Stock Code: 3062

# CyberTAN Technology Inc.

# 2021

# Annual Report

**Publication Date: May 9, 2022**
**Company Website: http://www.cybertan.com.tw**
**MOPS Website: http://mops.twse.com.tw**

This Is A Translation Of The 2021 Annual Report (The "Annual Report') Of Cybertan Technology Inc. (The "Company").

This Translation Is Intended For Reference Only And Nothing Else, The Company Hereby Disclaims Any And All Liabilities Whatsoever For The Translation. The Chinese Text Of The Annual Report Shall Govern Any And All Matters Related To The Interpretation Of The Subject Matter Stated Herein.

I. Names, titles, phone numbers and e-mail addresses of the spokesperson and deputy spokesperson.

(I) Spokesperson: Sammie Huang — Title: CFO and Chief Corporate Governance Officer
Tel: (03)577-7777 — E-mail address:ir@cybertan.com.tw

(II) Deputy Spokesperson: Maxon Huang — Title: Vice President
Tel: (03)577-7777 — E-mail address:ir@cybertan.com.tw

II. Addresses and phone numbers of the headquarters, branches and factories.

Headquarters address: Hsinchu Science Park, No. 99, Yuanqu 3rd Rd., Baoshan Township, Hsinchu County
Tel: (03)577-7777

III. Names, addresses, websites and phone numbers of the stock transfer agent.

Stock Transfer Agent: Stock Affairs Department of Grand Fortune Securities Co., Ltd.
Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City
Website: http://www.gfortune.com.tw
Tel: (02)2371-1658

IV. Names of CPAs, and name, address, website and phone number of the CPA firm for the latest financial statement.

Name of CPA: CPA Min-Chuan Feng , CPA Yung-Chien Hsu
Name of CPA firm: PricewaterhouseCoopers Taiwan
Address: 27F., No. 333, Sec. 1, Keelung Rd., Taipei City
Website: http://www.pwc.com/tw
Tel: (02)2729-6666

V. Name of any exchange where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. Company website: http://www.cybertan.com.tw

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## One. Report to Shareholders

Dear Shareholders:

We sincerely appreciate your great support for CyberTAN Technology over the past year. We hereby provide a report on the 2020 operational outcome and the 2021 future outlook of the Company for your review and consideration:

**Financial and Operational Outcomes**

In the past year, our operations had remained affected by the COVID-19 pandemic. A shortage of and a limited production capacity for chips required by our products had indirectly led to a delay in the schedule for introduction of new products to customers. Due to these reasons, our operating results in 2021 fell short of our expectations.

The overall operating results are summarized as follows: In 2021, our net operating revenue was NT$3,946,796 thousand, and our net operating loss was NT$280,451 thousand. The after-tax net profit was NT$24,393 thousand, and the earnings per share (EPS) were NT$0.07. Regarding our financial operations, we have adhered to the principle of stability and planned the long-term and short-term fund usage based on the status of our operations. In 2021, the current ratio was 317%, and the debt ratio was 28%. Such results show that we currently have sufficient working capital, and that our financial structure is sound.

**Business, R&D, and Operational Focuses**

In terms of the market this year, we expect that the Russia–Ukraine war will continue to worsen along with the impact of COVID-19 on global supply chains, and that the trends of inflation, rising raw material prices and a shortage of chips will become more significant. These factors will make our operations more difficult. As an important part of the internet communication industry, we will continue to invest in and develop new customers and launch new products despite facing enormous operational challenges and pressure. For instance, we will develop new customers and products in relation to WiFi-6e and outdoor AP, focusing on WiFi-7, fixed radio access and low earth orbit satellites. In addition, using our advantages in the group resources and cooperation with investee companies, we will keep introducing internet communication solutions for hardware and software, for indoor and outdoor usage, for homes and businesses, and from Earth to space. We aim to become a supplier of all kinds of network equipment to provide value advantages for customers.

In terms of operational management, last year we completed the integration of the plants in Chongqing and Vietnam, and we have actively expanded the scope of automated manufacturing and smart management. We expect that we can lower our operating costs while also enhancing the effectiveness and competitiveness of manufacturing to deal with the challenges and impact arising from a shortage of raw materials and rising prices.

Faced with serious tests in the future, we will constantly adjust our pace and actively meet the challenges. We will be sharply sensitive to market and customer demands and rely on speed in response to market changes in order to achieve good operating performance and create maximum benefits for our shareholders and employees.

Lastly, we want to thank our shareholders, customers, suppliers and staff members for their long-time support and encouragement to us.

All the best!

Chairman: Gwong-Yih Lee Manager: Stanley Wang

# Two. Company Profile

## I. Date of incorporation: June 10, 1998

## II. Company milestones:

The Company was established with the capital of NTD 75 million in June 1998. We have engaged in wired communication mechanical equipment manufacturing, electronic components manufacturing, and the R&D, development and sales of broadband Internet routers/gateways, virtual private networks, firewalls, Layer 3/Layer 4 switches.

| Time | Milestone |
|---|---|
| June 1998 | 1-port 10M Ethernet/IP Gateway was successfully developed |
| July 1998 | 8-port 10M Ethernet/IP Gateway was successfully developed |
| November 1998 | 4-port 10/100M Ethernet/IP Gateway was successfully developed |
| February 1999 | 8-port 10/100M Ethernet/IP Gateway was successfully developed |
| July 1999 | Smart Ethernet Gateway was successfully developed |
| September 1999 | The paid-in capital was increased out of cash to NTD 135,000,000 |
| October 1999 | We were approved at the 147th meeting by the Steering Committee of the National Science Council to set up a plant in the Hsinchu Science Park |
| October 1999 | 4-port 10/100M Switched Ethernet Router was successfully developed |
| February 2000 | 1-port 10/100M High-speed Ethernet Router was successfully developed |
| April 2000 | 8-port 10/100M Switched Ethernet Router was successfully developed |
| June 2000 | USB Interface 10/100M Switched Ethernet Router was successfully developed |
| October 2000 | 10M HPNA Home Network Router was successfully developed |
| November 2000 | The plant at No.99, Park Avenue 3rd, Hsinchu Science Park was purchased |
| December 2000 | The paid-in capital was increased out of cash to NTD 350,000,000 |
| February 2001 | Broadband VoIP Router was successfully developed |
| March 2001 | ADSL Router was successfully developed |
| June 2001 | The paid-in capital was increased out of earnings and capital reserves to NTD 693,000,000. |
| August 2001 | VPN Router was successfully developed. |
| October 2001 | The public issuance was approved with the Letter (90) Tai-Cai-Zheng (1) No.162322 of the Securities and Futures Institute |
| November 2001 | 4-port 10/100M Switched Wireless 802.11b Ethernet Router was successfully developed |
| January 2002 | Our stock was listed for trading on the emerging stock market |
| January 2002 | Powerline/Ethernet Bridge was successfully developed |
| February 2002 | Powerline/USB Bridge was successfully developed |
| March 2002 | Firewall Bridge was successfully developed |
| May 2002 | 4-port 10/100M Switched VPN/Firewall Router was successfully developed |
| June 2002 | We signed a letter of intent with BroMax Communications to officially announce a strategic partnership to public |

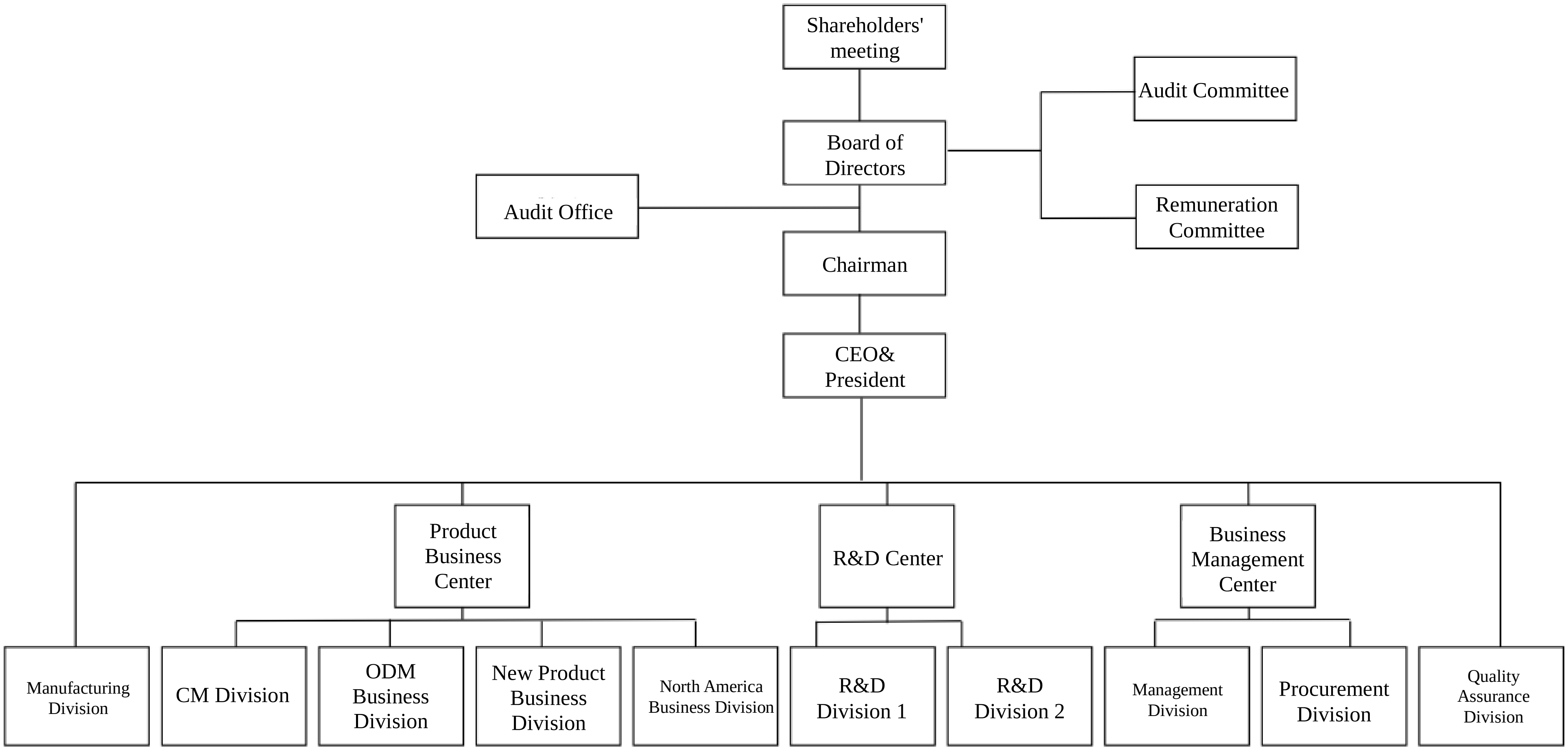
| | |
|---|---|
| July 2002 | 4-port 10/100M Switched Wireless 802.11b VPN/Firewall Router was successfully developed |
| August 2002 | 4-port 10/100M Switched Powerline Router was successfully developed |
| October 2002 | 2-port WAN/ 4-port LAN Switched VPN/Firewall Router was successfully developed |
| November 2002 | USB VPN/Firewall Network Gateway was successfully developed |
| November 2002 | New shares related to acquisition of the shares of BroMax Communications, Inc. were issued. BroMax Communications was an investee in which the Company had a 100% shareholding. The paid-in capital was increased to NTD 1,463,587,510 |
| December 2002 | 4-port 10/100M Switched Wireless 802.11g Ethernet Router was successfully developed |
| March 2003 | The Company officially merged with BroMax Communications, Inc. on March 1 set as the merger record date. |
| March 2003 | 11b Powerline/Wireless Network Bridge, 11b Wireless Presentation Server, 11g Wireless Network Card, and 11g Wireless Access Point were successfully developed |
| April 2003 | 11g Wireless Network Bridge was successfully developed |
| July 2003 | 11g ADSL Wireless Router was successfully developed |
| July 2003 | Our stock was listed on the TWSE for trading |
| February 2004 | 802.11a/g WLAN product series was successfully developed |
| March 2004 | Wireless Streaming Music Player Supporting Music Downloading and Playing was successfully developed |
| April 2004 | VoIP and ADSL-integrated Wireless Router, Wireless DVD Player, and Wireless PCI Network Card and PCMCIA Network Card in line with the WAPI standard were successfully developed |
| April 2004 | We were the first WAPI (WLAN Authentication and Privacy Infrastructure)-certified network communication company |
| April 2004 | Digital Home Audio Media Adapter was officially shipped. |
| August 2004 | We passed the TL 9000 international certification |
| September 2004 | We passed the WPA2 (Wireless Protected Access 2) and WMM (Wi-Fi Multimedia) certifications. |
| October 2004 | We were the only company in the Greater China that passed the “Designed to DLNA Guidelines” test of the “Digital Living Network Alliance” (DLNA). |
| November 2004 | 11a/b/g MIMO Wireless Network Card was successfully developed |
| December 2004 | 11a+g Router was successfully developed |
| January 2005 | 11b Miniaturized Wireless Module was successfully developed |
| March 2005 | 11g Miniaturized Wireless Module was successfully developed |
| September 2005 | Our DMA passed the first official version of the interoperability test of the Digital Living Network Alliance (DLNA) |
| September 2005 | We won the Excellent Enterprise Award of the Industrial Technology Advancement Award which was known as the “Oscars of the tech industry” |
| April 2014 | Wi-Fi 802.11ac 3x3/2x2 Dual-mode Indoor Base Station for Small Businesses was shipped |
| April 2014 | Wi-Fi 802.11ac 3x3/3x3 Dual-mode Indoor Base Station for Small Businesses was shipped |

| | |
|---|---|
| January 2015 | DTA HD Gen2 Set-top Box was shipped |
| April 2015 | First batch of 802.11ac Wave-2 Dual-band Dual-mode High-speed Wireless Router was shipped. |
| September 2015 | Ka-band Satellite Broadband Router was shipped |
| March 2016 | Docsis 3.0 Cable Modem was shipped |
| November 2016 | 4K Set-top Box was shipped |
| October 2016 | First batch of IoT Wireless Smart Home Sensor Kits was shipped to North American distributors |
| December 2016 | First batch of Home Mesh Wi-Fi Router Kits was shipped |
| January 2017 | Mesh Wi-Fi Router won several awards of the CES Awards – PC Magazine: “The Best Wi-Fi Mesh Network System of 2017”; Last Gadget Standing: “2017 Winner”; ZDNet: “The best smart home, IoT products of CES 2017”; Gotta Be Mobile: “2017 CES Excellence Awards” |
| March 2018 | High-class SD-WAN /vCPE Router was delivered to operators for certification |
| December 2018 | Sample of LEO Satellite Broadband Router was delivered |
| January 2019 | Ka-band Satellite Broadband Mesh Wi-Fi Router was shipped |
| February 2019 | First version of High-speed Satellite Broadband Wireless Extender |
| March 2019 | Mesh Wi-Fi Router for Chinese customers<br>NB-IoT Tracker was delivered to telecommunication operators for certification |
| April 2019 | NB-IoT Tracker for North American customers |
| April 2020 | Wi-Fi 6 Router was shipped |
| October 2020 | 5G FWA sample was delivered to customers for testing |
| November 2020 | BMC support VCPE was delivered to customers for certification |
| April 2021 | Wi-Fi 6 Dual-band Mesh Full Coverage Router was shipped |
| June 2021 | Wi-Fi 6E Tri-band High Performance Router was shipped |
| June 2021 | Sample of LEO Satellite Broadband Trial Operation was delivered |
| August 2021 | Wi-Fi 6 Dual-band Router Supporting 10G/GPON was shipped |
| October 2021 | Sample of 5G FWA SD-WAN WIFI 6 Router was delivered to European customers for testing |

# Three. Corporate Governance Report

## I. Organization

### (I) Organizational structure



### (II) Operations of main divisions

| Main Department | Business |
|---|---|
| Audit Office | Audit the Company’s internal regulations and systems and provide improvement suggestions. |
| Manufacturing Division | Responsible for the management of raw material incoming and applications therefor, planning for production scheduling, improvement of production processes, product inspection and shipment operations. |
| CM Division / ODM Business Division / New Product Business Division / North America Business Division | Responsible for market development of products, customer management, order management, collection management, customer complaint handling, planning, research, and specification development as well as promotion of future products. |
| R&D Division 1 / R&D Division 2 | Responsible for technology research and development of products, design, sample production, product improvement, product abnormality analysis, design and manufacturing of production jigs and technical support to the Business Division and customers. |
| Management Division | Responsible for establishing an overall management system and for the Company’s general affairs, personnel, payroll, training, finance, accounting, stock affairs, and information systems according to the Company's operational objectives. |
| Procurement Division | Responsible for supplier resource management, production material planning, procurement and inventory control. |
| Quality Assurance Division | Establish and implement workplace operating rules, improve the Company's product quality, and create an international image so that customers have the best quality assurance. |

## II.Information about Directors, President, Vice President, Assistant Vice President, and officers of departments and branches

### (I)Directors

1. Shareholding information of Directors

May 9, 2022

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Term (Years) | First elected date | Shareholding when elected | | Current shareholding | | Current shares held by spouse and minor children | | Shares held in the names of others | | Selected Education and Professional Qualification Past Positions | Concurrent positions in the Company and in other companies | Other managers, directors, or supervisors who are spouses or relatives within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Chairman | ROC | Foxconn Technology Co., Ltd | - | 2021.7.30 | 3 | 2006.1.20 | 10,035,348 | 3.08% | 10,035,348 | 3.05% | - | - | - | - | - | - | - | - | - | - |
| | ROC | Representative: Gwong-Yih Lee | Male 67~70 | - | - | - | - | - | - | - | - | - | - | - | **Selected Education and Professional Qualification**<br>Master of Electrical Engineering,State University of New York<br><br>**Past Positions**<br>Chairman and President of CyberTAN Technology Inc.<br>Founder,Chairman and President of TransMedia Communication Inc.<br>Founder,Chairman and President of Digicom Systems Inc. | ● Independent Director of Hauman Technologies Corp.<br>● Director of Translink Capital<br>● Director of Creative Technology Ltd.<br>● Director of UNITX, Lab.<br>● Director of ITRI International Inc.<br>● Director of FOOTPRINTKU INC. | - | - | - | - |
| Director | ROC | Foxconn Technology Co., Ltd | - | 2021.7.30 | 3 | 2006.1.20 | 10,035,348 | 3.08% | 10,035,348 | 3.05% | - | - | - | - | - | - | - | - | - | - |

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Term (Years) | First elected date | Shareholding when elected | | Current shareholding | | Current shares held by spouse and minor children | | Shares held in the names of others | | Selected Education and Professional Qualification Past Positions | Concurrent positions in the Company and in other companies | Other managers, directors, or supervisors who are spouses or relatives within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| | ROC | Representative: Hank Hsieh | Male 51-60 | - | - | - | - | - | - | - | - | - | - | - | **Selected Education and Professional Qualification**<br>Bachelor,Department of Information Management,National Sun Yat-sen University<br>**Past Positions**<br>Director and Vice President of Finance, CyberTAN Technology Inc.<br>Assistant Vice President of Business Management, Foxconn Communication and Network Solution Business Group<br>Manager of Finance, Ambit Microsystems Corp. | ●Vice President of Business Management Center, CyberTAN Technology Inc. | - | - | - | - |

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality or place of registration</th><th rowspan="2">Name</th><th rowspan="2">Gender Age</th><th rowspan="2">Date of election (appointment)</th><th rowspan="2">Term (Years)</th><th rowspan="2">First elected date</th><th colspan="2">Shareholding when elected</th><th colspan="2">Current shareholding</th><th colspan="2">Current shares held by spouse and minor children</th><th colspan="2">Shares held in the names of others</th><th rowspan="2">Selected Education and Professional Qualification Past Positions</th><th rowspan="2">Concurrent positions in the Company and in other companies</th><th colspan="3">Other managers, directors, or supervisors who are spouses or relatives within the second degree of kinship</th><th rowspan="2">Remarks</th></tr>
<tr><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Independent Director</td><td>ROC</td><td>Hung-Hsun Ting</td><td>Male 51-60</td><td>2021.7.30</td><td>3</td><td>2015.6.22</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Selected Education and Professional Qualification<br>Department of Accounting, Chinese Culture University<br>Passed the national examination for CPA<br>Past Positions<br>Manager of Certification Department and Project Department, and Partner and Accountant of Baker Tilly Clock & Co<br>Small- and Medium-sized Enterprise Emeritus Instructor<br>Director of Pacific SOGO Department Stores Co., Ltd.<br>Independent Director of HOLA Taiwan<br>Independent Supervisor of Tien Lian Biotech Co., Ltd.<br>Supervisor of Emerging Display Technologies Co., Ltd.</td><td>●Partner and Accountant, Baker Tilly Clock & Co<br>●Independent Director, Remuneration Committee Member, and Accounting and Audit Committee Member and Chair of ShunSin Technology Holdings Limited<br>●Director of Cen Link Co., Ltd.<br>●Independent Director / Member of the Compensation Committee of the Audit Committee, M-POWER INFORMATION CO., LTD</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Term (Years) | First elected date | Shareholding when elected | | Current shareholding | | Current shares held by spouse and minor children | | Shares held in the names of others | | Selected Education and Professional Qualification Past Positions | Concurrent positions in the Company and in other companies | Other managers, directors, or supervisors who are spouses or relatives within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Independent Director | ROC | Judy Y.C. Chang | Female 71-80 | 2021.7.30 | 3 | 2015.6.22 | - | - | - | - | - | - | - | - | **Selected Education and Professional Qualification**<br>Doctor of Law, China University of Political Science and Law; Master of Information Management, Lawrence Institute of Technology; Master of Law, American University; Bachelor, Department of Law, Fu Jen Catholic University<br>**Past Positions**<br>Partner, Lee & Lee Attorneys-At-Law<br>Lecturer of Fu Jen Catholic University | ●Senior Advisor of Wu & Partners, Attorneys-At-Law | - | - | - | - |
| Independent Director | ROC | Shih-Mei Lin | Female 41-50 | 2021.7.30 | 3 | 2021.7.30 | - | - | - | - | - | - | - | - | **Selected Education and Professional Qualification**<br>LLB. National Taiwan University<br>LLM. University College London, UK<br>passed the national examination for lawyer<br>**Past Positions**<br>Lawyer ,Island Taiwan Law Office<br>Lawyer ,K&L Gates Law Office | ●Managing Attorney, Dawning Law Office<br>●Independent Director, Fortune Information Systems Corporation<br>●Independent Director, Taimide Technology Incorporation<br>●Commissioner, Ill-gotten Party Assets Settlement Committee<br>●Executive Director, Taipei Bar Association | - | - | - | - |

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Term (Years) | First elected date | Shareholding when elected | | Current shareholding | | Current shares held by spouse and minor children | | Shares held in the names of others | | Selected Education and Professional Qualification Past Positions | Concurrent positions in the Company and in other companies | Other managers, directors, or supervisors who are spouses or relatives within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Independent Director | ROC | Ying-Shan Lin | Male 51-60 | 2021.7.30 | 3 | 2015.6.22 | - | - | - | - | - | - | - | - | **Selected Education and Professional Qualification**<br>EMBA, National Sun Yat-sen University<br>**Past Positions**<br>Master of Management Science, Kaohsiung Technology University | ●Chairman and President of Mildex Optical Inc.<br>●Independent Director and Remuneration Committee Member of Tayih Kenmos Auto Parts Co., Ltd.<br>●Independent Director and Remuneration Committee Member of ShunSin Technology Holdings Limited | - | - | - | - |

Note 1: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Teddy Chen, and the current is Gwong-Yih Lee, who was elected chairman by the Board of Directors)
Note 2: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Kuo-Liang Ho, and the current is Hank Hsieh)

2. Major shareholders of corporate shareholders

(1) Major shareholders of corporate shareholders

| Names of corporate shareholders | Major shareholders of corporate shareholders | Shareholding ratio |
|---|---|---|
| Foxconn Technology Co., Ltd. | Hon Hai Precision Industry Co., Ltd. | 9.88% |
| | Bao Shin International Investment Co., Ltd. | 8.92% |
| | Hyield Venture Capital Co., Ltd. | 6.01% |
| | Xin Sheng Investment Limited | 4.71% |
| | Hon Yuan International Investment Co., Ltd. | 2.41% |
| | Hon Chi International Investment Co., Ltd. | 2.25% |
| | Taishin International Bank as custodian of Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF | 1.75% |
| | Standard Chartered Bank as custodian of LGT | 1.55% |
| | JPMorgan Chase Bank as custodian of Vanguard Star Vanguard Total International Stock Index | 1.09% |
| | XianJin International Investment Co., Ltd. | 1.01% |

(2) Major shareholders of major corporate shareholders

| Names of corporates | Major shareholders of corporates | Shareholding ratio |
|---|---|---|
| Hon Hai Precision Industry Co., Ltd. | Gou, Tai –ming(Terry Gou) | 12.57% |
| | Citibank Hosting Government of Singapore Investment Account | 2.37% |
| | Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account | 1.28% |
| | New Labor Pension Fund | 1.26% |
| | JPMorgan Chase Hosting Vanguard Developing Markets Index Fund | 1.20% |
| | JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund | 1.11% |
| | Citibank Hosting Norges Bank Investment Account | 1.02% |
| | Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity LowPriced Stocks Fund | 0.96% |
| | LGT Bank AG | 0.82% |
| | SAUDI CENTRAL BANK - State Street Global Advisors as external fund manager | 0.79% |
| Bao Shin International Investment Co., Ltd. | Hon Hai Precision Industry Co., Ltd. | 100% |
| Hyield Venture Capital Co., Ltd. | Hon Hai Precision Industry Co., Ltd. | 97.95% |
| Xin Sheng Investment Limited | Hopetown Properties Limited | 100% |
| Hon Yuan International Investment Co., Ltd. | Hon Hai Precision Industry Co., Ltd. | 100% |
| Hon Chi International Investment Co., Ltd. | Hon Hai Precision Industry Co., Ltd. | 100% |

3. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors :

<table>
<tr><th>Criteria<br>Name/Title</th><th>Professional Qualification and Experience</th><th>Independent Directors' Independence Status</th><th>Number of independent directors of other public companies</th></tr>
<tr><td>Chairman<br>Gwong-Yih Lee</td><td rowspan="6">For Directors' professional qualfcation and experience, please refer to page 7-9 of this Annual Report.<br><br>None of the Directors has been in or is under any cincumstances stated in Article 30 of the Company Law.(Note 1)</td><td rowspan="2">Not Aopicable</td><td>1</td></tr>
<tr><td>Director<br>Hank Hsieh</td><td>0</td></tr>
<tr><td>Independent Director<br>Hung-Hsun Ting</td><td rowspan="4">All of the following situations apply to each and every of the Independent Directors:<br>1.Satisfy the requirements of Artide 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau<br>2.Indedependent Director (or nominee arrangement) as well as hisher spouse and minor children do not hold any CyberTan shares<br>3.Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the senvice provided is either an "audit sevice" or a "non-audit senvice"</td><td>2</td></tr>
<tr><td>Independent Director<br>Judy Y.C. Chang</td><td>0</td></tr>
<tr><td>Independent Director<br>Shih-Mei Lin</td><td>2</td></tr>
<tr><td>Independent Director<br>Ying-Shan Lin</td><td>2</td></tr>
</table>

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1.Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;

2.Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;

3.Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;

4.Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;

5.Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6.If she/he does not have any or limited legal capacity; or
7.If she/he has been adjudicated to require legal quardianship and such requirement has not been revoked yet.

Note 2:1.Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2.Not serving concurrently as an independent director on more than three other public companies in total.
3.During the two years before being elected and during the term of office, meet any of the following situations:
(1) Not an employee of the company or any of its affiliates;
(2) Not a director or supervisor of the company or any of its affiliates;
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
(7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
(9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT$500,000".

