304,572)	(205,094)	(375,179)	(98,217)	100,370
Profit (loss) attributable to owner of the parent		(255,365)	(184,805)	(284,759)	(98,315)	95,347
Profit (loss) attributable to non-controlling interest		(7,676)	(17,732)	(73,020)	(1,768)	0
Total comprehensive income (loss) attributable to owner of the parent		(288,329)	(190,183)	(301,928)	(96,449)	100,370
Total comprehensive income (loss) attributable to non-controlling interest		(16,243)	(14,911)	(73,251)	(1,768)	0
Earnings (Losses) per share (in NT dollars)		(1.69)	(1.22)	(1.88)	(0.64)	0.62

Note: The financial information of each year has been audited by the CPAs.

## (b) Parent company only statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item \ Year	Financial information for the last five years				
	2017	2018	2019	2020	2021
Operating revenue	993,557	1,062,461	799,997	1,298,610	2,120,074
Gross profit from operations	26,845	181,528	58,391	199,057	363,854
Operating profit (loss)	(187,588)	(49,817)	(208,780)	(109,539)	49,395
Non-operating income and expenses	(86,513)	(109,225)	(72,520)	11,224	45,952
Profit (loss) before income tax	(274,101)	(159,042)	(281,300)	(98,315)	95,347
Net profit (loss) from operations of continued segment	(255,365)	(184,805)	(284,759)	(98,315)	95,347
Net profit (loss) from operations of discontinued segment	0	0	0	0	0
Profit (loss) for the year	(255,365)	(184,805)	(284,759)	(98,315)	95,347
Other comprehensive income (loss) for the year, net of tax	(32,964)	(5,378)	(17,169)	1,866	5,023
Total comprehensive income (loss) for the year, net of tax	(288,329)	(190,183)	(301,928)	(96,449)	100,370
Profit (loss) attributable to owner of the parent	(255,365)	(184,805)	(284,759)	(98,315)	95,347
Profit (loss) attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income (loss) attributable to owner of the parent	(288,329)	(190,183)	(301,928)	(96,449)	100,370
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0
Earnings (Losses) per share (in NT dollars)	(1.69)	(1.22)	(1.88)	(0.64)	0.62

Note: The financial information of each year has been audited by CPAs.

## 1.2 Auditor's opinions in the last 5 years

Year	Name of accountant	Accounting firm	Audit opinion
2017	Wu, Han-Qi Zhi, Bing-Jun	PricewaterhouseCoopers Taiwan	Unqualified opinion
2018	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2019	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2020	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2021	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion



## 2. Five-Year Financial Analysis

### 2.1 Consolidated financial analysis – based on IFRSs

Analysis item		Year	Financial information for the last five years				
		2017	2018	2019	2020	2021	
Financial structure	Debt Ratio (%)	27.40	20.85	35.53	51.06	58.44	
	Ratio of long-term capital to property, plant, and equipment (%)	347.41	366.12	270.59	390.71	321.51	
Solvency	Current ratio (%)	214.89	342.50	203.71	287.23	145.15	
	Quick ratio (%)	164.47	274.67	168.46	249.51	103.23	
	Interest coverage ratio (times) (%)	(3,698.83)	(7,955.14)	(4,560.56)	(3,026.62)	1,418.95	
Operating performance	Accounts receivable turnover (times)	3.21	4.48	4.51	4.38	5.12	
	Average collection days (days)	114	81	81	83	71	
	Inventory turnover (times)	3.87	5.30	3.74	6.08	5.39	
	Accounts payable turnover (times)	4.76	5.60	4.46	3.63	3.56	
	Average days of sales (days)	94	69	98	60	68	
	Property, plant, and equipment turnover (times)	3.02	3.50	2.66	3.22	5.87	
	Total assets turnover (times)	0.58	0.70	0.58	0.68	0.97	
Profitability	Return on total assets (%)	(9.54)	(8.74)	(15.50)	(4.91)	3.98	
	Return on shareholders' equity (%)	(14.88)	(12.45)	(22.90)	(9.10)	8.39	
	Ratio of paid-in capital (%)	Operating income to paid-up capital (%)	(12.12)	(13.19)	(23.59)	(6.61)	5.37
		profit before tax to paid-up capital (%)	(13.11)	(11.67)	(23.44)	(6.50)	6.13
	Net profit ratio (%)	(16.80)	(12.67)	(27.32)	(7.41)	3.88	
	Earnings (Losses) per share (in NT\$)	(1.69)	(1.22)	(1.88)	(0.64)	0.62	
Cash flow	Cash flow ratio (%)	15.03	(7.76)	(13.57)	(0.71)	(1.94)	
	Cash flow adequacy ratio (%)	(59.74)	(95.25)	(112.52)	(78.78)	(15.82)	
	Cash reinvestment ratio (%)	3.41	(1.67)	(4.49)	(0.24)	(1.83)	
Leverage	Operating Leverage	0.57	0.55	0.70	0.16	2.12	
	Financial Leverage	0.97	0.99	0.98	0.97	1.09	

Please state the cause of change on each financial ratio within the latest two years. (if such change not achieving 20%, analysis is not necessary)

1. Liquidity ratio (%): decreased in 2021 relative to 2020, due to increase of accounts payable and bonds payable reclassified as current liabilities.
2. Quick ratio (%): decreased in 2021 relative to 2020, due to increase of accounts payable and reclassified bonds payable as current liabilities.
3. Interest coverage ratio (%): increased in 2021 relative to 2020, due to before tax net profit increased in 2021.
4. Real estate, plant and equipment turnover ratio (time): increased in 2021 relative to 2020, due to increase of 2021 operating revenue.
5. Total Asset Turnover Ratio (%): increased in 2021 relative to 2020, due to increase of 2021 operating revenue.
6. Return on total assets (%): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
7. Return on equity (%): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
8. Operating profit to paid-in capital ratio (%): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
9. Pre-tax profit to paid-in capital ratio (%): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
10. Net profit ratio (%): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
11. Earnings per share ( NT\$): increased in 2021 relative to 2020, due to due to 2021 net profit after tax while net loss in 2020.
12. Cash flow Coverage ratio (%): increased in 2021 relative to 2020, due to increase in operating cash outflows and increase in current liabilities.
13. Fund Flow Adequacy Ratio (%): decreased in 2021 relative to 2020, due to increase in 2021 inventories.
14. Cash reinvestment ratio (%): increased in 2021 relative to 2020, due to increase in operating cash outflows.
15. Operating Leverage: increased in 2021 relative to 2020, due to increase in operating profit.

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: The calculation formula is as follows:

1. Financial structure
  - (1) Debt Ratio = total liabilities / total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest coverage ratio = net profit before income tax and interest expense / current interest expense.
3. Operating ability
  - (1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts receivable and notes receivable arising from the operation).
  - (2) Average collection days = 365 / receivables turnover.
  - (3) Inventory turnover = cost of sales / average inventory.
  - (4) Accounts payable turnover (including accounts payable and notes payable for operations) = cost of sales / balance of average accounts payable for each period (including accounts payable and notes payable for operations).
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) Property, plant, and equipment turnover = net sales / average net property, plant, and equipment.
  - (7) Total assets turnover = net sales / average total assets.
4. Profitability
  - (1) Return on total assets = (after-tax profit and loss + interest expense × (1 - tax rate)) / average total assets.
  - (2) Return on shareholders' equity = after-tax profit and loss / average total shareholders' equity.
  - (3) Net profit ratio = after-tax profit and loss / net sales.
  - (4) Earnings (losses) per share = (profit and loss attributable to owner of the parent - dividend of special shares) / weighted average number of shares issued.
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flow of operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
  - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
  - (2) Financial leverage = operating interest / (operating interest - interest expense).

## 2.2 Parent company only financial analysis – based on IFRSs

Year Analysis item		Financial information for the last five years					
		2017	2018	2019	2020	2021	
Financial structure	Debt ratio (%)	27.46	23.23	31.59	48.94	53.60	
	Ratio of long-term capital to property, plant, and equipment (%)	546.22	532.78	393.77	566.82	461.78	
Solvency	Current ratio (%)	151.08	238.69	165.48	269.89	137.85	
	Quick ratio (%)	134.57	219.85	148.32	252.22	112.00	
	Interest coverage ratio (times) (%)	(3,951.75)	(7,165.51)	(14,200.97)	(7,071.04)	5,889.13	
Operating performance	Accounts receivable turnover (times)	3.78	6.14	4.34	4.46	4.92	
	Average collection days (days)	97	59	84	82	74	
	Inventory turnover (times)	7.18	9.90	6.81	10.97	8.43	
	Accounts payable turnover (times)	3.68	3.33	2.93	3.89	4.15	
	Average days of sales (days)	51	37	54	33	43	
	Property, plant, and equipment turnover (times)	3.29	3.86	2.97	4.59	7.32	
	Total assets turnover (times)	0.42	0.53	0.47	0.70	0.90	
Profitability	Return on total assets (%)	(10.46)	(9.18)	(16.61)	(5.27)	4.12	
	Return on shareholders' equity (%)	(14.88)	(12.45)	(22.90)	(9.10)	8.39	
	Ratio of paid-in capital (%)	Operating income to paid-up capital (%)	(8.78)	(3.30)	(13.81)	(7.11)	3.18
		profit before tax to paid-up capital (%)	(12.83)	(10.52)	(18.61)	(6.38)	6.13
	Net profit ratio (%)	(25.70)	(17.39)	(35.60)	(7.57)	4.50	
	Earnings (losses) per share (in NT\$)	(1.69)	(1.22)	(1.88)	(0.64)	0.62	
Cash flow	Cash flow ratio (%)	20.81	11.32	(37.97)	(2.05)	(2.00)	
	Cash flow adequacy ratio (%)	8.64	6.84	(32.69)	(46.27)	(10.30)	
	Cash reinvestment ratio (%)	5.51	2.85	(14.29)	(0.58)	(1.70)	
Leverage	Operating Leverage	0.75	0.31	0.79	0.53	2.16	
	Financial Leverage	0.97	0.96	0.99	0.99	1.03	

Please state the cause of change on each financial ratio within the latest two years. (if such change not achieving 20%, analysis is not necessary)

1. Liquidity ratio (%): decreased in 2021 relative to 2020, due to increase accounts payable and bonds payable reclassified as current liabilities.
2. Quick ratio (%): decreased in 2021 relative to 2020, due to due to increase accounts payable and bonds payable reclassified as current liabilities.
3. Interest coverage ratio (%): increased in 2021 relative to 2020, due to increase of 2021 before tax net profit.
4. Inventory turnover ratio (%): decreased in 2021 relative to 2020, due to increase of inventories .
5. Average sales day: increased in 2021 relative to 2020, due to decrease in inventory turnover ratio.
6. Real estate, plant and equipment turnover ratio: increased in 2021 relative to 2020, due to increase in 2021 operating revenue.
7. Total Asset Turnover Ratio (%): increased in 2021 relative to 2020, due to increase in 2021 operating revenue.
8. Return on total assets (%): increased in 2021 relative to 2020, 2021 net profit after tax while net loss in 2020.
9. Return on equity (%): increased in 2021 relative to 2020, 2021 net profit after tax while net loss in 2020.
10. Operating profit to paid-in capital ratio (%): increased in 2021 relative to 2020, 2021 net profit after tax while net loss in 2020.
11. Pre-tax profit to paid-in capital ratio (%): increased in 2021 relative to 2020, 2021 net profit after tax while net loss in 2020.
12. Net profit ratio (%): increased in 2021 relative to 2020, 2021 net profit after tax while net loss in 2020.
13. Earnings per share ( NT\$): increased in 2021 relative to 2020, due to 2021 net profit after tax while net loss in 2020.
14. Fund Flow Adequacy Ratio (%): decreased in 2021 relative to 2020, due to increase in 2021 inventories.
15. Cash reinvestment ratio (%): increased in 2021 relative to 2020, due to increase in operating cash outflows.
16. Degree of Operating Leverage: increased in 2021 relative to 2020, due to increase in operating profit.

Note 1: The above financial information for each year has been audited and approved by CPAs.

Note 2: The calculation formula is as follows:

1. Financial structure
  - (1) Debt ratio = total liabilities / total assets.
  - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest coverage ratio = profit before income tax and interest expense / current interest expense.
3. Operating ability
  - (1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts receivable and notes receivable arising from the operation).
  - (2) Average collection days = 365 / accounts receivables turnover.
  - (3) Inventory turnover = cost of sales / average inventory.
  - (4) Accounts payable turnover (including accounts payable and notes payable for operations) = cost of sales / balance of average accounts payable for each period (including accounts payable and notes payable for operations).
  - (5) Average days of sales = 365 / inventory turnover.
  - (6) Property, plant, and equipment turnover = net sales / average net property, plant, and equipment.
  - (7) Total assets turnover = net sales / average total assets.
4. Profitability
  - (1) Return on total assets = (after-tax profit and loss + interest expense  $\times$  (1 - tax rate)) / average total assets.
  - (2) Return on shareholders' equity = after-tax profit and loss / average total shareholders' equity.
  - (3) Net profit ratio = after-tax profit and loss / net sales.
  - (4) Earnings(losses) per share = (profit and loss attributable to owner of the parent - dividend of special shares) / weighted average number of shares issued.
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flow of operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
  - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
  - (2) Financial leverage = operating interest / (operating interest - interest expense).

### 3. Audit Committee Review Report

#### Audit Committee's Review Report

The Company's 2021 Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Profit and Loss Appropriation Proposal have been prepared by the Board of Directors. Parent Company Only Financial Statements and Consolidated Financial Statements have been audited by PWC Taiwan and issued with an audit report. The Audit Committee reviewed the aforementioned Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Profit and Loss Appropriation Proposal and found no inconsistency, which is hereby reported in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Sysgration Ltd.

Convenor of the Audit Committee: Lin, Kuan-Chao

March 17, 2022

4. Consolidated Financial Statements For The Most Recent Year Including Auditors' Report, Balance Sheet, Consolidated Income Statement, Statement Of Changes In Equity, Statement Of Cash Flow And Notes Or Attached Tables For Two Years.

Please refer Appendix I for details.

5. Parent Company Only Financial Statements For The Most Recent Year Which Has Been Audited By CPAs, But Does Not Contain The Detailed List Of Important Accounting Items.

Please refer Appendix II for details.

6. If The Company And Its Affiliated Enterprises Have Financial Turnover Difficulties In The Most Recent Year And Up To The Date Of The Publication Of The Annual Report, The Company Shall State Its Impact On The Financial Situation Of The Company.

No such situation exists.



## VII. Review of the Financial Status and Financial Performance and Risk Management

### 1. Analysis Of The Financial Status

#### 1.1 Comparative analysis of financial performance

Unit:NT\$1,000

Item	Year	2020	2021	Variance	
				Amount	%
Current assets		1,489,122	2,223,738	734,616	49.33
Non-current assets		690,279	678,174	(12,105)	(1.75)
Total assets		2,179,401	2,901,912	722,511	33.15
Current liabilities		518,436	1,532,011	1,013,575	195.51
Non-current liabilities		594,353	163,781	(430,572)	(72.44)
Total liabilities		1,112,789	1,695,792	583,003	52.39
Share Capital		1,540,805	1,545,534	20,687	1.36
Advance receipts for share capital		15,958	9,956	(6,002)	(37.61)
Capital surplus		135,896	160,349	24,453	17.99
Retained earnings		(514,164)	(418,817)	95,347	(18.54)
Other equity interest		(95,925)	(90,902)	5,023	(5.24)
Interest attributable to owner of the parent		1,066,612	1,206,120	139,508	13.08
Total equity		1,066,612	1,206,120	139,508	13.08

Note: If the change ratio is more than 20% and the change amount is more than \$10,000 thousand, the reasons for the change shall be analyzed.

1.2 The main causes of major changes in assets, liabilities, and shareholders' equity in the last two years and their impacts. If the impact is significant, the future response plans should be provided.

- (1) Increase in current assets: due to increase in net accounts receivable and inventories.
- (2) Increase in current liabilities: due to increase in accounts payable and bonds payable reclassifies as current liabilities.
- (3) Decrease in non-current liabilities: due to bonds payable reclassified as current liabilities.

## 2. Review Of Financial Performance

### 2.1 Analysis of financial performance

Unit: NT\$1,000

Item	Year		Variance	
	2020	2021	Amount	%
Operating revenue	1,326,691	2,454,678	1,127,987	85.02
Gross profit from operations	262,699	488,525	225,826	85.96
Operating profit (loss)	(101,844)	83,561	185,405	182.05
Non-operating income and expenses	1,761	11,786	10,025	569.28
Profit (loss) before income tax	(100,083)	95,347	195,430	195.27
Profit (loss) attributable to owner of the parent	(98,315)	95,347	193,662	196.98
Other comprehensive income(loss) for the year	1,866	5,023	3,157	169.19
Total comprehensive profit (loss) attributable to owner of the parent	(96,449)	100,370	196,819	204.07

Note: If the change ratio is more than 20% and the change amount is more than \$10,000 thousand, the reasons for the change shall be analyzed.

### 2.2 If the variance is more than 20% and the change amount is more than NTT10,000 thousand the reasons for the change shall be analyzed.

- (1) Increase in operating revenue: due to increase of clients' demands.
- (2) Increase in operating margin: due to increase of operating revenue and margin rate.
- (3) Increase in operating profit: due to increase in operating revenue and effective control on business expenses.
- (4) Increase in non-operating income and expenditure: due to increase in other revenues and decreased in foreign currency exchange loss.
- (5) Increased profit before income tax and profit attributable to owner of the parent: due to increase in operating income and profit in 2021.
- (6) Increased in comprehensive profit attributable to owner of the parent: due to increase in operating income and profit in 2021.

### 2.3 Expected sales volume and its basis, possible impact on the Company's future financial business, and a response plan

Looking forward to 2022, based on the existing customers of tire pressure monitoring systems, we will actively expand the tire pressure monitoring system replacement market beyond the

United States, Europe, and Japan. At the same time, we will develop a standalone dual-frequency tire pressure monitoring system that is compatible with the original manufacturers of American, European, and Japanese cars and further expand to the OE market. In addition, we will accelerate our Retrofit market in Mainland China and the United States, increase our dealer channels in Mainland China, and continue to expand the application of low power Bluetooth (BLE) TPMS in the market for general passenger cars, motorcycles, heavy trucks, pickup trucks, and buses.

The Chinese government has specified tire pressure monitoring systems as the standard configuration of general passenger vehicles. The Company is actively planning to accelerate the development of tire pressure monitoring systems for special vehicles in Mainland China to seize the opportunity in the front assembly market of car manufacturers in Mainland China. The TPMS will inevitably become standard equipment of automobiles. With 100 million new cars shipped out of the factory every year and 100 million old cars needing to replace the TPMS every year, it is estimated that the global market will have a demand of nearly 800 million TPMS every year. The market size is large, and future revenue growth should be prosperous. Sysgration Integrates IoT experience and technology and applies it in the automotive electronics industry to successfully develop Recreation Vehicles' internal central control system. This system can assist users in controlling all electrical appliances and equipment in the car through the cloud, mobile phone, and central control panel. At present, the system has been successfully integrated with two major camping vehicle factories in the United States and successfully introduced into mass production. In addition to seeking cooperation with other camping vehicle manufacturers in the United States, we are also actively expanding our market share in Europe, Australia, and Japan. Furthermore, the Company also uses its original energy storage and management technology to develop special solar power storage and an uninterrupted power system for camping vehicles to expand revenue.

In the area of energy management, the Company will continue to develop uninterrupted power systems. Based on the original product, there are upgrades from low-level manufacturing to high-capacity and high-end UPS to meet customer needs in specific markets. In addition, we also assist customers in introducing the lithium-ion battery application technology to replace the original lead-acid battery used in UPS. The Company has developed a battery backup power system for industrial use and has made good progress. The Company also plans to use existing technology to develop solar energy storage systems suitable for use in ordinary homes, buildings, or remote areas. The Company will continue to invest the manpower and resources. In addition to developing various battery modules for industrial or factory use, it will also extend its business scope to the Battery Management System with the marketing of battery packs to enhance the added value and expand the market niche. With the increase of market

application, it is expected that it can improve the market space of products.

### 3. Cash Flow

Unit: NT\$1,000

Balance of cash and cash equivalent at beginning of the year	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (deficiency)	Remedy for cash deficiency	
				Investment plan	Financial plan
904,217	(29,665)	(63,430)	840,787	None	None
<p>(1) Analysis of cash flow changes this year:</p> <p>a. Net cash outflow from operating activities is NT\$29,665 thousand: due to materials purchase payments in 2021.</p> <p>b. Net cash outflow from investment activities is NT\$95,001 thousand: due to obtained financial assets at fair value through other comprehensive income and equipment.</p> <p>c. Net cash inflow from financing activities is NT\$63,525 thousand: due to long-term loans.</p> <p>(2) Remedy for cash deficiency and liquidity analysis: The Company has sufficient cash in operation and has no shortage of cash.</p> <p>(3) Analysis of cash liquidity in the coming year: It is expected that the operating cash will still be abundant in the next year under a stable operation situation.</p>					

### 4. Impact Of Significant Capital Expenditure On Financial Operations In The Most Recent Year.

The Company has no significant capital expenditures in the most recent year.