4.Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors:

Based on the policy of diversification and strengthening of corporate governance in order to promote the sound development of the Company's board composition and structure, the nomination of candidates for directors of the Company shall be adopted the candidate nomination system in accordance with the provisions of the Company's Articles of Incorporation. Each candidate's academic qualifications, work experience, professional background, integrity or relevant professional qualifications, and others are evaluated and considered. After the Board of Directors passed the resolution, the proposed nominees will be submitted to the Shareholders Meeting for election. Currently, there are six directors consisting of professional and diversified members of attorneys, CPAs, lecturers in colleges or universities and professional managers. Directors who are also employees of the Company represent 16.67% of the Board and the independent directors represent 66.67% of the Board. The Company also pays attention to gender equality regarding the composition of Board members. The targeted ratio of female directors is above 25% and the female directors currently account for about 33.33%. The independent directors have about seven years of directorship experience up to the publication date of the annual report and the independent directors under 60 account for 66.67%.

| Item / Name of director | Gender | Operational judgment ability | Accounting, financial and legal analysis ability | Business management ability | Crisis management ability | Knowledge of the industry | Insight of international markets | Leadership | Decision-making ability |
|---|---|---|---|---|---|---|---|---|---|
| Gwong-Yih Lee | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hank Hsieh | Male | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hung-Hsun Ting | Male | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Judy Y.C. Chang | Female | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shih-Mei Lin | Female | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ying-Shan Lin | Male | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

(2) Independence of the Board of Directors: The Board of Directors of the Company consists of six directors, of which four are independent directors and one directors as employee(66.67% and 16.67% of all directors), as well as the independent directors arear more than half of the board seats. As of May 9, 2022, In addition, all of independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Board of Directors of the Company is independent (Please refer to page 12 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors).

## (II) President, Vice President, Assistant Vice President, and officers of departments and branches

May 9, 2022

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date of election (appointment)</th><th colspan="2">Shareholding</th><th colspan="2">Shares held by spouse and minor children</th><th colspan="2">Shares held in the names of others</th><th rowspan="2">Academic and career achievements</th><th rowspan="2">Concurrent positions in other companies</th><th colspan="3">Managers who are spouses or relatives within the second degree of kinship</th><th rowspan="2">Remarks</th></tr>
<tr><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>CEO& President</td><td>ROC</td><td>Stanley Wang</td><td>Male</td><td>2022.4.6</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Ph.D. in Electrical Engineering,University of Southern California<br>Sr. VP,Ubiquiti Inc.</td><td>National Standards Technical Committee on Information and Communications by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Vice President</td><td>ROC</td><td>Maxon Huang</td><td>Male</td><td>2019.10.14</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>1.Bachelor, Industrial Design, San Jose State University<br>2.Senior Director of Network Communication Business Group, Foxconn Technology Group</td><td>None</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Vice President</td><td>ROC</td><td>Hank Hsieh</td><td>Male</td><td>2022.4.6</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Bachelor,Department of Information Management,National Sun Yat-sen University<br>Director and Vice President of Finance, CyberTAN Technology Inc.<br>Assistant Vice President of Business Management, Foxconn Communication and Network Solution Business Group</td><td>None</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Asst Vice President</td><td>ROC</td><td>Deaxy Wang</td><td>Male</td><td>2011.8.27</td><td>93,962</td><td>0.03%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Master’s Program of Electronic Engineering, Yuan Ze University</td><td>1.Supervisor of Ta Tang Investment Co., Ltd.<br>2.Supervisor of Fuhongkang Technology (Shenzhen) Co., Ltd.<br>3.Supervisor of Chongqing Hongdaofu Technology Co., Ltd. and Responsible Person of its Guangzhou Branch</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Finance & Accounting Officer</td><td>ROC</td><td>Sammie Huang</td><td>Female</td><td>2012.1.1</td><td>120,678</td><td>0.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Bachelor, Department of Accountancy, National Cheng Kung University</td><td>None</td><td>-</td><td>-</td><td>-</td><td></td></tr>
</table>

## III. Remuneration to Directors, President, Vice President in the most recent year

### (I) Remuneration to directors and independent directors

December 31, 2020 Unit: NTD thousand

| Title | Name | Remuneration to Directors | | | | | | | | Ratio of sum of A, B, C, and D to profit after tax % | | Remuneration to directors who are employees | | | | | | | | Ratio of sum of A, B, C, D, E, F and G to profit after tax % | | Remuneration from investees beyond subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) (Note 1) | | Retirement pension (B) | | Remuneration to directors (C) | | Business execution expenses (D) (Note 1) | | | | Salaries, bonuses, special allowances, etc. (E) | | Retirement pension (F) (Note 2) | | Remuneration to employees (G) | | | | | | |
| | | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | | All the companies included in the financial statements | | The Company | All the companies included in the financial statements | |
| | | | | | | | | | | | | | | | | Cash | Stocks | Cash | Stocks | | | |
| Chairman | Hyield Venture Capital Co., Ltd. Representative: Teddy Chen(Note 4) | 0 | 0 | 0 | 0 | 0 | 0 | 420 | 420 | 1.72 | 1.72 | 3,020 | 3,020 | 108 | 108 | (Note 3) | 0 | (Note 3) | 0 | 14.55 | 14.55 | None |
| Director | Roger Wu(Note 5) | | | | | | | | | | | | | | | | | | | | | |
| Director | Foxconn Technology Co., Ltd. Representative: Kuo-Liang Ho(Note 6) | | | | | | | | | | | | | | | | | | | | | |
| Director | Ching-Wei Lin(Note 7) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Hung-Hsun Ting | 0 | 0 | 0 | 0 | 0 | 0 | 1,264 | 1,264 | 5.18 | 5.18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.18 | 5.18 | None |
| Independent Director | Judy Y.C. Chang | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Shih-Mei Lin (Note 7) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ying-Shan Lin | | | | | | | | | | | | | | | | | | | | | |

1. Please describe the policy, system, standard and structure of remuneration payment for independent directors and specify the correlation with the remuneration payment amount based on the directors' responsibility, risk, and involvement duration:The Company paid remunerations to the directors in consideration of the peer level in accordance with Article 16 of the Articles of Incorporation.
2. In addition to what is disclosed in the above table, the remuneration to the Company's directors for providing services (such as assuming a non-employee advising post) for all the companies included in the financial statement in the most recent year: None.

Note 1: The Company's directors did not receive any compensation from earning distribution but only received their business execution remuneration.
Note 2: The data represent the contribution to expensed incurred retirement pension.
Note 3: The distribution of remuneration for all directors of the Company who also serve as employees was approved by the Company's Remuneration Committee and took effect. Up to the printing date of the annual report, the list of employee remuneration had not yet been determined; as director Roger Wu resigned as director and general manager on May 7, 2022, an estimation could not be made and this column could not be are unavailable.
Note 4: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Tse-Tsan Chen , and the current is Kuang-Yi Li, who was elected chairman by the Board of Directors)
Note 5:After election of directors took place on July 30, 2021, the representative of the corporate director of Jia-Lian Investment Co., Ltd. was elected as director as a natural person.
Note 6: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Kuo-Liang Ho , and the current is Han-Yuan Hsieh)
Note 7: Director Ching-Wei Lin was dismissed after the annual general meeting of shareholders held on July 30, 2021; independent director Shih-Mei Lin was elected at the annual general meeting of shareholders held on July 30, 2021.

Range of Remuneration

| Range of remuneration to the Company's directors | Name of director | | | |
|---|---|---|---|---|
| | Sum of the first 4 items (A+B+C+D) | | Sum of the first 7 items (A+B+C+D+E+F+G) | |
| | The Company | All the companies included in the financial statements H | The Company | All the companies included in the financial statements I |
| Below NTD 1,000,000 | Teddy Chen、Roger Wu、Kuo-Liang Ho、Ching-Wei Lin、Hung-Hsun Ting、Judy Y.C. Chang、Shih-Mei Lin、Ying-Shan Lin | Teddy Chen、Roger Wu、Kuo-Liang Ho、Ching-Wei Lin、Hung-Hsun Ting、Judy Y.C. Chang、Shih-Mei Lin、Ying-Shan Lin | Teddy Chen、Kuo-Liang Ho、Ching-Wei Lin、Hung-Hsun Ting、Judy Y.C. Chang、Shih-Mei Lin、Ying-Shan Lin | Teddy Chen、Kuo-Liang Ho、Ching-Wei Lin、Hung-Hsun Ting、Judy Y.C. Chang、Shih-Mei Lin、Ying-Shan Lin |
| NTD 1,000,000 (inclusive) ~ NTD 2,000,000 (exclusive) | - | - | - | - |
| NTD 2,000,000 (inclusive) ~ NTD 3,500,000 (exclusive) | - | - | Roger Wu | Roger Wu |
| NTD 3,500,000 (inclusive) ~ NTD 5,000,000 (exclusive) | - | - | - | - |
| NTD 5,000,000 (inclusive) ~ NTD 10,000,000 (exclusive) | - | - | - | - |
| NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (exclusive) | - | - | - | - |
| NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (exclusive) | - | - | - | - |
| NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (exclusive) | - | - | - | - |
| NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (exclusive) | - | - | - | - |
| Over NTD 100,000,000 | - | - | - | - |
| Total | 8 persons | 8 persons | 8 persons | 8 persons |

## (II) Remuneration to the President and Vice President

December 31, 2021 Unit: NTD thousand

| Title | Name | Salary (A) | | Retirement pension (B) | | Bonuses, special allowances, etc. (C) | | Employee remuneration amount (D) (Note 3) | | | | Ratio of sum of A, B, C and D to profit after tax (%) | | Remuneration from investees beyond subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | The Company | | All the companies included in the financial statements | | | | |
| | | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | The Company | All the companies included in the financial statements | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | The Company | All the companies included in the financial statements | |
| President | Roger Wu | 5,440 | 5,440 | 216 | 216 | 969 | 969 | Note | None | Note | None | 27.16 | 27.16 | None |
| Vice President (Note 2) | Maxon Huang | | | | | | | | | | | | | |

Note: Up to the publication date of the annual report, the list of employee remuneration has not been resolved; hence, the remuneration cannot be estimated, and the data of this field are unavailable. As director Chung-Ho Wu resigned as president on May 7, 2022, the proposed distribution amount to vice president is estimated at NTD 0 based on the actual distribution ratio last year.

Range of Remuneration

| Range of remuneration to the President and Vice President | Names of the President and Vice President | |
|---|---|---|
| | The Company | All the companies included in the financial statements E |
| Below NTD 1,000,000 | - | - |
| NTD 1,000,000 (inclusive) ~ NTD 2,000,000 (exclusive) | - | - |
| NTD 2,000,000 (inclusive) ~ NTD 3,500,000 (exclusive) | Roger Wu、Maxon Huang | Roger Wu、Maxon Huang |
| NTD 3,500,000 (inclusive) ~ NTD 5,000,000 (exclusive) | - | - |
| NTD 5,000,000 (inclusive) ~ NTD 10,000,000 (exclusive) | - | - |
| NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (exclusive) | - | - |
| NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (exclusive) | - | - |
| NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (exclusive) | - | - |
| NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (exclusive) | - | - |
| Over NTD 100,000,000 | - | - |
| Total | 2 persons | 2 persons |

**(III) Names of the managers receiving employee remuneration and the distribution thereof**

December 31, 2021 Unit: NTD thousand

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Amount paid in shares</th><th>Amount paid in cash (Note 2)</th><th>Total</th><th>Ratio of total amount to profit after tax (%)</th></tr>
<tr><td rowspan="4">Manager</td><td>President</td><td>Roger Wu</td><td rowspan="4">0</td><td rowspan="4">Note</td><td rowspan="4">Note</td><td rowspan="4">0</td></tr>
<tr><td>Vice President (Note )</td><td>Maxon Huang</td></tr>
<tr><td>Asst Vice President</td><td>Deaxy Wang</td></tr>
<tr><td>Finance & Accounting Officer</td><td>Sammie Huang</td></tr>
</table>

Note: Up to the publication date of the annual report, the list of employee remuneration has not been resolved; hence, the remuneration cannot be estimated, and the data of this field are unavailable. As director Chung-Ho Wu resigned as president on May 7, 2022, the proposed distribution amount to other managers is estimated at NTD0 based on the actual distribution ratio last year.

**(IV) Comparison and analysis of the total remuneration to directors, supervisors, the President and Vice President of the Company in proportion to the profit after tax from the Company and companies included in the consolidated statements in the most recent two years shown in the separate or individual financial statements, and the policies, standards, and packages based on which they were paid, procedures of determining remunerations, and their correlation with operating performance and future risks.**

1. Analysis of ratio of total remuneration to profit after tax

Unit: NTD thousand

| Year / Title | Total remuneration | | Ratio of total remuneration to profit after tax | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Director | 4,812 | 4,570 | 19.73% | 19.38% |
| President and Vice President | 6,625 | 6,006 | 27.16% | 25.48% |

Note: The Company and all the companies included in the financial statement paid the same amount for the remunerations.

2. Policies, standards, and packages based on which remunerations are paid, procedures of determining remunerations, and their correlation with operating performance and future risks
   (1) Directors: The Company's independent directors receive fixed compensation. In addition to the attendance fee for each board meeting, directors do not receive other compensation. None of the directors receive remuneration.
   (2) President and vice president: The ratio of the distribution of remuneration to the Company's managers is determined based on the profitability and revenue growth rate for the year, subject to Article 20 of the Company's Articles of Incorporation. The remuneration of the Company’s managers is determined based on their degree of participation in the Company's operations and the evaluation of their performance. The aspects evaluated include: practices of the Company's core values and operational management skills, financial and operational performance indicators and comprehensive management indicators, and their participation in continuous education and sustainable management. Their other special contributions or significant negative events are also considered in the performance of evaluation and remuneration distribution.

## IV. Corporate Governance Implementation

### (I) Operation of the Board of Directors

The Board of Directors convened six meetings in the most recent year (2021). The attendance record of the directors is listed as follows:

| Title | Name | Actual attendance | Proxy attendance | Actual attendance rate (%) | Remarks |
|---|---|---|---|---|---|
| Chairman | Foxconn Technology Co., Ltd. Representative: Teddy Chen | 3 | 0 | 100 | |
| Chairman | Hyield Venture Capital Co., Ltd. (Note1) Representative: Teddy Chen | 3 | 0 | 100 | |
| Director | Jia Lian Investment Co., Ltd. Representative:Roger Wu(Note2) | 3 | 0 | 100 | |
| Director | Roger Wu(Note2) | 3 | 0 | 100 | |
| Director | Foxconn Technology Co., Ltd. Representative:Kuo-Liang Ho | 5 | 1 | 83 | |
| Director | Ching-Wei Lin(Note3) | 3 | 0 | 100 | |
| Independent Director | Hung-Hsun Ting | 6 | 0 | 100 | |
| Independent Director | Judy Y.C. Chang | 6 | 0 | 100 | |
| Independent Director | Shih-Mei Lin(Note3) | 3 | 0 | 100 | |
| Independent Director | Ying-Shan Lin | 5 | 1 | 83 | |

Note 1: Dismissed after the annual general meeting of shareholders held on July 30, 2021, should attend 3 times.
Note 2: After election of directors took place on July 30, 2021, the representative of the corporate director of Jia-Lian Investment Co., Ltd. was elected as director as a natural person.
Note 3: Was elected at the annual general meeting of shareholders held on July 30, 2021, should attend 3 times.

Other particulars:

1. Where the operations of the Board of Directors meet any of the following circumstances, the minutes concerned shall clearly state the meeting date, session, contents of proposals, opinions of all independent directors, and the Company’s resolution of said opinions:
   (1) Matters specified in Article 14-3 of the Securities and Exchange Act: Not applicable, The Company has established the Audit Committee.
   (2) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing other than those described above: None.
2. Directors’ avoidance of the proposals involving any conflict of interest, information including the director’s name, contents of the proposals, causes of recusal, and participation in the voting process should be stated:
   (1) Board meeting on 2021/05/12
   ◎ Proposal: To remove the non-competition restrictions against new directors and their representatives.
   - Directors who recuse themselves due to a conflict of interest: Director Teddy Chen, Director Roger Wu, Director Kuo-Liang Ho, Independent Director Ying-Shan Lin, Independent Director Hung-Hsun Ting.
   - Reason for recusal: Involved in the proposal to remove the non-competition restrictions against new directors and their representatives.

- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

(2) Board meeting on 2021/07/30

◎ Proposal: Appointment of the Company's Remuneration Committee members.

- Directors who recuse themselves due to a conflict of interest:Independent Director Hung-Hsun Ting, Independent Director Judy Y.C. Chang, Independent Director Shih-Mei Lin, Independent Director Ying-Shan Lin.
- Reason for recusal: The Company has appointed the independent directors mentioned above to serve as Remuneration Committee members.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

(3) Board meeting on 2021/08/11

◎ Proposal: Discussion of the proposal of the Company's remuneration to directors.

- Directors who recuse themselves due to a conflict of interest:Independent Director Hung-Hsun Ting, Independent Director Judy Y.C. Chang, Independent Director Shih-Mei Lin, Independent Director Ying-Shan Lin.
- Reason for recusal: The remuneration concerned the directors mentioned above.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

◎ Proposal: Discussion of the proposal of the remuneration to the Company's current Remuneration Committee members.

- Directors who recuse themselves due to a conflict of interest:Independent Director Hung-Hsun Ting, Independent Director Judy Y.C. Chang, Independent Director Shih-Mei Lin, Independent Director Ying-Shan Lin.
- Reason for recusal: The remuneration concerned the directors mentioned above.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

◎ Proposal: Discussion of the proposal of salary adjustment for the Company's managers.

- Directors who recuse themselves due to a conflict of interest: Director Roger Wu.
- Reason for recusal: As a manager.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

◎ Proposal: Discussion of the proposal of the quarterly bonus.

- Directors who recuse themselves due to a conflict of interest: Director Roger Wu.
- Reason for recusal: As a manager.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

◎ Proposal: Discussion of the proposal of the managers’ bonus.

- Directors who recuse themselves due to a conflict of interest: Director Roger Wu.
- Reason for recusal: As a manager.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

(4) Board meeting on 2021/11/10

◎ Proposal: Proposal of the employee bonus and retention incentive for the Company’s 2021 managers.

- Directors who recuse themselves due to a conflict of interest: Director Roger Wu.
- Reason for recusal: As a manager.
- Participation in voting: The directors mentioned recused themselves from the discussion and voting of this proposal.

3. Information including the cycle, period, scope, method, and contents of the self-evaluation for the Board of Directors:

| | |
|---|---|
| Cycle | Once a year |
| Period | January 1, 2021 – December 31, 2021 |
| Scope | Evaluation of the performances of the Board of Directors, individual director and functional committees |
| Method | Self-evaluation for the Board of Directors and the members thereof |
| Item | Items of the internal self-evaluation of the Board of Directors' overall performance include the following five major targets: 1. Participation in the Company's operation; 2. Improvement of the Board's decision quality; 3. The Board's composition and structure; 4. Election and continuous training of the directors; 5. Internal control;<br>Items of the performance evaluation for the directors include the following six major targets: 1. Understanding of the Company's goals and tasks; 2. Knowledge of directors' duties; 3. Participation in the Company's operation; 4. Internal relation maintenance and communication; 5. Directors' professional qualification and continuous training; 6. Internal control;<br>Items of the performance evaluation for the functional committees include the following five major targets: 1. Participation in the Company's operation; 2. Knowledge of the functional committees' duties; 3. Improvement of the functional committees' decision quality; 4. Composition and member election of the functional committees; 5. Internal control. |

4. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of an audit committee, improvement of information transparency), and the progress of such enhancements: The Company established the Remuneration Committee and Audit Committee to enhance the functionality of the Board of Directors.

### (II) Operation of the Audit Committee

The Company's Audit Committee consists of four independent directors and shall convene at least one meeting per quarter. The independent directors are responsible for the adequate expression of the Company's financial statements, election (dismissal), independence and performance of CPAs, effective implementation of internal control, compliance with laws and rules and control over existing or potential risks. Their main responsibilities are described as follows:

◎ Establishment or amendment of the Company's internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
◎ Assessment of the validity of the internal control system.
◎ Establishment or amendment of the handling procedures regarding significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, loaning of funds to others, and endorsement/guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
◎ Matters involving any directors' personal interests.
◎ Significant transactions of assets or financial derivatives.
◎ Significant loans of funds, and endorsement/guarantees.
◎ The offering, issuance, or private placement of equity-type securities.
◎ The hiring or dismissal of CPAs, or the compensation given thereto.
◎ The appointment or discharge of a financial, accounting, or internal audit officer.
◎ Annual financial statements
◎ Any other material matter required by the Company or the competent authority.

The Audit Committee held four meetings in the most recent year (2021). The attendance record of the independent directors is listed below:

| Title | Name | Actual attendance | Proxy attendance | Actual attendance rate (%) | Remarks |
|---|---|---|---|---|---|
| Independent Director | Hung-Hsun Ting | 4 | 0 | 100 | |
| Independent Director | Judy Y.C. Chang | 4 | 0 | 100 | |
| Independent Director | Shih-Mei Lin | 2 | 0 | 100 | Note |
| Independent Director | Ying-Shan Lin | 3 | 1 | 75 | |

Note : Was elected at the annual general meeting of shareholders held on July 30, 2021, should attend 3 times.

Other particulars:

1. Where the operations of the Audit Committee meet any of the following circumstances, the minutes concerned shall clearly state the meeting date, session, contents of proposals, resolutions made by the Audit Committee and the Company's resolution of the Audit Committee's opinions.

   (1) Matters specified in Article 14-5 of the Securities and Exchange Act.

| Meeting date (session) | Proposal |
|---|---|
| March 25, 2021 (The 11th session of the 2nd Audit Committee) | Proposal of the Company's "Declaration of Internal Control System" |
| | Proposal of the 2020 financial statements |
| May 12, 2021 (The 12th session of the 2nd Audit Committee) | Proposal of the 2020 business report |
| | Proposal for 2020 earnings distribution |
| | Proposal for removal of the non-competition restrictions against new directors and their representatives |
| November 10, 2021 (The 2th session of the 3rd Audit Committee) | Proposal of the 2022 audit plan |
| | Proposal for assessment of the independence of the Company's CPAs |

   If none of the independent directors objects or expresses qualified opinions to the proposals mentioned above, such proposals shall be approved unanimously by all attending members.

   (2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of all the directors: None.

2. Independent directors' avoidance of proposals involving any conflict of interest, information including the director's name, contents of the proposals, causes of recusal, and participation in the voting process should be stated: None.

3. Communication of the independent directors with the internal audit officer and CPAs (e.g. the major matters, methods, and results of communication with regard to the financial and business affairs of the Company):

◎ Policies of the communication between the independent directors and the internal audit officer: The internal audit officer shall submit audit reports to the independent directors on a regular basis and report the progress of the audit work thereto at least once per quarter. When any material irregularities occur, a report must be immediately prepared for review, and the independent directors shall be notified.

◎ Policies of the communication between the independent directors and CPAs: CPAs shall meet with the independent directors at least once a year (at an Audit Committee meeting or a communication meeting) to report the Company's financial position and internal control implementation to the independent directors and explain accounting practice principles and matters causing major impacts on profits or losses and any recent amendments to relevant laws and regulations. In case of any material circumstances, such meeting may be convened at any time.

**(III) Corporate governance implementation, any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof**

| Evaluation item | Implementation | | | Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the Company establish and disclose its corporate governance principles based on Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies? | ✓ | | The Company has established the "Corporate Governance Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclosed the same on the Company's website and MOPS after the approval of the Board of Directors. | No major difference. |
| II. Company's equity structure and shareholders' equity | | | | |
| (I) Does the Company have any internal operating procedures regulated to deal with suggestions, questions, disputes, and legal actions from shareholders and implement the procedures? | ✓ | | The Company has established the "Regulations on Shareholder Services Management" and the spokesperson, deputy spokesperson and designated personnel to handle the suggestions, questions, disputes and legal actions of shareholders. | (I) No major difference. |
| (II) Does the Company have a list of the major shareholders who actually control the Company and the persons who are their ultimate controllers? | ✓ | | Part of the Company's directors are the major shareholders of the Company and the changes in shareholding of the Company's major shareholders, directors and managers are reported and disclosed on the MOPS according to laws. The Company also has a list of the major shareholders who actually control the Company and the persons who are their ultimate controllers. | (II) No major difference. |
| (III) Does the Company establish or implement any risk control measures and firewall mechanisms between the Company and the affiliates? | ✓ | | As a listed company, the Company has established a comprehensive internal control system. The Company and its affiliates are individual legal entities with independent finance and business. | (III) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (IV) Does the Company establish internal regulations to prohibit Company insiders from using information not available to the market to trade securities? | ✓ | | The Company has established promotion information to prevent insider trading and the "Code of Ethical Conduct for Directors and Managers" to prevent the Company insiders from using information not available to the market to trade securities. | (IV) No major difference. |
| III. Composition and responsibilities of the Board of Directors<br>(I) Does the Board established a diversity policy, specific management goals and implemented it accordingly?<br><br><br><br><br><br><br><br><br><br><br><br><br><br>(II) Is the Company, in addition to establishing the Remuneration Committee and Audit Committee, pursuant to laws, willing to voluntarily establish any other | ✓<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>✓ | | Article 20 of the Company's "Corporate Governance Best-Practice Principles" has specified the diversity policy for the composition of the Board of Directors. Currently, there are six directors consisting of professional and diversified members of attorneys, CPAs, lecturers in colleges or universities and professional managers. Directors who are also employees of the Company represent 16.67% of the Board and the independent directors represent 66.67% of the Board. The Company also pays attention to gender equality regarding the composition of Board members. The targeted ratio of female directors is above 25% and the female directors currently account for about 33.33%. The independent directors have about seven years of directorship experience up to the publication date of the annual report and the independent directors under 60 account for 66.67%. Please refer to Page 14~15 of the related implementation is shown.<br>The Company has established the Remuneration Committee and Audit Committee pursuant to laws and will establish other functional committees depending on the operation status. | (I) No major difference.<br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br>(II) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| functional committees?<br>(III) Does the Company establish policies and methods for evaluating the performance of the Board of Directors, conduct regular performance evaluations every year and report the results to the Board of Directors? Does the Company utilize the results as the reference for the individual remuneration and reelection nomination of directors?<br><br>(IV) Does the Company assess the CPAs for their independence on a regular basis? | ✓<br><br>✓ | | The Company adopted the resolution by the Board of Directors to establish the "Regulations on the Performance Evaluation of the Board of Directors" on November 12, 2019. Please refer to Page 23 of the annual report for the evaluation method and contents.<br>The evaluation results of 2021 have been reported to the Board of Directors in Q1, 2022. The performance of the Board of Directors (Functional Committee) was evaluated as excellent while the self-evaluations regarding the performance of Board members were also excellent. The overall Board of Directors (Functional Committee) functions effectively. For detailed information, please refer to the corporate governance section of the Company's website.<br>The Audit Committee of the Company regularly assess the independence of the CPAs and reports the assessment result to the Board of Directors every year. After confirmation, besides charges for audit and public finance taxation cases the CPAs have no other financial interests or business relationships with the Company. After confirming the family members of the CPAs did not violate the independent requirement, the result regarding the independent assessment of the CPA in the most recent year discussed and approved by the Audit Committee on November 10, 2021 was reported and resolved by the Board of Directors on November 10, 2021. | (III) No major difference.<br><br>(IV) No major difference. |
| IV. If the Company is a TWSE/TPEX listed company, does the Company have qualified governance personnel in an | ✓ | | As the corporate governance unit of the Company, the finance department is responsible for matters related to corporate governance and the finance & accounting officer | No major difference. |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation</th><th rowspan="2">Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>appropriate number and designate one chief corporate governance officer to oversee corporate governance affairs (including but not limited to providing the directors and supervisors with information needed to perform their duties, assisting the legal compliance of the directors and supervisors, handling matters related to board meetings and shareholders’ meetings according to laws and preparing minutes of board and shareholders’ meetings)?</td><td></td><td></td><td>was designated to concurrently serve as the Corporate Governance Officer based on the resolution of Board of Directors on May 8, 2019. The major duties include handling matters related to board meetings and shareholders’ meetings according to laws, preparing minutes of board and shareholders’ meetings, assisting assumption of office and continuing education of directors, providing the directors with information needed to perform their duties, assisting the legal compliance of the directors, and other matters regulated in the Articles of Incorporation or contracts.<br>The business implementation of the Company’s corporate governance unit in 2021 is as follows:<br>(I) Dealing with change in registration of the Company.<br>(II) Arranging matters regarding the continuing education for directors regularly, provision of information required for performance of duties by the directors and latest development of laws and regulations related to company management to assist the directors in legal compliance.<br>(III) Implementing meeting procedures of the Board of Directors and the shareholders’ meeting and resolution regarding legal compliance matters.<br>(IV) Responsible for announcing material information of important resolutions after the Board meeting to ensure the legitimacy and accuracy of material information and secure the information equivalence in investor trading.<br>Further education of the Corporate Governance Supervisor for 2021: The 13th Taipei Corporate Governance Forum held on September 1, 2021 for 6 hours; 2021 Insider Trading</td><td></td></tr>
</table>

| Evaluation item | Implementation | | | Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Regulatory Compliance Seminar held on October 13, 2021 for 3 hours; and 2021 Insider Trading Prevention Seminar held on November 3, 2021 for 3 hours. | |
| V. Does the Company build communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), establish a stakeholder section on the Company's website, and duly respond to the stakeholders' concerns on issues related to corporate social responsibilities? | ✓ | | The Company has established a stakeholder section on the Company's website to build the communication channels with stakeholders and duly respond to the stakeholders' concerns on important issues. | No major difference. |
| VI. Does the Company commission a professional registrar to deal with the affairs of shareholders' meetings? | ✓ | | The Company has appointed the Share Administration Department of Grand Fortune Securities as the registrar to deal with the affairs of shareholders' meetings of the Company. | No major difference. |
| VII. Information disclosure<br>(I) Does the Company establish a corporate website to disclose information concerning financial affairs and corporate governance? | ✓ | | The Company has established Chinese and English websites of the Company and disclosed information concerning financial affairs and corporate governance. | (I) No major difference. |
| (II) Does the Company use other information disclosure methods (e.g. establishment of an English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of | ✓ | | The Company has assigned specific personnel responsible for the collection and disclosure of corporate information and implemented a spokesperson system. We also have established an English website and held the investor conference to disclose information concerning financial affairs and business on December 24, 2021. | (II) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| investor conferences via the company website)?<br>(III) Does the Company publicly announce and file the annual financial report within two months after the close of fiscal year and announce and file the financial reports of the first, second and third quarters and the monthly operation status prior to the regulated deadline? | ✓ | | The Company publicly announces the annual financial report, quarterly financial reports and monthly operation status within the deadline according to the regulations without any announcement in advance. | (III) No major difference. |
| VIII. Does the Company have additional important information that is helpful to understand the implementation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, continuing training of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for directors and supervisors)? | ✓ | | 1.The Company pays attention to the interests of employees and relations between the employer and employee by irregularly holding labor–management communication meetings.<br>2.Focusing on the investor relationships, supplier relationships and the rights of stakeholders, the Company has established the spokesperson and designated personnel to handle the inquiry of the shareholders, suppliers and all stakeholders.<br>3.The directors of the Company participate in the continuing education courses to strengthen their professional capabilities. Please refer to Attachment 1 and 2 for the continuing education status of directors and managers in 2021.<br>4.The directors of the Company pay attention to proposals involving personal interests and avoid participation due to conflict of interests in accordance with the laws.<br>The Board of Directors' meetings of the Company are | No major difference. |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation</th><th rowspan="2">Nonconformities to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>convened at least once every quarter with good participation of the directors.<br>The internal control policies, risk management systems and necessary regulations of the Company are implemented faithfully after reported and approved by the Board of Directors.<br>5.The Company has purchased liability insurance for all directors and relevant information is disclosed on MOPS.</td><td></td></tr>
<tr><td colspan="5">IX. Please explain the improvements made based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified:<br>1.The Company participates in the corporate governance evaluation every year seven consecutive times.<br>2.The Company has enhanced the following corporate governance matters in 2021:<br>The Company has reported the agenda handbook for the shareholders' meeting, annual report and annual financial report in English in 2021.<br>3.The Company takes priority corrective actions for the following matters based on the result of corporate governance evaluation:<br>Reporting the Interim Financial Report financial report in English in 2022.</td></tr>
</table>

**Attachment 1: In-service training of the Company's Directors in 2021**

| Name | Course | Organizer | Date of Course | Hours |
|---|---|---|---|---|
| Director：Teddy Chen | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 3 |
| Director：Roger Wu | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 6 |
| Director：Kuo-Liang Ho | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 3 |
| Independent Director：Hung-Hsun Ting | ESG Information Disclosure Standards | Seminar Approved by National Federation of CPA Associations | 2021/09/28 | 3 |
| | How Directors and Supervisors of Listed Companies Performed Their Duties | Taiwan Investor Relations Institute | 2021/10/28 | 3 |
| Independent Director：Judy Y.C. Chang | Analysis of Money Laundering Cases and Predicate Crimes (Including Insider Trading) | Taiwan Corporate Governance Association | 2021/03/16 | 3 |
| | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 3 |
| Independent Director：Shih-Mei Lin | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 3 |
| | Analysis of Legal Responsibility and Practical Cases of Companies Applying the Taxpayer Rights Protection Act | FSC | 2021/09/17 | 3 |
| Independent Director：Ying-Shan Lin | The 13th Taipei Corporate Governance Forum | FSC | 2021/09/01 | 3 |
| | Corporate Governance 3.0 and Obligations and Responsibilities of Directors Regarding COVID-19 | Taiwan Corporate Governance Association | 2021/11/04 | 3 |

**Attachment 2: In-service training of the Company's managers and their proxies in 2021:**

| Name | Course | Organizer | Date of Course | Hours |
|---|---|---|---|---|
| Accounting Officer: Sammie Huang | Continuing Education Program for the Accounting Managers of Issuers, Securities Firms and Exchanges | Accounting Research and Development Foundation | 2021/11/22 to 2021/11/23 | 12 |
| Deputy Accounting Officer: Sam Huang | Continuing Education Program for the Accounting Managers of Issuers, Securities Firms and Exchanges | Accounting Research and Development Foundation | 2021/11/22 to 2021/11/23 | 12 |
| Audit Office: Rita Shang | Personal Data Law for Internal Audits and Internal Control | The Institute of Taiwan Auditors-Chinese Taiwan | 2021/03/09 | 6 |
| | Business Contract Management and Auditing Practice | The Institute of Taiwan Auditors-Chinese Taiwan | 2021/07/21 | 6 |
| Deputy Auditor: Kio Chiang | Internal Auditing from Case Studies - Ethics and Law | The Institute of Taiwan Auditors-Chinese Taiwan | 2021/11/26 | 6 |
| | Deciphering Financial Statements & Explaining Corporate Fraud | The Institute of Taiwan Auditors-Chinese Taiwan | 2021/12/17 | 6 |

**(IV) Disclosure of the composition, responsibility, operation of the Remuneration Committee (if any)**

1.Information about Remuneration Committee members

<table>
<tr><th>Criteria<br>Name/Title</th><th>Professional Qualification and Experience</th><th>Independent Directors' Independence Status</th><th>Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member</th></tr>
<tr><td>Convenor and Independent Director Ying-Shan Lin</td><td rowspan="4">CyberTan's Compensation Committee is comprised of all four independent directors. For members professional qualification and experience, please refer to page 8-12 of this Annual Report.</td><td rowspan="4">All the Compensation Committee members meet any of the following situations:<br>1.Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (Note) issued by Taiwan's Securities and Futures Bureau<br>2.Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any CyberTan shares<br>3.Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"</td><td>2</td></tr>
<tr><td>Independent Director Hung-Hsun Ting</td><td>2</td></tr>
<tr><td>Independent Director Judy Y.C. Chang</td><td>0</td></tr>
<tr><td>Independent Director Shih-Mei Lin</td><td>2</td></tr>
</table>

Note : During the two years before being elected and during the term of office, meet any of the following situations:

(1) Not an employee of the company or any of its affiliates;
(2) Not a director or supervisor of the company or any of its affiliates;
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
(7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
(9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT$500,000".

2. Operation of the Remuneration Committee
   (1) The Company's Remuneration Committee consists of three independent directors (Ying-Shan Lin, Hung-Hsun Ting, Judy Y.C. Changand Shih-Mei Lin).
   (2) Term of office: 2021/07/30–2024/07/29. The Remuneration Committee convened four meetings (A) in 2021, and the attendance of the Committee members are listed as follows:

| Title | Name | Actual attendance (B) | Proxy attendance | Actual attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Convener and independent director | Ying-Shan Lin | 3 | 1 | 75 | |
| Independent Director | Hung-Hsun Ting | 4 | 0 | 100 | |
| Independent Director | Judy Y.C. Chang | 4 | 0 | 100 | |
| Independent Director | Shih-Mei Lin | 2 | 0 | 100 | Note |

Note : Was elected at the annual general meeting of shareholders held on July 30, 2021, should attend 3 times.

| Meeting date (session) | Proposal |
|---|---|
| March 25, 2021 (1st meeting in 2021) | Proposal for distribution of the remuneration to employees in 2020 |
| May 12, 2021 (2th meeting in 2021) | Proposal for the 2020 remuneration to the Company's Vice President, Maxon Huang |
| | Proposal for the 2021 remuneration to the Company's Vice President, Maxon Huang |
| Aug 11, 2021 (3rd meeting in 2021) | Discussion of the proposal of the Company's remuneration to directors |
| | Discussion of the proposal of salary adjustment for the Company's managers |
| | Discussion of the proposal of the quarterly bonus |
| | Discussion of the proposal of the managers' bonus |
| November 10, 2021 (4th meeting in 2021) | Proposal of the employee bonus and retention incentive for the Company's 2021 managers |

Other particulars:

1. Scope of Duties of the Remuneration Committee:
   (1) Establish and periodically review the policies, standards and structure of the performance evaluation and remuneration for the directors and managers of the Company.
   (2) Regularly review and adjust the remunerations to the directors and managers.
2. If the Board of Directors does not adopt or amend the suggestions from the Remuneration Committee, the date and session of the Board meeting, contents of the proposals, meeting resolutions, and the Company's handling of the Remuneration Committee's opinions shall be specified (if the remuneration passed by the Board of Directors is higher than that suggested by the Remuneration Committee, the deviation and causes thereof shall be specified): None.
3. If any member objects or expresses qualified opinions to the resolution made by the Remuneration Committee, whether on-the-record or in writing, the date and session of the meeting, contents of the proposal, the entire members' opinions, and how their opinions are addressed shall be specified: None.

**(V) Fulfillment of corporate social responsibilities**

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the Company establish a overnance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors? | ✓ | | The Company assigns the Management Division as a unit dedicated to (concurrently engaged in) ESG affairs. The unit is responsible for establishing ESG policies or systems, promoting relevant activities, and reporting the implementation to the Board of Directors annually. | No major difference. |
| II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality? | ✓ | | 1. Environment:<br>We assess risks with respect to the environment, safety and health, and energy and greenhouse gas reduction. Our risk management policy or strategy related to the environment, safety and health specifies that any business activities affecting the environment, safety and health must comply with laws and regulations and that the negative impact on the environment, safety and health must be minimized, in the hope to increase the recycling rate.<br>2. Society:<br>We assess risks related to green products. Our risk management policy or strategy requires that our suppliers must sign a "commitment" to environmental protection issues and material composition declaration after entering the supplier chain system. The Company evaluates the suppliers based on indicators on a monthly basis according to the Group's supplier performance evaluation regulations. If any of the suppliers fails to reach the targets, the supplier | No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | is warned, fined or suspended from trading with the Company to ensure green production in our supplier chain system, reduce pollution, maintain the environment and fulfill our social responsibility.<br>3. Corporate governance:<br>We assess risks with regard to the compliance with laws and regulations. As for the risk management policy or strategy, we pay attention to changes in policies and laws and implement our internal control system in order to improve the ethical management. | |
| III. Environmental issue<br>(I) Has the Company established environmental policies suitable for the Company's industrial characteristics? | ✓ | | We have established the safety and health management system in accordance with the labor safety and health regulations. | (I) No major difference. |
| (II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | ✓ | | We have always complied with environmental protection laws and regulations. The Company contracts with a legal cleaning company for legal and regular waste treatment and recycling to protect the environment and the planet as well as recycle resources. Target: 80% waste recycling rate or above. | (II) No major difference. |
| (III) Does the Company assess the present and future potential risk and opportunities of climate change in relation to the Company and adopt countermeasures related to climate issues? | ✓ | | To reduce the impact of our business activities on the environment, we promote and implement resource and energy reduction in our daily operation, conduct a greenhouse gas inventory regularly, review the data of water consumption and the total amount of waste, so as to mitigate the risk of climate change. | (III) No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (IV) Does the Company gather statistics of the greenhouse gas emission, water consumption and the gross weight of waste of the past 2 years and establish policies for energy saving, carbon reduction, reduction of greenhouse gas emission and water consumption or other waste management? | ✓ | | 1. For our greenhouse gas emission, water consumption, and total weight of waste in 2020 and 2021, please refer to Attachment 1.<br>2. We conduct air quality improvement measures even though we are not in the first batch of announced premises conforming to the Indoor Air Quality Act. Considering our employees stay in indoor environments (including homes, offices or other buildings) at least for eight hours every day and the indoor air quality directly affects the working quality and efficiency, we should pay attention to the impact of indoor air pollutants on human health.<br>A. Therefore, in addition to granting subsidies for employees to earn certifications, we have set the maintenance frequency and measures for our air conditioning system, for example, cleaning the filter of the indoor blower, planting indoor/outdoor plants (around 200 trees and hedgerows are planted outdoors to form a greenbelt), increasing/decreasing outdoor air circulation based on the air quality provided by the Central Weather Bureau, and moving printers to non-office areas or installing air extractors. For indoor decoration, we have asked contractors to use materials and paint that are the “Green Building Material” in the hope to improve the quality of indoor/outdoor air.<br>B. Our labor safety unit purchases portable $CO_2$ detectors and monitors the indoor air quality at any time to provide employees with the good air quality. | (IV) No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 3. Water improvement measures: Our water consumption is generated mainly from domestic water for employees (water for drinking and bathrooms) and air conditioner water. The water used is running water originating from the Baoshan Second Reservoir in Hsinchu. There is no wastewater generated from production. Clean rainwater in plants is drained to rainwater ditches on the ground to ensure the separation of rainwater and wastewater.<br>Water saving measures:<br>A. Suspend the cleaning of walls<br>B. Reduce the frequency of cleaning cooling towers (from twice a year to a frequency as appropriate)<br>C. Plant drought-enduring plants<br>D. Install water economizers for taps in bathrooms and reduce the amount of water used for a flush<br>E. Assign security to record water meter readings and keep an eye on any leaks in water facilities to avoid waste of water resources<br>F. Further maintain water facilities with leaks<br>G. Reduce the operational time of the water chiller and bring in outdoor fresh air in all the seasons other than summer to reduce the operational time of the water chiller or avoid the use of the water chiller (the operational time is reduced from 24 hours to 0–12 hours).<br>The measures mentioned above have been implemented since 2013 to effectively control the running water consumption. Although we have not been able to reduce the | |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | water consumption up to 2021, the water consumption has not increased significantly.<br>4. For the waste management policy, the Company has actively reduced wastes by improving the design and manufacturing, use of materials, and packaging materials, effectively performed internal waste sorting, and formulated waste disposal plans.<br>Target: 80% waste recycling rate or above. Measures for reduction:<br>A. Control the printing paper consumption and encourage employees to reuse paper printed on one side.<br>B. Implement waste and sorting and recycling<br>C. Recycle or return cartons, styrofoam and pallets to suppliers.<br>D. Reuse coffee grounds as a fertilizer for trees.<br>E. Provide wastepaper to the Yuen Foong Yu Paper Factory for recycling. | |
| IV. Social issue<br>(I) Does the Company develop management policies and procedures in accordance with the relevant regulations and international human rights conventions? | ✓ | | The Company observes related labor laws and respects the basic and internationally recognized basic labor rights. Our employees are covered by labor and health insurance, and their pension is contributed in accordance with law, in order to guarantee their legitimate rights. All of our management systems comply with the local labor laws and regulations, and the relevant systems are announced on our internal website for employees' reference. | (I) No major difference. |
| (II) Does the Company establish and | ✓ | | We establish salary and benefit measures for employees in | (II) No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| implement proper employee welfare measures (including the salary, holidays and other welfare) and reflect the corporate business performance or achievements in the employee remuneration? | | | accordance with the Labor Standards Act and relevant laws and regulations. | |
| (III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly? | ✓ | | 1. Our two plants are engaged in R&D, and thus, there is no use of toxic chemicals in production or manufacturing. The measures for personnel safety and environmental control are as follows:<br>(1) Personnel safety measures:<br>A. Our security guards work 24-hour shifts and inspect the plant after hours on a regular basis (every 2 hours from 22:00) to ensure the safety of employees working overtime and check if the electronic equipment in unused areas is turned off.<br>B. Eight emergency push-buttons are installed in the motorcycle parking shed and car parking lot. Once a button is pressed, a call for assistance is sent to the security station.<br>C. The entrances and exits of offices in each floor are equipped with an access control system. Surveillance equipment is also installed at entrances and exits. We provide an extension phone for employees to contact security or other employees in case they forget to bring their access card or are | (III) No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | locked out.<br>D. Our occupational safety personnel inspect the plant once or twice every day and sign in at each area that needs to be inspected.<br>E. We conduct new personnel training (3 hours) and on-job employee training (3 hours for 3 years) according to the Occupational Safety and Health Act. We teach new employees the environmental safety/ traffic safety/ emergency evacuation location (in case of fire). In the on-job employee training, employees are taught electronic device/fire safety.<br>F. We perform fire safety training twice a year. The training includes the firefighting team training and the evacuation drill for all employees.<br>G. Stairs are equipped with anti-slip strips, and safety nets and anti-collision cushions are placed in the stairwells.<br>(2) Workplace protection measures:<br>A. We conduct the operational environment inspection ($CO_2$ and illumination) twice every year pursuant to the Occupational Safety and Health Act. The inspection report is regularly announced/reviewed, and all the inspection results are better than the requirement of the law.<br>B. $CO_2$ detectors are installed on each floor. We monitor the indoor air quality at any time, and employees may observe the air quality on their own, | |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | in order to provide the employees with the good air quality.<br>C. Induction lamps are installed in the basement for energy saving/safety purpose.<br>D. We encourage employees to exercise by setting up a gym. The usage survey shows that around 20 to 40 people go to the gym for exercise every day.<br>2. Occupational Health and Safety Management Systems (OHSAS): We establish our own occupational safety management system. Even though the system has not passed the OHSAS 18001 or TOSHMS certification, we formulate regulations and systems consistent with the occupational safety system in accordance with the said certification systems, draw up the annual occupational safety work plan, and conduct regular inspection according to the plan every month. | |
| (IV) Does the Company have an effective career capacity development training program established for the employees? | ✓ | | Our HR unit have an effective career capacity development training program established for the employees based on their specialties. | (IV) No major difference. |
| (V) Does the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are | ✓ | | To protect consumers' rights, complaint channels are provided on the Company's website for the consumers to contact our R&D, procurement, production, operational and service personnel.<br>The Company complies with relevant laws and international standards with regard to marketing and labeling in relation to our products and services. | (V) No major difference. |

| Evaluation item | Implementation | | | Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons. |
|---|---|---|---|---|
| | Yes | No | Summary | |
| relevant consumer protection and grievance procedure policies implemented | | | | |
| (VI) Does the Company establish supplier management policies and require them to follow relevant regulations on the issues of environmental protection, occupational safety and health, or labor rights? How is the implementation? | ✓ | | Before executing a contract with a supplier, the Company evaluates the supplier in accordance with the internal control system and internal management regulations. As long as the supplier passes the evaluation, it may be one of our qualified suppliers. When any supplier is involved with any violation of the corporate social responsibility and the violation has a significant impact on the environment and society, we exclude the unqualified supplier in the regular supplier evaluation. The procurement unit takes necessary actions against the said suppliers when selecting suppliers, for example, selecting other excellent suppliers, and terminating or dissolving the procurement contract with such suppliers. | (VI) No major difference. |
| V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?? | ✓ | | We voluntarily prepare the CSR report based on the GRI Standards and disclose the report on the Company’s website and MOPS. We have not acquired any third-party assurance or verification opinion for the report. | No major difference. |
| VI. Whether the Company has instituted the sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for the TWSE Listed and TPEx Listed Companies," specify the implementation of these principles and the variation with the Sustainable Development Best Practice Principles for the TWSE/TPEx-listed Companies: | | | | |

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation</th><th rowspan="2">Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEx Listed Companies and the reasons.</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">The Company established the “Corporate Social Responsibility Best Practice Principles” to fulfill corporate social responsibilities. The actual operation has been consistent with such Principles.</td></tr>
<tr><td colspan="5">VII. Is there any other essential information that helps to understand the performance of sustainable development:<br>The Company has been devoted to implementation of waste management policies, such as actively reducing wastes from design and manufacturing and the use of materials, improving packaging materials, effectively performing internal waste sorting, and establishing waste disposal programs.<br>(I) The Company produces an average of 1.5 metric tons of business waste monthly. We provide recyclable bottles, cartons and batteries to charities for recycling without compensation in the hope to realize the reuse of resources and engage in public welfare.<br>(II) Every year, our welfare committee collects books, secondhand clothes and cups or plates provided by the Company and employees and gives them to social welfare organizations to enable effective reuse of resources.</td></tr>
</table>

**Attachment 1: CyberTAN Plant Greenhouse Gas Emission, Water Consumption and Total Weight of Waste in 2021 and 2020**

◎Whole year electricity expense and consumption

| Year | 2021 | 2020 |
|---|---|---|
| Whole year electricity expense (NTD) | 3,199,455 | 2,638,128 |
| Whole year electricity consumption (NTD) | 955,800 | 945,500 |
| Whole year KGCO2e emission | 485,356 | 481,259 |

◎Whole year water expense and consumption

| Year | 2021 | 2020 |
|---|---|---|
| CO2 emission (equivalent/kg) from water consumption in the period (whole year) | 782 | 896 |
| Water consumption in the period (whole year) | 5,170 | 5,598 |

◎Whole year waste tonnage

| Year | 2021 | 2020 |
|---|---|---|
| Whole year waste tonnage | 13.16 | 13.708 |

**(VI) Fulfillment of integrity management and measures taken**

| Evaluation item | Implementation | | | Nonconformities to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Enactment of ethical management policy and program | | | | |
| (I) Does the Company establish ethical corporate management policies that are adopted by the Board of Directors and explicitly state such policies and the implementation methods in its Articles of Incorporation and external documents? Do the Board of Directors and top management actively implement their commitment to implementing the operating policies? | ✓ | | The Company is committed to ethical corporate management and complies with relevant laws and regulations. We adopted the "Ethical Corporate Management Best-Practice Principles" approved by the Board of Directors as the corporate management policies of the Company and disclosed the same on the Company's website and MOPS to actively fulfill and supervise the execution of ethical corporate management policies committed. | (I) No major difference. |
| (II) For the risk of unethical conduct, does the Company establish an assessment mechanism and regularly analyze and assess the business activities within its business scope which are possibly at a higher risk of being involved in unethical conduct to establish preventive solutions that at least cover the conduct specified in each subparagraph under Paragraph 2 in Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed | ✓ | | The Company adopts proper preventive measures such as the establishment of "Code of Ethical Conduct for Directors and Managers" and "Employee Work Rules." | (II) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| Companies"?<br>(III) Whether the Company explicitly defines procedures, guides of conduct, and disciplinary and reporting systems in case of a violation in the preventive solutions of unethical conduct, implements them accordingly, and carries out reviews and modifications of these solutions? | ✓ | | The Company has established the "Employee Work Rules" to specify that employees shall be ethical and fulfill their duties without accepting bribes and keeping a disorderly house to enhance the prevention of unethical conduct. We also conduct irregular promotions and have established the "Code of Ethical Conduct for Directors and Managers." The Board of Directors and management also commits to actively fulfill and supervise the execution of ethical corporate management policies. | (III) No major difference. |
| II. Implementation of ethical business practices<br><br>(I) Does the Company have the integrity record of the trading counterparty assessed and with the clauses of ethical conduct expressed in the contract signed between them?<br><br>(II) Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors and whether such unit reports the ethical corporate management policies and the preventive solutions of unethical conduct, as well as the supervision of the implementation effectiveness to the Board of Directors | <br><br><br>✓<br><br><br><br><br><br>✓ | | <br><br><br>The business unit and procurement unit of the Company has respectively conducted the credit and loan investigations of the customers based on the internal control system of the Company and conducted the service quality control of the suppliers.<br><br>To implement the supervision responsibility of ethical corporate management, the HR unit of the Company is dedicated to managing operations related to the amendments, explanations and consultation services of relevant operating procedures and guides of conduct. The unit also conducts audit and follow-up based on the "Ethical Corporate Management Best-Practice Principles" and regularly reports the implementation status to the Board of Directors once every year. In addition, the Audit Committee of the Company has established regulations regarding the | <br><br><br>(I) No major difference.<br><br><br><br><br><br>(II) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (at least once a year)? | | | supervision and implementation of accounting, audit, financial report procedures to ensure the internal control procedure and integrity.<br>2. The Company has implemented an ethical management policy. The relevant status is as follows:<br>(1) Education and training: Upon the training of newcomers, the Company promotes employee management principles. By doing this, the employees are aware of relevant laws, regulations and policies, of which the employees are reminded for strict compliance.<br>(2) Compliance: The Company promotes ethical management and prevention of employee insider trading from time to time via intranet website. This way, our employees are able to pay attention to relevant matters when carrying out their duties. | |
| (III) Does the Company define any policy against conflict of interest, provide adequate channels thereof, and fulfill the same precisely? | ✓ | | The “Rules of Procedure for Board of Directors Meetings” of the Company has specified the policy against conflict of interests and the Company’s website also provides adequate channels thereof to prevent conflict of interest and implement accordingly. Also, the Company has established the “Code of Ethical Conduct” specifying that employees shall not exploit their authorities for improper gains. | (III) No major difference. |
| (IV) Has the Company fulfilled ethical management by establishing an effective accounting system and internal control system, and had an internal audit unit develop relevant audit plans according to the risk | ✓ | | To fulfill the ethical corporate management, the Company has established effective accounting system and internal control system, and had an internal audit unit to conduct the audit. In the future, we may appoint the CPA to perform the audit depending on the situation. | (IV) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| assessment results of unethical conduct and audited the compliance with the preventive solutions of unethical conduct accordingly, or appointed a CPA to do so?<br>(V) Has the Company organized internal/external educational training for ethical management periodically? | ✓ | | The Company has conducted the promotion and education of the employee management rules during the new employee training; the Company promotes the prevention of insider trading for the employees on the internal website of the Company on an irregular basis; we also promote the notices of "Personal Data Protection Act" for the employees on a irregular basis. | (V) No major difference. |
| III. Implementation of the Company's whistleblowing system<br>(I) Does the Company define a specific whistleblowing and rewarding system, and establish convenient whistleblowing channels, and assign competent dedicated personnel to deal with the situation? | ✓ | | The HR unit of the Company has established a specific whistleblowing mechanism and channel to handle various whistleblowing matters and assigned dedicated personnel to deal with the situation. | (I) No major difference. |
| (II) Has the Company defined the standard operating procedure for investigation after acceptance of a reported misconduct, the follow-up actions to be taken after the investigation, and relevant confidentiality mechanism? | ✓ | | The HR unit of the Company has established a specific whistleblowing mechanism and channel with confidentiality measures throughout the process. | (II) No major difference. |

| Evaluation item | Implementation | | | Nonconformities to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III) Has the Company adopted any measures to prevent the whistleblowers from being abused after reporting misconduct? | ✓ | | The Company has adopted measures to prevent the whistleblowers from being abused after reporting misconduct. | (III) No major difference. |
| (IV) Enhancing information disclosure<br>Has the Company disclosed the Ethical Management Best Practice Principles and the effect of implementation thereof on its website and Market Observation Post System? | ✓ | | The Company has established the Ethical Corporate Management Best-Practice Principles and disclosed thereof on the Company's website and MOPS. | No major difference. |
| If the Company has established ethical management best practice principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation:<br>The Company formulated the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct for Directors and Managers." The actual operation has been consistent with such Principles and Code. | | | | |
| VI. Other important information useful to the understanding of the corporate ethical management implementation: (e.g. the Company's review and amendment of the Ethical Corporate Management Best Practice Principles established thereby)<br>Please refer to the Company's website and Market Observation Post System (MOPS). | | | | |

**(VII) If the Company has corporate governance principles and related regulations in place, the access to such principles and regulations shall be disclosed:** Please refer to the Company's website and MOPS.

**(VIII) Other important information enabling better understanding of the Company's corporate governance implementation may also be disclosed:** Please refer to the Company's website and MOPS.