### 5. Reinvestment Policy For The Most Recent Year, Main Reasons For Profit Or Loss, Improvement Plan, And Investment Plan For The Next Year.

Unit: NT\$1,000

Item	Description	Profits (losses) recognized in the most recent year	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
	SYSGRATION TECHNOLOGY (SAMOA) LIMITED	21,311	Overseas holding	Mainly recognized the profits from its invested Sysgration Ltd. (Zhenjiang) in mainland China.	None	None
	SYSGRATION (SAMOA) LIMITED	13,891	Overseas holding	Mainly recognized the profits from its invested Sysgration Ltd. (Huizhou) in mainland China.	None	None
	SYSGRATION USA INC.	116	North America area marketing and after-sales service	The Company recognized reinvestment profit of year 2021.	None	None

## 6. Risk Assessment For The Most Recent Year And As Of The Publication Date Of The Annual Report

### 6.1 Impact of interest rate, exchange rate change, and inflation on the Company's profit and loss, and future countermeasures:

Unit: NT\$1,000

Item	2021
Net interest income (expense)	(560)
Net exchange gain (loss)	(2,306)
Ratio of net interest income (expense) to operating revenue	(0.02%)
Ratio of net interest income (expense) to profit (loss) before tax	(0.59%)
Ratio of net exchange gain (loss) to operating revenue	(0.09%)
Ratio of net exchange gain (loss) to profit (loss) before tax	(2.42%)

(1) Impact of the interest rate change on profit and loss of the Company and future countermeasures:

- a. Impact on profit and loss of the Company: By the end of 2021, the Company's short-term borrowings subject to interest rate changes were NT\$8,688 thousand. If the market interest rate changes, the effective interest rate of such financial commodities will also change. A 1% increase in the market interest rate will increase the Company's annual interest expense by NT\$87 thousand.
- b. Future countermeasures: Since the Company's cash and financial assets minus liabilities are the net part, the increase in interest rates will be more beneficial to the Company's short-term fund application. In the future, the Company will continue to pay attention to the interest rate changes of various currencies and increase the fixed deposits of currencies favorable to the Company.

(2) Impact of an exchange rate change:

- a. Impact on profit and loss of the Company: The Company has the capital transactions in foreign currency-denominated import and export business. Exchange rate fluctuations affect the foreign currency-denominated assets and liabilities. At the end of 2021, the financial assets and liabilities of USD to NTD subject to the risk of exchange rate fluctuations are USD21,153 thousand and USD7,094 thousand; the financial assets and liabilities of USD to RMB are USD2,237 thousand and USD7,023 thousand, respectively; the financial assets of HKD to NTD are HKD1,942 thousand, and the financial liabilities of HKD to RMB are HKD3,459 thousand. The change in the market exchange rate will change the fair value of such financial assets or liabilities. A 1% appreciation in the market exchange rate of the US dollar will increase the Company's profit by approximately NT\$2,428 thousand.
- b. Future countermeasures: The specific measures taken by the Company in response to

exchange rate fluctuations are to refer to relevant correspondent banks with information on exchange rate fluctuations and take the hedging pre-sale forward foreign exchange measures for the Company's foreign currency assets and liabilities. When quoting customers, the business units should consider the price adjustment caused by exchange rate fluctuations to reduce the impact of exchange rate fluctuations on the Company.

(3) Impact of inflation:

- a. Impact on profit and loss of the Company: The Group's main sources of purchase are Taiwan and Mainland China. In recent years, Taiwan's inflation rate is within 2%. According to the statistics of DGBAS, the annual increase rate of Taiwan's consumer price index is about 1%, so the inflation risk has a limited impact on the Company's profit and loss. In addition, since the Company is engaged in the related industries of electronics and automobile power components, the electronic products and raw materials are characterized by long-term price decline. The Company will continue to carry out stricter cost and expense control to reduce the risks caused by possible inflation.
- b. Future countermeasures: In addition to grasping the price changes of the upstream raw materials, we will pay close attention to the cost control and quotation and timeously adjust the product price and raw materials inventory, to reduce the impact of inflation on the rise of raw materials cost.

## 6.2 Policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement guarantees and derivative commodity trading, main causes of profits or losses, and future countermeasures.

- (1) The Company did not engage in high-risk and highly leveraged investments in the past year, and all investments were executed after careful evaluation.
- (2) The Company's capital lending to others and endorsement guarantee in this year were subject to the subsidiary of reinvestment and were handled in accordance with the Company's "Operation Procedures for Lending Funds to Others" and "Endorsement Guarantee Operation Procedures."
- (3) The Company adheres to the principle of the conservative and prudent policy of engaging in derivatives trading, mainly focusing on the forward foreign exchange to avoid the risk of changes in real foreign exchange rates. It handles in accordance with the "Procedures for Handling the Acquisition or Disposal of Assets" and the "Procedures for Handling Derivatives Trading" set by the Company. And to timely and correctly announce all trading information according to the law and regulations, there is no loss this year.

### 6.3 Future R&D plan and estimated R&D expenditure

Aiming at the current development of the Company's products, the Company will continue to actively cultivate and recruit the R&D talents, to not only commit to improve the product quality to meet international demands and obtain the certification according to the national rules and regulations, and also enhance the ability of product design, including the application of new technology, development of wireless communication software and mobile phone APP, etc., to meet the customer demand, create value for customers, and enhance own competitiveness.

- (1) Continue to optimize the hardware design of universal tire pressure monitoring systems, including thin and compact, long-distance wireless transmission, minimum power consumption, and reduction in the number of parts. Software development focuses on the humanization and intelligence of man-machine interface and seamless system integration with mobile phones, clouds, and big data.
- (2) Cooperate with third parties to establish independent software development tools and strengthen the market competitiveness of replacement.
- (3) Develop the US truck fleet management system by cooperating with customers through wireless transmission of tire pressure monitoring systems via Bluetooth.
- (4) Use solar energy charging technology to develop special energy storage and a power generation system for camping vehicles.
- (5) Continue developing the battery pack management system to improve battery life and reduce the battery's internal temperature to reduce accidents such as battery combustion and explosion.
- (6) Continue to develop energy storage power generation systems to improve the power supply efficiency.

The actual R&D expenditure in 2021 was NT\$189,409 thousand, accounting for about 7.72% of the annual revenue. In 2022, according to the new product development plan, it is estimated to invest NT\$170 million - 200 million in research and development.

### 6.4 Impact of major domestic and foreign policy and legal changes on the Company's financial business and countermeasures

The Company has internally set up chairman office, general manager office, accounting department and legal affairs unit, to keep close to the policies and decrees that may influence company's financial business. In addition, the company's internal operating procedures are in strict performance of relevant acts and regulations, to ensure its business and financial operations rightful. The tariff issue in 2019 Sino-US trade and COVID - 19 outbreak of latest

years have also influenced a lot on its electronics industry corporations in mainland China, as well as the Company's products in there. Therefore, only the Company's Nankang Factory in Taiwan can replace the original mainland factories' production and export to America, which mitigates against the impacts of the two issues mentioned above.

#### 6.5 Impact of technological change and industrial change on financial business of the Company and countermeasures

The Company has committed to product research and development to meet the market demand, and provide its clients with full-scale and professional OEM and manufacturing services. It also quickly responds to technology demands and changes, so as to reduce market risk and maintain the long-term and stable development of company financial business. Furthermore, it also commits to strengthen with manpower and resources to protect client data and prevent any improper human attempts and illegal acts.

#### 6.6 Impact of corporate image change on corporate crisis management and countermeasures

- (1) The Company has been established for more than 45 years. It has always adhered to regular operation, committed to R&D and innovation, and maintained a good credit relationship and reputation review. In the most recent year, as of the date of publication, there were no incidents in which the Company faced crisis management due to an image change.
- (2) The Company also has a crisis management team which is organized by its chairman office, general manager office and legal affairs unit, to take countermeasures for possible crisis.

#### 6.7 Expected benefits, possible risks, and countermeasures of a merger and acquisition: None.

#### 6.8 Expected benefits, possible risks, and countermeasures of plant expansion: None.

#### 6.9 Risks and countermeasures faced in purchasing or selling concentratedly: None

#### 6.10 Impact of large shares transfers or replacements by directors, supervisors, or major shareholders holding more than 10% of the shares on the Company, risks, and countermeasures: None .



#### 6.11 Impact of management change on the Company, risks, and countermeasures:

None

#### 6.12 For the litigation or non-litigation, the Company and its directors, supervisors, President, substantive persons in charge, major shareholders holding more than 10% of the shares of the Company and its affiliated companies have been determined by judgment or are still under the jurisdiction of major litigation, non-litigation or administrative dispute litigation, shall be listed. Should the outcome be likely to have a material impact on shareholders' equity or securities prices. In that case, it shall disclose the facts of the dispute, the target amount, the commencement date of the lawsuit, the principal parties involved, and the disposition as of the publication date of the annual report:

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court as Tsuzuki Denki Co., Ltd. (Tsuzuki Denki) filed a civil litigation with the Taiwan Taipei District Court. Tsuzuki Denki claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer's comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that the Company took counteraction to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of December 31, 2021, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

#### 6.13 Description of information security risk assessment and analysis:

Information security policies:

- (1) The information asset monitoring and control mechanism shall be established. All personnel shall have the responsibility and obligation to protect relevant information assets for which they are responsible and ensure the confidentiality, correctness, and availability of the important information assets of the Company.
- (2) The duties of the employees shall be properly segregated, and only the necessary authority

and information shall be granted to the employees to complete the work.

- (3) Necessary assessment should be carried out, and relevant operation specifications should be signed in order to understand that each employee must maintain and ensure information security, which should be implemented in their daily work.
- (4) It shall establish a business continuity management mechanism to maintain its applicability.
- (5) The Company's information security measures shall comply with the legal norms and the Company's information security policy requirements. All information security specifications or procedures shall be established and modified following the information security management system.

Information security objectives:

- (1) Comply with the requirements of laws and regulations, orders of competent authorities, and customer contracts or professional responsibilities.
- (2) Safeguard and preserve customer data to prevent improper and illegal events.
- (3) Ensure the accuracy and completeness of the data provided.
- (4) When the information security incident causes the rights and interests of relevant parties (interested parties) to be damaged, it shall respond and be dealt with appropriately.

Specific implementation measures:

The Company actively plans and deploys the information security measures, improves the information security environment, reduces the information security risks, and technically deploys the network firewall, email security system, and combines with the risk management system, firewall information security equipment update, internal audit process, and other management measures, to achieve perfect information security protection.

6.14 Other major risks and countermeasures: None.

## 7. Other Important Matters

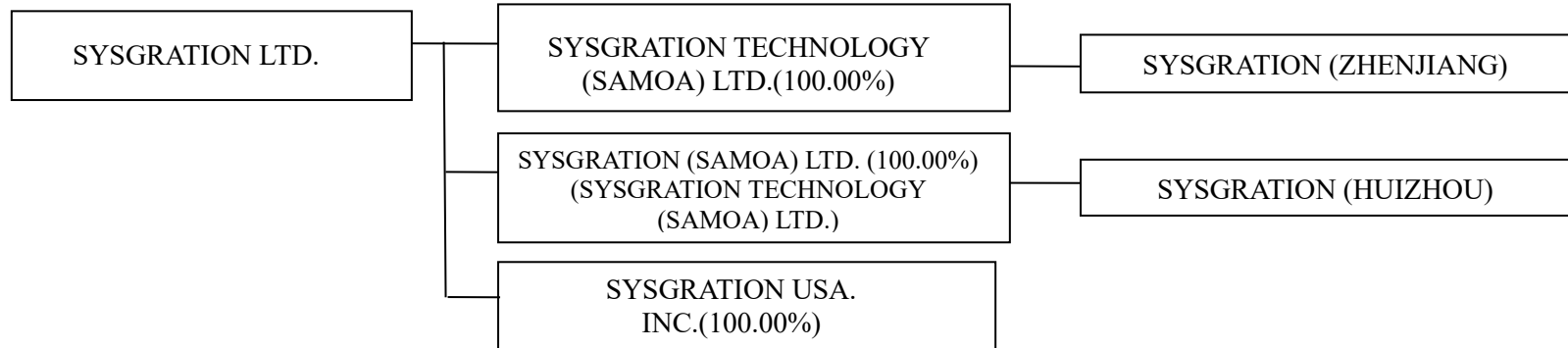
None

## VIII.Special Disclosure

### Sysgration Ltd. 2021 Consolidated Business Report of Affiliated Enterprises

#### 1. Related Information Of Affiliated Enterprises

##### 1.1 Organization profile of affiliated enterprises



## 1.2 Basic information of affiliated enterprises

Unit: NT\$1,000 As of December 31, 2021

Name of enterprise	Date of Incorporation	Address	Paid-in capital	Major business or products
Sysgration Ltd.	1977/10/14	5F-1., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City	1,555,880	Manufacturing and selling of electronic products
Sysgration Technology (Samoa) Ltd.	2012/10/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	671,762	Overseas holding company
Sysgration (Samoa) Ltd.	1998/09/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	505,131	Overseas holding company
Sysgration USA. Inc.	2003/01/15	1043 Segovia Circle, Placentia, CA 92870, USA	10,062	Electronic product trading
Sysgration Technology (Zhenjiang) Ltd.	2013/01/08	Floor 2, No. 5, Aerospace Industrial Park, No. 33, Yangtze Road, Dagang New Area, Zhenjiang	597,888	Manufacturing and selling of energy storage products
Sysgration Technology (Huizhou) Ltd.	2015/08/01	Floor 3, Yuxin Science and Technology Park, Longshan 7th Road, Xiangshui River Industrial Zone, Daya Bay, Huizhou	102,416	Manufacturing and selling of electronic products

## 1.3 Same shareholder information of presumable control and subordination relation:

None.

## 1.4 Industry covered by the business of overall affiliated enterprises

The Company and its affiliated enterprises mainly engage in the manufacturing, processing, and trading of electronic products, automotive electronic battery packs, and energy storage products. A small number of affiliated enterprises also engage in the investment business. As a whole, the Company and its affiliated enterprises achieve mutual benefits and maximize the profits of the Group through the mutual assistance of technology, manufacturing, marketing, and service.

### 1.5 Information of the Director, Supervisor, and General Manager of each affiliated enterprise

Unit: NT\$1,000; share; % As of December 31, 2021

Name of enterprise	Title	Name or representative	Shareholding	
			Shares	%
Sysgration Technology (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	21,800,000	100.00%
Sysgration (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	15,938,000	100.00%
Sysgration USA. Inc.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	300,000	100.00%
Sysgration Electronics Technology (Zhenjiang) Ltd.	Chairman	Sysgration Ltd. Representative: Lee, Yi-Ren	0	100.00%
	Director	Yeh, Chia-Fu	0	0.00%
	Director	Lee, Cheng-Han	0	0.00%
	Supervisor	Hsieh, Tung-Fu	0	0.00%
	President	Yeh, Chia-Fu	0	0.00%
Sysgration Electronics Technology (Huizhou) Ltd.	Chairman	Sysgration Ltd. Representative: Hsieh, Tung-Fu	0	100.00%
	Director	Li, Fang-Mao	0	0.00%
	Director	Lee, Yi-Ren	0	0.00%
	Supervisor	Lee, Cheng-Han	0	0.00%
	President	Li, Fang-Mao	0	0.00%

## 1.6 Operation profile of affiliated enterprises

Unit: NT\$1,000; As of December 31, 2021

Name of enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Profit (Loss) From Operations	Profit (Loss) After Tax	Earnings Per Share (NT\$)
Sysgration Technology (Samoa) Ltd.	671,762	206,981	0	206,981	0	(38)	21,311	N/A
Sysgration (Samoa) Ltd.	505,131	176,368	0	176,368	0	(38)	13,891	N/A
Sysgration USA. Inc.	10,062	3,813	5	3,809	2,311	116	116	N/A
Sysgration Electronics Technology (Zhenjiang) Ltd.	597,888	420,422	214,170	206,252	664,749	23,855	21,350	N/A
Sysgration Electronics Technology (Huizhou) Ltd.	102,416	616,766	501,401	115,365	743,673	14,450	12,703	N/A

## 1.7 Consolidated financial statements of affiliated enterprises

For the year 2021 (from January 1, 2021, to December 31, 2021), according to the "Affiliated Enterprises' Consolidation Business Report, Consolidated Financial Statements, and Guidelines for Report Preparation of Affiliated Enterprises," the enterprises to which the Consolidated Financial Statement of Affiliated Enterprises are incorporated are the same enterprises to which the Consolidated Financial Statement of the Parent Company and Subsidiaries are incorporated in accordance with IAS 10. Relevant information to be disclosed in the Consolidated Financial Statement of Affiliated Enterprises has been disclosed in the Consolidated Financial Statement of Parent Company and Subsidiaries previously disclosed. Thus, the Consolidated Financial Statement of Affiliated Enterprises shall not be prepared separately. The Company Consolidated Financial Statement is outlined in Appendix 1 of this Annual Report.

## 1.8 Relationship report

The Company is not a subsidiary of the other company stipulated in the affiliated enterprise chapter of Company Law, so it is not required to prepare the relationship report with the controlling company.

2. Private Placement Issuance:

None

3. Holding Or Disposing Of The Shares Of The Company By The Subsidiaries In The Most Recent Year And As Of The Publication Date Of The Annual Report.

None.

4. Other Necessary Additional Notes

None.

5. For The Most Recent Year And Up To The Date Of The Publication Of The Annual Report, The Occurrence Of Events That Have A Material Impact On Shareholders' Equity Or Securities Prices As Provided For In Paragraph 2, Item 2, Article 36 Of Securities Exchange Act.

None.

## **IX. Appendix**

Appendix I :  
2021 Annual CPA Audit Report and Consolidated Financial Statements



**SYSGRATION LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2021 AND 2020**

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

SYSGRATION LTD.  
DECEMBER 31, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Sysgration Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Sysgration Ltd. and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group’s 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2021 consolidated financial statements are stated as follows:

### **Existence and occurrence of revenue from new top 10 significant customers**

#### Description

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(23) for details of sales revenue.

Sysgration Ltd. and subsidiaries (shown as “investments accounted for using equity method”) engaged in the manufacture and sales of automobile electronics products and power management products. Customers changed due to the rapid change of market and innovation of products, and the revenue from new top 10 significant customers presented material part in sales revenue. Thus, we considered the existence and occurrence of revenue from the new top 10 significant customers as a key audit matter.

#### How our audit addressed the matter

The key audit procedures performed in respect of the above included the following:

1. Obtained an understanding of and tested the internal control procedures of recognition of revenue from new top 10 significant customers and tested the effectiveness in exercising internal controls in relation to sales revenue.
2. Obtained the details of revenue from new top 10 significant customers and verified customers’ orders, delivery orders and sales invoices to confirm the sales revenue transaction indeed incurred.
3. Examined the content and related supporting documents of sales returns and discounts of new top 10 customers after the balance sheet date and checked the subsequent collection to confirm the reality of sales revenue recognition.

### **Valuation of allowance for inventory valuation losses**

#### Description

Please refer to Note 4(14) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for allowance for inventory valuation losses. As at December 31, 2021, the Group’s inventories and allowances for inventory valuation losses were NT\$564,735 thousand and NT\$16,247 thousand, respectively.

The Group is primarily engaged in the manufacture and sale of automobile electronics products and power management products. Because of the rapid change in development of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory.

The Group’s inventories are measured at the lower of cost and net realisable value, and individually

assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material's net realisable value is calculated based on the latest purchase price, and the net realisable values of work in process and finished goods are measured at the last sales price as well as taken into consideration of the operating expense ratio.

The industry technology is rapidly changing, and the net realisable value of inventories involves subjective judgement resulting in an uncertainty when assessing the obsolete or slow-moving inventories. Considering that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

How our audit addressed the matter:

The key audit procedures performed in respect of the above included the following:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Group's operations and the characteristics of the industry, including the classification of inventory for determining net realisable value and the reasonableness of determining the obsolescence of inventory.
- B. Obtained an understanding of the Group's warehousing control procedures. Reviewed the annual physical inventory count plan and observed in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.
- D. Verified the reasonableness of inventory valuation basis, including test sampling the latest purchase price, purchase invoice, the latest sales price and sales invoices in order to verify that the inventory was measured at the lower of cost and net realisable value.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion, with an other matter paragraph, on the parent company only financial statements of Sysgration Ltd. as at and for the years ended December 31, 2021 and 2020.

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

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

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

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

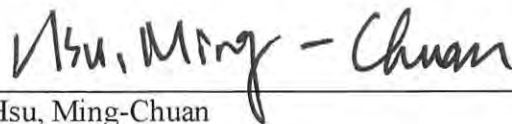


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



Chiu, Chao-Hsien



Hsu, Ming-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 840,787	29	\$ 904,217	41
1110	Financial assets at fair value through profit or loss - current	6(2)	1,477	-	46,020	2
1136	Current financial assets at amortised cost	6(1)(4) and 8	100,501	4	-	-
1150	Notes receivable, net	6(5) and 12(2)	5,387	-	-	-
1170	Accounts receivable, net	6(5) and 12(2)	616,685	21	336,064	15
1200	Other receivables		13,831	1	4,975	-
1220	Current income tax assets	6(30)	84	-	464	-
130X	Inventories	6(6)	548,488	19	142,729	7
1470	Other current assets	6(7)	96,498	3	54,653	3
11XX	<b>Current assets</b>		<u>2,223,738</u>	<u>77</u>	<u>1,489,122</u>	<u>68</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	96,038	3	48,626	2
1535	Non-current financial assets at amortised cost	6(1)(4) and 8	24,800	1	119,501	6
1600	Property, plant and equipment	6(8) and 8	418,033	14	418,464	19
1755	Right-of-use assets	6(9)	49,977	2	38,798	2
1760	Investment property - net	6(10)	4,162	-	4,300	-
1780	Intangible assets	6(11)	14,650	1	12,698	1
1840	Deferred income tax assets	6(30)	31,107	1	32,363	1
1900	Other non-current assets		39,407	1	15,529	1
15XX	<b>Non-current assets</b>		<u>678,174</u>	<u>23</u>	<u>690,279</u>	<u>32</u>
1XXX	<b>Total assets</b>		<u>\$ 2,901,912</u>	<u>100</u>	<u>\$ 2,179,401</u>	<u>100</u>

(Continued)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12) and 8	\$ 8,688	-	\$ 19,697	1
2130	Current contract liabilities	6(23)	21,198	1	3,811	-
2150	Notes payable		986	-	715	-
2170	Accounts payable		773,660	27	330,076	15
2200	Other payables	6(15)(32)	140,457	5	93,110	4
2220	Other payables - related parties	7	-	-	2,889	-
2250	Current provisions	6(18)	7,179	-	1,008	-
2280	Current lease liabilities		24,749	1	13,072	1
2320	Long-term liabilities, current portion	6(13)(14)	533,211	18	24,400	1
2399	Other current liabilities, others		21,883	1	29,658	2
21XX	<b>Current liabilities</b>		<u>1,532,011</u>	<u>53</u>	<u>518,436</u>	<u>24</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(13) and 8	-	-	487,660	22
2540	Long-term borrowings	6(14) and 8	137,881	4	80,711	4
2580	Non-current lease liabilities		25,702	1	25,982	1
2600	Other non-current liabilities		198	-	-	-
25XX	<b>Non-current liabilities</b>		<u>163,781</u>	<u>5</u>	<u>594,353</u>	<u>27</u>
2XXX	<b>Total liabilities</b>		<u>1,695,792</u>	<u>58</u>	<u>1,112,789</u>	<u>51</u>
<b>Equity attributable to owners of the parent</b>						
Share capital						
3110	Ordinary shares	6(19)	1,545,534	53	1,524,847	70
3140	Advance receipts for share capital		9,956	1	15,958	1
Capital surplus						
3200	Capital surplus	6(20)	160,349	6	135,896	6
Retained earnings						
3320	Special reserve	6(21)	35,953	1	35,953	2
3350	Accumulated deficit		( 454,770)	( 16)	( 550,117)	( 25)
Other equity interest						
3400	Other equity interest	6(22)	( 90,902)	( 3)	( 95,925)	( 5)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,206,120</u>	<u>42</u>	<u>1,066,612</u>	<u>49</u>
3XXX	<b>Total equity</b>		<u>1,206,120</u>	<u>42</u>	<u>1,066,612</u>	<u>49</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,901,912</u>	<u>100</u>	<u>\$ 2,179,401</u>	<u>100</u>

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(23)	\$ 2,454,678	100	\$ 1,326,691	100
5000	Operating costs	6(6)(16)(17)(28)				
		(29) and 7	( 1,966,153)	( 80)	( 1,063,992)	( 80)
5900	Gross profit from operations		488,525	20	262,699	20
	Operating expenses	6(16)(17)(28)				
		(29)				
6100	Selling expenses		( 69,467)	( 3)	( 61,536)	( 5)
6200	Administrative expenses		( 149,368)	( 6)	( 149,637)	( 11)
6300	Research and development expenses		( 189,409)	( 8)	( 160,627)	( 12)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	3,280	-	7,257	1
6000	Total operating expenses		( 404,964)	( 17)	( 364,543)	( 27)
6900	Operating profit (loss)		83,561	3	( 101,844)	( 7)
	Non-operating income and expenses					
7100	Interest income	6(4)(24)	1,483	-	1,296	-
7010	Other income	6(10)(25)	20,110	1	14,817	1
7020	Other gains and losses	6(2)(26)	( 2,578)	-	( 11,151)	( 1)
7050	Finance costs	6(9)(12)(13)(14)				
		(27)	( 7,229)	-	( 3,201)	-
7000	Total non-operating income and expenses		11,786	1	1,761	-
7900	<b>Profit (loss) before income tax</b>		95,347	4	( 100,083)	( 7)
7950	Income tax expense	6(30)	-	-	-	-
8200	<b>Profit (loss) for the year</b>		\$ 95,347	4	( \$ 100,083)	( 7)

(Continued)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	6(3)(22)(30)				
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		\$ 10,058	-	\$ 3,966	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		( 2,012)	-	( 1,173)	-
8310 Total other comprehensive income that will not be reclassified to profit or loss, net of tax		<u>8,046</u>	-	<u>2,793</u>	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	6(22)(30)				
8361 Exchange differences on translation		( 3,779)	-	( 1,159)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>756</u>	-	<u>232</u>	-
8360 Total other comprehensive income that will be reclassified to profit or loss, net of tax		( 3,023)	-	( 927)	-
8300 <b>Other comprehensive income for the year, net of tax</b>		<u>\$ 5,023</u>	-	<u>\$ 1,866</u>	-
8500 <b>Total comprehensive income (loss) for the year</b>		<u>\$ 100,370</u>	<u>4</u>	<u>(\$ 98,217)</u>	<u>( 7)</u>
Profit (loss), attributable to:					
8610 Owners of the parent		\$ 95,347	4	(\$ 98,315)	( 7)
8620 Non-controlling interest		-	-	( 1,768)	-
		<u>\$ 95,347</u>	<u>4</u>	<u>(\$ 100,083)</u>	<u>( 7)</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 100,370	4	(\$ 96,449)	( 7)
8720 Non-controlling interest		-	-	( 1,768)	-
		<u>\$ 100,370</u>	<u>4</u>	<u>(\$ 98,217)</u>	<u>( 7)</u>
Basic earnings (loss) per share	6(31)				
9750 Basic earnings (loss) per share		<u>\$</u>	<u>0.62</u>	<u>(\$)</u>	<u>0.64</u>
Diluted earnings (loss) per share	6(31)				
9850 Diluted earnings (loss) per share		<u>\$</u>	<u>0.58</u>	<u>(\$)</u>	<u>0.64</u>

Year 2020

Balance at January 1, 2020		<u>\$1,511,547</u>	<u>\$ -</u>	<u>\$ 96,653</u>	<u>\$ 35,953</u>	<u>(\$ 449,902)</u>	<u>(\$ 60,098)</u>	<u>(\$ 39,593)</u>	<u>\$1,094,560</u>	<u>\$ 16,561</u>	<u>\$1,111,121</u>
Loss for the year		-	-	-	-	( 98,315 )	-	-	( 98,315 )	( 1,768 )	( 100,083 )
Other comprehensive (loss) income for the year	6(22)	-	-	-	-	-	( 927 )	2,793	1,866	-	1,866
Total comprehensive income (loss)		-	-	-	-	( 98,315 )	( 927 )	2,793	( 96,449 )	( 1,768 )	( 98,217 )
Share-based compensation cost	6(17)(20)	-	-	7,049	-	-	-	-	7,049	-	7,049
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(21)	-	-	-	-	( 1,900 )	-	1,900	-	-	-
Recognition of share option in issuance of convertible bonds		-	-	11,131	-	-	-	-	11,131	-	11,131
Change in non-controlling interest		-	-	-	-	-	-	-	-	( 14,793 )	( 14,793 )
Exercise of employee stock options	6(19)	13,300	15,958	21,063	-	-	-	-	50,321	-	50,321
Balance at December 31, 2020		<u>\$1,524,847</u>	<u>\$ 15,958</u>	<u>\$ 135,896</u>	<u>\$ 35,953</u>	<u>(\$ 550,117)</u>	<u>(\$ 61,025)</u>	<u>(\$ 34,900)</u>	<u>\$1,066,612</u>	<u>\$ -</u>	<u>\$1,066,612</u>

Year 2021

Balance at January 1, 2021		<u>\$1,524,847</u>	<u>\$ 15,958</u>	<u>\$ 135,896</u>	<u>\$ 35,953</u>	<u>(\$ 550,117)</u>	<u>(\$ 61,025)</u>	<u>(\$ 34,900)</u>	<u>\$1,066,612</u>	<u>\$ -</u>	<u>\$1,066,612</u>
Profit for the year		-	-	-	-	95,347	-	-	95,347	-	95,347
Other comprehensive (loss) income for the year	6(22)	-	-	-	-	-	( 3,023 )	8,046	5,023	-	5,023
Total comprehensive income (loss)		-	-	-	-	95,347	( 3,023 )	8,046	100,370	-	100,370
Share-based compensation cost	6(17)(20)	-	-	14,527	-	-	-	-	14,527	-	14,527
Conversion of convertible bonds	6(32)	29	2,200	5,442	-	-	-	-	7,671	-	7,671
Exercise of employee stock options	6(19)(20)	20,658	( 8,202 )	4,484	-	-	-	-	16,940	-	16,940
Balance at December 31, 2021		<u>\$1,545,534</u>	<u>\$ 9,956</u>	<u>\$ 160,349</u>	<u>\$ 35,953</u>	<u>(\$ 454,770)</u>	<u>(\$ 64,048)</u>	<u>(\$ 26,854)</u>	<u>\$1,206,120</u>	<u>\$ -</u>	<u>\$1,206,120</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit (loss) before tax		\$	95,347	(\$	100,083 )
Adjustments					
Adjustments to reconcile profit (loss)					
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(26)		277	(	3,702 )
Expected credit impairment gain	12(2)	(	3,280 )	(	7,257 )
Depreciation	6(8)(9)(10)(28)		82,969		76,939
Amortisation	6(11)(28)		10,891		8,459
(Gain) loss on disposal of property, plant and equipment	6(26)				
Interest expense	6(9)(12)(13)(14)(27)	(	45 )		347
Interest income	6(24)	(	7,229		3,201
Dividend income	6(25)	(	1,483 )	(	1,296 )
Share-based payments	6(17)(20)(29)		1,874 )	(	842 )
Changes in operating assets and liabilities			14,527		7,049
Changes in operating assets					
Notes receivable		(	5,356 )		631
Accounts receivable		(	277,190 )	(	59,476 )
Other receivables		(	8,856 )		696
Inventories		(	405,759 )	(	12,484 )
Other current assets		(	41,845 )		6,079
Changes in operating liabilities					
Contract liabilities			17,387		918
Notes payable			271	(	582 )
Accounts payable			443,584		76,387
Other payables			46,326	(	536 )
Other payables - related parties		(	2,889 )		810
Current provisions			6,171		1,008
Other current liabilities, others		(	7,775 )	(	766 )
Cash outflow generated from operations		(	31,373 )	(	4,500 )
Interest received			1,483		1,296
Interest paid		(	2,028 )	(	1,424 )
Income tax paid		(	20 )	(	65 )
Income tax refunded			399		154
Dividend received			1,874		842
Net cash flows used in operating activities		(	29,665 )	(	3,697 )

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of financial assets at fair value through other comprehensive income	12(4)	( \$	37,353 )	\$	-
Proceeds from disposal of financial assets at fair value through profit or loss	12(4)		104,256		1,026,407
Acquisition of financial assets at fair value through profit or loss		(	60,816 )	(	921,359 )
Proceeds from disposal of subsidiaries			-	(	7,057 )
Increased in financial assets at amortised cost		(	5,800 )	(	98,965 )
Acquisition of property, plant and equipment	6(32)	(	60,188 )	(	70,096 )
Proceeds from disposal of property, plant and equipment			1,650		1,369
Acquisition of intangible assets	6(11)	(	12,872 )	(	7,223 )
Increase in refundable deposits		(	333 )	(	1,938 )
(Increase) decrease in prepayments for business facilities		(	22,537 )		5,974
(Increase) decrease in other non-current assets		(	1,008 )		217
Net cash flows used in investing activities		(	95,001 )	(	72,671 )

**CASH FLOWS FROM FINANCING ACTIVITIES**

Decrease in short-term borrowings	6(33)	(	11,009 )	(	90,303 )
Proceeds from long-term borrowings	6(33)		119,200		110,000
Repayment of long-term borrowings	6(33)	(	37,656 )	(	4,889 )
Proceeds from issuance of bonds	6(13)		-		495,680
Exercise of employee share options	6(19)		16,940		50,321
Payments of lease liabilities	6(9)(33)	(	24,148 )	(	23,325 )
Increase in guarantee deposits received			198		-
Change in non-controlling interest			-	(	14,793 )
Net cash flows from financing activities			63,525		522,691
Effect of exchange rate changes on cash and cash equivalents		(	2,289 )	(	750 )
Net (decrease) increase in cash and cash equivalents		(	63,430 )		445,573
Cash and cash equivalents at beginning of year			904,217		458,644
Cash and cash equivalents at end of year		\$	840,787	\$	904,217



SYSGRATION LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

SYSGRATION LTD. (the ‘Company’) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 14, 1977, and the Company’s shares have been approved by Securities and Futures Commission, Ministry of Finance to be officially traded on Taipei Exchange from December 1995. The Company and its subsidiaries (the ‘Group’) are primarily engaged in the manufacture and sale of automobile electronics products and power management products.

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

These consolidated financial statements were reported to the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2021	December 31, 2020
SYSGRATION LTD.	SYSGRATION USA INC.	Sale of electronic products	100	100
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	Investment holding of overseas	100	100
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA) LTD.	Investment holding of overseas	100	100
SYSGRATION TECHNOLOGY (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of energy storage products	100	100
SYSGRATION (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

in the statement of comprehensive income within 'other gains and losses'.

**B. Translation of foreign operations**

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

**(5) Classification of current and non-current items**

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(6) Cash equivalents**

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

**(7) Financial assets at fair value through profit or loss**

**A.** Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

**B.** On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

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

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~55	years
Machinery	2~20	years
Maintenance equipment and tools	2~5	years
Office equipment	2~30	years
Transportation equipment	4~5	years
Leasehold improvements	3~5	years or lease period (whichever is shorter)
Others	2~3	years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition



required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Intangible assets, mainly computer software and patent rights, are amortised on a straight-line basis over their estimated useful lives of 1 ~ 10 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the

bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to ‘finance costs’ over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable or as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(23) Derecognition of financial liabilities

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

(24) Non-hedging and embedded derivatives

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

(25) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is

recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

(27) Employee share-based payment

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

(28) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries,

except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(29) Share capital

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

(30) Revenue recognition

Sales of goods

A. The Group manufactures and sells automobile electronics products and power management products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

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

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 721	\$ 827
Checking accounts and demand deposits	790,066	548,390
Time deposits	50,000	355,000
	<u>\$ 840,787</u>	<u>\$ 904,217</u>

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

B. As of December 31, 2021 and 2020, cash and cash equivalents amounting to \$125,301 and \$119,501, respectively, were pledged to others as collateral on short-term and long-term borrowings and were classified as financial assets at amortised cost.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Debt instruments(Capital-guaranteed income-based wealth management products)	\$ -	\$ 43,770
Derivatives	1,477	2,250
	<u>\$ 1,477</u>	<u>\$ 46,020</u>

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

	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Debt instruments	\$ 496	\$ 3,452
Derivatives	( 773)	250
	<u>(\$ 277)</u>	<u>\$ 3,702</u>

B. The Group had no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 21,514	\$ 14,160
Unlisted stocks	113,173	83,173
	<u>134,687</u>	<u>97,333</u>
Valuation adjustment	( 38,649)	( 48,707)
	<u>\$ 96,038</u>	<u>\$ 48,626</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$96,038 and \$48,626 as at December 31, 2021 and 2020, respectively.

B. For the year ended December 31, 2020, the Company had incurred an accumulated impairment loss in the amount of \$1,900 because an investee has been dissolved and liquidated. Realised loss has been transferred to retained earnings from other equity.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 10,058	\$ 3,906
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 1,900
Dividend income recognised in profit or loss		
Held at end of period	<u>\$ 1,874</u>	<u>\$ 842</u>

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents

the financial assets at fair value through other comprehensive income held by the Group were \$96,038 and \$48,626, respectively.

E. The Group had no financial assets at fair value through other comprehensive income pledged to others as collateral.

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
pledged time deposits	\$ <u>100,501</u>	\$ <u>-</u>
Non-current items:		
pledged time deposits	\$ <u>24,800</u>	\$ <u>119,501</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	\$ <u>129</u>	\$ <u>55</u>

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$125,301 and \$119,501, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 5,418	\$ -
Less: Allowance for uncollectible accounts	( 31)	-
	<u>\$ 5,387</u>	<u>\$ -</u>
Accounts receivable	\$ 641,197	\$ 364,502
Less: Allowance for uncollectible accounts	( 24,512)	( 28,438)
	<u>\$ 616,685</u>	<u>\$ 336,064</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 457,624	\$ 5,387	\$ 310,032	\$ -
Up to 30 days	70,257	-	18,662	-
31 to 120 days	79,509	-	2,867	-
121 to 180 days	3,125	-	-	-
Over 180 days	6,170	-	4,503	-
	<u>\$ 616,685</u>	<u>\$ 980</u>	<u>\$ 336,064</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$269,962.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$5,387 and \$0, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$616,685 and \$336,064, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

#### (6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 412,819	(\$ 14,881)	\$ 397,938
Work in progress	44,531	-	44,531
Finished goods	107,385	(1,366)	106,019
	<u>\$ 564,735</u>	<u>(\$ 16,247)</u>	<u>\$ 548,488</u>
	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 77,736	(\$ 18,113)	\$ 59,623
Work in progress	21,680	-	21,680
Finished goods	64,746	(3,320)	61,426
	<u>\$ 164,162</u>	<u>(\$ 21,433)</u>	<u>\$ 142,729</u>



The cost of inventories recognised as expense for the period:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of goods sold	\$ 1,953,920	\$ 1,066,785
Loss on decline in market value	12,233	( 2,793)
	<u>\$ 1,966,153</u>	<u>\$ 1,063,992</u>

A. The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the inventory clearance for the year ended December 31, 2020.

B. The Group had no inventories pledged to others as collateral.

(7) Other current assets

	December 31, 2021	December 31, 2020
Tax credit	\$ 44,625	\$ 41,990
Advance payment	41,041	5,673
Other prepayments	8,159	5,205
Others	2,673	1,785
	<u>\$ 96,498</u>	<u>\$ 54,653</u>

(8) Property, plant and equipment

2021

	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 307,249	\$ 304,486	\$ 25,350	\$ 84,735	\$ 7,874	\$ 20,507	\$ 14,748	\$ 783,756
Accumulated depreciation and impairment	-	( 122,659)	( 127,253)	( 17,587)	( 66,035)	( 4,733)	( 17,286)	( 9,739)	( 365,292)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</u>
Opening net book amount as at January 1	\$ 18,807	\$ 184,590	\$ 177,233	\$ 7,763	\$ 18,700	\$ 3,141	\$ 3,221	\$ 5,009	\$ 418,464
Additions	-	-	24,649	1,826	23,453	7,067	858	3,520	61,373
Disposals	-	-	( 3)	( 36)	( 126)	( 1,440)	-	-	( 1,605)
Depreciation charge	-	( 6,636)	( 31,266)	( 4,094)	( 10,636)	( 1,571)	( 1,950)	( 3,051)	( 59,204)
Net exchange differences	-	-	( 784)	( 48)	( 129)	( 11)	( 23)	-	( 995)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 169,829</u>	<u>\$ 5,411</u>	<u>\$ 31,262</u>	<u>\$ 7,186</u>	<u>\$ 2,106</u>	<u>\$ 5,478</u>	<u>\$ 418,033</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 327,779	\$ 25,421	\$ 100,641	\$ 11,944	\$ 20,944	\$ 18,249	\$ 831,034
Accumulated depreciation and impairment	-	( 129,295)	( 157,950)	( 20,010)	( 69,379)	( 4,758)	( 18,838)	( 12,771)	( 413,001)
	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 169,829</u>	<u>\$ 5,411</u>	<u>\$ 31,262</u>	<u>\$ 7,186</u>	<u>\$ 2,106</u>	<u>\$ 5,478</u>	<u>\$ 418,033</u>

## 2020

	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 355,836	\$ 257,378	\$ 28,007	\$ 104,857	\$ 9,304	\$ 72,744	\$ 10,893	\$ 857,826
Accumulated depreciation and impairment	-	( 165,384)	( 102,206)	( 17,587)	( 85,188)	( 6,793)	( 68,833)	( 7,328)	( 453,319)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 155,172</u>	<u>\$ 10,420</u>	<u>\$ 19,669</u>	<u>\$ 2,511</u>	<u>\$ 3,911</u>	<u>\$ 3,565</u>	<u>\$ 404,507</u>
Opening net book amount as at January 1	\$ 18,807	\$ 190,452	\$ 155,172	\$ 10,420	\$ 19,669	\$ 2,511	\$ 3,911	\$ 3,565	\$ 404,507
Additions	-	640	47,447	3,365	8,524	1,352	2,834	4,054	68,216
Disposals	-	-	( 777)	( 357)	( 582)	-	-	-	( 1,716)
Depreciation charge	-	( 6,502)	( 25,944)	( 5,702)	( 9,029)	( 755)	( 3,512)	( 2,610)	( 54,054)
Net exchange differences	-	-	1,335	37	118	33	( 12)	-	1,511
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 304,486	\$ 25,350	\$ 84,735	\$ 7,874	\$ 20,507	\$ 14,748	\$ 783,756
Accumulated depreciation and impairment	-	( 122,659)	( 127,253)	( 17,587)	( 66,035)	( 4,733)	( 17,286)	( 9,739)	( 365,292)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</u>

A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

C. The Group's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Group leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$5,557 and \$4,873, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	2021	December 31, 2020	2020
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings	\$ 44,330	\$ 21,167	\$ 30,690	\$ 21,134
Transportation equipment	5,647	2,460	8,108	1,614
	<u>\$ 49,977</u>	<u>\$ 23,627</u>	<u>\$ 38,798</u>	<u>\$ 22,748</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$35,012 and \$43,515, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 740	\$ 666
Expense on short-term lease contracts	5,557	4,873
	<u>\$ 6,297</u>	<u>\$ 5,539</u>

- F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$24,148 and \$23,325, respectively.