**(IX) Implementation of the internal control system:**

1. Declaration of an Internal Control System: please refer to page 107 of this annual report.
2. If a CPA is appointed to review the Company's internal control system, the CPA's review report shall be disclosed: None.

**(X) Any legal penalty against the Company or its internal personnel, any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, or any main deficiencies and improvements therein, in the most recent year up to the publication date of this annual report:** None.

### (XI) Major resolutions made by shareholders' meetings and the Board of Directors in the most recent year up to the publication date of this annual report:

1. Important resolutions made by the shareholders' meeting in 2020

| Important resolution: | Implementation |
|---|---|
| Proposal for ratification of the 2020 business report and financial statements | Ratified by the shareholders' meeting |
| Proposal for ratification of earnings distribution in 2020 | August 13, 2021 was set as the ex-dividend date and August 31, 2021 was set as the distribution date (at NTD 0.15 cash dividend per share) |
| Proposal for amendment of the Company's "Rules Governing the Election of Directors" | Amended in accordance with the amended Articles of Incorporation and announced on the Company's website |
| Proposal for reelection of the Company's directors | The list of elected candidates has been announced after the meeting as material information. |
| Proposal for removal of the non-competition restrictions against new directors and their representatives | The proposed is passed as originally proposed |

2. Important resolutions made by the Board of Directors

| Date | Important resolution: | Implementation |
|---|---|---|
| March 25, 2021 | ● Proposal of the Company's "Declaration of Internal Control System"<br>● Proposal of the Company's 2021 budget<br>● Proposal for distribution of the remuneration to employees in 2020<br>● Proposal of the 2020 financial statements<br>● Proposal for amendment of the Company's "Rules Governing the Election of Directors"<br>● Proposal for holding the annual meeting of shareholders in 2021<br>● Proposal for acceptance of shareholders' proposals to the annual meeting of shareholders and of the list of nominated candidates for directors (including independent directors)<br>● Proposal for reelection of the Company's directors<br>● Proposal for nomination of candidates for directors (including independent directors)<br>● Proposal of contracts with financial institutions | Completed in accordance with the resolution |
| May 12, 2021 | ● Proposal of the 2020 business report<br>● Proposal for 2020 earnings distribution<br>● Proposal for removal of the non-competition restrictions against new directors and their representatives<br>● Proposal for the 2020 remuneration to the Company's Vice President, Maxon Huang<br>● Proposal for the 2021 remuneration to the Company's Vice President, Maxon Huang<br>● Proposal for promotion of the Company's senior director, Tseng-Chih Wang | Completed in accordance with the resolution |
| July 14, 2021 | ● Proposal of re-setting the date and venue for the annual meeting of shareholders in 2021 | Completed in accordance with the |

| | | |
|---|---|---|
| | | resolution |
| July 30, 2021 | ● Proposal of the election of the Company's new chairman<br>● Proposal of appointment of the Company's Remuneration Committee members | Completed in accordance with the resolution |
| August 11, 2021 | ● Discussion of the proposal of the Company's remuneration to directors<br>● Discussion of the proposal of the remuneration to the Company's current Remuneration Committee members<br>● Discussion of the proposal of salary adjustment for the Company's managers<br>● Discussion of the proposal of the quarterly bonus<br>● Discussion of the proposal of the managers' bonus | Completed in accordance with the resolution |
| November 10, 2021 | ● Proposal of the 2021 audit plan<br>● Proposal for assessment of the independence of the Company's CPAs<br>● Proposal of the employee bonus and retention incentive for the Company's 2021 managers | Completed in accordance with the resolution |
| March 21, 2022 | ● Proposal of the Company's "Declaration of Internal Control System"<br>● Proposal of the Company's 2022 budget<br>● Proposal for distribution of the remuneration to employees in 2021<br>● Proposal of the 2021 financial statements<br>● Proposal for amendment of the Company's "Procedures for Acquisition or Disposal of Assets".<br>● Proposal for amendment of the Company's "Corporate Governance Best-Practice Principles".<br>● Proposal for amendment of the Company's "Corporate Social Responsibility Best-Practice Principles".<br>● Proposal for holding the annual meeting of shareholders in 2022.<br>● Proposal for acceptance of shareholders' proposals to the annual meeting of shareholders.<br>● Proposal of contracts with financial institutions | Completed in accordance with the resolution |
| April 6, 2021 | ● Proposal of the election of the Company's new chairman | |
| May 9, 2021 | ● Proposal of the 2021 business report<br>● Proposal for 2021 earnings distribution<br>● Proposal of the 2022 Q1 financial statements.<br>● Proposal for amendment of the Company's "Articles of Corporation".<br>● Issuance of new restricted stock awards.<br>● Proposal for subsidiary HR planning<br>● Approve the suspension of non-competition restrictions on the Directors and their representatives.<br>● Proposal of addition to the agenda of the Company's 2022 annual general meeting of shareholders | |

| | |
|---|---|
| | ● Proposal of the appointment of the Company's managers and remuneration of chairman and new managers |

**(XII) Documented opinions or declarations in writing made by directors against important board resolutions in the most recent year up to the publication date of this annual report:** None.

**(XIII) Resignation and dismissal of the Chairman, President, Accounting Officer, Financial Officer, Internal Audit Officer and Chief R&D Officer in the most recent year up to the publication date of this annual report:**

| Title | Name | On-board date | Resignation date | Reason |
|---|---|---|---|---|
| president | Roger Wu | July 19, 2013 | May 7, 2022 | career planning |

## V. Information of CPA Fees

Unit: NTD thousand

| Name of CPA office | Name of CPA | Examination Period | Audit fees | Non-audit fees | Total | Remark |
|---|---|---|---|---|---|---|
| PwC Taiwan | Min-Chuan Feng<br>Yung-Chien Hsu | 110/1/1~110/12/31 | 3,735 | 1,230 | 4,965 | non-audit fees mainly for the transfer pricing report and Master File. |

**(I) If replacement of a CPA firm results in a lower audit fee in that year compared to the previous year, the amount, percentage and reason of the reduction shall be disclosed:** None.

**(II) If an audit fee is reduced by more than 15% compared to the previous year, the amount, percentage and reason of the reduction shall be disclosed:** None.

## VI. Information on Replacement of CPA

**(I) Former CPA:** None.

**(II) Succeeding CPA:** None.

**(III)The former CPA's written response to the items referred to in Items 1 and 2-3, Subparagraphs 6, Article 10 of the Guidelines:** None.

## VII. The Company's Chairman, President, or any financial or accounting managers who have been employed by a CPA firm or any of its affiliated companies in the most recent year: None.

## VIII. Any transfer of equities and/or pledge of or change in equities by a director, supervisor, manager, or shareholder with a stake of more than 10% in the most recent year up to the publication date of this annual report

### (I) Any change in equities of directors, managers, and major shareholders:

Unit: Shares

| Title | Name | 2021 | | Up to April 26, 2022 | |
|---|---|---|---|---|---|
| | | No. of increase (decrease) of shares held | No. of increase (decrease) of shares pledged | No. of increase (decrease) of shares held | No. of increase (decrease) of shares pledged |
| Director | Foxconn Technology Co., Ltd. | — | — | — | — |
| | Representative: Gwong-Yih Lee(Note 1) | Not applicable | | — | — |
| | Hyield Venture Capital Co., Ltd. (Note2) | — | — | Not applicable | |
| | Representative: Teddy Chen(Note 1) | — | — | — | — |
| | Jia Lian Investment Co., Ltd(Note2) | — | — | Not applicable | |
| | Representative: Roger Wu(Note3) | — | — | — | — |
| | Roger Wu(Note3) | — | — | — | — |
| | Foxconn Technology Co., Ltd. | — | — | — | — |
| | Representative: Hank Hsieh(Note4) | Not applicable | | — | — |
| | Representative: Kuo-Liang Ho(Note4) | — | — | — | — |
| | Ching-Wei Lin(Note2) | — | — | Not applicable | |
| | Hung-Hsun Ting | — | — | — | — |
| | Judy Y.C. Chang | — | — | — | — |
| | Shih-Mei Lin(Note5) | — | — | — | — |
| | Ying-Shan Lin | — | — | — | — |
| CEO | Stanley Wang | Not applicable | | — | — |
| President | Roger Wu(Note3) | — | — | — | — |
| Vice President | Maxon Huang | — | — | — | — |
| Vice President | Hank Hsieh | Not applicable | | — | — |
| Asst Vice President | Deaxy Wang | (21,962) | — | (7,000) | — |
| Finance & Accounting Officer | Sammie Huang | — | — | — | — |

Note 1: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Teddy Chen, and the current is Gwong-Yih Lee, who was elected chairman by the Board of Directors)

Note 2: Dismissed after the election of directors on July 30, 2021.

Note 3: After the election of directors took place on July 30, 2021, the representative of the corporate director of Jia-Lian Investment Co., Ltd. was elected as director as a natural person. Director Chung-Ho Wu resigned as director and general manager on May 7, 2021.

Note 4: On April 6, 2022, Foxconn Technology Co., Ltd. reassigned its representative (the former was Kuo-Liang Ho, and the current is Hank Hsieh)

Note 5: Independent director Shih-Mei Lin was elected at the annual general meeting of shareholders held on July 30, 2021.

### (II) Counterparts of the shares transferred or pledged are related parties: None.

## IX. Information on the top-ten shareholders who are related parties to each other, in a

**spousal relationship or within the second degree of kinship**

| Name | Shares held by the shareholder | | Shares held by spouse and minor children | | Total shares held in the names of others | | The title or name and relation in case of the top-ten shareholders who are related parties to each other, in a spousal relationship or within the second degree of kinship. | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Title (or name) | Relationship | |
| LGT Bank AG | 14,109,000 | 4.29% | 0 | 0 | 0 | 0 | None | None | |
| Hon Yuan International Investment Co., Ltd. | 10,035,348 | 3.05% | 0 | 0 | 0 | 0 | Hon Hai Precision Industry Co., Ltd. | Hon Yuan is a 100% invested company of Foxconn | |
| Representative: Te-Tsai Huang | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| Lin Yih International Investment Co., Ltd. | 10,035,348 | 3.05% | 0 | 0 | 0 | 0 | Hon Hai Precision Industry Co., Ltd. | Lin Yih is a 100% invested company of Foxconn | |
| Representative: Te-Tsai Huang | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| Foxconn Technology Co., Ltd. | 10,035,348 | 3.05% | 0 | 0 | 0 | 0 | Hyield Venture Capital Co., Ltd. | Major Shareholder of Foxconn Technology | |
| Representative: Chun-Fu Lu | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| Hyield Venture Capital Co., Ltd. | 10,035,348 | 3.05% | 0 | 0 | 0 | 0 | Hon Hai Precision Industry Co., Ltd. | Major Shareholder of Hyield Venture Capital | |
| Representative: Te-Tsai Huang | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS | 4,414,000 | 1.34% | 0 | 0 | 0 | 0 | None | None | |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,373,006 | 1.33% | 0 | 0 | 0 | 0 | None | None | |
| Hon Chi International Investment Co., Ltd. | 2,834,619 | 0.86% | 0 | 0 | 0 | 0 | Hon Hai Precision Industry Co., Ltd. | Hon Chi is a 100% invested company of Foxconn | |
| Representative: Te-Tsai Huang | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| Shi Teng Investment Co., Ltd. | 2,405,000 | 0.73% | 0 | 0 | 0 | 0 | None | None | |
| Representative: Li-Chu Hsu | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| Chih-Ming Lin | 2,269,000 | 0.69% | 0 | 0 | 0 | 0 | None | None | |

## X. For the total number of shares held in any single enterprise invested in by the Company, its directors and supervisors, managers, and any enterprises controlled directly or indirectly by the Company, the general shareholding ratio is calculated in a consolidated manner

December 31, 2021

| Invested enterprise | The Company's investment | | Investment by directors, supervisors and managers, or by directly or indirectly controlled enterprises | | Combined investment | |
|---|---|---|---|---|---|---|
| | Amount of investment | Shareholding ratio | Amount of investment | Shareholding ratio | Amount of investment | Shareholding ratio |
| CyberTAN(B.V.I) Investment Corp. | USD22,044,000 | 100% | — | — | USD22,044,000 | 100% |
| CyberTAN Corp.(USA) | USD600,000 | 100% | — | — | USD600,000 | 100% |
| Cyber Touch Investment Inc. | NTD100,000,000 | 100% | — | — | NTD100,000,000 | 100% |
| CyberTAN Technology (Hong Kong)Limited | — | — | USD6,344,000 | 100% | USD6,344,000 | 100% |
| Fu Hong Kang Technology Precision Industry(Shenzhen) Co., Ltd. | — | — | USD6,344,000 | 100% | USD6,344,000 | 100% |
| Chongqing Hongdaofu Technology Co.,Ltd. | — | — | CNY53,500,000 | 100% | CNY53,500,000 | 100% |
| HON YAO FU TECHNOLOGY COMPANY LIMITED | — | — | USD9,000,000 | 100% | USD9,000,000 | 100% |

# Four. Financing Status

## I. Capital and shares

### (I) Source of capital

1. Formation of capital

| Date | Issue price (dollars) | Authorized capital | | Paid-in capital | | Remarks | |
|---|---|---|---|---|---|---|---|
| | | Number of shares (thousand shares) | Amount (thousand dollars) | Number of shares (thousand shares) | Amount (thousand dollars) | Source of capital | Offset against payments of shares by any property other than cash |
| April 2018 | 10 | 363,000 | 3,630,000 | 328,605 | 3,286,054 | Decrease of 146,000 shares out of revocation of new restricted employee shares (Note 1) | |

Note 1: The capital decrease was approved by the Zhu-Shang-Zi Letter No.1070012118 issued by the Hsinchu Science Park Bureau, MOST on April 25, 2018.

2. Type of issued shares

| Shares / Type | Authorized capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding shares | Unissued shares | Total | |
| Common stock | 328,605,418 shares | 34,394,582 shares | 363,000,000 shares | - |

3. Information relevant to reporting: None.

### (II) Composition of shareholders

| Composition of shareholders / Quantity | Government agency | Financial institution | Other corporates | Foreign institutions and foreigners | Individual | Total |
|---|---|---|---|---|---|---|
| Number of persons | 0 | 1 | 158 | 91 | 61,008 | 61,258 |
| Number of shares held | 0 | 2,921 | 49,205,086 | 34,496,091 | 244,901,320 | 328,605,418 |
| Shareholding ratio | 0.00% | 0.00% | 14.97% | 10.50% | 74.53% | 100.00% |

## (III) Distribution of equity

| Range of shareholding | Number of shareholders | Number of shares held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 17,365 | 1,046,008 | 0.32% |
| 1,000 to 5,000 | 34,757 | 73,159,909 | 22.26% |
| 5,001 to 10,000 | 5,187 | 42,063,509 | 12.80% |
| 10,001 to 15,000 | 1385 | 17,666,197 | 5.38% |
| 15,001 to 20,000 | 925 | 17,390,347 | 5.29% |
| 20,001 to 30,000 | 653 | 17,035,731 | 5.18% |
| 30,001 to 40,000 | 315 | 11,397,030 | 3.47% |
| 40,001 to 50,000 | 181 | 8,500,254 | 2.59% |
| 50,001 to 100,000 | 299 | 21,567,925 | 6.56% |
| 100,001 to 200,000 | 113 | 16,163,940 | 4.92% |
| 200,001 to 400,000 | 46 | 12,588,512 | 3.83% |
| 400,001 to 600,000 | 11 | 5,572,505 | 1.70% |
| 600,001 to 800,000 | 2 | 1,402,000 | 0.43% |
| 800,001 to 1,000,000 | 2 | 1,688,555 | 0.51% |
| 1,000,001 and above | 17 | 81,362,996 | 24.76% |
| Total | 61,258 | 328,605,418 | 100.00% |

Note: The Company did not issue preferred stock.

## (IV) List of major shareholders

| Shares / Names of major shareholders | Number of shares held | Shareholding ratio |
|---|---|---|
| LGT Bank AG | 14,109,000 | 4.29% |
| Hon Yuan International Investment Co., Ltd. | 10,035,348 | 3.05% |
| Lin Yih International Investment Co., Ltd. | 10,035,348 | 3.05% |
| Foxconn Technology Co., Ltd. | 10,035,348 | 3.05% |
| Hyield Venture Capital Co., Ltd. | 10,035,348 | 3.05% |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS | 4,414,000 | 1.34% |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,373,006 | 1.33% |
| Hon Chi International Investment Co., Ltd. | 2,834,619 | 0.86% |
| Shi Teng Investment Co., Ltd. | 2,405,000 | 0.73% |
| Chih-Ming Lin | 2,269,000 | 0.69% |

### (V) Market price, net value, earnings, and dividends per share in the most recent two years and information thereof

Unit: NTD

| Item \ Year | | | 2021.03.31 (Note 1) | 2020 | 2019 |
|---|---|---|---|---|---|
| Market price per share | Highest | | 32.5 | 37.65 | 19.35 |
| | Lowest | | 22.8 | 14.55 | 10.20 |
| | Average | | 26.45 | 21.31 | 14.98 |
| Net value per share | Before distribution | | 16.34 | 16.57 | 16.41 |
| | After distribution | | - | 16.52 (Note 2) | 16.26 |
| Earnings per share | Weighted average number of shares | | 328,605 thousand shares | 328,605 thousand shares | 328,605 thousand shares |
| | EPS before retroactive adjustment | | (0.29) | 0.07 | 0.07 |
| | EPS after retroactive adjustment | | - | 0.07 | 0.07 |
| Dividends per share | Cash dividends | | - | 0.05(Note 2) | 0.15 |
| | Stock dividends | Dividends from retained earnings | None | None | None |
| | | Dividends from capital reserves | None | None | None |
| | Accumulated unpaid dividends | | - | None | None |
| ROI analysis | P/E ratio | | - | 304.43 | 214.00 |
| | P/D ratio | | - | 426.20 (Note 2) | 99.87 |
| | Cash dividend yield % | | - | 0.23% (Note 2) | 1.00% |

Note 1: The data of the market price per share are as of March 31, 2022. The EPS data in the first quarter of 2022 were reviewed by the CPA.

Note 2: The distribution in 2021 was to be submitted to the shareholders' meetings in 2022after it was resolved at the board meeting held on May 9, 2022.

Note 3: P/E ratio = Average closing price per share in current year/earnings per share

Note 4: P/D ratio = Average closing price per share in current year/cash dividend per share

Note 5: Cash dividend yield = Cash dividend per share/average closing price per share in current year

Note 6: The Company's net value per share and EPS data in the most recent quarter or in the most recent year were audited (reviewed) by the CPA.

### (VI) Dividend policy and implementation thereof

#### 1. Dividend policy defined by the Articles of Incorporation

The dividend policy defined by Article 20-1 of the Company's Articles of Incorporation is specified as follows:

If the Company has profit at the year's final accounting, it shall first be used to pay the income tax and make up any cumulative losses in accordance with laws, and 10% of the balance shall be appropriated as legal reserve, unless the existing legal reserve reaches the amount of the Company's paid-in capital. The rest of the balance shall be used for provision/reversal of special reserves pursuant to laws. The residual balance, if any, shall be added to cumulative undistributed earnings. The Board of Directors shall draft a proposal for allocation of the residual balance plus the undistributed earnings, and submit the same to the shareholders' meeting to resolve whether shareholder bonuses shall be distributed.

The Company authorizes the Board of Directors to make a resolution with respect to payment of all or part of the distributable dividends, bonuses, capital reserves or legal reserves in cash by a majority vote at a meeting attended by over two-thirds of the directors and report such payment to the shareholders' meeting without being subject to the resolution of the shareholders' meeting referred to in the preceding

paragraph.
The Company is now in the growth stage. As such, the dividend distribution policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the future. Shareholders' interests and long-term financial planning of the Company shall also be considered. The cumulative distributable earnings for shareholders' dividends shall be appropriated at no less than 15% of the distributable earnings in the current year. The dividends in cash shall not be less than 10% of the dividends for the shareholders.

**2. Dividend distribution proposed at the shareholders' meeting**

The Company resolved at the board meeting held on May 9, 2022 to allocate NTD 16,430,271 from the distributable earnings in 2021 to distribution of shareholders' cash dividends at NTD 0.05/share.

**3. Explain the effect of expected significant changes in the dividend policy:**

None.

**(VII) Impacts of stock dividends proposed at the shareholders' meeting on the Company's business performance and EPS:** N/A.

**(VIII) Remuneration to employees and directors**

**1. Percentage and range of the remuneration to employees, directors, and supervisors stated in the Articles of Incorporation:**

Article 20 of the Company's Articles of Incorporation is shown below:
7%–9% of the annual earnings of the Company, if any, shall be set aside as the remuneration to employees. The Board of Directors shall decide whether such remuneration to the employees is distributed in shares or in cash. The employees to whom remuneration may be distributed include those of the controlled or affiliate companies who meet specific conditions. The Board of Directors is authorized to define these conditions and the distribution methods. Distribution of remuneration to the employees shall be reported to the shareholders' meeting.
However, earnings must first be used to offset cumulative losses, if any, before being distributed to the employees and directors as their remuneration at the percentage mentioned above.

**2. The basis of estimating the amount of employee, director and supervisor remuneration, the basis for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of any difference between the actual distributed amount and the estimated figure, in the current period:** Such differences were treated as changes in accounting estimates and recognized as the profit or loss in the year of distribution.

**3. Distribution of the remuneration approved by the Board of Directors:**

(1) The Company's Board of Directors resolved to distribute NTD 188,253 as employee remuneration and NTD 0 as director remuneration in 2021.
(2) The Company expected to allocate NTD 887,233 and NTD 0 to employee bonuses and director remuneration in 2021, respectively.
(3) The accounting treatment of any difference between the actual distributed amount and the estimated figure: The differences were treated as changes in accounting estimates and recognized as the profit or loss in the year of distribution.
(4) The proposed amount of employee remuneration paid in shares and the ratio thereof to the total of profit after tax and employee bonuses in the current year: The Company did not distribute stock dividends to employees.
(5) Estimated earnings per share after distribution of the proposed employee remuneration and director remuneration:
Since the employee remuneration was recognized as expenses and the Company was to distribute NTD 0 as director remuneration, the earnings per share were not

affected.

4. **Actual distribution of remuneration to employees, directors, and supervisors in the previous year:**
   (1) NTD 1,249,357for employee bonuses; NTD 0 for director remuneration.
   (2) The Company's estimated amount of allocation for employee bonuses and director remuneration in 2020 was NTD 1,249,357 and NTD 0 respectively (Both amounts were estimated in consideration of legal reserves and calculated based on the profit after tax up to the current period and the percentage specified in the Articles of Incorporation).
   (3) The differences between the actual distribution amount and the estimated figure were recognized as the profit or loss in 2021.

**(IX) Repurchase of the Company's shares:** None.

**II. Issuance of corporate bonds:** None.
**III. Issuance of preferred shares:** None.
**IV. Issuance of overseas depository receipts:** None.
**V. Issuance of employee stock option certificates:** None.
**VI. Issuance of restricted stock awards for employees:** None.
**VII. Issuance of new shares in connection with mergers or acquisitions or with the acquisition of shares of another company:** None.
**VIII. Implementation of Capital Utilization Plan:** None.

# Five. Business Operation

## I. Capital and shares

### (I) Scope of Business

1. Principal business activities
   (1) Wired communication equipment and apparatus manufacturing
   (2) Manufacturing of electronics components
   (3) Restrained telecom radio frequency equipments and materials manufacturing (radio transceiver only)
   (4) Restrained telecom radio frequency equipments and materials import (radio transceiver only)
   (5) Computer and peripheral equipment manufacturing.
   (6) Data storage media manufacturing and duplicating.
   (7) Wireless communication equipment and apparatus manufacturing
   (8) International trade
   (9) Software design services
   Research, development, production, manufacturing and sale of the following products:
   (1) Broadband Internet router/gateway
   (2) Virtual private network
   (3) Firewall
   (4) Layer 3/Layer 4 switch
   (5) Wired high-end broadband network security router
   (6) Wireless high-end broadband network security router
   (7) Network service matching platform
2. The Company's major products and their weights:

Unit: NTD thousand

| Product type | 2020 turnover | Weight of business |
|---|---|---|
| Communication product | 4,631,172 | 95.80% |
| Others | 202,979 | 4.20% |
| Net operating revenue | 4,834,151 | 100.00% |

3. Present products of the Company:
   (1) 4K HD/UHD Set-top Box
   (2) Digital Cable Set-top Box
   (3) DOCSIS 3.0/3.1 Cable Modem
   (4) IoT Module/Gateway/Sensor
   (5) Digital IP Set-top Box
   (6) Miracast Wireless Display
   (7) M2M Module
   (8) Mesh Wi-Fi Router
   (9) OTT Set-top Box
   (10) PON Gateway
   (11) 4G Small Cell
   (12) VoIP Gateway Series
   (13) Outdoor WiFi AP
   (14) Security Router
   (15) Video Bridge
   (16) Wireless xDSL Router
   (17) Wireless AP/Bridge/Router
   (18) Wireless Module/SiP Module
   (19) Smart Router
   (20) Broadband Cable/DSL/PON Router
   (21) VPN Router
   (22) VoIP Gateway/Router

(23) Satellite Gateway
(24) Satellite Router
(25) SMB Indoor/Outdoor AP
(26) Wi-Fi 6 Router/Gateway
(27) NB IOT Tracker

4. New products planned for development
   (1) 5G FWA
   (2) Remote Wireless Communication Bridge
   (3) WIFI Wireless Enterprise Access Point, Local Wireless Controller
   (4) Wi-Fi 6E Router/Gateway
   (5) SD-WAN

## (II) Industry Overview

1. Current status and development of the industry:

The IMF estimated that the 2021 global economic growth rate was 5.9%, sufficient to offset the decline of 3.1% in 2020, and that the economy would recovery to a level higher than the level before the COVID-19 pandemic and to show a complete recovery trend. Nevertheless, the economic performance of difference countries varies significantly, such that a lot of countries have not recovered to the level before the pandemic. The main reason for such difference is mainly due to the uneven distribution of vaccines, epidemic control status and the impact of relief and stimulation policies implemented by governments. Despite COVID-19 vaccination starting at the beginning of 2021 worldwide, the supply of vaccines at the beginning was limited and was unevenly distributed. With the continuous emerging virus variants, countries worldwide are unable to completely recover from the impact of the pandemic. Fortunately, the examination capacity for COVID-19 continues to improve and the vaccination rate increases gradually, and the number of COVID-19 severe cases and death rate have decreased significantly. Accordingly, all major countries adopt the same economic recovery direction, and people’s lives are returning to normal gradually, showing a clear recovery trend of the global economy. The COVID-19 vaccination rate and coverage became the main factors for the economic performance difference among different countries in 2021. Looking back on the past two years, the pandemic situation of COVID-19 has been a significant disaster for people around the world. Up to the present day, there are more than 493 million confirmed cases worldwide and the number of deaths has reached more than 6.18 million (statistics up to the date of 2022/4/5). The epidemic had greater impact on global economy than the financial crisis in 2008, with disrupting production chains and recession of demand. The economy is expected to recover after the climax of the epidemic but the status still remains to be seen since it has diverged from the original growth forecast.

According to the MIC report: The future communication industry development will focus on the trend of smartphone devices, network communication and 5G. It also expects that the overall communication industry in Taiwan in 2021 would reach NTD 4.38 trillion, with a growth rate of 26.7%. Looking into the year of 2022, the output value will reach NTD 4.55 trillion, with an annual growth rate of 3.8%. In addition, as 5G becomes the mainstream standard, the communication equipment business operators in Taiwan have actively engaged in relevant planning and development. Accordingly, in 2022, 5G is expected to account for 45% of the overall communication industry output value in Taiwan. During the pandemic period, people’s demand on communication continues to increase, and the revenue of all telecommunication business operators worldwide also increases. In China, the revenue growth of the telecommunication industry reaches 14.4%, and the growth rate is 9.8% in the U.S. Regarding smartphones, 5G mobile phones wall become the new trend. According to the statistics of MIC, the number of 5G mobile phone users worldwide in 2022 is expected to reach 800 million users (approximately 10% of the penetration rate), and the 5G mobile phone penetration rate will reach 53.7%.