(10) Investment property

	<u>2021</u>		<u>2020</u>
	<u>Buildings</u>		<u>Buildings</u>
At January 1		At January 1	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	( 2,700)	Accumulated depreciation	( 2,563)
	<u>\$ 4,300</u>		<u>\$ 4,437</u>
Opening net book amount as at January 1	\$ 4,300	Opening net book amount as at January 1	\$ 4,437
Depreciation charge	( 138)	Depreciation charge	( 137)
Closing net book amount as at December 31	<u>\$ 4,162</u>	Closing net book amount as at December 31	<u>\$ 4,300</u>
At December 31		At December 31	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation and impairment	( 2,838)	Accumulated depreciation and impairment	( 2,700)
	<u>\$ 4,162</u>		<u>\$ 4,300</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Rental income from investment property	<u>\$ 288</u>	<u>\$ 288</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 138</u>	<u>\$ 137</u>

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 were all \$7,000, which was based on the trading prices of similar prices in the neighboring areas.

C. The Group had no investment property pledged to others as collateral.

(11) Intangible assets

	2021			
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>	
At January 1				
Cost	\$ 17,897	\$ 31,381	\$ 49,278	
Accumulated amortisation and impairment	( 13,427)	( 23,153)	( 36,580)	
	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ 12,698</u>	
Opening net book amount as at January 1	\$ 4,470	\$ 8,228	\$ 12,698	
Additions — acquired separately	-	12,872	12,872	
Amortisation charge	( 4,233)	( 6,658)	( 10,891)	
Net exchange differences	( 2)	( 27)	( 29)	
Closing net book amount as at December 31	<u>\$ 235</u>	<u>\$ 14,415</u>	<u>\$ 14,650</u>	
At December 31				
Cost	\$ 17,894	\$ 44,188	\$ 62,082	
Accumulated amortisation and impairment	( 17,659)	( 29,773)	( 47,432)	
	<u>\$ 235</u>	<u>\$ 14,415</u>	<u>\$ 14,650</u>	
	2020			
	<u>Patent right</u>	<u>Software</u>	<u>Special technique</u>	<u>Total</u>
At January 1				
Cost	\$ 17,889	\$ 24,694	\$ 120,260	\$ 162,843
Accumulated amortisation and impairment	( 9,191)	( 19,461)	( 120,260)	( 148,912)
	<u>\$ 8,698</u>	<u>\$ 5,233</u>	<u>\$ -</u>	<u>\$ 13,931</u>
Opening net book amount as at January 1	\$ 8,698	\$ 5,233	\$ -	\$ 13,931
Additions — acquired separately	-	7,223	-	7,223
Amortisation charge	( 4,233)	( 4,226)	-	( 8,459)
Net exchange differences	5	( 2)	-	3
Closing net book amount as at December 31	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ -</u>	<u>\$ 12,698</u>
At December 31				
Cost	\$ 17,897	\$ 31,381	\$ -	\$ 49,278
Accumulated amortisation and impairment	( 13,427)	( 23,153)	-	( 36,580)
	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ -</u>	<u>\$ 12,698</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating costs	\$ 2,405	\$ 1,535
Selling expenses	314	192
Administrative expenses	6,500	5,358
Research and development expenses	1,672	1,374
	<u>\$ 10,891</u>	<u>\$ 8,459</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 8,688</u>	3.85%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 19,697</u>	3.75%	None

Note: Details of assets pledged as collateral for short-term borrowings are provided in Note 8.

A. Aforementioned borrowings were from short-term financing contracts which the Company entered into with financial institutions. Each contract has different restrictions on the Company's capital maintenance and the purpose of capital in the borrowing period.

B. Interest expense recognised in profit or loss amounted to \$678 and \$1,236 for the years ended December 31, 2021 and 2020, respectively.

(13) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	\$ 492,200	\$ 500,000
Less: Discount on bonds payable	( 7,763)	( 12,340)
	484,437	487,660
Less: Current portion or exercise of put options	(484,437)	-
	<u>\$ -</u>	<u>\$ 487,660</u>

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fourth domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after 3 month (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new

- shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$35 (in dollars) per share.
  - iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
  - v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (January 21, 2021) to 40 days before the maturity date (September 11, 2023), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (January 21, 2021) to 40 days before the maturity date (September 11, 2023).
  - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2021, the bonds totaling NTD\$7,800 (face value) had been converted into 2,857 common shares and 219,998 common shares. On May 11, 2021 and January 18, 2022, the Board of Directors resolved to set the effective date were May 11, 2021 and January 18, 2022, and the registration of changes had been completed.
- B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as 'capital surplus—share options' amount to \$11,131 and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.9112%.



(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.145%	None.	\$ 9,444
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.00%	None.	47,000
Unsecured Borrowing	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	0.91%	None.	23,898
Secured borrowings	Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.	1.25%	Note	57,980
Unsecured borrowings	Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.	1.095%	None.	30,033
Secured borrowings	Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.	1.25%	Note	18,300
				<u>186,655</u>
Less: Current portion				( 48,774)
				<u>\$ 137,881</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.145%	None.	\$ 16,111
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.00%	None.	59,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	0.91%	None.	30,000
				<u>105,111</u>
Less: Current portion				( 24,400)
				<u>\$ 80,711</u>

Note: Information about the assets that were pledged to long-term borrowings as collaterals is provided in Note 8.

A. For the years ended December 31, 2021 and 2020, interest expense recognised in profit or loss amounted to \$1,365 and \$188, respectively.

B. Aforementioned borrowings from financial institutions are guaranteed by related parties as joint guarantor, please refer to Note 7 for details.

(15) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 76,068	\$ 56,866
Payables for machinery and equipment	6,168	4,983
Others	58,221	31,261
	<u>\$ 140,457</u>	<u>\$ 93,110</u>

(16) Pensions

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The second-tier subsidiaries, SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. and SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD. have defined contribution pension plans under local regulations.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$15,957 and \$14,312, respectively.

(17) Share-based payment

- A. On November 12, 2019, December 27, 2016 and November 11, 2015, the Board of Directors of the Company resolved to issue employees’ options of 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with the exercise price of \$33.80 (in dollars)), 4,500 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 4,500,000 shares with the exercise price of \$10.00 (in dollars)) and 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with exercise price of \$21.80 (in dollars)), respectively, except for the 4,731 units were issued out of 5,000 units on August 20, 2020, others were issued 4,500 units and 5,000 units on October 15, 2018 and January 12, 2016, respectively. The exercise price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company’s common stock at the grant date. There will be adjustment to the exercise price in accordance with specific formula if there is any change in the Company’s ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the options is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.

B. For the year ended December 31, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.01.12	5,000	5 years	2 ~ 4 years' service
Employee stock options	2018.10.15	4,500	5 years	2 ~ 4 years' service
Employee stock options	2020.08.20	4,731	5 years	2 ~ 4 years' service

C. Details of the share-based payment arrangements are as follows:

(a). Employees' options which were issued in 2020

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,469	\$ 33.80	-	\$ 33.80
Options granted	-	-	4,731	-
Options exercised	-	-	-	-
Options forfeited (Note)	( 976)	-	( 262)	-
Options outstanding at the end of the period	<u>3,493</u>	\$ 33.80	<u>4,469</u>	\$ 33.80
Options exercisable at the end of the period	<u>-</u>	-	<u>-</u>	-

Note: Due to employees' retirement or termination.

(b). Employees' options which were issued in 2018

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,184	\$ 10.00	3,755	\$ 10.00
Options granted	-	-	-	-
Options exercised	( 866)	10.00	( 1,141)	-
Options forfeited (Note)	( 136)	-	( 430)	-
Options outstanding at the end of the period	<u>1,182</u>	\$ 10.00	<u>2,184</u>	\$ 10.00
Options exercisable at the end of the period	<u>297</u>	-	<u>258</u>	-

Note: Due to employees' retirement or termination.

(c). Employees' options which were issued in 2016

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	780	\$ 21.80	2,665	\$ 21.80
Options granted	-	-	-	-
Options exercised	( 380)	21.80	( 1,785)	21.80
Options forfeited (Note)	( 400)	-	( 100)	-
Options outstanding at the end of the period	<u>-</u>	\$ -	<u>780</u>	\$ 21.80
Options exercisable at the end of the period	<u>-</u>	-	<u>780</u>	-

Note: Due to employees' retirement or termination.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.01.12	2021.01.11	-	\$ 21.80	780	\$ 21.80
2018.10.15	2023.10.14	1,182	10.00	2,184	10.00
2020.08.20	2025.08.19	3,493	33.80	4,469	33.80

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2016.01.12	\$ 21.80	44.16% ~44.51%	3.5~4.5 years	0%	0.56% ~0.66%	\$5.04 ~5.74
Employee stock options	2018.10.15	10.00	43.64% ~44.73%	3.5~4.5 years	0%	0.69% ~0.73%	1.90 ~2.19
Employee stock options	2020.08.20	33.80	49.75% ~53.32%	3.5~4.5 years	0%	0.28% ~0.31%	13.02 ~13.74

F. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2021	Year ended December 31, 2020
Equity-settled	\$ 14,527	\$ 7,049
(18) <u>Provisions</u>		
	2021	2020
	Warranty	Warranty
At January 1	\$ 1,008	\$ -
Additional provisions	10,095	1,008
Used during the period	(3,924)	-
At December 31	\$ 7,179	\$ 1,008

The Group gives warranties on automobile electronics products sold. Provision for warranty is estimated based on historical warranty data of the product. It is expected that provision will be used within the next year.

(19) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,555,490 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2021 (Note)	2020 (Note)
At January 1	\$ 154,081	\$ 151,155
Employee stock options exercised	1,246	2,926
Conversion of convertible bonds	222	-
At December 31	\$ 155,549	\$ 154,081

Note: Expressed in thousands of shares.

B. On April 30, 2020, the shareholders of the Company resolved the private placement of common shares, while considering the market situation and the issue period was expired, the Board of Directors resolved to discontinue the private placement plan on April 16, 2021.

C. As of December 31, 2021, the Company's employees' options which were issued in 2016 were applied for purchasing 380 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021; the effective dates were set on May 11, 2021. Exercise price was \$21.8 (in dollars), the registration of changes had been completed.

D. As of December 31, 2021, the Company's employees' options which were issued in 2018 were applied for purchasing 90 thousand shares and 776 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021 and January 18, 2022; the effective date was set on May 11, 2021 and January 18, 2022, respectively. All purchase price was \$10, the registration of changes has been completed.

(20) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. Movements in the number of the Company's capital surplus in 2021 and 2020 are as follows:  
(Share in thousands)

	2021					
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	\$ 60,273	\$ 45,941	\$ 17,335	\$ 2,654	\$ 9,693	\$ 135,896
Employee stock options exercised	8,464	( 3,980)	-	-	-	4,484
Exercise of conversion right of convertible bonds	5,615	-	( 173)	-	-	5,442
Share-based compensation cost	-	14,527	-	-	-	14,527
At December 31	<u>\$ 74,352</u>	<u>\$ 56,488</u>	<u>\$ 17,162</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 160,349</u>

	2020					
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	\$ 28,350	\$ 49,752	\$ 6,204	\$ 2,654	\$ 9,693	\$ 96,653
Employee stock options exercised	31,923	( 10,860)	-	-	-	21,063
Share-based compensation cost	-	7,049	-	-	-	7,049
Recognition of share option in issuance of convertible bonds	-	-	11,131	-	-	11,131
At December 31	<u>\$ 60,273</u>	<u>\$ 45,941</u>	<u>\$ 17,335</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 135,896</u>

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders at the stockholders' meeting.
- B. For the long-term business development of the Company, the needs of capital in the future and long-term business plan, the distributable earnings can be distributed no higher than 90% as shareholders' bonus every year. However, the distributable earnings may not to be distributed if the accumulated distributable earnings lower than 5% of paid-in capital. The cash dividend cannot lower than 10% of total dividends. However, when the cash dividend per share is lower than \$0.5, it can be distributed in stock dividend at full amount.
- C. The shareholders of the Company resolved the deficit compensation for the year of 2020 on July 30, 2021 and the shareholders resolved the deficit compensation for the year of 2019 on April 30, 2020. Details of the resolution of deficit compensation are provided in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(22) Other equity items and non-controlling interest

	2021			
	Unrealised gains (losses) on valuation	Currency translation	Non- controlling interest	Total
At January 1	(\$ 34,900)	(\$ 61,025)	\$ -	(\$ 95,925)
Revaluation – gross	8,046	-	-	8,046
Currency translation differences	-	( 3,023)	-	( 3,023)
At December 31	<u>(\$ 26,854)</u>	<u>(\$ 64,048)</u>	<u>\$ -</u>	<u>(\$ 90,902)</u>

	2020			
	Unrealised gains (losses) on valuation	Currency translation	Non- controlling interest	Total
At January 1	(\$ 39,593)	(\$ 60,098)	\$ 16,561	(\$ 83,130)
Revaluation – gross	2,793	-	-	2,793
Proceeds from disposal of equity instruments at fair value through other comprehensive income	1,900	-	-	1,900
Currency translation differences	-	( 927)	-	( 927)
Loss of non-controlling interest	-	-	( 1,768)	( 1,768)
Disposal of equity interest in a subsidiary that result in a loss of control	-	-	( 14,793)	( 14,793)
At December 31	<u>(\$ 34,900)</u>	<u>(\$ 61,025)</u>	<u>\$ -</u>	<u>(\$ 95,925)</u>

(23) Operating revenue

	Year ended	Year ended
	December 31, 2021	December 31, 2020
Revenue from contracts with customers	<u>\$ 2,454,678</u>	<u>\$ 1,326,691</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:



2021	Automobile Electronics Products	Power management products	All other segments	Total
Total segment revenue	\$ 2,237,138	\$ 1,289,849	\$ 2,311	\$ 3,529,298
Inter-segment revenue	( 666,437)	( 405,872)	( 2,311)	( 1,074,620)
Revenue from external customer contracts	<u>\$ 1,570,701</u>	<u>\$ 883,977</u>	<u>\$ -</u>	<u>\$ 2,454,678</u>
2020	Automobile Electronics Products	Power management products	All other segments	Total
Total segment revenue	\$ 1,128,219	\$ 854,938	\$ 19,800	\$ 2,002,957
Inter-segment revenue	( 371,584)	( 300,189)	( 4,493)	( 676,266)
Revenue from external customer contracts	<u>\$ 756,635</u>	<u>\$ 554,749</u>	<u>\$ 15,307</u>	<u>\$ 1,326,691</u>

#### B. Contract assets and liabilities

The Group has not recognised the revenue-related contract assets as of December 31, 2021 and 2020, and the Group has recognised the following contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities –			
Advance sales receipts	<u>\$ 21,198</u>	<u>\$ 3,811</u>	<u>\$ 2,893</u>

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 2,455</u>	<u>\$ 2,205</u>

#### (24) Interest income

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Interest income from bank deposits	\$ 1,354	\$ 1,241
Interest income from financial assets measured at amortised cost	<u>129</u>	<u>55</u>
	<u>\$ 1,483</u>	<u>\$ 1,296</u>

(25) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Rent income	\$ 1,303	\$ 288
Government grant revenues	1,509	878
Dividend income	1,874	842
Design fees revenue	10,074	4,542
Other income, others	<u>5,350</u>	<u>8,267</u>
	<u>\$ 20,110</u>	<u>\$ 14,817</u>

(26) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
Gains (losses) on disposals of property, plant and equipment	\$ 45	(\$ 347)
Foreign exchange losses	( 2,306)	( 11,934)
Gainsv(losses) on financial assets at fair value through profit or loss	( 277)	3,702
Other losses	( 40)	( 2,572)
	<u>(\$ 2,578)</u>	<u>(\$ 11,151)</u>

(27) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense	\$ 2,043	\$ 1,424
Interest expense on lease liabilities	740	666
Interest expense on convertible bonds	<u>4,446</u>	<u>1,111</u>
	<u>\$ 7,229</u>	<u>\$ 3,201</u>

(28) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expense	\$ 435,386	\$ 373,762
Depreciation charges on property, plant and equipment	59,204	54,054
Depreciation charges on right-of-use assets	23,627	22,748
Depreciation charges on investment property	138	137
Amortisation charges on intangible assets	<u>10,891</u>	<u>8,459</u>
	<u>\$ 529,246</u>	<u>\$ 459,160</u>

(29) Employee benefit expense

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	\$ 354,521	\$ 311,110
Employee stock options	14,527	7,049
Labour and health insurance fees	26,845	25,700
Pension costs	15,957	14,312
Other personnel expenses	23,536	15,591
	<u>\$ 435,386</u>	<u>\$ 373,762</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. The Company has an accumulated deficit as of December 31, 2021 and 2020, and therefore, no employees' compensation and directors' remuneration were recognised.

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2021	Year ended December 31, 2020
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 2,012	\$ 1,173
Currency translation differences	( 756)	( 232)
	<u>\$ 1,256</u>	<u>\$ 941</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit (loss) before tax and statutory tax rate (note)	\$ 24,804	(\$ 19,146)
Expenses disallowed by tax regulation	359	206
Taxable loss not recognised as deferred tax assets	( 25,163)	18,940
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2021			
	January 1	Recognised in profit or loss	Translation differences	December 31
— Deferred tax assets:				
- Temporary differences:				
Allowance for obsolescence and market value decline	\$ 4,548	(\$ 2,281)	\$ -	\$ 2,267
Unrealised foreign exchange loss	1,079	1,095	-	2,174
Exchange differences on translation of foreign financial statements	15,256	-	756	16,012
Valuation of financial assets measured at fair value through other comprehensive income	9,741	-	(2,012)	7,729
Others	<u>1,739</u>	<u>1,186</u>	<u>-</u>	<u>2,925</u>
	<u>\$ 32,363</u>	<u>\$ -</u>	<u>(\$ 1,256)</u>	<u>\$ 31,107</u>

2020

	January 1	Recognised in profit or loss	Translation differences	Effect of combined individuals reduction	December 31
— Deferred tax assets:					
- Temporary differences:					
Allowance for obsolescence and market value decline	\$ 13,422	\$ -	\$ -	(\$ 8,874)	\$ 4,548
Unrealised foreign exchange loss	1,079	-	-	-	1,079
Exchange differences on translation of foreign financial statements	15,024	232	-	-	15,256
Valuation of financial assets measured at fair value through other comprehensive income	10,914	(1,173)	-	-	9,741
Others	6,956	-	98	(5,315)	1,739
	<u>\$ 47,395</u>	<u>(\$ 941)</u>	<u>\$ 98</u>	<u>(\$ 14,189)</u>	<u>\$ 32,363</u>

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

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	\$ 191,549	\$ 112,089	\$ 112,089	2023
2017	253,720	253,720	253,720	2027
2018	89,287	89,287	89,287	2028
2019	210,051	210,051	210,051	2029
2020	289,935	289,935	289,935	2030

December 31, 2020

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	\$ 191,549	\$ 185,700	\$ 185,700	2023
2017	253,720	253,720	253,720	2027
2018	89,287	89,287	89,287	2028
2019	210,051	210,051	210,051	2029
2020	289,935	289,935	289,935	2030

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ <u>746,857</u>	\$ <u>770,378</u>

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

(31) Earnings (loss) per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Earnings attributable to ordinary shareholders of the parent	\$ <u>95,347</u>	<u>154,250</u>	\$ <u>0.62</u>
<u>Diluted earnings per share</u>			
Earnings attributable to ordinary shareholders of the parent	\$ 95,347	154,546	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,557	14,259	
Employee stock options	<u>-</u>	<u>790</u>	
Earnings attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>98,904</u>	<u>169,299</u>	\$ <u>0.58</u>
	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ <u>98,315</u> )	<u>152,032</u>	(\$ <u>0.64</u> )
<u>Diluted loss per share (Note)</u>			
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ <u>98,315</u> )	<u>152,032</u>	(\$ <u>0.64</u> )

Note: For the year ended December 31, 2020, the Company's employees' options and convertible

bonds were not included in the calculation of diluted loss per share due to their anti-dilutive effect.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of property, plant and equipment	\$ 61,373	\$ 68,216
Add: Opening balance of payable on equipment	4,983	6,863
Less: Ending balance of payable on equipment	( 6,168)	( 4,983)
Cash paid during the period	<u>\$ 60,188</u>	<u>\$ 70,096</u>

B. Financing activities with no cash flow effects

	Year ended December 31, 2021	Year ended December 31, 2020
Convertible bonds being converted to capital stocks	<u>\$ 7,671</u>	<u>\$ -</u>

C. The Group sold 51% of shares in the subsidiary – Leadman Electronic USA, Inc. on January 31, 2020 and therefore lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>January 31, 2020</u>
Consideration received	
Cash	<u>\$ 15,397</u>
Carrying amount of the assets and liabilities of the subsidiary	
- Leadman Electronic USA, Inc.	
Cash	22,454
Accounts receivable	12,350
Inventories	11,963
Property, plant and equipment	479
Right-of-use assets	85,940
Accumulated impairment loss	( 8,463)
Other current assets	2,308
Deferred tax assets	14,189
Accounts payable	( 8,119)
Other current liabilities	( 5,010)
Lease liabilities- current	( 21,692)
Lease liabilities- non-current	( 67,915)
Total net assets	38,484
Less: non-controlling interest	( 23,087)
Disposal loss	<u>\$ -</u>

(33) Changes in liabilities from financing activities

	2021				Liabilities from financing activities-gross
	Short-term borrowings	Long-term borrowings	Lease liabilities	Bonds payable	
At January 1	\$ 19,697	\$ 105,111	\$ 39,054	\$ 487,660	\$ 651,522
Changes in cash flow from financing activities	( 11,009)	81,544	( 24,148)	-	46,387
Changes in other non-cash items	-	-	35,012	( 3,223)	31,789
Interest expense on lease liabilities	-	-	740	-	740
Impact of changes in foreign exchange rate	-	-	( 207)	-	( 207)
At December 31	<u>\$ 8,688</u>	<u>\$ 186,655</u>	<u>\$ 50,451</u>	<u>\$ 484,437</u>	<u>\$ 730,231</u>

	2020				Liabilities from financing activities-gross
	Short-term borrowings	Long-term borrowings	Lease liabilities		
At January 1	\$ 110,000	\$ -	\$ 116,319	\$ -	\$ 226,319
Changes in cash flow from financing activities	( 90,303)	105,111	( 23,325)	( -)	( 8,517)
Changes in other non-cash items	-	-	( 54,471)	( -)	( 54,471)
Interest expense on lease liabilities	-	-	666	-	666
Impact of changes in foreign exchange rate	-	-	( 135)	( -)	( 135)
At December 31	<u>\$ 19,697</u>	<u>\$ 105,111</u>	<u>\$ 39,054</u>	<u>\$ -</u>	<u>\$ 163,862</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Oro Technology Co., Ltd.	Other related party (Note)
Li Yi-Ren	The Company's Chairman

Note: Starting from June 1, 2021, the Company resigned as a director of Oro Technology Co., Ltd., Oro Technology Co., Ltd. is no longer a related party to the Company.



(3) Significant related party transactions

A. Royalty for software (shown as ‘operating cost’)

	Year ended December 31, 2021	Year ended December 31, 2020
Other related party	\$ 7,117	\$ 10,521

Expenses for software royalties are based on the mutual agreement since no similar transaction can be compared with.

B. Other payables

	December 31, 2021	December 31, 2020
Other related party	\$ -	\$ 2,889

(4) Key management compensation

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and other short-term employee benefits	\$ 28,805	\$ 32,641
Post-employment benefits	709	999
Share-based payments	2,805	1,475
	<u>\$ 32,319</u>	<u>\$ 35,115</u>

(5) Endorsements and guarantees provided by related parties

As of December 31, 2021 and 2020, the Company borrowed from financial institutions. Li Yi-Ren is the guarantor, and the aforementioned financing facilities which were provided by related parties were \$845,000 and \$710,000, respectively.

8. PLEGDED ASSETS

The Group’s assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposit (classified as financial assets at amortised cost)	\$ 125,301	\$ 119,501	Short-term, long-term borrowings and issuance of convertible bonds
Land	18,807	18,807	
Buildings and structures	163,605	168,663	
Machinery	10,005	-	
	<u>\$ 317,718</u>	<u>\$ 306,971</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court as Tsuzuki Denki Co., Ltd. (Tsuzuki Denki) filed a civil litigation with the Taiwan Taipei District Court. Tsuzuki Denki claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively.

The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer's comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that the Company took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of December 31, 2021, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(13) and Note 6(19) for the related information.

(2) On March 17, 2022, in order to augment the working capital and improve the financial structure, the Board of Directors resolved the private placement of common shares in cash, with a par value at \$10 per share, and the total number of shares issued shall not exceed 25,000,000 shares.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Group may issue new shares, issue convertible bonds or sell assets to reduce debt.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 1,695,792	\$ 1,112,789
Total equity	<u>1,206,120</u>	<u>1,066,612</u>
Total capital	<u>\$ 2,901,912</u>	<u>\$ 2,179,401</u>
Gearing ratio	<u>58%</u>	<u>51%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,477	\$ 46,020
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	96,038	48,626
Financial assets at amortised cost		
Cash and cash equivalents	840,787	904,217
Financial assets at amortised cost	125,301	119,501
Notes receivable	5,387	-
Accounts receivable	616,685	336,064
Other receivables	13,831	4,975
Refundable deposits	8,128	7,795
	<u>\$ 1,707,634</u>	<u>\$ 1,467,198</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 8,688	\$ 19,697
Notes payable	986	715
Accounts payable	773,660	330,076
Other accounts payable	140,457	93,110
Other accounts payable-related parties	-	2,889
Bonds payable	484,437	487,660
(including current portion)		
Long-term borrowings		
(including current portion)	186,655	105,111
Guarantee deposits received	198	-
	<u>\$ 1,595,081</u>	<u>\$ 1,039,258</u>
Lease liabilities	<u>\$ 50,451</u>	<u>\$ 39,054</u>

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 21,153	27.68	\$ 585,516	1%	\$ 5,855
HKD:NTD	1,942	3.55	6,892	1%	69
USD:RMB	2,237	6.37	61,919	1%	619
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 7,094	27.68	\$ 196,367	1%	\$ 1,964
USD:RMB	7,023	6.37	194,388	1%	1,944
HKD:RMB	3,459	0.82	12,275	1%	123
HKD:NTD	2,364	3.55	8,391	1%	84

(Foreign currency: functional currency)	December 31, 2020				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 11,459	28.48	\$ 326,353	1%	\$ 3,264
HKD:NTD	92	3.67	337	1%	3
USD:RMB	4,384	6.51	124,856	1%	1,249
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,050	28.48	\$ 29,895	1%	\$ 299
USD:RMB	3,299	6.51	93,968	1%	940
HKD:RMB	1,880	0.84	6,906	1%	69
HKD:NTD	450	3.67	1,654	1%	17

vi. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to (\$2,306) and (\$11,934) respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit (loss) for the years ended December 31, 2021 and 2020 would have increased/decreased by \$15 and \$23, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$960 and \$486, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value Interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and RMB Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held

constant, profit (loss), net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,563 and \$998, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2021 and 2020, the provision matrix, loss rate methodology is as follows:

<u>At December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 464,418	(\$ 1,407)
Up to 30 days	1%	70,969	( 712)
31 to 120 days	1%~5%	80,470	( 961)
121 to 180 days	10%	3,472	( 347)
Over 180 days	40%~100%	27,286	( 21,116)
		<u>\$ 646,615</u>	<u>(\$ 24,543)</u>
<u>At December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 310,970	(\$ 938)
Up to 30 days	1%	18,851	( 189)
31 to 120 days	1%~5%	2,906	( 39)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	31,775	( 27,272)
		<u>\$ 364,502</u>	<u>(\$ 28,438)</u>

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	<u>2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 28,438	\$ -
(Reversal of) provision for impairment loss	( 3,311)	31
Write-offs	( 434)	-
Effect of foreign exchange	( 181)	-
At December 31	<u>\$ 24,512</u>	<u>\$ 31</u>
	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 35,362	\$ 2
Reversal of impairment loss	( 7,255)	( 2)
Effect of foreign exchange	331	-
At December 31	<u>\$ 28,438</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working

capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, Capital-guaranteed income-based wealth management products, forward foreign exchange contracts, and convertible bonds(classified as current financial assets at fair value through profit or loss), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Group held money market position of \$840,066 and \$903,390, respectively, and Capital-guaranteed income-based wealth management products and derivatives from convertible bonds (classified as current financial assets at fair value through profit or loss) of \$1,477 and \$46,020, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

- iii. As at December 31, 2021 and 2020, the Group has the undrawn borrowing of \$213,297 and \$207,497, respectively.
- iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 8,688	\$ -	\$ -	\$ -
Notes payable	986	-	-	-
Accounts payable	773,660	-	-	-
Other payables (including related parties)	140,457	-	-	-
Lease liabilities	24,749	16,779	8,923	-
Bonds payable	492,200	-	-	-
Long-term borrowings	533,211	45,175	92,706	-
December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 19,697	\$ -	\$ -	\$ -
Notes payable	715	-	-	-
Accounts payable	330,076	-	-	-
Other payables (including related parties)	95,999	-	-	-
Lease liabilities	13,072	6,889	19,093	-
Bonds payable	-	-	500,000	-
Long-term borrowings	24,400	24,650	56,061	-



(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in convertible bonds and forward foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and financial assets mandatorily measured at fair value through profit or loss are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The carrying amounts of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2021 and 2020 is as follows:

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current				
Derivative instruments	\$ -	\$ 1,477	\$ -	\$ 1,477
Financial assets at fair value through other comprehensive income-non-current				
Equity instruments	<u>35,445</u>	<u>-</u>	<u>60,593</u>	<u>96,038</u>
	<u>\$ 35,445</u>	<u>\$ 1,477</u>	<u>\$ 60,593</u>	<u>\$ 97,515</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current				
Debt instruments	\$ -	\$ -	\$ 43,770	\$ 43,770
Derivative instruments	-	2,250	-	2,250
Financial assets at fair value through other comprehensive income-non-current				
Equity instruments	18,636	-	29,990	48,626
	<u>\$ 18,636</u>	<u>\$ 2,250</u>	<u>\$ 73,760</u>	<u>\$ 94,646</u>

(b)The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	
	Equity instrument	Debt instrument
At January 1	\$ 29,990	\$ 43,770
Gains recognised in profit or loss	603	496
Acquired in the period	30,000	60,816
Sold in the period	-	( 104,236)
Effect of exchange rate changes	-	( 846)
At December 31	<u>\$ 60,593</u>	<u>\$ -</u>
	2020	
	Equity instrument	Debt instrument
At January 1	\$ 29,990	\$ 146,370
Gains recognised in profit or loss	-	3,452
Acquired in the period	-	921,359
Sold in the period	-	( 1,026,407)
Effect of exchange rate changes	-	( 1,004)
At December 31	<u>\$ 29,990</u>	<u>\$ 43,770</u>

G. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 60,593	Market comparable companies	No open market saleability discount	25%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 29,990	Market comparable companies	No open market saleability discount	23%~45%	The higher the discount for lack of marketability, the lower the fair value
Non-derivative debt instrument:					
Capital- guaranteed income-based wealth management products	\$ 43,770	Discounted cash flow method	Discount rate	0%~4%	The higher the return on investment, the higher the fair value

I. External financial instruments entrusted by finance segment assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
Input	Change				
Financial assets					
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 606 (\$ 606)
		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
Input	Change				
Financial assets					
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300 (\$ 300)
Debt instrument	Return on investment	±1%	\$ 438	(\$ 438)	\$ - \$ -

#### (4) Other matter

Due to Covid-19 outbreak and the various government epidemic prevention measures, the Group assessed that there was no significant impact on the operation, no doubt about the Group's ability to continue as a going concern, no assets impaired and no financing risks increased. The Group's epidemic management had complied with the measures related to the declaration of Level 3 epidemic alert issued by the Central Epidemic Command Centre and the epidemic prevention requirements

under the Prevention and Control of Infectious Diseases Act.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

#### (1) General information

The Group is engaged in the manufacturing and sale of automobile electronics products and power management products from a product type perspective. On the manufacturing and sale of products, the Group divided them into two main segments which include automobile electronics business and power management business.

As the nature, production and sales mode of the 2 segments differ from each other, also the Group's management performs the financial management and assesses operating performances separately, these 2 main segments are summarised as the reportable segments in the operating segment information.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on operating revenue and net operating profit (loss) (excluding administration costs). All operating segments apply the same accounting policies. Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Automobile electronics products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2021</u>					
Revenue from external customers	\$ 1,570,701	\$ 883,977	\$ -	\$ -	\$ 2,454,678
Inter-segment revenue	666,437	405,872	2,311	( 1,074,620)	-
Total segment revenue	<u>\$ 2,237,138</u>	<u>\$ 1,289,849</u>	<u>\$ 2,311</u>	<u>(\$ 1,074,620)</u>	<u>\$ 2,454,678</u>
Segment income	<u>\$ 220,618</u>	<u>\$ 11,604</u>	<u>\$ 2,311</u>	<u>(\$ 4,016)</u>	\$ 230,517
Company general income					24,918
Company general expense					( 152,859)
Interest expense					( 7,229)
Profit from continuing operations before tax					<u>\$ 95,347</u>
	Automobile electronics products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2020</u>					
Revenue from external customers	\$ 756,635	\$ 554,749	\$ 15,307	\$ -	\$ 1,326,691
Inter-segment revenue	371,584	300,189	4,493	( 676,266)	-
Total segment revenue	<u>\$ 1,128,219</u>	<u>\$ 854,938</u>	<u>\$ 19,800</u>	<u>(\$ 676,266)</u>	<u>\$ 1,326,691</u>
Segment income	<u>\$ 47,704</u>	<u>(\$ 9,676)</u>	<u>\$ 2,635</u>	<u>(\$ 127)</u>	\$ 40,536
Company general income					27,072
Company general expense					( 164,490)
Interest expense					( 3,201)
Loss from continuing operations before tax					<u>(\$ 100,083)</u>

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

B. Details of the adjusted consolidated total profit (loss) and reconciliation for (loss) profit before tax of reportable segment for the current period are provided in Note 14(2).

(5) Information on products and services

Information on products for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Automobile electronic products	\$ 1,570,701	\$ 756,635
Power management products	883,977	554,749
Other products	-	15,307
	<u>\$ 2,454,678</u>	<u>\$ 1,326,691</u>

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 428,222	\$ 344,152	\$ 373,250	\$ 321,518
Asia regions	824,307	173,949	114,638	160,476
American regions	1,184,968	-	815,725	-
Others	17,181	-	23,078	-
	<u>\$ 2,454,678</u>	<u>\$ 518,101</u>	<u>\$ 1,326,691</u>	<u>\$ 481,994</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	Revenue	Segment	Revenue	Segment
A	\$ 524,306	Automobile electronic products	\$ 230,341	Automobile electronic products
B	454,091	Automobile electronic products	27,949	Automobile electronic products
C	304,243	Power management products	285,451	Power management products
D	266,812	Automobile electronic products	214,760	Automobile electronic products

SYSGRATION LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at	Actual amount	Interest	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
					outstanding balance during the year ended 'December 31, 2021							for uncollectible accounts	Item	Value			
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Other receivables	Y	\$ 71,672	\$ 68,409	\$ 68,409	-	Having business relationship	\$ 737,053	-	\$ -	None	\$ -	\$ 737,053	\$ 482,448	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on April 30, 2020, the ceiling on total loans granted and to individuals of the Company's were as follows:

- (1) The ceiling on total loans granted to others is 40% of the Company's net assets.
- (2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.



SYSGRATION LTD. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
					outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	endorsement/ guarantee amount at December 31, 2021 (Note 5)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company					
0	SYSGRATION LTD.	SYSGRATION LTD.	1	\$ 361,835	\$ 3,000	\$ 3,000	\$ 1,035	\$ -	0.25%	\$ 542,754	N	N	N	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	2	361,835	87,200	86,880	43,440	-	7.20%	542,754	Y	N	Y	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	2	361,835	10,000	10,000	-	-	0.83%	542,754	Y	N	Y	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders' meeting on June 14, 2019, the limit on endorsements/guarantees provided for subsidiaries whose 50% of the shares are directly and indirectly held is 30% of the Company's net assets and the ceiling on total amount of endorsements/guarantees provided is 45% of the Company's net assets based on the Company's latest financial statements.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

SYSGRATION LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

'December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership	Fair value	
SYSGRATION LTD.	SINTRONIC TECHNOLOGY INC.	None	Financial assets at fair value through other comprehensive income - non-current	53,399	\$ 328	0%	\$ 328	
SYSGRATION LTD.	COREMATE TECHNICAL CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	265,200	-	3%	-	
SYSGRATION LTD.	ARCHERS INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,000,000	-	3%	-	
SYSGRATION LTD.	NEXTRONICS ENGINEERING CORP.	None	Financial assets at fair value through other comprehensive income - non-current	447,100	28,079	1%	28,079	
SYSGRATION LTD.	ORO TECHNOLOGY CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	526,000	28,025	19%	28,025	
SYSGRATION LTD.	GOMORE INC.	None	Financial assets at fair value through other comprehensive income - non-current	25,216,865	628	5%	628	
SYSGRATION LTD.	EXCELLENCE OPTOELECTRONICS INC.	None	Financial assets at fair value through other comprehensive income - non-current	255,000	7,038	0%	7,038	
SYSGRATION LTD.	IMEIER GREEN TECHNOLOGY CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	2,000,000	31,940	15%	31,940	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

SYSGRATION LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Subsidiary	Purchases	\$ 737,053	42%	120 days	Note	Note	(\$ 274,040)	46%	
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY	Subsidiary	Purchases	303,975	17%	120 days	Note	Note	( 29,053)	5%	

Note: Based on the mutual agreement since no similar transaction can be compared with.

SYSGRATION LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

'December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	Subsidiary	\$ 247,040	3.41	\$ -	-	\$ -	\$ -

SYSGRATION LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Accounts receivable	\$ 247,040	Note 6 9%
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	737,053	Note 6 30%
1	SYSGRATION ELECTRONICS TECHNOLOGY	SYSGRATION LTD.	2	Sales of goods	303,975	Note 6 12%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amount that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed. Additionally, the counter related parties' of the transaction will also not be disclosed.

Note 4: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 5: For details of the loans granted and endorsement and guarantees between the Company and subsidiaries, please refer to tables 1 and 2.

Note 6: There are no comparable transaction to non-related parties. The conditions of transactions are agreed upon by both parties.