With regard to the 5G component process, due to the pandemic impact, 5G component factories of 5G power amplifier (PA) plants in Mexico, passive component plants in the Philippines and semiconductor packaging and testing industry in Malaysia have suspended their operations. The pandemic impact affects the 5G supply chain; however, MIC Senior Industry Consultant Chi Chang has indicated that 5G constructions continue to expand in various parts of the world, such as the active construction and planning of 5G base stations in China. Accordingly, the outlook of the future enormous business opportunities for 5G is optimistic.

The telecommunication industry in Taiwan mainly relates to the hardware OEM business, and chip makers, brand makers and telecommunication service providers play key roles in the industry, and the 5G domestically manufactured terminal chips in 2021 have been recognized and used by international business operators. Under the trend of 5G, Chi Chang expects that the 5G industry future development will indicate significant growth, and he also points out that the 5G equipment output value in 2022 will show a growth of 20.9%, reaching the value of NTD 2.1 trillion, and 5G will account for approximately 45% of the overall telecommunication industry output value in Taiwan.

Furthermore, although the demand for broadband network increases, the production and shipping of routers and components of chips are delayed, resulting in the situation of demand over supply. In addition, as component manufacturers are required to bear such additional costs, the gross margins of all manufacturers worldwide have decreased by 4–22% on average. Despite the decrease of global gross profit in 2021, MIC indicates that the output value of telecommunication equipment industry in Taiwan will show a growth rate of 6.4% in 2022, reaching NTD 890 billion.

Although the 5G supply chain has been affected by the pandemic, the 5G development continues to expand. MIC indicates three key events in the future: First, in 2021 and 2022, the global telecommunication capital expense will reach a new record high; in addition, under the stimulation of open RAN structure, the cooperation opportunities between international emerging equipment business operators and Taiwanese manufacturers are expected to increase.

**Wi-Fi 7 mainstream specification development enters new stage**

Regarding the Wi-Fi mainstream standard established and announced by IEEE, after Wi-Fi 4, the upcoming Wi-Fi 7 is expected to be released, and a new version is released approximately every 5communication capital expense will reach a new record high; in add broadband wireless network, for the mobile communication standard established by 3GPP, the new Wi-Fi generation is relatively active in comparison to the 3G/4G/5G mainstream mobile broadband standard evolution process with the release of one generation every 10 years.

It is widely accepted that Wi-Fi technology is relatively simpler than the mobile communication technology; however, for the release of each new generation, in terms of the transmission speed performance, the Wi-Fi maximum transmission rate continues to increase through bandwidth expansion, adjustment of modulation technology and introduction of new MIMO technology according to the IEEE team’s planning. It shall be noted that the current setting of Wi-Fi 7 theoretical transmission rate has reached the level of 46Gbps, indicating a significant improvement from the single-digit Gbps cumulative transmission rate of the past three generations, which also echoes the development blueprint of the last stage of the fixed optical fiber network.

With regard to the milestones of the IEEE 11be team, there are dozens of stages from the proposal approval to the external release of the standard. In addition, from the beginning of 2022, it can be understood that four stages have been executed, and all of the stages have been completed according to the originally planned timetable. Accordingly, new Wi-Fi standard is very likely to be announced mid-2024. It shall be noted that among the team members, the chair was held by Qualcomm, and the important positions of two vice chairs and secretary general, technical editors, etc., are held by personnel assigned by Intel, Broadcom, Ericsson and Huawei. All of the aforementioned business operators are benchmark companies in the communication field, and Qualcomm and Broadcom are two giants in the present Wi-Fi chip market.

Table 1 Wi-Fi Standard Evolution Table, Wi-Fi 4team, th

| Item | Wi-Fi 4 | Wi-Fi 5 | Wi-Fi 6 | Wi-Fi 6E | Wi-Fi 7(e) |
|---|---|---|---|---|---|
| IEEE Standard Name | 802.11n | 802.11ac | 802.11ax | | 802.11be |
| Release Date | 2007 | 2013 | 2019 | 2021 | 2024 |
| Operating Band | 2.4/5GHz | 5GHz | 2.4/5GHZ | 6GHz | 1-7.25GHZ* |
| Maximum Bandwidth | 40MHz | 80, 160MHz | | | Maximum 320MHz |
| Modulation Technology | 64QAM OFDM | 256QAM OFDM | 1024QAM OFDMA | | 4096QAM OFDMA |
| MIMO Technology: | 4x4 | 4x4, DL MU-MIMO | 8x8, UL/DL MU-MIMO | | 16x16 MU-MIMO |
| Encryption Protocol | WPA2 | WPA2 | WPA3 | | WPA3 |
| Maximum Transmission Rate | 1.2Gbps | 3.5Gbps | 9.6Gbps | | 46Gbps |

**Wi-Fi still holds an irreplaceable position**

First, in terms of the cost of use for users, a lot of the 5G online service charges of mobile telecommunication providers in most countries adopt the design of service packages according to different transmission volume limits, and unlimited transmission volume is the highest service package offered to users. For most of users, selection of a reasonable monthly charge along with the use of Wi-Fi has been the widely accepted use model. In addition, business operators, such as T-Mobile, are developing their 5G FWA service. Nevertheless, in terms of the fixed broadband service providers based on local Comcast with the average monthly consumption of several hundred GB bandwidth volume, mobile telecommunication service providers must be able to provide sufficient Wi-Fi volume to reduce the burden of base stations, in order to cope with the increasing number of 5G FWA users.

The second factor is related to the product development cost. Since Wi-Fi uses unauthorized bands, for equipment developers, they are not required to invest a great amount in the chip market entrance fee and patent royalty fee, and the large industrial ecosystem has been established under such relatively low entrance barrier. However, 5G mobile communication development requires relatively higher entrance cost. Except for smartphones and PC devices of higher selling prices being widely developed by manufacturers, the diversity of the rest of the products is still limited. In the network-connected era, the connection of numerous devices through Wi-Fi and 5G is a more effective and beneficial method.

Lastly, according to the above, it can be understood that the Wi-Fi technology is improving continuously, and a new version is released approximately every 5 years. The transmission rate for the next generation of Wi-Fi 7 is expected to have a significant improvement in the wireless network technology group, and it will be closely tied to the evolution of fixed optical fiber specification. Accordingly, business operators will seize opportunities in the enormous broadband application market. In general, the situation where Wi-Fi being replaced by 5G may still occur in some markets (such as corporate exclusive network); however, as Wi-Fi still has its advantages in various aspects, both technologies are more likely to develop in the co-existence state in the future.

2. Correlation among upstream, midstream and downstream in the industry:

   The Company is a professional supplier of network equipment. The upstream of the product includes materials such as microprocessor, network chip switch, data encryption chip, power supply and printed circuit board and the downstream includes network equipment distributors and regional carriers.

3. Development trends of products:

**LEO satellite communication**

Due to the gradual development of the LEO satellite market, MIC estimated that market scale will reach USD 24.78 billion in 2027. Analysis of Euroconsult: The demand for broadband communications satellite will increase 5 times in the future 10 years and 1,250 satellites will be launched per year. Compared to the 260 satellites launched in the previous 10 years, the rapid increase of number clearly proved the prospering development of the satellite broadband market and industry. This change not only reflected on the demand for satellites but also reflected on the main usage of satellite and the current status of satellite broadband operators regarding the government and purpose.

The 5G mobile communication era begins and how to meet the demand for 5G communication in various terrains and regions around the world while maintaining good 5G communication quality becomes the new issue for vendors in various industrial supply chains strive to conquer. The development of LEO satellite attracts much attention because the satellite signal can travel over mountains and oceans to make up for the deficiency of 5G wave. However, due to the restriction of geographical space, there are about 70% of regions without network coverage in the world. In most of these places, this is due to factors such as precipitous geographic environment, remote location or being located at sea or in the mountains; these areas increase the difficulty and cost for network infrastructure establishment and maintenance. Also, most internet service providers are unwilling to invest in these areas due to the low population, meaning poor potential user number and network traffic.

The satellite communication can be classified from high to low as HEO, MEO and LEO according to the orbit distance. Featured with low latency and increasingly low cost due to the investment of multiple vendors, LEO can assist in strengthening the disadvantage of difficult establishment of 5G AP in harsh environments since its transmission rate is better than 4G communication after testing.

The orbit distance of GEO satellite is about 36,000km from earth. Therefore, GEO satellite provides wider signal coverage on earth due to the long distance between the orbit and the earth. Thus, only three broadband satellites are required for orbiting to cover the world with broadband signal. The establishment and maintenance cost of the satellite is greatly reduced because its lifetime can reach 15 years. However, the long delay time of data communication is the disadvantage of the satellite.

The orbit distance of MEO satellite is about 8,000km from earth. The required satellite numbers in the system are slightly higher than the GEO system due to its closer orbit distance from earth. Every satellite has shorter service time than the GEO satellite in the covering region. Thus, the control and switching of system is simpler, the satellite and earth station cost is lower and the satellite lifetime is slightly shorter than GEO.

The orbit distance of LEO satellite is about 1,000km from earth. The low orbit distance of the satellite provides shorter transmission delay time and less path loss. However, this requires thousands of satellites to form the network structure to realize true global coverage. Therefore, due to the feature of shortest transmission delay time, LEO satellite broadband technology is considered as the satellite broadband technology with most development potentiality.

However, the LEO system requires more satellites, has higher launching cost with relatively short satellite lifetime and complicated system technology. This is also the problem that present LEO satellite operators striving to conquer.

The market scale of global broadband satellite service was settled to be USD 226.5 million in 2019. The analysis of MarketWatch estimated that the industrial scale will be promoted with a compound annual growth rate of 6.0% from 2021 to 2026. It is expected to reach USD 3.8162 billion at the end of 2026. Therefore, many emerging broadband satellite service providers are established one after another and the entire industrial chain of broadband satellite service begins to enter the ascending stage.

### Latest development of main low-earth-orbit (LEO) satellite business operators

The main International low-earth-orbit satellite (LEO) satellite service operators nowadays include SpaceX’s Starlink, Amazon’s Kuiper in the U.S., and Oneweb jointly invested by the British government and Bharti Airtel, the largest telecommunication service operator in India, satellite broadband service provider Telesat, and the U.S. satellite business operators of Indium and Globalstar providing the mobile satellite communication service. In addition to the aforementioned main LEO satellite business operators, GSO satellite business operators, such as Viasat, are also optimistic about the LEO satellite market business opportunities. It is expected to develop the LEO satellite for the next generation of satellite, and relevant network deployment will be started in 2026.

### Starlink LEO satellite star-system planning progress

SpaceX is a space technology company established by the founder of Tesla, Elon Musk, the wealthiest man in the world according to the ranking of the 2022 Forbes World’s Billionaires. The goal of the company is to reduce space transportation cost and to achieve the vision of manned spacecrafts for mars immigration. The company is committed to the development of space technologies, including the manufacturing of satellites and rocket recovery technology, etc.

According to the SpaceX’s LEO satellite star-system planning, it is divided into four stages, including the stage of massive applications for launch permits before 2020, intensive launch stage for 2020–2024, global network trial operation stage for 2024–2027, and the final goal of full commercial service operation stage expected to be commenced in 2027. Starlink plans to complete the deployment of 2,825 units of LEO satellites by 2024 to achieve the initial global coverage, and starts to provide trial operation to global users. For 2027, it expects to complete the remaining deployment of 7,518 units of satellites, in order to achieve the deployment for a total of 12,000 units of LEO satellites, and to officially commence the business operation of global LEO satellite communication network.

Up to March of 2020, SpaceX has launched a total of 2,232 units of satellites into orbit. Although such statistical number includes prototype and failed satellites, it has basically achieved the satellite launch goal for the first stage of Starlink and is ready to achieve global coverage.

**Oneweb LEO satellite star-system deployment progress**

Oneweb was established in 2012 and its headquarters are located in London, U.K. and Virginia, U.S.A. Under the impact of the withdrawal of the original investor Softbank at the end of March 2020, Oneweb announced the application for its bankruptcy protection. Subsequently, in July 2020, the British government and the Indian telecommunication group Bharti Global respectively acquired 45% of the shares of Oneweb with GBP 800 million (approximately USD 1 billion) (GBP 400 million of investment from each, approximately USD 500 million), and the remaining 10% of shares were held by the existing creditors, including SoftBank.

In general, Oneweb is one of the main competitors of SpaceX, and its star-system communication performance and deployment speed at the initial stage are next to SpaceX. Oneweb plans to launch 716 units of LEO satellites during the first stage. It originally planned to send 32–36 satellites into orbits in one launch per month in 2020; however, Oneweb announced bankruptcy after the satellite launch in March 2020, such that its satellite launch was suspended. It wasn’t until December 2020 that Oneweb resumed its operation deployment. In May 2021, 36 units of Oneweb satellites were launched with Arianespace, and as of March 2022, a total of 428 satellites had been launched completely. In the latest planning, Oneweb has reduced the number of satellite launches for the first stage, and it is expected to deploy all 649 units of satellites to achieve the global coverage in 2022. For the second stage, presently, it plans to divided it into three sessions of launches in order to deploy a total of 6,372 units of satellites.

**Oneweb commercial service development**

Oneweb’s LEO satellite service is mainly targeted at the niche market of corporate and government applications. It expects to provide network coverage for regions above the north latitude of 50 degrees. Presently, it has completed the coverage for the regions of the U.K., northern Europe, Greenland, Iceland and Canada, and it plans to provide commercial service at the end of 2021. After the acquisition of Oneweb by the largest telecommunication group in India, Bharti Global, Oneweb also includes India in its latest global communication service plan, and it expects to provide its service in India in 2022.

The application scenarios provided by Oneweb cover the feedback network, aerospace, marine applications and government use. Among such applications, the field of marine use is the key planning focus for Oneweb, and it includes marine applications aimed to satisfy different demands of commercial vessels, cruises, recreation boats and fishery. It expects to provide marine satellite communication service of large volume and low latency.

**Amazon Kuiper LEO satellite star-system deployment progress**

In April 2020, Amazon announced to reach the largest rocket transaction in the commercial aerospace industry, and it had signed with agreements with three companies for a maximum of 83 launches of its Kuiper project IoT satellites.

This technology giant signed agreements with United Launch Alliance (ULA), a joint venture of Boeing and Lockheed Martin for 38 launches. It also cooperated with the European company Arianespace 18 times, and cooperated with Blue

Origin invested by the founder of Amazon, Jeff Bezos, 12 times, with an additional option of 15 times of cooperation.

Kuiper's plan is to establish a network formed by 3,236 satellites at the low-earth orbit for Amazon in order to provide high-speed internet network for all areas around the globe. FCC granted its permission in 2020, and Amazon indicated that "the investment will exceed USD 10 billion" to construct the system.

**By 2026, it plans to deploy 1,600 satellites.**

At the beginning, Amazon will start its test of two units of Kuiper prototype satellites, and it is planned to launch by the RS1 rocket of ABL Space at the end of this year, following which it will deploy satellites in space orbit. Although Amazon has not explained when the Kuiper launch activity will start, according to the FCC rules, the company is required to deploy half of the satellites of its project in 6 years. In other words, by July 2026, it will have approximately 1,600 satellites entering orbit.

Amazon's equipment and service senior vice president, Dave Limp, stated that "We still have a lot of works to be done. Nevertheless, we have achieved milestones one after another in all aspects of our satellite system. All of the cooperation agreements have reflected our unbelievable commitment and faith in the Kuiper project."

4. Competition

The Company has a complete product line, including wired/wireless broadband, wireless client, telecommunication client, digital home, IoT and SMB products. The Company has routing and wireless RF technology, broadband router, xDSL, PON and Cable routers, integrated access device (IAD) and VoIP router. The main competitors are Sercomm Corp., Arcadyan and Wistron NeWebl the main competitors of wireless network card/module are AZUREWAVE and Gemtek; the main competitors of digital home products are Alpha Networks, Arcadyan and Pegatron. Looking to the future, the Company will continue to research and develop new products meeting the fashion and trend of the market in the hope of pulling the distance from the competitors to create better performance.

## (III) Overview of Technology and R&D

1. R&D expenses during the most recent year and up to the publication date of this annual report:

Unit: NTD thousand

| Item/Year | Up to March 31, 2021 | 2020 |
|---|---|---|
| R&D expenses | 57,046 | 272,019 |

2. Technology and products developed successfully in the most recent year and up to the publication date of this annual report:

| | |
|---|---|
| January 2015 | DTA HD Gen2 Set-top Box was shipped |
| February 2015 | 1750Mbps 3x3 802.11ac Dual-mode Indoor Base Station for Small Businesses was firstly shipped |
| April 2015 | Wi-Fi 802.11ac MU-MIMO 4x4/4x4 Wireless Router was shipped |
| April 2015 | First batch of 2600Mbps 4x4 802.11ac Wave-2 Dual-band Dual-mode High-speed Wireless Router was shipped |
| September 2015 | Ka-band Satellite Broadband Router was shipped |
| March 2016 | DOSIS 3.0 Cable Modem was shipped |
| October 2016 | IoT Wireless Smart Home Sensor Kits was shipped |
| November 2016 | 4K Set-top Box was shipped |
| December 2016 | First batch of Home Mesh Wi-Fi Router Kits was shipped |
| February 2017 | High-end Cable Set-top Box was shipped |
| April 2017 | IoT Enterprise WSN Gateway was shipped |
| July 2017 | Home Antivirus Firewall Dual-band Wireless Router was shipped |
| September 2017 | Second version of High-speed Satellite Broadband Wireless Router was shipped |
| February 2019 | High-speed Satellite Broadband Wireless Extender |
| March 2019 | Mesh Wi-Fi Router for Chinese customers was shipped |
| April 2019 | NB-IoT Tracker for North American customers was shipped |
| May 2019 | DOCSIS 3.1 Wi-Fi 6 Cable Gateway was shipped |
| December 2019 | First testing machine of new generation High-end Smart Set-top Box was shipped |
| May 2020 | Wi-Fi 6 Router for North American customers was shipped |
| June 2020 | Mass production model of new generation High-end Smart Set-top Box was shipped |
| September 2020 | 5G Wi-Fi 6 Gateway was shipped |
| October 2020 | Shipment test of 5G FWA testing machine for North American customers |
| April 2021 | Wi-Fi 6 Dual-band Mesh Full Coverage Router was shipped |
| June 2021 | Sample of LEO Satellite Broadband Trial Operation was delivered |
| October 2021 | Sample of 5G FWA SD-WAN WIFI 6 Router was delivered to European customers for testing |

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

1. Long-term business development plan
   (1) Product development:
      a. Accelerating the development of new generation wireless broadband products based on strong technology capability. For example, 5G mobile broadband "8K+5G" smart home audiovisual equipment, satellite communications, SDWAN and Wi-Fi 6/6E; integrating various product technologies and combining the deployment of new markets to further create new growth dynamism.
      b. Continuing to enhance the collaboration with leading international chip companies to maintain the leading position of new product launching and exploring new business opportunities based on the relationship.
      c. Continuing to strengthen the seamless connection between the market and the customer and grasping the development direction of first-hand product application to plan the product and technology blueprint meeting the entering time of the market at the beginning of new technology development.
   (2) Marketing strategy:
      a. Expanding the market deployment in America, Europe and Asia to acquire the best strategic position in emerging technologies and markets.
      b. Providing customers forward-looking and comprehensive product planning project to maintain present customer source and actively expand the weight of operating revenue.
      c. Expanding the new sales model to approach end customers and establish niche.
      d. Integrating technology and intelligentization for export strategy and paying attention to consumer experience, understanding local demands and preferences to design and manufacture customized services or products.
   (3) Production strategy:
      a. By the manufacturing and supply chain systems of the groups, we reduce the production cost of the Company and increase the essential competitiveness and actual yield rate.
      b. Enhancement of inventory management to achieve inventory optimization.
      c. Understanding the changes in the demand of end customers to create maximum flexibility for the supply chain and provide best strategic efficacy for the customer.
      d. Accelerating the introduction of IIoT solutions and continuing the expansion of production automation.
      e. Aiming at the trade war to deploy plants outside China to reduce the impact of external environment on the customer.
   (4) Operation and financial planning strategy:
      a. Promoting internationalized ideas and strengthening the business management capability of the enterprise to actively cultivate internationalized talents and march toward the goal of an internationalized enterprise.
      b. Continuing the reduction of expense ratio to increase the profitability.
      c. Properly utilizing the hedging instruments to reduce the exchange rate risk and avoid exchange losses.
2. Short-term business development plan:
   (1) Product development:
      a. Following the market trend, the short-term product development plan of the Company will continue to strengthen the technology of fixed-line

broadband, Wi-Fi module and router. We also focus on the deployment in new product fields such as 4G/5G mobile and satellite broadband, low-power IoT, network function virtualization, intelligent video and network to become an innovative integrated design service provider that provides the customer with overall solutions including the development, design and production services of software and hardware.

b. Improving the collaboration with the customer by providing resources complement for each other to introduce the product in the market as soon as possible.

(2) Marketing strategy:

a. Understanding the supply and demand information of the supplier and customer markets and shortening the marketing decision process to achieve the best decision-making benefit.

b. Providing multiple products for existing customers to assist them in expanding new markets and accelerating the expansion of operating scale for each other.

c. Assisting the customer in the problems regarding the optimization of product cost structure and technology to increase market competitiveness and establish stable partnership.

d. Expanding the sales channels of existing products.

(3) Production strategy:

a. Implementing the carbon reduction plant in response to the global environmental protection.

b. Full improvement of product yield rate and enhancement of personnel education and training.

c. Strengthening the plant automation to improve production efficiency and intelligentization.

(4) Operation and financial planning strategy:

a. Continuing the promotion of six sigma, KPI and TQM systems to improve individual and department management performance and quality system to achieve the objectives of the enterprise.

b. To respond to the policy of the FSC and be in line with the international trend, we introduced the IFRS system to prepare the financial report and provide more transparent and reliable financial information for the capital markets at home and abroad.

c. Assessing suitable item for merger or acquisition to expand the market and customer shares.

## II. Market and sales overview

### (I) Market analysis

1. Regions where our main products (services) are sold (provided)

The Company mainly focuses on the foreign OEM/ODM customers and most products are for sale abroad. The distribution of sales region is as follows:

| Year / Sales region | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| America | 2,935,922 | 74.39% | 3,692,032 | 76.37% |
| Asia | 404,095 | 10.24% | 328,015 | 6.79% |
| Europe | 555,452 | 14.07% | 752,362 | 15.56% |
| Others | 51,327 | 1.30% | 61,742 | 1.28% |
| Total | 3,946,796 | 100.00% | 4,834,151 | 100.00% |

2. Market share

According to the data of IEK, the output value of the communication equipment industry in Taiwan was NTD 863.4 billion in 2021, a growth of 2.1% in comparison with 2020. In general, the output value of network communication equipment reached NTD 485.3 billion, a growth of 1.8%. The overall shipment of Wi-Fi equipment in Taiwan is expected to reach NTD 136.9 billion with an annual growth of 3%. It is estimated that the Wi-Fi equipment shipment of the Company will account for 3% of the shipment of plants in Taiwan.

Regarding the network communication equipment, for WLAN, with the increasing application opportunities in indoor network, home office, remote teaching, zero-contact service and digital transformation under the positive impact of pandemic, they have become long-term market demands. In addition, due to the shortage of materials and unstable supply, users' demand for upgrading to Wi-Fi 6/6E products is also enhanced. With regard to the switch industry, in 2021, due to the continuous increase and expansion of network infrastructure by global network service providers and telecommunication business operators, along with the increasing market demand for 5G network and data center, the demand for switch is driven to increase, and the use for high-end switches will also be increased significantly. In general, for the year of 2021, the domestic network communication equipment output value has indicated an annual growth rate of 1.8%, reaching NTD 485.3 billion.

**Shipment volume analysis**

Looking back on the Wi-Fi main application device shipment status in 2021, smartphones indicated the largest shipment volume, and its market scale was far larger than the other products. However, during the first half of 2020, due to the impact of the COVID-19 pandemic and the factor that 5G network was still under the initial construction stage without driving large quantity of users to upgrade mobile phones, the total output volumes for the two years of 2020 and 2021 were less than the volume and performance in 2019, and particularly for the year of 2020, the market total volume failed to reach the level of 1.3 billion units, resulting in that the overall Wi-Fi application device annual shipment volume failing to demonstrate obvious growth.

Under the positive impacts of the consecutive introduction of the two high-speed standards of Wi-Fi 5 and Wi-Fi 6 in the market and the promotion of Mesh products, the market shows stable growth. However, due to the pandemic in the last two years, to support simultaneous online use of greater number of internet connection devices at home, home users tend to purchase the new generation of Wi-Fi 6 routers for the upgrade and replacement of machines. In addition, smart speakers also adopt the non-contact use model and can be further used to control home appliances, such as lamps and air conditioners, such that they were widely accepted by a great number of families during the pandemic period.

In general, for Wi-Fi application devices in 2020, mainly due to the impact of smartphone market decline, despite that a lot of PC, CE and communication types of products benefited from the pandemic, the calculation indicated that the annual shipment volume and for the year of 2019 maintained at the level of 2.9–3 billion units. Although the pandemic condition continued in 2021, market demand end performance from the government tender projects, retail channel and telecommunication services increased along with the recovery of mobile phone shipment volume, the Wi-Fi application device shipment volume indicated significant growth. However, the pandemic also affected the manufacturing activities, and particularly, for Southeast Asian countries where main factories were located, temporary suspension of work, shortage of components and delay of transportation and delivery occurred consecutively, resulting in limitation of the actual demand performance in the market.

With regard to the shipment ratio of application terminal products equipped with Wi-Fi network connection in 2021, the top five products included Smartphone (42.8%), Notebook (7.7%), Broadband CPE (6.1%), Smart TV (6.1%), Smart Speaker (5.3%), the total ratio of these top five products accounted for 67.9%.

As the shipments of Smartphones in 2020 and 2021 declined and under the expansion of overall Wi-Fi application device market, its market share decreased from approximately 50% to the level of nearly 40%. As Notebooks benefits from the pandemic development, its market share increased from the previous low ratio of 5%–6% in the past years to 7.7% again in 2021. For the two items of Broadband CPE and Smart TV, in addition to the stable growth in shipment demand, under the positive impact of pandemic development and the general public’s online and entertainment demands, their market share performance remained among the top five Wi-Fi application product shipment ratios.

3. Future supply & demand and growth in the market

The Market Intelligence & Consulting Institute (MIC) of Institute for Information Industry has indicated that for 2021, the global telecommunication industry reached USD 675.6 billion (approximately NTD 19 trillion) with a growth rate of 19.5%, and as for 2022, the mobile/fixed network upgrade demand is expected to continue to create market growth opportunity; however, due to the factors of upstream price increase and impact of transportation on the supply chain, the global growth rate is estimated to be 1.5%. In 2021, the overall telecommunication industry in Taiwan reached the scale of NTD 4.38 trillion with a growth rate of 26.7%%. Looking into the year of 2022, the overall telecommunication industry in Taiwan is expected to reach NTD 4.55 trillion with an annual growth of 3.8%. Senior industry consultant, Chi Chang, has indicated that the telecommunication industry in Taiwan focuses on the hardware OEM business, and the overall global market share has demonstrated stable growth from 18.6% in 2018 to 24.2% in 2022. As the telecommunication equipment manufacturers actively engage in the development and planning of 5G, the 5G industry output value in Taiwan will have a growth rate of 20.9% in 2022, reaching NTD 2.1 trillion, accounted for approximately 45% of the overall telecommunication industry output value in Taiwan.

**Global Wi-Fi network connection device shipment forecast**

Before the year of 2021, for the Wi-Fi network connection device market, the main products referred to personal portable information and communication products of notebook computers and smartphones as well as broadband network connection and set-top box terminals; in addition, under the diverse development of IoT related application for smart home, relevant devices were driven to grow.

The 2021 global shipment of Wi-Fi network connection equipment was expected to reach 3.2 billion units with an annual growth of 8.1%.

Starting in 2022, in terms of the Wi-Fi technology, Wi-Fi 6 will become the mainstream standard, and it will head toward the development of the higher speed of Wi-Fi 7, driving another wave of device upgrade and replacement trend. As for products, in addition to the aforementioned main products of smartphones, the annual shipment of smart TV and smart speakers are expected to reach one hundred million units per year. Furthermore, smart watches and AR/VR devices will also enter the high growth period. With the consecutive release of greater smart technologies and launch of IoT product devices, the overall market is expected to continue to expand.