SYSGRATION LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Note 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership	Book value			
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	\$ 671,762	\$ 671,762	21,800,000	100%	\$ 203,315	\$ 21,311	\$ 21,311	
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	505,131	505,131	15,938,000	100%	175,855	13,891	13,891	
SYSGRATION LTD.	SYSGRATION USA INC.	U.S.A.	Sale of electronic products	10,062	10,062	300,000	100%	3,809	116	116	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

SYSGRATION LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 (Note5)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 5)	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of energy storage products	\$ 597,888	2	\$ 597,888	-	-	\$ 597,888	\$ 21,350	100%	\$ 21,350	\$ 206,252	-	Note 6
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	102,416	2	102,416	-	-	102,416	12,703	100%	12,703	115,365	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Notes 3 and 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	Footnote
SYSGRATION LTD.	\$ 96,606	\$ 132,479	\$ 723,672	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10100477000, No.10200372350, No.10300319430, No.1040023080, No.10500055360 and No.10500105990. Additionally, the Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.' through 'SYSGRATION (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10400006240, No.10400023090, No.10400163350, No.10400251280 and No.10500072680.

Note 4: The ceiling is NT\$80 million and 60% of the net assets or consolidated net assets, whichever is higher.

Note 5: It was translated to NTD at the exchange rate on December 31, 2021.

Note 6: Through SYSGRATION TECHNOLOGY (SAMOA) LTD..

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD. AND SUBSIDIARIES

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2021

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest for the year ended December 31, 2021	Others
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	(\$ 737,053)	42%	\$ -	-	(\$ 247,040)	46%	\$ 68,409	89%	\$ -	-	\$ 71,672	\$ 68,409	-	\$ -	-
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	( 303,975)	17%	-	-	( 29,053)	5%	-	-	註	註	-	-	-	-	-

Note : Please refer to table 2.



SYSGRATION LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
Lee, Yi-Ren	12,961,210	8.33%

Appendix II :  
2021 Annual CPA Audit Report and Parent Company Only Financial Statements

**SYSGRATION LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2021 AND 2020**

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

SYSGRATION LTD.  
DECEMBER 31, 2021 AND 2020 PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sysgration Ltd.

***Opinion***

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sysgration Ltd. as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

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

***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only 2021 financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

### **Existence and occurrence of revenue from new top 10 significant customers**

#### Description

Please refer to Note 4(28) for accounting policies on revenue recognition and Note 6(22) for details of sales revenue.

Sysgration Ltd. and subsidiaries (shown as “investments accounted for using equity method”) engaged in the manufacture and sales of automobile electronics products and power management products. Customers changed due to the rapid change of market and innovation of products, and the revenue from new top 10 significant customers presented material part in sales revenue. Thus, we considered the existence and occurrence of revenue from the new top 10 significant customers as a key audit matter.

#### How our audit addressed the matter

As this key audit matter had covered different consolidated entities based on our audit which key audit procedures performed in respect of the above included the following:

- A. Obtained an understanding of and tested the internal control procedures of recognition of revenue from new top 10 significant customers and tested the effectiveness in exercising internal controls in relation to sales revenue.
- B. Obtained the details of revenue from new top 10 significant customers and verified customers’ orders, delivery orders and sales invoices to confirm the sales revenue transaction indeed incurred.
- C. Examined the content and related supporting documents of sales returns and discounts of new top 10 customers after the balance sheet date and checked the subsequent collection to confirm the reality of sales revenue recognition.

### **Valuation of allowance for inventory valuation losses**

#### Description

Sysgration Ltd. and subsidiaries (shown as ‘investment using the equity method’) primarily engaged in the manufacture and sale of automobile electronics products and power management products. Because the rapid change of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Sysgration Ltd. and subsidiaries’ inventories are measured at the lower of



cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material's net realisable value is calculated based on the latest purchase price, and the net realisable values of work in process and finished goods are measured at the last sales price as well as taken into consideration of the operating expense ratio.

The industry technology is rapidly changing, and the net realisable value involves subjective judgement result in an uncertainty when assessing the obsolete or slow-moving inventories. By considering the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

Refer to Note 4(12) for accounting policy on inventory, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses.

How our audit addressed the matter:

As this key audit matter had covered different consolidated entities based on our audit which key audit procedures performed in respect of the above included the following:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Sysgration Ltd. and subsidiaries' operations and the characteristics of the industry, including the classification of inventory for determining net realisable value and the reasonableness of determining the obsolescence of inventory.
- B. Obtained an understanding of the Sysgration Ltd. and subsidiaries' warehousing control procedures. Reviewed the annual physical inventory count plan and observed in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.
- D. Verified the reasonableness of inventory valuation basis, including sampled the latest purchase price, purchase invoice, the latest sales price and sales invoices in order to verify that the inventory was measured at the lower of cost and net realisable value.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

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

***Auditors' responsibilities for the audit of the parent company only financial statements***

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

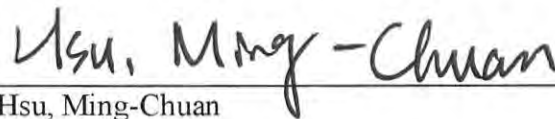
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

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



Chiu, Chao-Hsien



Hsu, Ming-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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

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

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 683,913	26	\$ 717,717	34
1110	Current financial assets at fair value through profit or loss	6(2)	1,477	-	2,250	-
1136	Current financial assets at amortised cost	6(4) and 8	100,501	4	-	-
1150	Notes receivable, net	6(5) and 12(2)	3,050	-	-	-
1170	Accounts receivable, net	6(5) and 12(2)	522,918	20	332,262	16
1180	Accounts receivable-related parties	7	2,843	-	-	-
1200	Other receivables		8,038	-	3,862	-
1210	Other receivables-related parties	7	68,409	3	71,838	4
1220	Current tax assets	6(29)	84	-	464	-
130X	Inventories	6(6)	309,430	12	76,043	4
1470	Other current assets		13,405	1	4,840	-
11XX	<b>Current assets</b>		<u>1,714,068</u>	<u>66</u>	<u>1,209,276</u>	<u>58</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	96,038	4	48,626	2
1535	Non-current financial assets at amortised cost	6(4) and 8	24,800	1	119,501	6
1550	Investments accounted for using equity method	6(7)	382,979	15	351,440	17
1600	Property, plant and equipment	6(8) and 8	291,046	11	288,449	14
1755	Right-of-use assets	6(9)	26,852	1	12,163	1
1760	Investment property, net	6(10)	4,162	-	4,300	-
1780	Intangible assets	6(11)	11,356	-	9,177	-
1840	Deferred tax assets	6(29)	31,107	1	32,363	1
1900	Other non-current assets		16,946	1	13,474	1
15XX	<b>Non-current assets</b>		<u>885,286</u>	<u>34</u>	<u>879,493</u>	<u>42</u>
1XXX	<b>Total assets</b>		<u>\$ 2,599,354</u>	<u>100</u>	<u>\$ 2,088,769</u>	<u>100</u>

(Continued)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2130	Current contract liabilities	6(22)	\$ 6,582	-	\$ 1,498	-
2150	Notes payable		986	-	715	-
2170	Accounts payable		265,257	10	81,268	4
2180	Accounts payable-related parties	7	276,093	11	222,595	11
2200	Other payables	6(14)	116,871	4	77,179	4
2220	Other payables-related parties	7	88	-	3,396	-
2250	Current provisions	6(17)	7,179	-	1,008	-
2280	Current lease liabilities		15,302	1	6,517	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	533,211	21	24,400	1
2399	Other current liabilities, others		21,870	1	29,493	1
21XX	<b>Current liabilities</b>		<u>1,243,439</u>	<u>48</u>	<u>448,069</u>	<u>21</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(13)	-	-	487,660	24
2540	Long-term borrowings	6(12) and 8	137,881	5	80,711	4
2580	Non-current lease liabilities		11,716	1	5,717	-
2600	Other non-current liabilities		198	-	-	-
25XX	<b>Non-current liabilities</b>		<u>149,795</u>	<u>6</u>	<u>574,088</u>	<u>28</u>
2XXX	<b>Liabilities</b>		<u>1,393,234</u>	<u>54</u>	<u>1,022,157</u>	<u>49</u>
<b>Equity</b>						
Share capital		6(18)				
3110	Ordinary share		1,545,534	59	1,524,847	73
3140	Advance receipts for share capital		9,956	-	15,958	1
Capital surplus		6(19)				
3200	Capital surplus		160,349	6	135,896	6
Retained earnings		6(20)				
3320	Special reserve		35,953	1	35,953	2
3350	Accumulated deficit		( 454,770)	( 17)	( 550,117)	( 26)
Other equity interest		6(21)				
3400	Other equity interest		( 90,902)	( 3)	( 95,925)	( 5)
3XXX	<b>Equity</b>		<u>1,206,120</u>	<u>46</u>	<u>1,066,612</u>	<u>51</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,599,354</u>	<u>100</u>	<u>\$ 2,088,769</u>	<u>100</u>

		Year ended December 31					
		2021		2020			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(22) and 7	\$ 2,120,074	100	\$ 1,298,610	100	
5000	Operating costs	6(6)(15)(16)(26)(27) and 7	( 1,756,220)	( 83)	( 1,099,553)	( 84)	
5900	Gross profit from operations		<u>363,854</u>	<u>17</u>	<u>199,057</u>	<u>16</u>	
	Operating expenses	6(15)(16)(26)(27) and 7					
6100	Selling expenses		( 56,426)	( 2)	( 53,728)	( 4)	
6200	Administrative expenses		( 130,653)	( 6)	( 115,603)	( 9)	
6300	Research and development expenses		( 127,411)	( 6)	( 135,599)	( 11)	
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS9	12(2)	<u>31</u>	-	( 3,666)	-	
6000	Operating expenses		( 314,459)	( 14)	( 308,596)	( 24)	
6900	Net operating income (loss)		<u>49,395</u>	<u>3</u>	( 109,539)	( 8)	
	Non-operating income and expenses						
7100	Interest income	6(4)(23)	1,175	-	906	-	
7010	Other income	6(3)(10)(24)	16,552	1	13,211	1	
7020	Other gains and losses	6(2)(25) and 12(3)	( 661)	-	( 5,186)	-	
7050	Finance costs	6(9)(12)(28)	( 6,432)	-	( 2,742)	-	
7070	Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>35,318</u>	<u>1</u>	<u>5,035</u>	<u>-</u>	
7000	Non-operating income and expenses		<u>45,952</u>	<u>2</u>	<u>11,224</u>	<u>1</u>	
7900	<b>Profit (loss) before income tax</b>		<u>95,347</u>	<u>5</u>	( 98,315)	( 7)	
7950	Income tax expense	6(29)	-	-	-	-	
8200	<b>Profit (loss) for the year</b>		<u>\$ 95,347</u>	<u>5</u>	( \$ 98,315)	( 7)	
	<b>Other comprehensive income</b>						
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	6(3)(21)(29)					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		\$ 10,058	-	\$ 3,966	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		( 2,012)	-	( 1,173)	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>8,046</u>	<u>-</u>	<u>2,793</u>	<u>-</u>	
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	6(21)(29)					
8361	Exchange differences on translation		( 3,779)	-	( 1,159)	-	
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>756</u>	<u>-</u>	<u>232</u>	<u>-</u>	
8360	Components of other comprehensive loss that will be reclassified to profit or loss		( 3,023)	-	( 927)	-	
8300	<b>Other comprehensive income for the year, net of tax</b>		<u>\$ 5,023</u>	<u>-</u>	<u>\$ 1,866</u>	<u>-</u>	
8500	<b>Total comprehensive income (loss) for the year</b>		<u>\$ 100,370</u>	<u>5</u>	( \$ 96,449)	( 7)	
	Basic earnings (loss) per share	6(30)					
9750	Basic earnings (loss) per share		<u>\$ 0.62</u>	<u>( \$ 0.64)</u>			
	Diluted earnings (loss) per share	6(30)					
9850	Diluted earnings (loss) per share		<u>\$ 0.58</u>	<u>( \$ 0.64)</u>			

2020

Balance at January 1, 2020		\$ 1,511,547	\$ -	\$ 96,653	\$ 35,953	(\$ 449,902)	(\$ 60,098)	(\$ 39,593)	\$ 1,094,560
Loss for the year		-	-	-	-	( 98,315 )	-	-	( 98,315 )
Other comprehensive income (loss) for the 6(21) year		-	-	-	-	-	( 927 )	2,793	1,866
Total comprehensive income (loss)		-	-	-	-	( 98,315 )	( 927 )	2,793	( 96,449 )
Share-based compensation cost	6(16)(19)(20)	-	-	7,049	-	-	-	-	7,049
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(21)	-	-	-	-	( 1,900 )	-	1,900	-
Recognition of share option in issuance of convertible bonds		-	-	11,131	-	-	-	-	11,131
Exercise of employee stock options		13,300	15,958	21,063	-	-	-	-	50,321
Balance at December 31, 2020		\$ 1,524,847	\$ 15,958	\$ 135,896	\$ 35,953	(\$ 550,117)	(\$ 61,025)	(\$ 34,900)	\$ 1,066,612

2021

Balance at January 1, 2021		\$ 1,524,847	\$ 15,958	\$ 135,896	\$ 35,953	(\$ 550,117)	(\$ 61,025)	(\$ 34,900)	\$ 1,066,612
Profit for the year		-	-	-	-	95,347	-	-	95,347
Other comprehensive income (loss) for the 6(21) year		-	-	-	-	-	( 3,023 )	8,046	5,023
Total comprehensive income (loss)		-	-	-	-	95,347	( 3,023 )	8,046	100,370
Share-based compensation cost	6(16)(19)(20)	-	-	14,527	-	-	-	-	14,527
Conversion of convertible bonds	6(19)(20)	29	2,200	5,442	-	-	-	-	7,671
Exercise of employee stock options	6(19)(20)	20,658	( 8,202 )	4,484	-	-	-	-	16,940
Balance at December 31, 2021		\$ 1,545,534	\$ 9,956	\$ 160,349	\$ 35,953	(\$ 454,770)	(\$ 64,048)	(\$ 26,854)	\$ 1,206,120



**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit (loss) before tax		\$	95,347	(\$	98,315 )
Adjustments					
Adjustments to reconcile profit (loss)					
Gains on financial assets and financial liabilities at fair value through profit or loss	6(2)(25)		773	(	250 )
Expected credit impairment (loss) profit	12(2)	(	31	)	3,666
Depreciation	6(8)(9)(10)(26)		47,048		43,576
Gain on disposal of property, plant and equipment	6(25)	(	122	)	-
Amortization	6(11)(26)		10,393		7,929
Share of profit of subsidiaries, and associates for using the equity method	6(7)				
Interest expense	6(9)(12)(13)(28)	(	35,318	)	( 5,035 )
Interest income	6(23)	(	6,432	)	2,742
Dividend income	6(24)	(	1,175	)	906
Share-based compensation cost	6(16)(19)(20)	(	1,874	)	( 842 )
Changes in operating assets and liabilities			14,527		7,049
Changes in operating assets					
Notes receivable		(	3,079	)	200
Accounts receivable		(	190,596	)	( 86,501 )
Accounts receivables - related parties		(	2,843	)	-
Other receivables		(	4,207	)	( 56 )
Other receivables - related parties			3,430		60,552
Inventories		(	233,387	)	5,840
Other current assets		(	8,565	)	( 1,179 )
Changes in operating liabilities					
Current contract liabilities			5,084	(	440 )
Notes payable			271	(	582 )
Accounts payable			183,989		14,911
Accounts payable-related parties			53,498		29,134
Other payables			38,446	(	1,945 )
Other payables-related parties		(	3,308	)	670
Current provisions			6,171		1,008
Other current liabilities, others		(	7,623	)	9,117
Cash outflow generated from operations		(	26,719	)	( 9,657 )
Interest paid		(	1,631	)	( 1,371 )
Interest received			1,205		906
Dividend received			1,874		842
Income tax paid		(	20	)	( 65 )
Income tax refunded			399		153
Net cash flows used in operating activities		(	24,892	)	( 9,192 )

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of financial assets at fair value through other comprehensive income		( \$	37,354 )	\$	-
Proceeds from disposal of investments accounted for using the equity method	6(7)		-		15,397
Increased in financial assets at amortised cost		(	5,800 )	(	98,965 )
Acquisition of property, plant and equipment	6(31)	(	35,029 )	(	40,117 )
Proceeds from disposal of property, plant and equipment			1,539		-
Acquisition of intangible assets	6(11)	(	12,572 )	(	3,824 )
Increase in refundable deposits		(	166 )	(	1,905 )
(Increase) decrease in prepayments for business facilities		(	4,190 )		2,079
Decrease in other current assets			884		109
Net cash flows used in investing activities		(	<u>92,688</u> )	(	<u>127,226</u> )

**CASH FLOWS FROM FINANCING ACTIVITIES**

Decrease in short-term borrowings	6(32)	-	(	110,000 )	
Proceeds from long-term borrowings	6(12)(32)	119,200		110,000	
Repayment of long-term borrowings	6(12)(32)	(	37,656 )	(	4,889 )
Proceeds from convertible bond issuance	6(13)	-		495,680	
Proceeds from exercise of employee stock options	6(19)	16,944		50,321	
Payments of lease liabilities	6(9)(32)	(	14,910 )	(	16,885 )
Increase in guarantee deposits received		198		-	
Net cash flows from financing activities		<u>83,776</u>		<u>524,227</u>	
Net (decrease) increase in cash and cash equivalents		(	33,804 )		387,809
Cash and cash equivalents at beginning of year		<u>717,717</u>		<u>329,908</u>	
Cash and cash equivalents at end of year		<u>\$</u>	<u>683,913</u>	<u>\$</u>	<u>717,717</u>

SYSGRATION LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

SYSGRATION LTD. (the ‘Company’) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 14, 1977, and the Company’s shares have been approved by Securities and Futures Commission, Ministry of Finance to be officially traded on Taipei Exchange from December 1995. The Company is primarily engaged in the manufacture and sale of automobile electronics products and power management products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, the parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

Investments in foreign operations resulting in exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

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

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

- (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

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

payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for using the equity method - subsidiaries, associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the parent company only financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the



replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~55	years
Machinery	2~20	years
Maintenance equipment and tools	2~5	years
Office equipment	2~30	years
Transportation equipment	5	years
Leasehold improvements	4~5	years or lease period (whichever is shorter)
Others	2~3	years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;

- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(16) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Intangible assets, mainly computer software and patent rights, are amortised on a straight-line basis over their estimated useful lives of 1 ~ 10 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds or are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable or and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable or as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss' ) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(23) Derecognition of financial liabilities

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a

cash refund or a reduction in the future payments.

(25) Employee share-based payment

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Share capital

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

(28) Revenue recognition

Sales of goods

A. The Company manufactures and sells of automobile electronic products and power management products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories

is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 613	\$ 764
Checking accounts and demand deposits	633,300	361,953
Time deposits	<u>50,000</u>	<u>355,000</u>
	<u>\$ 683,913</u>	<u>\$ 717,717</u>

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

B. As of December 31, 2021 and 2020, cash and cash equivalents amounting to \$125,301 and \$119,501, respectively, as short-term and long-term borrowings were pledged to others as collateral, and were classified as financial assets at amortised cost.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 1,477</u>	<u>\$ 2,250</u>

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

	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>(\$ 773)</u>	<u>\$ 250</u>

B. The Company had no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 21,514	\$ 14,160
Unlisted stocks	<u>113,173</u>	<u>83,173</u>
	134,687	97,333
Valuation adjustment	( <u>38,649</u> )	( <u>48,707</u> )
	<u>\$ 96,038</u>	<u>\$ 48,626</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$96,038 and \$48,626 as at December 31, 2021 and 2020, respectively.
- B. For the year ended December 31, 2020, the Company had incurred an accumulated impairment loss in the amount of \$1,900 because an investee has been dissolved and liquidated. Realised loss has been transferred to retained earnings from other equity.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 10,058</u>	<u>\$ 3,966</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 1,900</u>
Dividend income recognised in profit or loss		
Held at end of period	<u>\$ 1,874</u>	<u>\$ 842</u>

- D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$96,038 and \$48,626, respectively.
- E. The Company had no financial assets at fair value through other comprehensive income pledged to others as collateral.
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
pledged time deposits	\$ 100,501	\$ -
Non-current items:		
pledged time deposits	\$ 24,800	\$ 119,501

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	\$ 129	\$ 55

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$125,301 and \$119,501, respectively.

C. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 3,081	\$ -
Less: Allowance for uncollectible accounts	( 31)	-
	\$ 3,050	\$ -
Accounts receivable	\$ 527,585	\$ 336,991
Less: Allowance for uncollectible accounts	( 4,667)	( 4,729)
	\$ 522,918	\$ 332,262

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 410,186	\$ 3,050	\$ 308,164	\$ -
Up to 30 days	61,701	-	16,897	-
31 to 120 days	48,774	-	2,698	-
121 to 180 days	-	-	-	-
Over 180 days	2,257	-	4,503	-
	\$ 522,918	\$ 3,050	\$ 332,262	\$ -

The above ageing analysis was based on past due date.