By the year of 2026, the global Wi-Fi network connection terminal market is expected to reach the scale of more than 4.1 billion units, and the CAGR for 2021of Wi-Fi 7, dr

4. Competitive niche

(1) Professional OEM

The Company is a professional OEM but also provides standard products to expand the customer base and reduce the risk of marketing. We are also devoted to providing solutions for customers via the resources of the Company by setting the final goal as to meet the demand of the customer. This also relatively increases the reliability, dependence and stickiness between the Company and the customer.

(2) Provision of complete product line

By the integration of wireless and router technology, the Company provides complete product line, including wired broadband (PON, Cable, xDSL, Gateway), wireless broadband products (5G, LTE, Satellite Gateway, Satellite Communication Switch Module), Wi-Fi AP, Small Cell, remote Wi-Fi bridge, WAN series products and basic to high-end routers, VoIP products, wireless modules, SiP and home digital audiovisual products; in addition, in aspect of digital home products, we provide set-top boxes and satellite routers and actively develop products related to IoT (M2M module, IoT module, sensor, gateway and tracker) to meet the needs of the customer via diversified and complete product lines.

(3) Advantage of manufacturing and supply chain

By the collaboration with groups and seeking the assistance of their manufacturing and supply chain systems, we effectively reduce the production cost of the Company and increase the competitiveness and actual yield rate of the Company.

(4) Outstanding R&D team

The R&D team of the Company not only specialized in their fields but also have years of experience in the industry. They are dedicated to the development of new communication technology and build strong integration and development capabilities of software, firmware and hardware to establish the core competitiveness of the Company and the new thinking of product by adopting software as the core. By the outstanding technical R&D capability, the Company integrates network communication technologies related to wired and wireless broadband (Fixed/Mobile Broadband), routing, RF, IoT and digital home. Therefore, we can quickly transform the understanding of the industry with appropriate product functions to the most advanced solutions in the market and provide the customer with products meeting the demand of the market.

(5) Strict quality control to provide the best quality product

The Company has received the certificates of ISO9001, ISO14001, TL9000 and OHSAS18001 and truly complies with the strict requirements in fields of design, manufacturing, knowledge and technical assurance to provide the advanced and superior products meeting the environmental laws and regulations. We were awarded the Green Partner certificate by Sony in Japan and our quality and R&D technology was recognized by international manufacturers. These may assist the Company in acquiring more cooperation opportunities with international manufacturers.

(6) Excellent after-sale service

The Company's return of products for repair is reduced to the PPM level to provide high quality after-sale service, including logistics department and engineering service department. In addition, we have other professional personnel to improve our product performance so that the customer can feel at ease without any worry.

5. Positive, negative factors for development outlook and responsive strategies:

Positive factors:

(1) Investment of Foxconn Technology Group

Since November, 2005, Foxconn Technology Group had invested in the Company and currently became the largest shareholder of the Company. Besides controlling the wired, wireless and core routers, software and hardware technology as well as the talents, the Company will continue to integrate the manufacturing and production, R&D and marketing resources of Foxconn Technology Group to expand the market share and customer base. Therefore, the Company is expected to develop increasingly in the future.

(2) Global economic recovery and industrial trend

According to the statements made by IMF CEO Kristalina Georgieva on March 22, under the impact of the war between Ukraine and Russia, the global economic growth outlook will be downgraded next month. However, she also indicated that the global economy will still maintain positive growth this year; however, countries previously under weak economic performance may face recession.

Kristalina Georgieva described in the magazine of "Foreign Policy" and according to the latest "Global Economy Watch" report announced by IMF in April, the global economic growth outlook will be downgraded. According to the forecast in the January report of the IMF, the annual global growth rate for this year is 4.4%, a decrease of 0.5% from the estimation in last October, and the reason is mainly due to the unresolved chaos of the supply chain.

The World Bank and International Monetary Fund (IMF) have scheduled to convene the spring annual meeting in Washington D.C. on April 18–24, and the IMF plans to announce its forecast update in the "Global Economy Watch" during such period.

Kristalina Georgieva indicates that the war between Ukraine and Russia and the punitive sanctions imposed on Russia have caused impacts on the energy and food price increase, and along with the increase of interest rate in developed economies, the financial environment becomes more tightened, such that numerous developing economies will be affected.

Looking into the future of global industrial development trend and forecast in 2022:

Looking into the year of 2022, the industry output value is expected to have a growth of 6.4%, reaching NTD 890 billion. As for the 2022 industry trend, one must pay attention to the next generation broadband network business opportunities driven by the broadband subsidy policies implemented by the

U.S. and British governments for rural areas. For example, 5 out of 8 major fixed-line business operators in the U.S. are now expanding their 10G PON network investments and commercial applications. Chi Chang indicates that if the supply chain issue is mitigated or resolved, the year of 2022 will be a year of significant growth for the Fiber To The Home (FTTH) equipment in European and U.S. markets, and it is expected to drive the shipment demands for Wi-Fi 6 broadband and high-end products.

In terms of the 5G development, MIC of Institute for Information Industry states that although the pandemic continues to affect the 5G supply chain, the 5G industry in Taiwan will still show significant growth in view of the following reasons:

1. During 2021–2022, the capital expenses of global telecommunication operators reach new record high. 2. Under the simulation of the new network technology of Open RAN, the cooperation opportunities between international emerging equipment operators and Taiwanese companies will increase. 3. In addition to the major countries in the world entering the 5G network construction peak period, the number of countries with the issuance of license for the first time will continue to increase subsequently, such as: Vietnam, Brazil, and Colombia. Furthermore, Taiwanese companies will also find business opportunities in the equipment replacement plans in the U.S. As small business operators in the U.S. seek for supply of equipment without China manufactured components in the short term, Taiwanese companies are provided with great opportunities, and the improvement of plan readiness, fast shipment and price are key aspects for Taiwanese companies to seize business opportunities.

According to the global trend analysis of various research institutions, the trends is consistent with the development of the Company, such as the popularization of mobile broadband, emerging of the LEO satellite communication and the maximization of network resources by virtual network function. Thus, according to the strategic framework of establishing the core capability for software and hardware integration, we will continue to plan the strategy for the constant development of the Company.

Negative factors and responsive strategies:

(1) Extremely high uncertainty of the epidemic

In general, the global economic forecast is under the shadow of “extremely high uncertainty” due to the close connection between the economic activities and the epidemic. Many uncertainties depend on the development of the epidemic. The progress of vaccination which is lower than the appearance of new variant of coronavirus may influence the development of the epidemic and hinder the prospect of economic growth, especially in Europe and Latin America.

Responsive strategy:

In response to the prolonged epidemic, we normalized the epidemic control and reviewed the standard operating procedures and anti-epidemic habits in each plant. Secure the normal operation of the plant via internal audit and regular audit of the Group. For the interaction with customers, the plant audit is completed in a digitalized and visualized manner and new customers and orders of new products are gained thereof.

(2) Increase in production costs of manpower and oil price and decrease in gross profits of products

In the most recent year, the global material and labor costs continue to increase with the shortage of components such as main chips and semiconductors, greatly compressing the operating revenue and profitability of OEM/ODM. In addition, as the technology of broadband access equipment and products for the client becomes more mature, the technical barrier of competitors is also reduced and homogeneous products in the market continue to increase, resulting in the impact on the growth of profitability due to the compression of product price and gross profit.

<u>Responsive strategy:</u>

By the collaboration with the supply chain and production platform via the Group, the shortage of components such as semiconductors is reduced and the manufacturing efficiency is also improved to reduce the production cost; the investment in the research and development of products with higher technical integration and complexity to get out of the market competition via high value added products.

### (II) Important purpose and manufacturing processes of main products

1. Important purpose of main products:

| Products category | Purpose |
|---|---|
| **Broadband communication product** | The wired and wireless network equipment with path selection function used as the intermediary to connect LAN and WAN. |
| **WAN product** | Products are classified as<br>(1) M.2 PCIe network card and Wi-Fi module is the application of internet connection mainly used in smart mobile devices such as notebook.<br>(2) Wi-Fi AP and router are applied to internet access of users and wireless coverage. Various connection terminal equipment in the subnet can exchange data conveniently via the wireless router.<br>(3) Mesh AP is applied to internet access of users and wireless coverage that provides video experience without any disconnection. |
| **Set-top box products** | The main products include IP, Cable, OTT and Hybrid set-top boxes mainly used for the application of digital home audio multimedia. |
| **IoT products** | The main products include WSN IoT gateway, IoT/M2M/NB-IOT module, sensor and smart router to provide interoperability between various communication protocols and standards and realize the applications related to IoT. |

2. Manufacturing process:

| Step | Manufacturing process | Process description |
|---|---|---|
| 1 | R&D and design | 1. Determination of the plan based on the demands of the market and the customer<br>2. Production of PCBA based on the circuit diagram designed by the R&D personnel<br>3. Mold design based on the machinery diagram required by the customer<br>4. Introduction of mass production after completing the design verification |
| 2 | Kitting | Material preparation via All parts/SAP/SFC systems based on the material list of product order |
| 3 | SMT | 1. The electronic components which can be manufactured by SMD equipment are automatically mounted to the PCB surface via mounting equipment and technology.<br>2. The PCBA with completed mounting forms effective and reliable electrical connection by reflow process. |
| 4 | DIP | 1. The electronic components requiring artificial/automatic plug-in are inserted in PCBA.<br>2. The PCBA with completed plug-in forms effective and reliable electrical connection by wave process. |
| 5 | Preliminary testing | 1. Initially determining the yield rate in the front-end process to screen qualified products for the yield rate in the back end.<br>2. Basic function testing and guarantee to find out PCBA products with cold welding, empty solder or short circuit (e.g. whether it can start up normally and whether the version is correct). |
| 6 | RF commissioning | Conducting calibration and testing of frequency and output power for wireless RF products to ensure the RF signal, frequency and output power complying with the requirements of the regulations to meet the needs of the customer. |
| 7 | Assembly | Assembling the PCBA and the antenna and machinery based on the SOP of machinery design to complete the finished product. |
| 8 | Buru-in | Accelerating the aging test of the electronic product components within a certain duty cycle (usually 48–168 hours) with power on and in extreme environments (load and high temperature) to test potential failure of the product. |
| 9 | Final testing | After the PCBA undergone burn-in and integration with the case, conduct the final function and information testing and the customized overall testing of the product. |
| 10 | Packing | Adding required packing attachments based on the functions and characteristics of the product. |
| 11 | Shipment | Sale of finished products |

## (I) Supply of main materials

| Name of main materials | Primary source | Status of supply | Price tend |
|---|---|---|---|
| **Integrated circuit, memory** | From import and the domestic | Ordered procurement | Determined by the market supply and demand |
| **PCB** | From import and the domestic | Ordered procurement | Determined by the market supply and demand |
| **Transistor, diode** | From import and the domestic | Ordered procurement | Determined by the market supply and demand |
| **Various capacitors, resistances** | From import and the domestic | Ordered procurement | Determined by the market supply and demand |
| **Transformer, inductance, connector** | From import and the domestic | Ordered procurement | Determined by the market supply and demand |

The Company directly negotiates with the agent or the original equipment manufacturer to purchase the critical components for the products of the Company. All materials have undergone the process of part approval and qualified supplier evaluation to ensure stable quality. Each material has more than two suppliers because the separated procurement from various suppliers can prevent the lack of materials and maintain the flexibility of bargain. To the present day, the Company continues to maintain long-term cooperation and excellent relationship with all suppliers for stable supply. The Company adequately manages resources and implements rigorous control on the quality and delivery date of suppliers, in order to ensure smooth and proper supply of key raw materials.

### (III) Customers accounted for more than 10% of total purchase/sales amount in the most recent two years

1.Name of suppliers accounted for more than 10% of total purchase/sales amount in the most recent two years and the purchase/sales amount and ratio thereof:

Unit: NTD thousand

| | 2020 | | | | 2021 | | | | As of Q1, 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Annual net purchase percentage (%) | Relationship with the issuer | Name | Amount | Annual net purchase percentage (%) | Relationship with the issuer | Name | Amount | Annual net purchase percentage up to the last quarter of the current year (%) | Relationship with the issuer |
| 1 | B | 383,242 | 9.63 | None | B | 303,574 | 9.06 | None | A | 152,867 | 15.52 | None |
| 2 | | | | | | | | | B | 129,411 | 13.14 | None |
| 3 | Others | 3,596,194 | 90.37 | | Others | 3,045,725 | 90.94 | | Others | 702,468 | 71.34 | |
| Total | Net purchase amount | 3,979,436 | 100.00 | | Net purchase amount | 3,349,299 | 100.00 | | Net purchase amount | 984,746 | 100.00 | |

Analysis of changes in major purchase counterparty: there was no significant changes in major purchase counterparty in 2021.

2.Name of customers accounted for more than 10% of total sales in the most recent two years and the sales and ratio thereof:

Unit: NTD thousand

| | 2020 | | | | 2021 | | | | As of Q1, 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Annual net sales percentage (%) | Item | Name | Amount | Annual net sales percentage (%) | Item | Name | Amount | Annual net sales percentage (%) | Item |
| 1 | Belkin | 1,577,001 | 32.62% | Note 1 | A | 1,469,772 | 37.24% | None | A | 187,011 | 23.97% | None |
| 2 | A | 1,518,510 | 31.41% | None | Belkin | 985,344 | 24.97% | Note 1 | Belkin | 182,347 | 23.37% | Note 1 |
| 3 | Cloud | 698,039 | 14.44% | Note 2 | Cloud | 530,862 | 13.45% | Note 2 | Cloud | 118,692 | 15.21% | Note 2 |
| 4 | B | 508,878 | 10.53% | None | B | 355,581 | 9.01% | None | C | 129,746 | 16.63% | None |
| 5 | Others | 531,723 | 11.00% | None | Others | 605,237 | 15.33% | None | Others | 162,343 | 20.82% | None |
| Total | Net sales | 4,834,151 | 100.00% | | Net sales | 3,946,796 | 100.00% | | Net sales | 780,139 | 100.00% | |

Note 1: The customer became the related party on September 2018.

Note 2: The customer is the affiliate of Foxconn.

Analysis of changes in major sales counterparty: there was no significant changes in major sales counterparty in 2021.

### (V) Production volume for the most recent two years

Unit: thousand pieces; NTD thousand

| Key products \ Year | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Communication product | 4,562 | 4,562 | 3,282,109 | 7,200 | 7,200 | 4,175,799 |
| Total | 4,562 | 4,562 | 3,282,109 | 7,200 | 7,200 | 4,175,799 |

### (VI) Sales volume for the most recent two years

Unit: thousand pieces; NTD thousand

| Key products \ Year | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Exportation | | Domestic Sales | | Exportation | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Communication product | - | - | 4,562 | 3,586,411 | - | - | 7,200 | 4,631,172 |
| Others | - | - | - | 360,385 | - | - | - | 202,979 |
| Total | - | - | 4,562 | 3,946,796 | - | - | 7,200 | 4,834,151 |

## III. The number of employees, their average service seniority, average age, and education level distribution ratio in the most recent two years up to the publication date of this annual report

| Year | | 2022.05.09 | 2021 | 2020 |
|---|---|---|---|---|
| Number of employees | Indirect personnel | 174 | 164 | 174 |
| | Direct personnel | 0 | 0 | 0 |
| | Total | 174 | 164 | 174 |
| Average age | | 43.1 | 42.2 | 40.0 |
| Average years of service | | 8.4 | 8.7 | 8.0 |
| Education level distribution | Doctorate | 1(0.57%) | None | None |
| | Master | 66(37.93%) | 63(38.41%) | 71(40.80%) |
| | University/college | 105(60.34%) | 99(60.37%) | 101(58.05%) |
| | High school | 2(1.15%) | 2(1.22%) | 2(1.15%) |
| | Below high school | None | None | None |

## IV. Information on environmental expenditure

(I) Losses incurred due to environmental pollution in the most recent two years: None.

(II) Countermeasures: N/A.

**V. Labor relation**

**(I) The Company's current important employee benefits and the agreement made between employers and employees**

1. Implementation of employee insurance:
   In addition to taking out labor insurance and health insurance for our employees, the Company has also formulated employee group insurance plans, including life insurance, accident insurance and hospitalization.
2. Improvement of employees' health and safety:
   A. Employee medical check-ups: Our permanent employees can enjoy a free medical check-up every year. Since we focus on employee health management, for any employees who receive abnormal results from medical check-ups, we actively assist them to go through further inspection and treatment to ensure their physical and mental health. The Company also provides new information or reminders about health on our internal website on an irregular basis to encourage the employees to eat healthily, exercise regularly and maintain normal routine.
   B. Massagists with visual impairment: We hire massagists with visual impairment to provide massage service for our employees for the purpose of not only providing work opportunities for visually impaired people but also reducing the employees' work pressure to improve their physical health.
   C. Implementation of various health improvement programs: The Company irregularly organizes an employee weight loss competition to enable the employees to encourage each other to lose weight in a healthy competitive environment. In addition, we promote quitting smoking and passive smoking prevention activities on the Company website on an irregular basis to urge the employees to give up smoking as soon as possible. A gym equipped with new and practical workout facilities is also in place for the employees to work out and exercise easily in the Company in addition to working. Moreover, we also post various nutrition information on the Company website to help the employees use food as medicine and form a healthy diet.
   D. Several "Automated External Defibrillators/AEDs" placed in the Company: According to medical research, it is proven that if electric shocks are delivered to a patient having sudden cardiac arrest due to irregular heartbeat within 1 minute, the success rate of resuscitation can reach more than 90%. Therefore, we have placed several "Automated External Defibrillators/AEDs" in the Company to create a safe and health working environment and prevent risks.
   E. Promotion of traffic safety: The Company pays a lot of attention on employees' safety; therefore, we hold industrial safety, factory safety and traffic safety promotional activities on an irregular basis.
   F. Promotion of fire control and disaster prevention: In order to raise employees' awareness of fire control and disaster prevention, we irregularly promote relevant information on the Company website and teach the employees proper means of escape in case of earthquakes or fires.
3. Incentive trip
   The Company's employee welfare committee organizes a domestic and overseas incentive trip every year and provides travel subsidies for the employees to encourage them to go outdoors in their free time, which is beneficial to the body and mind!
4. Social activity
   The Company's employee welfare committee offers subsidies for social activities to encourage the employees to participate in various club activities.

We have organized a yoga club, dancing club, bike club, gardening club, etc., to allow our employees to have fun in these courses in their free time.

5. Annual leave system

The Company grants annual leave in accordance with the Labor Standards Act, and the payment of untaken leave is also provided.

6. Retirement system

The Company was approved by (89) Yuan-Lao-Zi Letter No.027487 issued by the Science Park Bureau, MOST on December 1, 2000 to establish the Employee Pension Provision Supervisory Committee in order to contribute 2% of employees' monthly salaries as the labor pension fund to the special pension bank account for future payment of employee pensions; the pension contribution has been made in accordance with related laws and systems.

The implementation of the Labor Pension Act commenced on July 1, 2005 and the defined contribution system was adopted. After such implementation, employees may choose to be subject to pension-related regulations in the Labor Standards Act, or to be subject to the pension system of the Labor Pension Act and retain their service seniority before application of the Labor Pension Act. For employees subject to the Labor Pension Act, the Company may not contribute less than 6% of the employees' monthly salaries as their pension funds every month.

**(II) Losses incurred due to labor disputes in the most recent three years:** None.

## VI.Cyber Security Management:

(I)State clearly the cybersecurity risk management structure, cybersecurity policy, specific management plan, and resources invested in the management of cybersecurity:

◎ Cyber Security Risk Management Structure

The Information Department is responsible for leading and planning the tackling of evolving external network and virus attacks. Each business-related unit shall cooperate in its implementation to ensure the effectiveness of information security management operations.

◎ Information security policy

We ensure the security of data, systems, equipment and network security in an effort to maintain the normal operations of the network information system, ensure the security of network information transmission transactions, and protect the confidentiality and integrity of computer processing data. We carry out the above operations in accordance with the "Information and Account Management Rules," "Information Equipment and Security Management Rules," and "Personal Data Protection Management Rules."

◎ Concrete management plan

1. Information and account management: To ensure the integrity, confidentiality and availability of information accounts.
2. Information service management: Information system, domain and email account application and management requirements.
3. Information equipment security control: Personnel of the Information Department conduct daily inspection of the server room and check system log records to ensure servers and network equipment are operating normally.
4. Security control of computer facilities: Access control system for computer facilities, registration for entry and exit and uninterruptible power supply systems.
5. Legal software copyright control: Installment and control of legal software authorization.
6. Computer virus prevention: Deploy anti-virus software to avoid computers from being attacked or infected by viruses.

7. Backup operations: Carry out daily and weekly backups and implement backup operations and records.
8. Disaster recovery: Draw up disaster recovery and reconstruction plans, conduct exercises, and review the results of implementation.

◎ Resources invested for cyber security management

1. The Company's information security team consists of 2 people.
2. Regularly participate in the Group’s information security meetings to share the latest information security risks and information security vulnerability correction methods.
3. Anti-virus endpoint protection - to intercept endpoint threats.
4. Comprehensive spam filtering - to block spam and threat emails.
5. Implementation of information security education and training and social engineering email exercises - to enhance the awareness of employees regarding information security threats.

(II) Any loss incurred due to material cyber security events, possible impacts and countermeasures during the most recent year and as of the publication date of this annual report: None.

**VII. Important Contract:** None.

# Six. Financial Overview

## I. Condensed balance sheet and statement of comprehensive income for the most recent five years

(I) Condensed balance sheet and the statement of comprehensive income

1. Condensed consolidated balance sheet – IFRSs

Unit: NTD thousand

| Item / Year | | January 1, 2022 – March 31, 2022 (Reviewed by the CPAs) | In the most recent five years | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Current assets | | 5,056,570 | 4,979,937 | 5,184,047 | 4,965,183 | 5,377,832 | 5,531,685 |
| Property, plant and equipment (Note 1) | | 723,884 | 723,350 | 716,167 | 732,237 | 720,626 | 776,916 |
| Intangible assets | | 15,159 | 14,715 | 15,363 | 17,310 | 17,653 | 15,785 |
| Other assets | | 1,908,576 | 1,867,844 | 2,108,766 | 2,256,238 | 1,620,531 | 1,656,783 |
| Total assets | | 7,704,189 | 7,585,846 | 8,024,343 | 7,970,968 | 7,736,642 | 7,981,169 |
| Current liabilities | Before distribution | 1,774,945 | 1,569,801 | 2,014,135 | 1,814,934 | 2,039,198 | 2,327,293 |
| | After distribution | - | 1,586,231 (Note 2) | 2,063,426 | 1,864,225 | 2,170,640 | 2,442,356 |
| Non-current liabilities | | 559,511 | 569,766 | 616,446 | 700,423 | 121,135 | 94,814 |
| Total liabilities | Before distribution | 2,334,456 | 2,139,567 | 2,630,581 | 2,515,357 | 2,160,333 | 2,422,107 |
| | After distribution | - | 2,155,997 (Note 2) | 2,679,872 | 2,564,648 | 2,291,775 | 2,537,170 |
| Equity attributable to the owner of the parent company | | 5,369,733 | 5,446,279 | 5,393,762 | 5,455,611 | 5,576,309 | 5,559,062 |
| Share capital | | 3,286,054 | 3,286,054 | 3,286,054 | 3,286,054 | 3,286,054 | 3,287,514 |
| Capital reserves | | 592,509 | 572,050 | 578,131 | 578,131 | 578,131 | 576,671 |
| Retained earnings | Before distribution | 1,617,421 | 1,710,329 | 1,717,468 | 1,717,928 | 1,780,131 | 1,698,496 |
| | After distribution | - | 1,693,899 (Note 2) | 1,668,177 | 1,668,637 | 1,648,689 | 1,583,433 |
| Other equity | | (126,251) | (122,154) | (187,891) | (126,502) | (68,007) | (3,619) |
| Treasury stocks | | - | - | - | - | - | - |
| Total equity | Before distribution | 5,369,733 | 5,446,279 | 5,393,762 | 5,455,611 | 5,576,309 | 5,559,062 |
| | After distribution | - | 5,429,849 (Note 2) | 5,344,471 | 5,406,320 | 5,444,867 | 5,443,999 |

Note 1: The Company did not conduct the revaluation of assets each year.

Note 2: The distribution in 2021was to be submitted to the shareholders' meetings in 2022 after it was resolved at the board meeting held on May 9, 2022.

Note 3: The distributed earnings of 2020 was the earnings before distribution in the current year deducting the earning distribution in the 2021 proposal resolved at the annual meeting of shareholders. The cash dividends were NTD 49,291 thousand.

Note 4: The distributed earnings of 2021 was the earnings before distribution in the current year deducting the earning distribution in the 2022 proposal resolved by the Board of Directors. The cash dividends were NTD 16,430 thousand.

## 2. Condensed separate balance sheet – IFRSs

Unit: NTD thousand

| Item \ Year | | In the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Current assets | | 4,061,540 | 4,012,467 | 3,788,180 | 4,498,301 | 4,761,636 |
| Property, plant and equipment (Note 1) | | 611,160 | 631,018 | 661,956 | 684,903 | 712,566 |
| Intangible assets | | - | 126 | 1,352 | 1,406 | 2,464 |
| Other assets | | 2,352,777 | 2,740,376 | 2,988,430 | 2,538,177 | 2,474,919 |
| Total assets | | 7,025,477 | 7,383,987 | 7,439,918 | 7,722,787 | 7,951,585 |
| Current liabilities | Before distribution | 1,313,537 | 1,674,114 | 1,619,105 | 2,036,786 | 2,309,086 |
| | After distribution | 1,362,828 (Note 2) | 1,723,405 | 1,668,396 | 2,168,228 | 2,424,149 |
| Non-current liabilities | | 265,661 | 316,111 | 365,202 | 109,692 | 83,437 |
| Total liabilities | Before distribution | 1,579,198 | 1,990,225 | 1,984,307 | 2,146,478 | 2,392,523 |
| | After distribution | 1,595,628 (Note 2) | 2,039,516 | 2,033,598 | 2,277,920 | 2,507,586 |
| Equity attributable to the owner of the parent company | | 5,446,279 | 5,393,762 | 5,455,611 | 5,576,309 | 5,559,062 |
| Share capital | | 3,286,054 | 3,286,054 | 3,286,054 | 3,286,054 | 3,287,514 |
| Capital reserves | | 572,050 | 578,131 | 578,131 | 578,131 | 576,671 |
| Retained earnings | Before distribution | 1,710,329 | 1,717,468 | 1,717,928 | 1,780,131 | 1,698,496 |
| | After distribution | 1,693,899 (Note 2) | 1,668,177 | 1,668,637 | 1,648,689 | 1,583,433 |
| Other equity | | (122,154) | (187,891) | (126,502) | (68,007) | (3,619) |
| Treasury stocks | | - | - | - | - | - |
| Total equity | Before distribution | 5,446,279 | 5,393,762 | 5,455,611 | 5,576,309 | 5,559,062 |
| | After distribution | 5,429,849 (Note 2) | 5,344,471 | 5,406,320 | 5,444,867 | 5,443,999 |

Note 1: There is no revaluation of assets in each year.

Note 2: The distribution in 2021 was to be submitted to the shareholders' meetings in 2022 after it was resolved at the board meeting held on May 9, 2022.

Note 3: The distributed earnings of 2020 was the earnings before distribution in the current year deducting the earning distribution in the 2021 proposal resolved at the annual meeting of shareholders. The cash dividends were NTD 49,291 thousand.

Note 4: The distributed earnings of 2021 was the earnings before distribution in the current year deducting the earning distribution in the 2022 proposal resolved by the Board of Directors. The cash dividends were NTD 16,430 thousand.