- B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$249,627.
- C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$552,918 and \$332,262, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(3).

(6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 213,256	\$ (10,081)	\$ 203,175
Work in progress	27,100	-	27,100
Finished goods	59,984	( 1,244)	58,740
Inventory in transit	20,415	-	20,415
	<u>\$ 320,755</u>	<u>\$ (11,325)</u>	<u>\$ 309,430</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 47,476	(\$ 16,501)	\$ 30,975
Work in progress	12,608	-	12,608
Finished goods	35,732	( 3,272)	32,460
	<u>\$ 95,816</u>	<u>(\$ 19,773)</u>	<u>\$ 76,043</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of goods sold	\$ 1,747,260	\$ 1,102,510
Loss on decline in market value	-	-
(gain on reversal of decline in market value)	8,960	( 2,957)
	<u>\$ 1,756,220</u>	<u>\$ 1,099,553</u>

- A. The Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of inventory clearance for the year ended December 31,2020.
- B. The Company had no inventories pledged to others as collateral.

(7) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
At January 1	\$ 351,440	\$ 362,961
Disposal of investments accounted for using equity method (Note)	-	( 15,566)
Share of profit or loss of investments accounted for using equity method	35,318	5,035
Changes in other equity items	( 3,779)	( 990)
At December 31	<u>\$ 382,979</u>	<u>\$ 351,440</u>

Note : The subsidiary, Leadman Electronics USA, Inc., has been incurring continuous deficits and there is no indication that its operation will improve in the future. On January 30, 2020, to enhance the competitiveness of the Company's long-term operating development, the Board of Directors of the Company approved to dispose all of its shares of Leadman Electronics USA, Inc. of 1,314,181 shares (representing 51%) amounting to US\$510 thousand on January 30, 2020. The loss on disposal was \$8,463 and an impairment loss was recognised in the amount of \$8,463 for the year ended December 31, 2019. Aforementioned proceeds from disposal have been collected in February 2020.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
SYSGRATION TECHNOLOGY (SAMOA) LTD.	\$ 203,315	\$ 183,154
SYSGRATION (SAMOA) LTD.	175,855	164,485
SYSGRATION USA INC.	3,809	3,801
	<u>\$ 382,979</u>	<u>\$ 351,440</u>

For the years ended December 31, 2021 and 2020, share of profit (loss) for using the equity method are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
SYSGRATION TECHNOLOGY (SAMOA) LTD.	\$ 21,311	(\$ 16,643)
SYSGRATION (SAMOA) LTD.	13,891	23,293
LEADMAN ELECTRONICS USA, INC.	-	( 1,840)
SYSGRATION USA INC.	116	225
	<u>\$ 35,318</u>	<u>\$ 5,035</u>

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

(8) Property, plant and equipment

	2021								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 307,249	\$ 149,119	\$ 7,290	\$ 21,380	\$ 2,625	\$ 693	\$ 14,748	\$ 521,911
Accumulated depreciation and impairment	-	( 122,659)	( 74,565)	( 5,542)	( 19,251)	( 1,092)	( 614)	( 9,739)	( 233,462)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 74,554</u>	<u>\$ 1,748</u>	<u>\$ 2,129</u>	<u>\$ 1,533</u>	<u>\$ 79</u>	<u>\$ 5,009</u>	<u>\$ 288,449</u>
Opening net book amount as at January 1	\$ 18,807	\$ 184,590	\$ 74,554	\$ 1,748	\$ 2,129	\$ 1,533	\$ 79	\$ 5,009	\$ 288,449
Additions	-	-	19,338	1,367	6,014	6,019	-	3,520	36,258
Disposals	-	-	-	( 15)	( 1)	( 1,401)	-	-	( 1,417)
Depreciation charge	-	( 6,636)	( 16,349)	( 1,732)	( 3,273)	( 1,135)	( 68)	( 3,051)	( 32,244)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 77,543</u>	<u>\$ 1,368</u>	<u>\$ 4,869</u>	<u>\$ 5,016</u>	<u>\$ 11</u>	<u>\$ 5,478</u>	<u>\$ 291,046</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 168,279	\$ 7,666	\$ 24,534	\$ 6,019	\$ 693	\$ 18,249	\$ 551,496
Accumulated depreciation and impairment	-	( 129,295)	( 90,736)	( 6,298)	( 19,665)	( 1,003)	( 682)	( 12,771)	( 260,450)
	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 77,543</u>	<u>\$ 1,368</u>	<u>\$ 4,869</u>	<u>\$ 5,016</u>	<u>\$ 11</u>	<u>\$ 5,478</u>	<u>\$ 291,046</u>

	2020								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 355,836	\$ 120,391	\$ 6,313	\$ 21,878	\$ 2,625	\$ 3,488	\$ 10,893	\$ 540,231
Accumulated depreciation and impairment	-	( 165,384)	( 63,734)	( 3,717)	( 18,399)	( 567)	( 3,132)	( 7,328)	( 262,261)
	<u>\$ 18,807</u>	<u>\$ 190,452</u>	<u>\$ 56,657</u>	<u>\$ 2,596</u>	<u>\$ 3,479</u>	<u>\$ 2,058</u>	<u>\$ 356</u>	<u>\$ 3,565</u>	<u>\$ 277,970</u>
Opening net book amount as at January 1	\$ 18,807	\$ 190,452	\$ 56,657	\$ 2,596	\$ 3,479	\$ 2,058	\$ 356	\$ 3,565	\$ 277,970
Additions	-	640	30,529	977	1,185	-	-	4,054	37,385
Depreciation charge	-	( 6,502)	( 12,632)	( 1,825)	( 2,535)	( 525)	( 277)	( 2,610)	( 26,906)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 74,554</u>	<u>\$ 1,748</u>	<u>\$ 2,129</u>	<u>\$ 1,533</u>	<u>\$ 79</u>	<u>\$ 5,009</u>	<u>\$ 288,449</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 149,119	\$ 7,290	\$ 21,380	\$ 2,625	\$ 693	\$ 14,748	\$ 521,911
Accumulated depreciation and impairment	-	( 122,659)	( 74,565)	( 5,542)	( 19,251)	( 1,092)	( 614)	( 9,739)	( 233,462)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 74,554</u>	<u>\$ 1,748</u>	<u>\$ 2,129</u>	<u>\$ 1,533</u>	<u>\$ 79</u>	<u>\$ 5,009</u>	<u>\$ 288,449</u>

- A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. The Company's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$1,421 and \$1,385, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	Year ended December 31, 2021	December 31, 2020	Year ended December 31, 2020
	Carrying amount	Depreciation charge	Carrying amount	Depreciation charge
Buildings	\$ 21,204	\$ 12,206	\$ 4,055	\$ 14,917
Transportation equipment	5,648	2,460	8,108	1,616
	<u>\$ 26,852</u>	<u>\$ 14,666</u>	<u>\$ 12,163</u>	<u>\$ 16,533</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$29,355 and \$10,526, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 339	\$ 260
Expense on short-term lease contracts	1,469	1,756
	<u>\$ 1,808</u>	<u>\$ 2,016</u>

- F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$14,910 and \$16,885, respectively.

(10) Investment property

	<u>2021</u>		<u>2020</u>
	<u>Buildings</u>		<u>Buildings</u>
At January 1		At January 1	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	( 2,700)	Accumulated depreciation	( 2,563)
	<u>\$ 4,300</u>		<u>\$ 4,437</u>
Opening net book amount as at January 1	\$ 4,300	Opening net book amount as at January 1	\$ 4,437
Depreciation charge	( 138)	Depreciation charge	( 137)
Closing net book amount as at December 31	<u>\$ 4,162</u>	Closing net book amount as at December 31	<u>\$ 4,300</u>
At December 31		At December 31	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	( 2,838)	Accumulated depreciation	( 2,700)
	<u>\$ 4,162</u>		<u>\$ 4,300</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended</u> <u>December 31, 2021</u>	<u>Year ended</u> <u>December 31, 2020</u>
Rental income from investment property	<u>\$ 288</u>	<u>\$ 288</u>
Direct operating expenses arising from the investment property that generated rental	<u>\$ 138</u>	<u>\$ 137</u>

B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 was both \$7,000, which was based on the trading prices of similar prices in the neighboring areas.

C. The Company had no investment property pledged to others as collateral.

(11) Intangible assets

	2021		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,407	\$ 22,399	\$ 39,806
Accumulated amortisation and impairment	( 13,222)	( 17,407)	( 30,629)
	<u>\$ 4,185</u>	<u>\$ 4,992</u>	<u>\$ 9,177</u>
Opening net book amount as at January 1	\$ 4,185	\$ 4,992	\$ 9,177
Additions	-	12,572	12,572
Amortisation charge	( 4,185)	( 6,208)	( 10,393)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 11,356</u>	<u>\$ 11,356</u>
At December 31			
Cost	\$ 17,407	\$ 34,971	\$ 52,378
Accumulated amortisation and impairment	( 17,407)	( 23,615)	( 41,022)
	<u>\$ -</u>	<u>\$ 11,356</u>	<u>\$ 11,356</u>
	2020		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,407	\$ 18,575	\$ 35,982
Accumulated amortisation and impairment	( 9,037)	( 13,663)	( 22,700)
	<u>\$ 8,370</u>	<u>\$ 4,912</u>	<u>\$ 13,282</u>
Opening net book amount as at January 1	\$ 8,370	\$ 4,912	\$ 13,282
Additions	-	3,824	3,824
Amortisation charge	( 4,185)	( 3,744)	( 7,929)
Closing net book amount as at December 31	<u>\$ 4,185</u>	<u>\$ 4,992</u>	<u>\$ 9,177</u>
At December 31			
Cost	\$ 17,407	\$ 22,399	\$ 39,806
Accumulated amortisation and impairment	( 13,222)	( 17,407)	( 30,629)
	<u>\$ 4,185</u>	<u>\$ 4,992</u>	<u>\$ 9,177</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating costs	\$ 2,405	\$ 1,535
Selling expenses	315	192
Administrative expenses	6,049	4,876
Research and development expenses	1,624	1,326
	<u>\$ 10,393</u>	<u>\$ 7,929</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.145%	None	\$ 9,444
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.00%	None	47,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	0.91%	None	23,898
Secured borrowings	Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.	1.25%	Note	57,980
Unsecured borrowings	Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.	1.095%	None	30,033
Secured borrowings	Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.	1.25%	Note	18,300
				<u>186,655</u>
Less: Current portion				( 48,774)
				<u>\$ 137,881</u>



<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.145%	None	\$ 16,111
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.00%	None	59,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	0.91%	None	30,000
				<u>105,111</u>
Less: Current portion				<u>( 24,400)</u>
				<u>\$ 80,711</u>

Note: Information about the assets that were pledged to long-term borrowings as collateral is provided in Note 8.

A. For the years ended December 31, 2021 and 2020, interest expense were recognised in profit or loss amounted to \$1,365 and \$188, respectively.

B. Aforementioned borrowings from financial institutions are guaranteed by related parties as joint guarantor, please refer to Note 7 for details.

(13) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	\$ 492,200	\$ 500,000
Less: Discount on bonds payable	<u>( 7,763)</u>	<u>( 12,340)</u>
	484,437	487,660
Less: Current portion or exercise of put options	<u>(484,437)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 487,660</u>

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fourth domestic secured convertible bonds issued by the Company are as follows:

i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020.

- ii. The bondholders have the right to ask for conversion of the bonds into common shares of The Company during the period from the date after 3 months (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$35 (in dollars) per share.
  - iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
  - v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
  - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2021, the convertible corporate bonds in the total amount of \$7,800 have been converted into 2,857 common shares and 219,998 common shares. On May 11, 2021 and January 18, 2022, the Board of Directors had resolved the effective dates were May 11, 2021 and January 18, 2022, respectively, and the registration of changes had been completed.
- B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as 'capital surplus—share options' amounting to \$11,131 and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.9112%.

(14) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 64,091	\$ 48,399
Payables for machinery and equipment	3,595	2,366
Others	49,185	26,414
	<u>\$ 116,871</u>	<u>\$ 77,179</u>

(15) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$12,068 and \$12,372, respectively.

(16) Share-based payment

- A. On November 12, 2019, December 27, 2016 and November 11, 2015, the Board of Directors of the Company resolved to issue employees’ options of 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with the exercise price of \$33.80 (in dollars)), 4,500 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 4,500,000 shares with the exercise price of \$10.00 (in dollars)) and 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with exercise price of \$21.80 (in dollars)), respectively, except for the 4,731 units were issued out of 5,000 units on August 20, 2020, others were issued 4,500 units and 5,000 units on October 15, 2018 and January 12, 2016, respectively. The exercise price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company’s common stock at the grant date. There will be adjustment to the exercise price in accordance with specific formula if there is any change in the Company’s ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the options is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.
- B. For the years ended December 31, 2021 and 2020, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.01.12	5,000	5 years	2 ~ 4 years'
Employee stock options	2018.10.15	4,500	5 years	2 ~ 4 years'
Employee stock options	2020.08.20	4,731	5 years	2 ~ 4 years'

C. Details of the share-based payment arrangements are as follows:

i. Employees' options which were issued in 2020

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	4,469	\$ 33.80	-	-
Options granted	-	-	4,731	\$ 33.80
Options exercised	-	-	-	-
Options forfeited (Note)	(976)	-	(262)	-
Options outstanding at the end of the period	<u>3,493</u>	\$ 33.80	<u>4,469</u>	\$ 33.80
Options exercisable at the end of the period	<u>-</u>		<u>-</u>	

Note: Due to employees' retirement or termination.

ii. Employees' options which were issued in 2018

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,184	\$ 10.00	3,755	\$ 10.00
Options granted	-	-	-	-
Options exercised	(866)	10.00	(1,141)	-
Options forfeited (Note)	(136)	-	(430)	-
Options outstanding at the end of the period	<u>1,182</u>	\$ 10.00	<u>2,184</u>	\$ 10.00
Options exercisable at the end of the period	<u>297</u>		<u>258</u>	

Note: Due to employees' retirement or termination.

iii. Employees' options which were issued in 2016

	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	780	\$ 21.80	2,665	\$ 21.80
Options granted	-	-	-	-
Options exercised	( 380)	21.80	( 1,785)	-
Options forfeited (Note)	( 400)	-	( 100)	-
Options outstanding at the end of the period	-	\$ -	780	\$ 21.80
Options exercisable at the end of the period	-	-	780	-

Note: Due to employees' retirement or termination.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.01.12	2021.01.11	-	\$ 21.80	780	\$ 21.80
2018.10.15	2023.10.14	1,182	10.00	2,184	10.00
2020.08.20	2025.08.19	3,493	33.80	4,469	33.80

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2016.01.12	\$21.80	44.16%	3.5~4.5 years	0%	0.56%	5.04
			~44.51%			~0.66%	~5.74
Employee stock options	2018.10.15	10.00	43.64%	3.5~4.5 years	0%	0.69%	1.90
			~44.73%			~0.73%	~2.19
Employee stock options	2020.08.20	33.80	49.75%	3.5~4.5 years	0%	0.28%	13.02
			~53.32%			~0.31%	~13.74

F. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2021	Year ended December 31, 2020
	Equity-settled	\$ 14,527

(17) Provisions

	2021	2020
	Warranty	Warranty
At January 1	\$ 1,008	\$ -
Additional provisions	10,095	1,008
Used during the period	( 3,924)	-
At December 31	<u>\$ 7,179</u>	<u>\$ 1,008</u>

The Group gives warranties on automotive electronic products sold. Provision for warranty is estimated based on historical warranty data of automotive electronic products. It is expected that provision for warranty will be used in the following one year.

(18) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,555,490 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2021(Note)	2020(Note)
At January 1	\$ 154,081	\$ 151,155
Employee stock options exercised	1,246	2,926
Conversion of convertible bonds	222	-
At December 31	<u>\$ 155,549</u>	<u>\$ 154,081</u>

Note: Expressed in thousands of shares.

- B. On April 30, 2020, the shareholders of the Company resolved the private placement of common shares, while considering the market situation and the issue period was expired, the Board of Directors resolved to discontinue the private placement plan on April 16, 2021.
- C. As of December 31, 2021, the Company's employees' options which were issued in 2016 were applied for purchasing 380 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021; the effective dates were set on May 11, 2021. All subscription price was \$21.8, the registration of changes has been completed.
- D. As of December 31, 2021, the Company's employees' options which were issued in 2018 were applied for purchasing 90 thousand shares and 776 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021 and January 18, 2022; the effective date was set on May 11, 2021 and January 18, 2022, respectively. All purchase price was \$10, the registration of changes has been completed.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided

that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movements in the number of the Company's capital surplus in 2021 and 2020 are as follows:  
(Share in thousands)

	2021					
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	\$ 60,273	\$ 45,941	\$ 17,335	\$ 2,654	\$ 9,693	\$ 135,896
Exercise of conversion right of convertible bonds	5,615	-	( 173)	-	-	5,442
Employee stock options exercised	8,464	( 3,980)	-	-	-	4,484
Share-based compensation cost	-	14,527	-	-	-	14,527
At December 31	<u>\$ 74,352</u>	<u>\$ 56,488</u>	<u>\$ 17,162</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 160,349</u>
	2020					
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	\$ 28,350	\$ 49,752	\$ 6,204	\$ 2,654	\$ 9,693	\$ 96,653
Recognition of share option in issue of convertible bonds	-	-	11,131	-	-	11,131
Share-based compensation	31,923	( 10,860)	-	-	-	21,063
Employee stock options exercised	-	7,049	-	-	-	7,049
At December 31	<u>\$ 60,273</u>	<u>\$ 45,941</u>	<u>\$ 17,335</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 135,896</u>

(20) Unappropriated retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders at the stockholders' meeting.
- B. For the long-term business development of the Company, the needs of capital in the future and long-term business plan, the distributable earnings can be distributed no higher than 90% as shareholders' bonus every year. However, the distributable earnings may not to be distributed if the accumulated distributable earnings lower than 5% of paid-in capital. The cash dividend can not lower than 10% of total dividends. However, when the cash dividend per share is lower than \$0.5, it can be distributed in stock dividend at full amount.
- C. The shareholders' meeting had resolved the deficit compensation for the years of 2021 and 2020 on July 30, 2021 and April 30, 2020, respectively. Details of the resolution of deficit compensation are provided in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.



(21) Other equity items

	2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 34,900)	(\$ 61,025)	(\$ 95,925)
Revaluation - gross	8,046	-	8,046
Currency translation differences	-	( 3,023)	( 3,023)
At December 31	<u>(\$ 26,854)</u>	<u>(\$ 64,048)</u>	<u>(\$ 90,902)</u>

	2020		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 39,593)	(\$ 60,098)	(\$ 99,691)
Revaluation - gross	2,793	-	2,793
Proceeds from disposal of equity instruments at fair value through other comprehensive income	1,900	-	1,900
Currency translation differences	-	( 927)	( 927)
At December 31	<u>(\$ 34,900)</u>	<u>(\$ 61,025)</u>	<u>(\$ 95,925)</u>

(22) Operating revenue

	Year ended	Year ended
	December 31, 2021	December 31, 2020
Revenue from contracts with customers	<u>\$ 2,120,074</u>	<u>\$ 1,298,610</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

2021	Automobile electronic products	Power management products	All other segments	Total
	Total segment revenue	\$ 1,573,985	\$ 546,089	\$ -
Inter-segment revenue	-	-	-	-
Revenue from external customer contracts	<u>\$ 1,573,985</u>	<u>\$ 546,089</u>	<u>\$ -</u>	<u>\$ 2,120,074</u>

2020	Automobile electronic products	Power management products	All other segments	Total
Total segment revenue	\$ 748,999	\$ 545,507	\$ 4,104	\$ 1,298,610
Inter-segment revenue	-	-	-	-
Revenue from external customer contracts	<u>\$ 748,999</u>	<u>\$ 545,507</u>	<u>\$ 4,104</u>	<u>\$ 1,298,610</u>

#### B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities:			
Contract liabilities –			
Advance sales receipts	<u>\$ 6,582</u>	<u>\$ 1,498</u>	<u>\$ 1,938</u>

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 1,425</u>	<u>\$ 1,817</u>

#### (23) Interest income

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Interest income from bank deposits	\$ 1,046	\$ 851
Interest income from financial assets measured at amortised cost	129	55
	<u>\$ 1,175</u>	<u>\$ 906</u>

#### (24) Other income

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Rent income	\$ 1,303	\$ 288
Dividend income	1,874	842
Design fees revenue	10,074	4,542
Government grant revenues	-	264
Other income, others	3,301	7,275
	<u>\$ 16,552</u>	<u>\$ 13,211</u>

(25) Other gains and losses

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Foreign exchange losses	(\$ 1)	(\$ 4,051)
Gains on disposals of property, plant and equipment	122	-
Losses (gains) on financial assets at fair value through profit or loss	( 773)	250
Other losses	( 9)	( 1,385)
	<u>(\$ 661)</u>	<u>(\$ 5,186)</u>

(26) Expenses by nature

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Employee benefit expense	\$ 344,990	\$ 304,099
Depreciation charges on property, plant and equipment	32,244	26,906
Depreciation charges on right-of-use assets	14,666	16,533
Depreciation charges on investment property	138	137
Amortisation charges on intangible assets	10,393	7,929
	<u>\$ 402,431</u>	<u>\$ 355,604</u>

(27) Employee benefit expense

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Wages and salaries	\$ 277,826	\$ 250,671
Employee stock options	14,527	7,049
Labour and health insurance fees	23,914	22,758
Pension costs	12,068	12,372
Other personnel expenses	16,655	11,249
	<u>\$ 344,990</u>	<u>\$ 304,099</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. The Company has an accumulated deficit as of December 31, 2021 and 2020, and therefore, no employees' compensation and directors' remuneration were recognised.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market

Observation Post System” at the website of the Taiwan Stock Exchange.