3. Condensed consolidated income statement – IFRSs

Unit: NTD thousand

| Item \ Year | January 1, 2022 – March 31, 2022 (Reviewed by the CPAs) | In the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Operating revenue | 780,139 | 3,946,796 | 4,834,151 | 5,707,963 | 8,598,958 | 9,237,858 |
| Operating gross profit | (12,396) | 109,261 | 371,735 | 465,203 | 550,070 | 658,735 |
| Operating profit and loss | (100,313) | (280,451) | (25,482) | 34,156 | 80,440 | 89,839 |
| Non-operating revenue and expenses | (759) | 288,062 | 44,306 | 31,163 | 140,905 | 84,657 |
| Profit before tax | (101,072) | 7,611 | 18,824 | 65,319 | 221,345 | 174,496 |
| Net profit of continuing operations for the year | (94,764) | 24,393 | 23,575 | 51,352 | 166,600 | 141,618 |
| Loss of discontinued operations | - | - | - | - | - | - |
| Net profit (loss) for the year | (94,764) | 24,393 | 23,575 | 51,352 | 166,600 | 141,618 |
| Other comprehensive income for the year (after-tax income) | (2,241) | 83,496 | (36,133) | (40,608) | (60,672) | (79,718) |
| Total comprehensive income for the year | (97,005) | 107,889 | (12,558) | 10,744 | 105,928 | 61,900 |
| Net profit attributable to the owner of parent company | (94,764) | 24,393 | 23,575 | 51,352 | 166,600 | 141,618 |
| Net profit attributable to non-controlling equity | - | - | - | - | - | - |
| Total comprehensive income attributable to the owner of the parent company | (97,005) | 107,889 | (12,558) | 10,744 | 105,928 | 61,900 |
| Total comprehensive income attributable to non-controlling equity | - | - | - | - | - | - |
| Earnings per share | (0.29) | 0.07 | 0.07 | 0.16 | 0.51 | 0.43 |

4. Condensed separate income statement – IFRSs

Unit: NTD thousand

| Item \ Year | In the most recent five years | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Operating revenue | 3,927,997 | 4,820,615 | 5,699,629 | 8,578,275 | 9,228,429 |
| Operating gross profit | 213,009 | 468,935 | 453,459 | 388,909 | 513,874 |
| Operating profit and loss | (105,035) | 138,839 | 97,323 | 23,570 | 84,386 |
| Non-operating revenue and expenses | 106,363 | (124,471) | (30,822) | 182,755 | 80,532 |
| Profit before tax | 1,328 | 14,368 | 66,501 | 206,325 | 164,918 |
| Net profit of continuing operations for the year | 24,393 | 23,575 | 51,352 | 166,600 | 141,618 |
| Loss of discontinued operations | - | - | - | - | - |
| Net profit (loss) for the year | 24,393 | 23,575 | 51,352 | 166,600 | 141,618 |
| Other comprehensive income for the year (after-tax income) | 83,496 | (36,133) | (40,608) | (60,672) | (79,718) |
| Total comprehensive income for the year | 107,889 | (12,558) | 10,744 | 105,928 | 61,900 |
| Earnings per share | 0.07 | 0.07 | 0.16 | 0.51 | 0.43 |

(II) Names of the CPAs and their audit opinions in the most recent five years

| Year | Name of CPA firm | Names of CPAs | Audit opinion |
|---|---|---|---|
| 2017 | PricewaterhouseCoopers Taiwan | Han-Chi Wu、Chien-Hung Chou | Unqualified opinion |
| 2018 | PricewaterhouseCoopers Taiwan | Min-Chuan Feng、Han-Chi Wu | Unqualified opinion |
| 2019 | PricewaterhouseCoopers Taiwan | Min-Chuan Feng、Han-Chi Wu | Unqualified opinion |
| 2020 | PricewaterhouseCoopers Taiwan | Yung-Chien Hsu、Min-Chuan Feng | Unqualified opinion |
| 2021 | PricewaterhouseCoopers Taiwan | Min-Chuan Feng、Yung-Chien Hsu | Unqualified opinion |

Reason for replacement of CPAs in the most recent 5 years:
Due to the auditor rotation of PricewaterhouseCoopers Taiwan, the CPAs were replaced.

## II. Financial analysis in the most recent five years

(I) Financial analysis of consolidated statements – IFRSs were adopted

| Analysis item / Year | | January 1, 2022 – March 31, 2022 (Reviewed by the CPAs) | Financial analysis in the most recent five years | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Financial structure % | Ratio of liabilities to assets | 30.30 | 28.20 | 32.78 | 31.56 | 27.92 | 30.35 |
| | Ratio of long-term funds to property, plants, and equipment | 819.09 | 831.69 | 839.22 | 840.72 | 790.62 | 727.73 |
| Solvency % | Current ratio | 284.89 | 317.23 | 257.38 | 273.57 | 263.72 | 237.69 |
| | Quick ratio | 234.58 | 282.50 | 231.60 | 238.16 | 214.21 | 193.84 |
| | Times interest earned | - | 1.35 | 1.76 | 5.28 | 463.10 | 221.60 |
| Operating ability | Receivables turnover ratio (times) | 3.33 | 3.31 | 3.43 | 2.81 | 3.18 | 3.56 |
| | Average collection days | 110 | 110 | 106 | 130 | 115 | 103 |
| | Inventory turnover ratio (times) | 4.41 | 7.21 | 7.68 | 6.35 | 7.99 | 8.05 |
| | Payables turnover ratio (times) | 3.97 | 4.34 | 4.91 | 4.72 | 5.42 | 4.86 |
| | Average sales days | 83 | 51 | 48 | 57 | 46 | 45 |
| | PPE turnover ratio (times) | 4.31 | 5.48 | 6.68 | 7.86 | 11.48 | 11.57 |
| | Total asset turnover ratio (times) | 0.41 | 0.51 | 0.60 | 0.73 | 1.09 | 1.11 |
| Profitability | Return on assets (%) | (1.18) | 0.54 | 0.54 | 0.81 | 2.12 | 1.72 |
| | Return on equity (%) | (1.75) | 0.45 | 0.43 | 0.93 | 2.99 | 2.51 |
| | Ratio of profit before tax to paid-in capital (%) | (3.08) | 0.23 | 0.57 | 1.99 | 6.74 | 5.31 |
| | Net profit margin (%) | (12.15) | 0.62 | 0.49 | 0.9 | 1.94 | 1.53 |
| | Earnings per share (NTD) | (0.29) | 0.07 | 0.07 | 0.16 | 0.51 | 0.43 |
| Cash flow | Cash flow ratio (%) | 1.92 | - | 17.43 | 63.99 | - | - |
| | Cash flow adequacy ratio (%) | 137.11 | 83.48 | - | 61.53 | 34.98 | 90.05 |
| | Cash reinvestment ratio (%) | 0.33 | - | 5.05 | 19.17 | - | - |
| Leverage | Operating leverage | - | - | - | 4.32 | 2.07 | 2.06 |
| | Financial leverage | - | - | - | 1.81 | 1.01 | 1.01 |

The Company describes the reason for changes in financial ratios in the most recent two years: (if the change in increase/decrease is less than 20%, analysis may be exempted)

1. Increase in current and quick ratios: This was mainly due to the decrease in short-term loans and accounts payable for the period compared to the last period.
2. The decrease in times interest earned: This was mainly due to the increase in tax income for the period.
3. The decrease in ratio of profit before tax to paid-in capital (%): This was mainly due to the decrease in net profit before tax for the period.
4. The increase in net profit margin ratio: This was mainly due to the increase in after-tax profit margin.
5. The decrease in cash flow ratio and cash reinvestment ratio: This was mainly due to the negative cash flow from operating activities for the period.
6. The increase in cash flow adequacy ratio: This was mainly due to the positive cash flow from operating activities in the last five years.

(II) Financial analysis of separate statements – IFRSs were adopted

| Analysis item \ Year | | Financial analysis in the most recent five years | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Financial structure % | Ratio of liabilities to assets | 22.48 | 26.95 | 26.67 | 27.79 | 30.09 |
| | Ratio of long-term funds to property, plants, and equipment | 934.61 | 904.87 | 879.34 | 830.19 | 791.86 |
| Solvency % | Current ratio | 309.21 | 239.68 | 233.97 | 220.85 | 207.51 |
| | Quick ratio | 301.20 | 238.00 | 228.09 | 171.34 | 163.77 |
| | Times interest earned | 1.17 | 2.48 | 15.69 | 431.74 | 209.49 |
| Operating ability | Receivables turnover ratio (times) | 3.32 | 3.44 | 2.82 | 3.17 | 3.54 |
| | Average collection days | 110 | 106 | 129 | 115 | 103 |
| | Inventory turnover ratio (times) | 55.73 | 70.58 | 9.55 | 8.17 | 8.20 |
| | Payables turnover ratio (times) | 5.15 | 5.70 | 4.94 | 5.53 | 4.96 |
| | Average sales days | 7 | 5 | 38 | 45 | 45 |
| | PPE turnover ratio (times) | 6.32 | 7.46 | 8.46 | 12.28 | 12.91 |
| | Total asset turnover ratio (times) | 0.55 | 0.65 | 0.75 | 1.09 | 1.12 |
| Profitability | Return on assets (%) | 0.43 | 0.42 | 0.73 | 2.13 | 1.73 |
| | Return on equity (%) | 0.45 | 0.43 | 0.93 | 2.99 | 2.51 |
| | Ratio of profit before tax to paid-in capital (%) | 0.04 | 0.44 | 2.02 | 6.28 | 5.02 |
| | Net profit margin (%) | 0.62 | 0.49 | 0.90 | 1.94 | 1.53 |
| | Earnings per share (NTD) | 0.07 | 0.07 | 0.16 | 0.51 | 0.43 |
| Cash flow | Cash flow ratio (%) | - | 21.85 | 81.70 | - | - |
| | Cash flow adequacy ratio (%) | 94.12 | - | 62.13 | 13.00 | 88.67 |
| | Cash reinvestment ratio (%) | - | 3.99 | 21.80 | - | - |
| Leverage | Operating leverage | - | 3.47 | 2.15 | 2.92 | 1.55 |
| | Financial leverage | - | 1.08 | 1.05 | 1.02 | 1.01 |

The Company describes the reason for changes in financial ratios in the most recent two years: (if the change in increase/decrease is less than 20%, analysis may be exempted)

1. Increase in current and quick ratios: This was mainly due to the decrease in short-term loans and accounts payable for the period compared to the last period.
2. The decrease in times interest earned: This was mainly due to the increase in tax income for the period.
3. The decrease in inventory turnover and days sales of inventory: This was mainly due to the increase in inventory at the end of the period.
4. The decrease in ratio of profit before tax to paid-in capital (%): This was mainly due to the decrease in net profit before tax for the period.
5. The increase in net profit margin ratio: This was mainly due to the increase in after-tax profit margin.
6. The decrease in cash flow ratio and cash reinvestment ratio: This was mainly due to the negative cash flow from operating activities for the period.
7. The increase in cash flow adequacy ratio: This was mainly due to the positive cash flow from operating activities in the last five years.

The calculation is listed as follows:

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / total assets.
   (2) Ratio of long-term funds to property, plants, and equipment = (Total equity + non-current liabilities) / net property, plants, and equipment.
2. Solvency
   (1) Current ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
   (3) Times interest earned = Net profit before income tax and interest expenses/ interest expenses for the year.
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable from operations) turnover ratio= Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
   (2) Average collection days = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / average inventory.
   (4) Payables (including accounts payable and notes payable from operation) turnover ratio= Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance.
   (5) Average sales days = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio= Net sales / average net property, plant and equipment.
   (7) Total asset turnover ratio= Net sales / average total assets.
4. Profitability
   (1) Return on assets = [Profit and loss after tax + interest expense × (1- tax rate)] / average total assets.
   (2) Return on equity = Profit and loss after tax / average total equity.
   (3) Net profit margin = Profit and loss after tax / net sales.
   (4) EPS = (Profit and loss attributable to the owner of parent company - dividends from preferred shares) / weighted average number of outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow rate = Net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent 5 years / (capital expenditure + increase in inventory + cash dividends) in the most recent 5 years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - variable costs and expenses of operations) / operating profit (Note 6).

   (2) Financial leverage = Operating profit/ (operating profit- interest expenses).

**III. Audit Committee's review report on the financial statements in the most recent year:** Please refer to pages 108–109 of this annual report.

**IV. Financial statements in the most recent year:** Please refer to pages 110–180 of this annual report.

**V. Separate financial statements in the most recent year audited and certified by the CPAs:** Please refer to pages 181–258 of this annual report.

**VI. Any financial difficulties of the Company or any of its affiliates in the most recent year up to the publication date of this annual report:** None for the Company and the affiliates.

# Seven. Review and Analysis of Financial Position and Financial Performance and Risk Matters

## I. Financial position

Unit: NT$ thousand

| Item \ Year | 2021 | 2020 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 4,979,937 | 5,184,047 | (204,110) | (3.94) |
| Property, plant and equipment | 723,350 | 716,167 | 7,183 | 1.00 |
| Intangible assets | 14,715 | 15,363 | (648) | (4.22) |
| Other assets | 1,867,844 | 2,108,766 | (240,922) | (11.42) |
| Total assets | 7,585,846 | 8,024,343 | (438,497) | (5.46) |
| Current liabilities | 1,569,801 | 2,014,135 | (444,334) | (22.06) |
| Non-current liabilities | 569,766 | 616,446 | (46,680) | (7.57) |
| Total liabilities | 2,139,567 | 2,630,581 | (491,014) | (18.67) |
| Share capital | 3,286,054 | 3,286,054 | - | - |
| Capital reserves | 572,050 | 578,131 | (6,081) | (1.05) |
| Retained earnings | 1,710,329 | 1,717,468 | (7,139) | (0.42) |
| Other equity | (122,154) | (187,891) | 65,737 | 34.99 |
| Non-controlling equity | - | - | - | - |
| Total equity | 5,446,279 | 5,393,762 | 52,517 | 0.97 |

Analysis of main reason, impact and future correlative plans regarding changes from one period to the next reaches above 20% and the amount of variance reaches NTD 10,000,000. The description is as follows:

1. The decrease in current liabilities: This was mainly due to the decrease in short-term loans and accounts payable.
2. The Increase in Other equity：The increase was mainly due to the increase in the valuation gain on financial assets at fair value through other comprehensive income.

## II. Financial performance

Unit: NT$ thousand

| Item \ Year | 2021 | 2020 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Operating revenue | 3,946,796 | 4,834,151 | (887,355) | (18.36) |
| Operating cost | 3,837,535 | 4,462,416 | (624,881) | (14.00) |
| Operating gross profit | 109,261 | 371,735 | (262,474) | (70.61) |
| Operating expense | 389,712 | 397,217 | (7,505) | (1.89) |
| Operating profit | (280,451) | (25,482) | (254,969) | (1000.58) |
| Non-operating revenue and expenses | 288,062 | 44,306 | 243,756 | 550.16 |
| Profit before tax | 7,611 | 18,824 | (11,213) | (59.57) |
| Income tax expense | (16,782) | (4,751) | (12,031) | (253.23) |
| Current net profit | 24,393 | 23,575 | 818 | 3.47 |
| Other comprehensive income (after tax) for the year | 83,496 | (36,133) | 119,629 | 331.08 |
| Total comprehensive income for the year | 107,889 | (12,558) | 120,447 | 959.13 |
| Net profit attributable to the owner of the parent company | 24,393 | 23,575 | 818 | 3.47 |
| Total comprehensive income attributable to the owner of the parent company | 107,889 | (12,558) | 120,447 | 959.13 |

| |
|---|
| Analysis and description regarding changes in increase/decrease reaching 20% and the amount of variance reaching NTD 10,000,000:<br>The decrease in operating profit and net operating (loss) income: This was mainly due to the increase in raw material costs and the failure to reduce fixed costs.<br>1. Increase in non-operating revenue and expenses: This is mainly due to the disposal of investment income for the current period.<br>2. The decrease in pre-tax income: This was mainly due to the decrease in operating profit and net operating (loss) income.<br>3. Decrease in income tax expenses: This was mainly due to the reversal of deferred income tax liabilities.<br>4. The increase in other comprehensive income (net after tax) for the period, total comprehensive income for the period and total comprehensive income attributable to owners of the parent company: This was mainly due to the increase in the share of unrealized valuation gains or losses measured at fair value through other comprehensive income and other comprehensive income or losses of affiliates recognized under the equity method. |

## III. Cash flow

(I) Cash flows for the year

Unit: NT$ thousand

| Cash balance at beginning of period | Annual net cash flow from operating activities | Annual net cash flows from investing and financing activities | Foreign exchange rate effect | Cash surplus (deficit) | Corrective measures against cash deficit | |
|---|---|---|---|---|---|---|
| | | | | | Investment plan | Financing Plan |
| 1,884,022 | (99,430) | 383,474 | 2,259 | 2,170,325 | None | |

(II) Analysis of changes in cash flow of the current year

Unit: NT$ thousand

| Year / Item | 2021 | 2020 | Difference | |
|---|---|---|---|---|
| | | | Amount | Description |
| Operating activities | (99,430) | 351,164 | (450,594) | This was mainly due to the decrease in profit before tax due to the disposal of investment gains accounted for under the equity method and accounts payable. |
| Investing activities | 679,441 | (106,451) | 785,892 | This was mainly due to the disposal of financial assets measured at amortized cost and the disposal of the investments accounted for under the equity method. |
| Financing activities | (295,967) | 128,307 | (424,274) | The was mainly due to the decrease in short-term loans. |
| Foreign exchange rate effect | 2,259 | 1,788 | 471 | This was mainly due to the decrease in profit before tax due to the disposal of investment gains accounted for under the equity method and accounts payable. |
| Net cash flows | 286,303 | 374,808 | (88,505) | |

(III) Analysis of the liquidity of cash for the coming year

Unit: NT$ thousand

| Cash balance at beginning of period | Annual net cash flow from operating activities | Annual net cash flows from investing and financing activities | Cash surplus (deficit) | Corrective measures against cash deficit | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financing Plan |
| 2,170,325 | 77,375 | (81,150) | 2,166,550 | None | |

**IV. Impacts of material capital expenditure in the most recent year on the financial and business status:** None.

## V. The main reasons for the gains or losses of investments in the most recent year, the improvement plan and the investment plans for the next year

(I) Investment policy: The Company adopted a strategic approach to invest in business entities related to the Company's business to enhance manufacturing and production efficiency.

(II) Main reasons for the gains or losses and improvement plans: The companies invested by the Company did not have any significant losses in 2021.

(III) Investment plans for the coming year: None.

## VI. Analysis and assessment of risk matters

(I) Impacts of interest rate and exchange rate changes and inflation in the most recent year on the income of the Company, and future countermeasures:

1. Impacts of interest rate changes: Due to the low ratio (less than 1%) of interest income and expenses to the Company's turnover, even though our interest income has decreased as a result of decreasing interest rates in recent years, it barely affected the Company's income. In addition to investment of required funds into the expansion of our business and retaining sufficient working funds, the Company will invest residual NT Dollar funds mainly into conservative investments, such as fixed deposits and bond funds.
2. Exchange rate changes: In response to the impacts from changes in exchange rates, the Company determined an optimal hedge ratio according to the current exchange rate trend and selected simple hedging instruments mainly for hedging purposes, such as forward foreign exchange contracts or option transactions to reduce losses incurred due to the exchange rates and minimize the impacts on the profit or loss.
3. Inflation: Since the Company has made proper adjustments in customers' quoted price based on market conditions, allowing us to grasp the fluctuations of the market price, the inflation barely affected the Company.

(II) Policies regarding high-risk, high-leverage investments, loaning of funds to others, endorsement/guarantees as well as derivatives trading, main reasons for gains or losses, and future countermeasures:

1. High-risk investments: None.
2. High-leverage investments: None.
3. Loans to others: None.
4. Endorsement/guarantees: Guarantees for customs duties only.
5. Trading of financial derivatives: The Company and the affiliates engaged in trading of financial derivatives only for hedging exchange rate risks in foreign currency liabilities.

(III) Future R&D plans and further expenditures expected for R&D:

1. The Company expects to research and develop the following plans in recent years:
   (1) DOCSIS 3.1 Cable Modem
   (2) 802.11/Ax Wireless Network Card Series
   (3) Remote Wireless Communication Bridge
   (4) Cloud Service
   (5) APPs
   (6) WIFI Mesh Router
   (7) SDWAN vCPE
   (8) IoT Module and IoT Applications
   (9) 5G FWA Router
   Smart AI STB
2. Expected investment for R&D:
   The Company expected to further invest an estimated 4.6% of the turnover in our R&D.

(IV) Financial impacts and responsive measures in the event of changes in local and foreign important policies and regulations:

The domestic and overseas important policies and changes in laws in the most recent year did not cause any significant impact on the Company's finance and business. The Company has kept on tracking the government policies and laws of locations in which our business sites are located and paying attention to the direction of the government policies or legislation. Each division has dedicated personnel to perform such works and report to the officer any impact of new policies or new regulations on the Company's operation. In addition, the Company also aligned the operational orientation and goals with the public policies established by the government to ensure smooth operation for the Company.

(V) Impacts of technology changes on the Company's finance and business, and countermeasures thereof: Please refer to the descriptions in I 、II and VI of Five. Overview of Operation.

(VI) Impacts from changes in corporate image on the Company's crisis management, and countermeasures thereof: The Company has appointed dedicated personnel to formulate relevant plans and countermeasures, and therefore, we could minimize uncertain business risks.

(VII) Expected benefits and potential risks of any merger or acquisition: None.

(VIII) Expected benefits and potential risks of any plant expansion: None.

(IX) Risks of concentrated sales or purchases:

1. Purchase: More than 10% of the suppliers from which the Company purchased products were designated by our customers, and such suppliers are internationally known brands with stable supply. Therefore, there were no significant risks to the Company's purchases.
2. Sale: CyberTAN will take consideration based on global customer development. Even though our shipment to North America has not been available so far, we have continually shipped our products to Europe, Asia and China. Therefore, our shipment is expected to grow increasingly in the future.

(X) Impacts and risks to the Company with regard to any major transfer or change of equities by directors, supervisors, or major shareholders holding more than 10% of the Company's shares: None.

(XI) Impacts and risks to the Company with regard to any change in management rights: None for the Company.

(XII) In case of any litigious and non-litigious matters, material litigious, non-litigious or administrative disputes that involve the Company and/or any director, supervisor, the President, de facto responsible person, major shareholder holding a stake of more than 10% of the Company or subordinate company thereof, and that were finalized or remained pending, shall be listed; if these disputes may eventually cause a substantial impact on shareholders' equity or the price of securities, the nature of the disputes, the amount involved, the date on which the litigation first started, the main parties involved and the progress as of the publication of this annual report shall be disclosed: None for the Company.

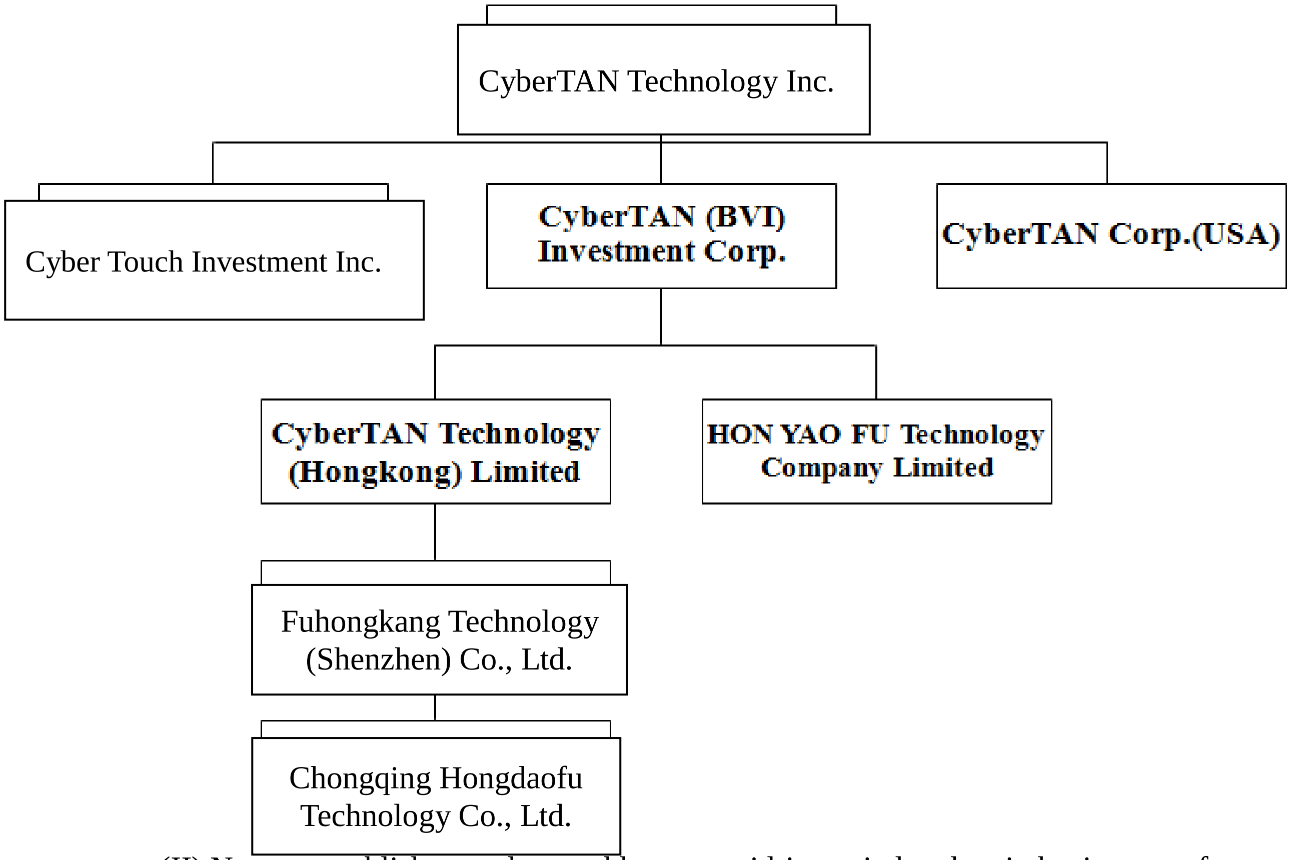
(XIII) Other important risks: None.

**VII. Other important matters:** None.

# Eight. Special Items

## I. Information on affiliates

(I) Organizational chart of affiliates (Such affiliates were the companies 100% owned by the Company.)




(II) Names, establishment dates, addresses, paid-in capital and main businesses of affiliates

March 31, 2021

| Name of enterprise | Establishment date | Address | Paid-in capital Unit: NTD thousand | Main business or production line |
|---|---|---|---|---|
| CyberTAN Corp.(USA) | 2000.06 | 20 Maxwell Irvine, California 92618 | USD 600 | Sales of wired and wireless communication equipment |
| Cyber Touch Investment Inc. | 2004.03 | 7F., No. 101, Sec. 5, Roosevelt Rd., Taipei City | NTD 100,000 | General investment business |
| CyberTAN (BVI) Investment Corp. | 2009.01 | P.O.Box850Offshore Incorporations Centre,The Valley,Anguilla,British West Indies, | USD 22,044 | General investment business |
| CyberTAN Technology (Hongkong) Limited | 2008.08 | Suites 2205-6,Island Place Tower.510 King's Road,North Point,HK. | USD 6,344 | General investment business |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | 2009.03 (acquired) | No. 2, Donghuan 2nd Road, No.10Yousong Industrial Zone, Longhua Road, Baoan District, Shenzhen City | CNY 34,971 | Development, manufacturing and sale of high-end routers |
| Chongqing Hongdaofu Technology Co., Ltd. | 2011.05 | No 1., East District 1st Road, Shapingba District, Chongqing City | CNY 53,500 | Development, manufacturing and sale of high-end |

| | | | | |
|---|---|---|---|---|
| | | | | routers |
| HON YAO FU TECHNOLOGY COMPANY LIMITED | 2019.01 | Dai Dong – Hoan Son Industrial Zone, Dai Dong Commune, Tien Du Town, Bac Ninh province, Vietnam | VND 207,000,000 | Development, manufacturing and sale of high-end routers |

Note: The company acquired the company at a premium in 1998

(III) Information on any controlling and subordinate relation whose existence is concluded: None.

(IV) Industries covered by overall businesses operated by the affiliates, and explanation of contacts and cooperative works among such affiliates if their businesses are mutually correlated: The main industry covered by the overall businesses of the Company and the affiliates is "manufacturing of network equipment." Generally, the affiliates have provided technical, production capacity, marketing and service support to each other to maximize the synergy, which enables the Company to continuously provide the best service for customers around the world and reinforce our leading position in the market.