(28) Finance costs

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Interest expense	\$ 1,647	\$ 1,371
Interest expense on lease liabilities	339	260
Interest expense on convertible bonds	<u>4,446</u>	<u>1,111</u>
	<u>\$ 6,432</u>	<u>\$ 2,742</u>

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 2,012	\$ 1,173
Exchange differences on translation of foreign financial statements	<u>(756)</u>	<u>(232)</u>
	<u>\$ 1,256</u>	<u>\$ 941</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 19,069	(\$ 19,663)
Expenses disallowed by tax regulation	359	206
Change in assessment of realisation of deferred tax assets	<u>(19,428)</u>	<u>19,457</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 4,546	(\$ 2,281)	\$ -	\$ 2,265
Valuation of financial assets measured at fair value through other comprehensive income	9,741	-	( 2,012)	7,729
Exchange differences on translation of foreign financial statements	15,258	-	756	16,014
Unrealized foreign exchange loss	1,079	1,095	-	2,174
Others	1,739	1,186	-	2,925
Income tax expense	<u>\$ 32,363</u>	<u>(\$ 1,186)</u>	<u>(\$ 1,256)</u>	<u>\$ 31,107</u>
	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 4,546	\$ -	\$ -	\$ 4,546
Valuation of financial assets measured at fair value through other comprehensive income	10,914	-	( 1,173)	9,741
Exchange differences on translation of foreign financial statements	15,026	-	232	15,258
Unrealized foreign exchange loss	1,079	-	-	1,079
Others	1,739	-	-	1,739
Income tax expense	<u>\$ 33,304</u>	<u>\$ -</u>	<u>(\$ 941)</u>	<u>\$ 32,363</u>

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

December 31, 2021					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2013	\$ 191,549	\$ 112,089	\$ 112,089	2023	
2017	253,720	253,720	253,720	2027	
2018	89,287	89,287	89,287	2028	
2019	210,051	210,051	210,051	2029	
2020	289,935	289,935	289,935	2030	

December 31, 2020					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2013	\$ 191,549	\$ 185,700	\$ 185,700	2023	
2017	253,720	253,720	253,720	2027	
2018	89,287	89,287	89,287	2028	
2019	210,051	210,051	210,051	2029	
2020	289,935	289,935	289,935	2030	

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 746,857</u>	<u>\$ 770,378</u>

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

(30) Earnings (loss) per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Earnings attributable to ordinary shareholders of the parent	<u>\$ 95,347</u>	<u>154,250</u>	<u>\$ 0.62</u>
<u>Diluted earnings per share(Note)</u>			
Earnings attributable to ordinary shareholders of the parent	95,347	154,250	
Assumed conversion of all dilutive potential ordinary shares	3,557	14,259	
Employee stock options	<u>-</u>	<u>790</u>	
Earnings attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 98,904</u>	<u>\$ 169,299</u>	<u>\$ 0.58</u>
	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 98,315)</u>	<u>152,032</u>	<u>(\$ 0.64)</u>
<u>Diluted loss per share(Note)</u>			
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>(\$ 98,315)</u>	<u>152,032</u>	<u>(\$ 0.64)</u>

Note: The Company's employees' options and convertible bonds were not included in the calculation of diluted loss per share due to their anti-dilutive effect.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of property, plant and equipment	\$ 36,258	\$ 37,385
Add: Opening balance of payable on equipment	2,366	5,098
Less: Ending balance of payable on equipment	( 3,595)	( 2,366)
Cash paid during the year	<u>\$ 35,029</u>	<u>\$ 40,117</u>

B. Financing activities with no cash flow effects

	Year ended December 31, 2021	Year ended December 31, 2020
Convertible bonds being converted to capital stocks	<u>\$ 7,671</u>	<u>\$ -</u>

(32) Changes in liabilities from financing activities

	2021			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	(\$ 105,111)	\$ 12,234	(\$ 92,877)
Changes in cash flow from financing activities	-	( 81,544)	( 14,910)	( 96,454)
Changes in other non-cash items	-	-	29,355	29,355
Interest expense on lease liabilities	-	-	339	339
At December 31	<u>\$ -</u>	<u>(\$ 186,655)</u>	<u>\$ 27,018</u>	<u>(\$ 159,637)</u>

	2020			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 110,000	\$ -	\$ 27,335	\$ 137,335
Changes in cash flow from financing activities	( 110,000)	( 105,111)	( 16,885)	( 231,996)
Changes in other non-cash items	-	-	1,524	1,524
Interest expense on lease liabilities	-	-	260	260
At December 31	<u>\$ -</u>	<u>(\$ 105,111)</u>	<u>\$ 12,234</u>	<u>(\$ 92,877)</u>



## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

### (2) Names of related parties and relationship

Names of related parties	Relationship with the Company
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Subsidiaries
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	"
SYSGRATION USA INC.	"
ORO TECHNOLOGY CO., LTD	Other related party (Note)
LEE, YI-REN	The Company's chairman

Note: Effective on June 1, 2021, the Company resigned as a director of Oro Technology Co., Ltd., and as a result, Oro Technology Co., Ltd. is no longer a related party to the Company.

### (3) Significant related party transactions

#### A. Operating revenue:

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 5,921	\$ 1,353
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	271	846
	<u>\$ 6,192</u>	<u>\$ 2,199</u>

Prices and collection terms for services and goods provided to subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

#### B. Purchases:

	Year ended December 31, 2021	Year ended December 31, 2020
Purchases of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 737,971	\$ 429,357
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	323,470	265,447
	<u>\$ 1,061,441</u>	<u>\$ 694,804</u>

Prices and payment terms for purchasing from subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

C. Operating costs and operating expenses:

	Year ended December 31, 2021	Year ended December 31, 2020
Subsidiaries	\$ 2,473	\$ 4,328

Expenses for product marketing and service fee are based on the mutual agreement.

D. Royalty for software (shown as ‘operating cost’)

	Year ended December 31, 2021	Year ended December 31, 2020
Other related party	\$ 7,117	\$ 10,521

Expenses for software royalties are based on the mutual agreement since no similar transaction can be compared with.

E. Receivables from related parties:

	December 31, 2021	December 31, 2020
Accounts receivable:		
SYSGRATION ELECTRONICS		
TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 2,843	\$ -

Receivables from related parties arise from sale transactions of goods. The receivables are due 120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

F. Accounts payable:

	December 31, 2021	December 31, 2020
SYSGRATION ELECTRONICS		
TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 247,040	\$ 185,111
SYSGRATION ELECTRONICS		
TECHNOLOGY (ZHENJIANG) CO., LTD.	29,053	37,484
	\$ 276,093	\$ 222,595

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

G. Other receivables from related parties:

	December 31, 2021	December 31, 2020
Other receivables:		
SYSGRATION ELECTRONICS		
TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 68,409	\$ 71,838

The proceeds from the Company’s payments on behalf of subsidiaries and subsidiaries collecting on behalf of the Company.

## H. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables:		
Subsidiaries	\$ 88	\$ 507
Other related parties	-	2,889
	<u>\$ 88</u>	<u>\$ 3,396</u>

### (4) Key management compensation

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Salaries and other short-term employee benefits	\$ 26,115	\$ 30,527
Post-employment benefits	709	999
Share-based payments	2,805	1,794
	<u>\$ 29,629</u>	<u>\$ 33,320</u>

### (5) Endorsements and guarantees provided by related parties

For the years ended December 31, 2021 and 2020, the Company borrowed from financial institutions. LEE, YI-REN is the guarantor (the Company's Chairman), aforementioned financing facilities which were provided by related parties were \$ 875,000 and \$710,000, respectively.

## 8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	<u>Book value</u>		Purpose
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Time deposit (classified as financial assets at amortised cost)	\$ 125,301	\$ 119,501	Short-term, long-term borrowings and issuance of convertible bonds
Land	18,807	18,807	
Buildings and structures	163,605	168,663	
Machinery	10,005	-	
	<u>\$ 317,718</u>	<u>\$ 306,971</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court, Tsuzuki Denki Co., Ltd. filed a civil litigation to the Taiwan Taipei District Court and claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by

the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that our side took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of December 31, 2021, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(13) and Note 6(18) for the related information.

(2) On March 17, 2022, in order to augment the working capital and improve the financial structure, the Board of Directors resolved the private placement of common shares in cash, with a par value at \$10 per share, and the total number of shares issued shall not exceed 25,000,000 shares.

#### 12. OTHERS

##### (1) Capital management

The Company's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, issue convertible bonds or sell assets to reduce debt.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 1,393,234	\$ 1,022,157
Total equity	<u>1,206,120</u>	<u>1,066,612</u>
Total capital	<u>\$ 2,599,354</u>	<u>\$ 2,088,769</u>
Gearing ratio	<u>54%</u>	<u>49%</u>

(2) Financial instruments

A. Financial instruments by category

<u>Financial assets</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,477	\$ 2,250
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	96,038	48,626
Financial assets at amortised cost		
Cash and cash equivalents	683,913	717,717
Financial assets at amortised cost	125,301	119,501
Notes receivable	3,050	-
Accounts receivable	522,918	332,262
Accounts receivable-related parties	2,843	-
Other receivables	8,038	3,862
Other receivables-related parties	68,409	71,838
Refundable deposits	6,210	6,044
	<u>\$ 1,518,197</u>	<u>\$ 1,302,100</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 986	\$ 715
Accounts payable	265,257	81,268
Accounts payable-related parties	276,093	222,595
Other accounts payable	116,871	77,179
Other accounts payable-related parties	88	3,396
Bonds payable (including current portion)	484,437	487,660
Long-term borrowings (including current portion)	186,655	105,111
Guarantee deposits received	198	-
	<u>\$ 1,330,585</u>	<u>\$ 977,924</u>
Lease liabilities	<u>\$ 27,018</u>	<u>\$ 12,234</u>

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future

commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021					
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 21,153	27.68	\$ 585,516	1%	\$ 5,855	\$ -
HKD:NTD	1,942	3.55	6,892	1%	69	-
<u>Non-monetary items</u>						
USD:NTD	13,836	27.68	382,979	1%	3,830	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 7,094	27.68	\$ 196,367	1%	\$ 1,964	-
December 31, 2020						
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 11,459	28.48	\$ 326,353	1%	\$ 3,264	\$ -
HKD:NTD	92	3.67	337	1%	3	-
<u>Non-monetary items</u>						
USD:NTD	12,340	28.48	351,440	1%	-	3,514
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,050	28.48	\$ 29,895	1%	\$ 299	\$ -

- iv. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended

December 31, 2021 and 2020, amounted to \$1 and \$4,051 respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$15 and \$23, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$96 and \$48, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,493 and \$841, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2021 and 2020, the provision matrix, loss rate methodology is as follows:

<u>At December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 414,505	(\$ 1,269)
Up to 30 days	1%	62,326	( 625)
31 to 120 days	1%~5%	49,370	( 596)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	4,465	( 2,208)
		<u>\$ 530,666</u>	<u>(\$ 4,698)</u>



<u>At December 31, 2020</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 309,097	(\$ 933)
Up to 30 days	1%	17,069	( 172)
31 to 120 days	1%~5%	2,734	( 36)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	8,091	( 3,588)
		<u>\$ 336,991</u>	<u>(\$ 4,729)</u>

vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	<u>2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 4,729	\$ -
Provision for impairment	-	31
Reversal of impairment loss	( 62)	-
At December 31	<u>\$ 4,667</u>	<u>\$ 31</u>
	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 1,061	\$ 2
Provision for impairment	3,668	-
Reversal of impairment loss	-	( 2)
At December 31	<u>\$ 4,729</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Company held money market position of \$683,300 and \$716,953, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2021 and 2020, the Company has the undrawn borrowing of \$213,297 and \$207,497, respectively.

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 986	\$ -	\$ -	\$ -
Accounts payable (including related parties)	541,350	-	-	-
Lease liability	15,302	9,597	2,119	-
Other payables (including related parties)	116,959	-	-	-
Long-term borrowings (including current portion)	48,774	45,175	92,706	-
Bonds payable	492,200	-	-	-
December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 715	\$ -	\$ -	\$ -
Accounts payable (including related parties)	303,863	-	-	-
Lease liability	6,517	1,908	3,809	-
Other payables (including related parties)	80,575	-	-	-
Long-term borrowings (including current portion)	24,400	24,650	56,061	-
Bonds payable	-	-	500,000	-

### (3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market and financial assets mandatorily measured at fair value through profit or loss are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of the Company's financial instruments, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

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

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current	\$ -	\$ 1,477	\$ -	\$ 1,477
Financial assets at fair value through other comprehensive income-non-current	<u>35,445</u>	<u>-</u>	<u>60,593</u>	<u>96,038</u>
	<u>\$ 35,445</u>	<u>\$ 1,477</u>	<u>\$ 60,593</u>	<u>\$ 97,515</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-current	\$ -	\$ 2,250	\$ -	\$ 2,250
Financial assets at fair value through other comprehensive income-non-current	<u>18,636</u>	<u>-</u>	<u>29,990</u>	<u>48,626</u>
	<u>\$ 18,636</u>	<u>\$ 2,250</u>	<u>\$ 29,990</u>	<u>\$ 50,876</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.

iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 29,990	\$ -
Gain recognised in other comprehensive income (Note)	603	-
Acquired in the year	<u>30,000</u>	<u>-</u>
At December 31	<u>\$ 60,593</u>	<u>\$ -</u>
	2020	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 29,990	\$ -
Loss recognised in other comprehensive income (Note)	-	-
Acquired in the year	<u>-</u>	<u>-</u>
At December 31	<u>\$ 29,990</u>	<u>\$ -</u>

Note: Shown as valuation adjustment for financial assets at fair value through other comprehensive income.

G. For the years ended December 31, 2021 and 2020, there was no transfer from Level 3.

H. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 60,593	Market comparable companies	No open market saleability discount	25%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 29,990	Market comparable companies	No open market saleability discount	23%~45%	The higher the discount for lack of marketability, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 606	(\$ 606)
		December 31, 2020				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 300	(\$ 300)

#### (4) Other matter

Due to Covid-19 outbreak and the various government epidemic prevention measures, the Group assessed that there was no significant impact on the operation, no doubt about the Group's ability to continue as a going concern, no assets impaired and no additional financing risks. The Group's epidemic management had complied with the measures issued by the Central Epidemic Command

Centre and the epidemic prevention requirements under the Prevention and Control of Infectious Diseases Act.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

Not applicable.

SYSGRATION LTD.  
Loans to others  
For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
1	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Other receivables	Y	\$ 71,672	\$ 68,409	\$ 68,409	-	Having business relationship	\$ 737,053	-	\$ -	None	\$ -	\$ 737,053	\$ 482,448	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on April 30, 2020, the ceiling on total loans granted and to individuals of the Company's were as follows:

- (1) The ceiling on total loans granted to others is 40% of the Company's net assets.
- (2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.

SYSGRATION LTD.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum	Outstanding	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
					outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	endorsement/ guarantee amount at December 31, 2021 (Note 5)			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company					
0	SYSGRATION LTD.	SYSGRATION LTD.	1	\$ 361,835	\$ 3,000	\$ 3,000	\$ 1,035	\$ -	0.25%	\$ 542,754	N	N	N	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	2	361,835	87,200	86,880	43,440	-	7.20%	542,754	Y	N	Y	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	2	361,835	10,000	10,000	-	-	0.83%	542,754	Y	N	Y	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on June 14, 2019, the limit on endorsements/guarantees provided for subsidiaries whose 50% of the shares are directly and indirectly held is 30% of the Company's net assets and the ceiling on total amount of endorsements/guarantees provided is 45% of the Company's net assets based on the Company's latest financial statements.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.



SYSGRATION LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership	Fair value	
SYSGRATION LTD.	SINTRONIC TECHNOLOGY INC.	None	Financial assets at fair value through other comprehensive income - non-current	53,399	\$ 328	0%	\$ 328	
SYSGRATION LTD.	COREMATE TECHNICAL CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	265,200	-	3%	-	
SYSGRATION LTD.	ARCHERS INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,000,000	-	3%	-	
SYSGRATION LTD.	NEXTRONICS ENGINEERING CORP.	None	Financial assets at fair value through other comprehensive income - non-current	447,100	28,079	1%	28,079	
SYSGRATION LTD.	ORO TECHNOLOGY CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	526,000	28,025	19%	28,025	
SYSGRATION LTD.	GOMORE INC.	None	Financial assets at fair value through other comprehensive income - non-current	25,216,865	628	5%	628	
SYSGRATION LTD.	EXCELLENCE OPTOELECTRONICS INC.	None	Financial assets at fair value through other comprehensive income - non-current	255,000	7,038	0%	7,038	
SYSGRATION LTD.	IMEIER GREEN TECHNOLOGY CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	2,000,000	31,940	15%	31,940	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions

SYSGRATION LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Subsidiary	Purchases	\$ 737,053	42%	120 days	Note	Note	(\$ 247,040)	46%	
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Subsidiary	Purchases	303,975	18%	120 days	Note	Note	( 29,053)	5%	

Note: Based on the mutual agreement since no similar transaction can be compared with.

SYSGRATION LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	Subsidiary	\$ 247,040	3.41	\$ -	-	\$ -	\$ -

SYSGRATION LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Accounts receivable	\$ 247,040	Note 6 9%
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	737,053	Note 6 30%
2	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	303,975	Note 6 12%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amount that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed. Additionally, the counter related parties' of the transaction will also not be disclosed.

Note 4: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 5: The loans granted and endorsement and guarantees between the Company and subsidiaries, please refer to table 1 and 2.

Note 6: There are no comparable transaction to non-related parties. The conditions of transactions are agreed upon by both parties.

SYSGRATION LTD.  
Information on investees  
For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Note 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership	Book value			
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA)	SAMOA	Investment holding of overseas companies	\$ 671,762	\$ 671,762	21,800,000	100%	\$ 203,315	\$ 21,311	\$ 21,311	
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	505,131	505,131	15,938,000	100%	175,855	13,891	13,891	
SYSGRATION LTD.	SYSGRATION USA INC.	U.S.A.	Sale of electronic products	10,062	10,062	300,000	100%	3,809	116	116	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

SYSGRATION LTD.  
Information on investments in Mainland China  
For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 (Note 5)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 5)	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of energy storage products	\$ 597,888	2	\$ 597,888	-	-	\$ 597,888	\$ 21,350	100%	\$ 21,350	\$ 206,252	-	Note 6
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	102,416	2	102,416	-	-	102,416	12,703	100%	12,703	115,365	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 3, and Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	Footnote
SYSGRATION LTD.	\$ 96,606	\$ 132,479	\$ 723,672	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - C. Others.

Note 3: The Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10100477000, No.10200372350, No.10300319430, No.1040023080, No.10500055360 and No.10500105990. Additionally, the Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.' through 'SYSGRATION (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10400006240, No.10400023090, No.10400163350, No.10400251280 and No.10500072680.

Note 4: The ceiling is NT\$80 million and 60% of the net assets or consolidated net assets, whichever is higher.

Note 5: It was translated to NTD at the exchange rate on December 31, 2021.

Note 6: Through SYSGRATION TECHNOLOGY (SAMOA) LTD..

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2021

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest for the year ended December 31, 2021	Others
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	(\$ 737,053)	42%	\$ -	-	(\$ 247,040)	46%	\$ 68,409	89%	\$ -	-	\$ 71,672	\$ 68,409	-	\$ -	-
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	( 303,975)	17%	-	-	( 29,053)	5%	-	-	Note	Note	-	-	-	-	-

Note: Please refer to table 2.

SYSGRATION LTD.  
Major shareholders information  
December 31, 2021

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
LEE, YI-REN	12,961,210	8.33%