(V) Names of the directors, supervisors and presidents of affiliates and their shareholding and investment in the affiliates

Unit: NT$ thousand; March 31, 2022

| Name of enterprise | Title | Name or Representative(s) | Shareholding or investment amount | |
|---|---|---|---|---|
| | | | Investment amount | Shareholding ratio |
| CyberTAN Corp. (USA) | President<br>Secretary<br>CFO | President:CyberTAN Technology Inc.<br>Representative: Chu Chang<br>Secretary:CyberTAN Technology Inc.<br>Representative:Deaxy Wang<br>CFO:CyberTAN Technology Inc.<br>Representative: Cindy Wu | 0 | 0% |
| Cyber Touch Investment Inc. | Chairman<br>Director<br>Supervisor | Chairman:CyberTAN Technology Inc.<br>Representative:Teddy Chen<br>Director:CyberTAN Technology Inc.<br>Representative:Sam Huang、Roger Wu<br>Supervisor:CyberTAN Technology Inc.<br>Representative:Deaxy Wang | 0 | 0% |
| CyberTAN (BVI) Investment Corp. | Chairman | CyberTAN Technology Inc.<br>Representative:Roger Wu | 0 | 0% |
| CyberTAN Technology (Hongkong) Limited | Chairman | CyberTAN (BVI) Investment Corp.<br>Representative:Roger Wu | 0 | 0% |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | Chairman<br>Director<br>Supervisor | Chairman: CyberTAN Technology (HK) Limited<br>Representative:Roger Wu<br>Director:CyberTAN Technology (HK) Limited<br>Representative:Dean Wang、Ken Kan<br>Supervisor:CyberTAN Technology | 0 | 0% |

| | | | | |
|---|---|---|---|---|
| | | (HK) Limited<br>Representative:Deaxy Wang | | |
| Chongqing Hongdaofu Technology Co., Ltd. | Chairman<br>Director<br>Supervisor | Chairman: Fuhongkang Technology (Shenzhen) Co., Ltd.<br>Representative:Roger Wu<br>Director: Fuhongkang Technology (Shenzhen) Co., Ltd.<br>Representative:Dean Wang、Ken Kan<br>Supervisor：Fuhongkang Technology (Shenzhen) Co., Ltd.<br>Representative:Deaxy Wang | 0 | 0% |
| HON YAO FU TECHNOLOGY COMPANY LIMITED | Chairman | CyberTAN (BVI) Investment Corp.<br>Representative:Roger Wu | 0 | 0% |

(VI) Financial position and operating result of affiliates:

Unit: NTD thousand (except for EPS); December 31, 2020

| Name of enterprise | Capital | Total value of assets | Total value of liabilities | Net value | Operating revenue | Operating profit | Profit and loss for the year (after tax) | Earnings per share (NTD) |
|---|---|---|---|---|---|---|---|---|
| CyberTAN Corp.(USA) | 18,165 | 44,689 | - | 44,689 | 36,081 | 1,625 | 3,626 | - |
| Cyber Touch Investment Inc. | 100,000 | 198,306 | 1,524 | 196,782 | 15,091 | 14,545 | 8,246 | 0.82 |
| CyberTAN Technology (Hongkong) Limited | 704,190 | 660,181 | 7,337 | 652,844 | - | -310 | -161,651 | - |
| CyberTAN (BVI) Investment Corp. | 211,072 | 403,335 | - | 403,335 | - | - | -146,123 | - |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | 168,188 | 390,273 | 1,654 | 388,619 | - | -29 | -146,123 | - |
| Chongqing Hongdaofu Technology Co., Ltd. | 257,298 | 862,177 | 805,014 | 57,163 | 1,838,954 | -143,251 | -151,285 | - |
| HON YAO FU TECHNOLOGY COMPANY LIMITED | 277,119 | 587,227 | 393,695 | 193,532 | 1,610,588 | -42,710 | -25,983 | - |

(VII) Consolidated financial statements of affiliated companies: Please refer to pages 110–180 of this annual report.

**II. Private placement of securities in the most recent year up to the publication date of this annual report:** None.

**III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year up to the publication date of this annual report:** None.

**IV. Other necessary supplementary information :** None.

## Nine. Events Materially Affecting Shareholders' Equity or the Price of Securities

**Any events materially affecting shareholders' equity or the price of securities as defined in Sub-Paragraph 2, Paragraph 3, Article 36 of the Act in the most recent year up to the publication date of this annual report:** None.

# CyberTAN Technology Inc.'s Declaration of Internal Control System

Date: March 21, 2022

The following declaration are made based on the 2021 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of the Directors and managers. Such system has been established to provide reasonable assurance for achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.

II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance for the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified.

III. The Company has assessed the effectiveness of its internal control policy design and implementation in accordance with the criteria determining the effectiveness of the internal control policies provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The determination criteria of the internal control policies adopted in "the Regulations" consist of five major elements depending on the management control process: 1. Environment control, 2. Risk assessment, 3. Control operations, 4. Information and communication, 5. Supervision. Each element contains a number of items. Please refer to "the Regulations" for more details.

IV. The Company has adopted the aforementioned criteria to assess the effectiveness of its internal control system design and execution.

V. Based on the result of the preceding assessment, the Company finally determined the effectiveness of the design and implementation of our internal control policy as of December 31, 2021 (including the supervision and management of subsidiaries) regarding the awareness of business results and target accomplishments, the reliability, promptness, and transparency of reports and compliance with relevant laws and regulations. This policy provided reasonable assurance that the above objectives have been achieved.

VI. This declaration constitutes the main part of the Company's annual reports and prospectuses, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above is subject to the legal responsibilities specified in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration was approved at the Company's Board of Directors meeting held on March 21, 2022. The seven attending directors unanimously agreed the contents of the declaration.

CyberTAN Technology Inc.

Chairman: Teddy Chen (Signature and Seals)

President: Roger Wu (Signature and Seals)

# Audit Committee's Review Report

The 2021 financial statements (including separate and consolidated financial statements) of the Company prepared by the Board of Directors have been audited by the CPAs Min-Chuan Feng and Yung-Chien Hsu of PwC Taiwan, and an independent audit report has been issued. This report has been reviewed by the Audit Committee and no nonconformities were found. We hereby issue the above report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please approve.

To

**CyberTAN Technology Inc.**
2022 Annual Meeting of Shareholders

Audit Committee Convener: Hung-Hsun Ting

March 21, 2022

# Audit Committee's Review Report

The 2021 financial statements (including separate and consolidated financial statements) of the Company prepared by the Board of Directors and the proposal for distribution of earnings have been reviewed by the Audit Committee and no nonconformities were found. We hereby issue the above report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please approve.

To

**CyberTAN Technology Inc.**
2022 Annual Meeting of Shareholders

Audit Committee Convener: Hung-Hsun Ting

May 9, 2022

Independent Auditors' Report

(111)Cai-Shen-Bao-Zi No.21004935

To CyberTAN Technology Inc.:

## Audit opinion

We have audited the consolidated balance sheet of CyberTAN Technology Inc. and the subsidiaries (hereinafter referred to as the "CyberTAN Group") as of December 31, 2021 and 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements. (including the summary of the material accounting policies) for periods of January 1 to December 31, 2021 and 2020.

In our opinion, the major issues of said consolidated financial statements prove to have been duly worked out in accordance with and Regulations Governing the Preparation of Financial Report by Securities Issuers, International Financial Reporting Standards (IFRS), Regulations and IAS, Interpretations and Interpretation Gazettes recognized and effective upon promulgation by the Financial Supervisory Commission, presenting fairly the consolidated financial position of CyberTAN Group thereof as of December 31, 2021 and, 2020 and the consolidated results of financial performance and consolidated cash flow for the periods starting from January 1 till December 31, 2021 and 2020.

## Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of CyberTAN Group in accordance with the Code of Ethics for Professional Accountants of the Republic of China and with other responsibilities of the Code of Ethics performed. According to our audits and other independent auditors' report, we believe to have obtained sufficient and appropriate audit evidence in order to be used as the basis for the opinion.

## Key audit matters

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

The key audit matters of the 2021 consolidated financial statements of CyberTAN Group are described as follows:

**Evaluation of allowance for inventory valuation loss**

Item Description

Regarding the accounting policies for the inventory valuation, please refer to Note 4(13) to the consolidated financial report; for the uncertainty to accounting estimates and assumptions, please refer to Note 5(2) to the consolidated financial report; for description of inventory accounting titles, please refer to Note 6(5) to the consolidated financial report. The balances of valuation loss regarding the inventory and allowance for inventory on December 31, 2021 were NTD 601,648 thousand and NTD 56,427 thousand, respectively.

CyberTAN Group involves in the manufacturing and sale of communication products. The risk caused by loss on inventory devaluation or the obsolescence of inventory may be higher due to the short life cycle and severe market competition. Inventory is evaluated by CyberTAN Group on the basis of the cost and net realizable value, whichever is lower. The aforementioned loss of allowance for inventory valuation was mainly due to the inventory measured at the cost and net realizable value, whichever is lower, and identification of obsolescent or damaged inventory items. Because the large inventory amount and enormous items of CyberTAN Group as well as the objective judgments of the management concerned during the identification of obsolescent or damaged inventory belong to the field to be determined during the audit, we listed the evaluation for the loss of allowance for inventory valuation of CyberTAN Group as one of the important matters in the audit.

Responsive Audit Procedures

The responsive procedures executed by us for specific aspects specified in the preceding key audit matters are as follows:

1. Adopted the acquired allowance policy for inventory devaluation of CyberTAN Group during the comparative period of financial statements and evaluated the reasonableness of the allowance policy.
2. Acquired the net realizable value statement of inventory cost, randomly checked related supporting documents and recalculated its accuracy, validated the appropriateness regarding the logic of inventory aging report system used for evaluation, conducted spot check for individual inventory number to confirm the degree of inventory closeout and information and evaluated the basis of net realizable value estimated by the management and its reasonableness.
3. Checked related information acquired during inventory taking process and inquired the management and personnel related to inventory to confirm conditions of obsolescent, remaining, older, out-of-fashion or damaged inventory neglected in the inventory details.

**Evaluation for the loss of accounts receivable**

Item Description

Regarding the accounting policies for the loss evaluation of accounts receivable, please refer to Note 4(9) to the consolidated financial report; for the uncertainty to accounting estimates and assumptions regarding the loss evaluation of accounts receivable, please refer to Note 5(2) to the consolidated financial report; for description of accounts receivable accounting titles, please refer to Note 6(4) to the consolidated financial report. The balances of accounts receivable (including the related party) and its allowance loss on December 31, 2021 were NTD 1,052,966 thousand and NTD 7,356 thousand, respectively.

CyberTAN Group regularly assess if there is objective evidence implicating the impairment of individual accounts receivable and the assessment method includes the consideration of overdue ages of accounts receivable, customer's financial status, historical trading record and subsequent collections. The Group also calculates loss ratio based on past aging data statement and considers expected credit losses of industrial forward-looking evaluation to estimate the amount of loss allowance to be recognized. Because the estimation process involves the objective judgment of the management toward the preceding impairment evidence, the factor impacting the recognized amount of loss allowance tends to have high uncertainty, causing significant impact on the recoverable amount of accounts receivable. Therefore, we consider CyberTAN Group's evaluation for the impairment loss of accounts receivable as one of the important matters in the audit.

Responsive Audit Procedures

The responsive procedures executed by us for specific aspects specified in the preceding key audit matters are as follows:

1. Understand and evaluate the reasonableness of the allowance policy and procedure regarding the allowance loss of accounts receivables.
2. Acquire the aging data statement the management used to evaluate the expected credit loss ratio of accounts receivable, confirm its data source logic is consistently adopted and test relevant forms to confirm the correctness of its aging data.
3. Evaluate the reasonableness of the estimation used by the management to evaluate the expected credit loss ratio of accounts receivable and acquire related supporting documents, including forward-looking adjustment, disputable accounts, status of lasting aging, subsequent collection status, financial status impacting the customer and signs suggesting the customer is unable to pay as scheduled.

## Other matters – Audit related to other CPAs

For the part of subsidiaries and companies invested under equity method in the aforementioned consolidated financial statements of CyberTAN Group, we have not audited the financial statements which was prepared based on different financial report structure, instead other CPAs did. Therefore, our opinions expressed on the amount listed in said financial statements of such companies and related information disclosed in Note 13 were based on the other independent auditor' s report. The total assets (including investment under the equity method) of the companies was NTD 636,645 thousand and NTD 449,931 thousand on December 31, 2021 and 2020, accounting for 8% and 6% of the total consolidated assets, respectively. The operating revenue from January 1 to December 31, 2021 and 2020 was NTD 0 and NTD 0, accounting for 0% and 0% of the total net consolidated operating revenue.

## Other matters – Parent company only financial statement

CyberTAN Group had duly worked out the 2021 and 2020 parent company only financial statement for which we, the Undersigned Certified Public Accountant, have duly worked out standard type, Audit Report with unqualified (unreserved) opinion for reference.

## Responsibilities of Management and the Governance Unit with Governance of the Consolidated Financial Statements

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS, IAS, IFRIC and SIC endorsed by the Financial Supervisory Commission. Also, to maintain the necessary internal controls related to the consolidated financial statements to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is also responsible for assessing the ability of CyberTAN Group to continue as a going concern, disclosing, as applicable, matters related to ongoing concerns and using the going concern basis of accounting unless management either intends to liquidate the CyberTAN Group or to cease operations, or there is a lack of any option except for liquidation or suspension.

The governance unit (including the audit committee) of CyberTAN Group is responsible for supervising the financial reporting process.

## Independent 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. Reasonable assurance is a high level of assurance, but is not a guarantee that and audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

1. Identify and assess the risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the 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. We acquire necessary understanding of the internal control mechanism that is related to

the audit to design appropriate audit process for the situation at the time. The purpose of the knowledge is not expressing opinions to the effectiveness of the internal control mechanism of the CyberTAN Group.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Based on the acquired audit evidence, we decide whether the going concern accounting basis adopted by the management is suitable, whether events that might affect the going concern capacity of CyberTAN Group exist, and whether there is major uncertainty. A conclusion will be made afterwards. 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 inappropriate, to modify our opinion. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the CyberTAN Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of individual companies within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group, and also for forming an opinion on the audit of the Group.

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

We also provide those in charge of governance with a statement that we have complied with the Code of Ethics for Professional Accountants of the Republic of China 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).

The independent auditor has used the communications with the governing unit as the basis to determine the key audit matters to be performed on the 2021 consolidated financial statements of CyberTAN Group. We clearly state all above matters in the audit report, unless the law prohibits us to publicly disclose certain matters, or under rare circumstances we decide not to include certain matters in the audit report since we can reasonably expect the resulting negative impact is greater than the public interest they bring.

PricewaterhouseCoopers Taiwan
FENG-MIN CHUAN
CPA
HSU-YUNG CHIEN
Former Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan
Approval Reference No.: Jin-Guan-Zheng-Liu-Zi No. 0960038033
Former Securities and Futures Commission, Ministry of Finance
Approval Reference No.: (84)-Tai-Cai-Zheng-(Liu) No. 13377

March 21, 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 report of independent accountants 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.

CyberTAN Technology Inc. and the subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

| Code | Assets | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and Cash Equivalents | 6(1) | $ 2,170,325 | 29 | $ 1,884,022 | 24 |
| 1136 | Financial assets measured at amortized cost – current | 6(3) and 8 | 1,190,634 | 16 | 1,403,222 | 18 |
| 1170 | Accounts receivable, net | 6(4) | 723,967 | 10 | 697,221 | 9 |
| 1180 | Accounts receivable – the related party, net | 6(4) and 7 | 321,643 | 4 | 640,681 | 8 |
| 1200 | Other accounts receivable | 7 | 10,070 | - | 32,541 | - |
| 1220 | Income tax assets in the current period | | 11,591 | - | 255 | - |
| 130X | Inventory | 6(5) | 545,221 | 7 | 519,382 | 6 |
| 1470 | Other current assets | | 6,486 | - | 6,723 | - |
| 11XX | **Total current assets** | | 4,979,937 | 66 | 5,184,047 | 65 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets measured at fair value through profit or loss – non-current | 6(2) | 71,932 | 1 | 38,311 | - |
| 1535 | Financial assets measured at amortized cost -non-current | 6(3) and 8 | 21,070 | - | 21,073 | - |
| 1550 | Investment at equity method | 6(6) | 964,044 | 13 | 1,219,126 | 15 |
| 1600 | Property, plant and equipment | 6(7) | 723,350 | 10 | 716,167 | 9 |
| 1755 | Right-of-use assets | 6(8) and 7 | 562,772 | 7 | 577,785 | 7 |
| 1780 | Intangible assets | | 14,715 | - | 15,363 | - |
| 1840 | Deferred income tax assets | 6(24) | 35,407 | - | 47,198 | 1 |
| 1900 | Other non-current assets | 6(11) | 212,619 | 3 | 205,273 | 3 |
| 15XX | **Total non-current assets** | | 2,605,909 | 34 | 2,840,296 | 35 |
| 1XXX | **Total assets** | | $ 7,585,846 | 100 | $ 8,024,343 | 100 |

(To be continued)

CyberTAN Technology Inc. and the subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

| | Liabilities and equity | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term loans | 6(10) | $ 570,450 | 8 | $ 688,413 | 9 |
| 2130 | Contract liabilities – current | 6(17) | 34,060 | - | 53,483 | 1 |
| 2170 | Accounts payable | | 612,323 | 8 | 827,598 | 10 |
| 2180 | Accounts payable – the related party | 7 | 46,674 | 1 | 66,428 | 1 |
| 2200 | Other payables | | 194,086 | 3 | 161,145 | 2 |
| 2220 | Other payables – the related party | 7 | 11,927 | - | 22,359 | - |
| 2230 | Income tax liabilities in the current period | | 9,270 | - | 28,761 | - |
| 2250 | Liability reserve – current | 6(12) | 5,101 | - | 19,978 | - |
| 2280 | Lease liabilities – current | 7 | 48,060 | 1 | 47,153 | 1 |
| 2365 | Refund liabilities – current | | 2,151 | - | 1,861 | - |
| 2399 | Other current liabilities -others | | 35,699 | - | 96,956 | 1 |
| 21XX | **Total current liabilities** | | 1,569,801 | 21 | 2,014,135 | 25 |
| | **Non-current liabilities** | | | | | |
| 2550 | Liability reserve – non-current | 6(12) | 9,367 | - | 17,153 | - |
| 2570 | Deferred income tax liabilities | 6(24) | 16,205 | - | 49,938 | 1 |
| 2580 | Lease liabilities – non-current | 7 | 536,307 | 7 | 544,923 | 7 |
| 2600 | Other non-current liabilities | | 7,887 | - | 4,432 | - |
| 25XX | **Total non-current liabilities** | | 569,766 | 7 | 616,446 | 8 |
| 2XXX | **Total liabilities** | | 2,139,567 | 28 | 2,630,581 | 33 |
| | **Equity attributable to parent company shareholders** | | | | | |
| | Capital stock | 6(13) | | | | |
| 3110 | Common stock | | 3,286,054 | 43 | 3,286,054 | 41 |
| | Capital reserves | 6(14) | | | | |
| 3200 | Capital reserves | | 572,050 | 8 | 578,131 | 7 |
| | Retained earnings | 6(15) | | | | |
| 3310 | Legal reserve | | 821,042 | 11 | 816,159 | 10 |
| 3320 | Special reserve | | 187,892 | 3 | 126,502 | 2 |
| 3350 | Undistributed earnings | | 701,395 | 9 | 774,807 | 10 |
| | Other equity | 6(16) | | | | |
| 3400 | Other equity | | ( 122,154) | ( 2) | ( 187,891) | ( 3) |
| 31XX | **Total equity attributable to parent company shareholders** | | 5,446,279 | 72 | 5,393,762 | 67 |
| 3XXX | **Total equity** | | 5,446,279 | 72 | 5,393,762 | 67 |
| | Major Contingent Liabilities and Commitments Made Under Unrecognized Contracts | 9 | | | | |
| | Significant Subsequent Events | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 7,585,846 | 100 | $ 8,024,343 | 100 |

Please refer to the notes of the consolidated financial statements, which constitute a part of the consolidated financial report.

CyberTAN Technology Inc. and the subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(Except the unit of earnings per share is NTD)

| | Item | Notes | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 6(17) and 7 | $ 3,946,796 | 100 | $ 4,834,151 | 100 |
| 5000 | Operating cost | 6(5)(22) (23) and 7 | ( 3,837,535) | ( 97) | ( 4,462,416) | ( 92) |
| 5950 | Net operating gross profit | | 109,261 | 3 | 371,735 | 8 |
| | Operating expense | 6(22) (23) and 7 | | | | |
| 6100 | Selling expenses | | ( 49,618) | ( 1) | ( 56,000) | ( 1) |
| 6200 | Administrative expenses | | ( 74,381) | ( 2) | ( 68,349) | ( 1) |
| 6300 | R&D expenses | | ( 267,239) | ( 7) | ( 272,019) | ( 6) |
| 6450 | Expected credit impairment profits (losses) | 12(2) | 1,526 | - | ( 849) | - |
| 6000 | Total operating expenses | | ( 389,712) | ( 10) | ( 397,217) | ( 8) |
| 6900 | Operating losses | | ( 280,451) | ( 7) | ( 25,482) | - |
| | Non-operating revenue and expenses | | | | | |
| 7100 | Interest revenue | 6(18) | 19,635 | 1 | 30,161 | 1 |
| 7010 | Other revenue | 6(19) and 7 | 82,765 | 2 | 109,340 | 2 |
| 7020 | Other gains and losses | 6(20) | 314,776 | 8 | ( 46,118) | ( 1) |
| 7050 | Financial Costs | 6(21) and 7 | ( 21,987) | ( 1) | ( 24,701) | ( 1) |
| 7060 | The share of the profit or loss of affiliated companies, joint ventures recognized under the equity method | 6(6) | ( 107,127) | ( 3) | ( 24,376) | - |
| 7000 | Total non-operating income and expense | | 288,062 | 7 | 44,306 | 1 |
| 7900 | **Net profit before tax** | | 7,611 | - | 18,824 | 1 |
| 7950 | Income tax benefits | 6(24) | 16,782 | 1 | 4,751 | - |
| 8200 | **Current net profit** | | $ 24,393 | 1 | $ 23,575 | 1 |

(To be continued)

CyberTAN Technology Inc. and the subsidiaries
Consolidated statement of comprehensive income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(Except the unit of earnings per share is NTD)

| | Item | Notes | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income** | | | | | |
| | **Items not reclassified to profit or loss** | | | | | |
| 8311 | Remeasurement of defined benefit plan | 6(11) | $ 499 | - | $ 4,367 | - |
| 8316 | Unrealized valuation gains and loss from equity instrument investments measured at fair value through other comprehensive income | 6(2)(16) | 51,091 | 1 | ( 3,207) | - |
| 8320 | The share of other comprehensive income of affiliated companies, joint ventures recognized under the equity method – items not reclassified to profit or loss | 6(6) | 23,316 | 1 | ( 31,434) | ( 1) |
| 8349 | Income tax related to items not reclassified | 6(24) | 2,279 | - | 3,212 | - |
| 8310 | Total of items not reclassified to profit or loss | | 77,185 | 2 | ( 27,062) | ( 1) |
| | **Items may be reclassified to profit or loss subsequently** | | | | | |
| 8361 | Exchange difference in the financial statement translation of the foreign operation | 6(16) | 8,251 | - | ( 9,318) | - |
| 8370 | The share of other comprehensive income of affiliated companies, joint ventures recognized under the equity method – items may be reclassified to profit or loss | 6(6)(16) | ( 290) | - | ( 1,617) | - |
| 8399 | Income tax related to items may be reclassified | 6(16) (24) | ( 1,650) | - | 1,864 | - |
| 8360 | Total of items may be reclassified to profit or loss subsequently | | 6,311 | - | ( 9,071) | - |
| 8300 | **Other comprehensive income (net amount)** | | $ 83,496 | 2 | ($ 36,133) | ( 1) |
| 8500 | **Total comprehensive income for the year** | | $ 107,889 | 3 | ($ 12,558) | - |
| | Net profit attributable to: | | | | | |
| 8610 | Parent company shareholders | | $ 24,393 | 1 | $ 23,575 | 1 |
| | The total comprehensive income attributable to: | | | | | |
| 8710 | Parent company shareholders | | $ 107,889 | 3 | ($ 12,558) | - |
| | Basic earnings (loss) per share | 6(25) | | | | |
| 9750 | Total basic earnings (loss) per share | | $ 0.07 | | $ 0.07 | |
| | Diluted earnings (loss) per share | 6(25) | | | | |
| 9850 | Total diluted earnings (loss) per share | | $ 0.07 | | $ 0.07 | |

Please refer to the notes of the consolidated financial statements, which constitute a part of the consolidated financial report.

CyberTAN Technology Inc. and the subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| | | Equity attributable to parent company shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | Other equity | | |
| | Notes | Common stock | Capital reserves – stock premium | Legal reserve | Special reserve | Undistributed earnings | Exchange difference in the financial statement translation of the foreign operation | Unrealized profit or loss of financial assets measured at fair value through other comprehensive income | Total |
| 2020 | | | | | | | | | |
| Balance at January 1, 2020 | | $ 3,286,054 | $ 578,131 | $ 809,235 | $ 68,007 | $ 840,686 | ($ 116,208) | ($ 10,294) | $ 5,455,611 |
| Current net loss | | - | - | - | - | 23,575 | - | - | 23,575 |
| Other comprehensive income for the year | 6(16) | - | - | - | - | (3,008) | (9,071) | (24,054) | (36,133) |
| Total comprehensive income for the year | | - | - | - | - | 20,567 | (9,071) | (24,054) | (12,558) |
| Appropriation and allocation of earnings in 2019 | 6(15) | | | | | | | | |
| Allocated legal reserve | | - | - | 6,924 | - | (6,924) | - | - | - |
| Allocated special reserve | | - | - | - | 58,495 | (58,495) | - | - | - |
| Allocation of cash dividends | | - | - | - | - | (49,291) | - | - | (49,291) |
| Disposal of equity instrument measured at fair value through other comprehensive income | 6(2)(16) | - | - | - | - | 27,948 | - | (27,948) | - |
| Changes of affiliated companies and joint ventures under equity method | 6(16) | - | - | - | - | 316 | - | (316) | - |
| Balance at December 31, 2020 | | $ 3,286,054 | $ 578,131 | $ 816,159 | $ 126,502 | $ 774,807 | ($ 125,279) | ($ 62,612) | $ 5,393,762 |
| 2021 | | | | | | | | | |
| Balance at January 1, 2021 | | $ 3,286,054 | $ 578,131 | $ 816,159 | $ 126,502 | $ 774,807 | ($ 125,279) | ($ 62,612) | $ 5,393,762 |
| Current net loss | | - | - | - | - | 24,393 | - | - | 24,393 |
| Other comprehensive income for the year | 6(16) | - | - | - | - | 2,475 | 6,311 | 74,710 | 83,496 |
| Total comprehensive income for the year | | - | - | - | - | 26,868 | 6,311 | 74,710 | 107,889 |
| Appropriation and allocation of earnings in 2020 | 6(15) | | | | | | | | |
| Allocated legal reserve | | - | - | 4,883 | - | (4,883) | - | - | - |
| Allocated special reserve | | - | - | - | 61,390 | (61,390) | - | - | - |
| Allocation of cash dividends | | - | - | - | - | (49,291) | - | - | (49,291) |
| Disposal of equity instrument measured at fair value through other comprehensive income | 6(2)(16) | - | - | - | - | 24,746 | - | (24,746) | - |
| Disposal of Investment at equity method | 6(14)(16) | - | (6,081) | - | - | (9,462) | - | 9,462 | (6,081) |
| Balance at December 31, 2021 | | $ 3,286,054 | $ 572,050 | $ 821,042 | $ 187,892 | $ 701,395 | ($ 118,968) | ($ 3,186) | $ 5,446,279 |

Please refer to the notes of the consolidated financial statements, which constitute a part of the consolidated financial report.

CyberTAN Technology Inc. and the subsidiaries
Consolidated statement of cash flow
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| | Notes | January 1 to December 31, 2021 | January 1 to December 31, 2020 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Net profit before tax in the current period | | $ 7,611 | $ 18,824 |
| Adjustment items | | | |
| Income/expenses items | | | |
| Depreciation expenses | 6(22) | 97,646 | 94,199 |
| Miscellaneous expenses – depreciation expenses | 6(20) | 21,075 | 17,977 |
| Amortization expenses | 6(22) | 648 | 1,226 |
| Expected credit impairment (gains) losses | 12(2) | ( 1,526 ) | 849 |
| Interest expenses | 6(21) | 21,987 | 24,701 |
| Miscellaneous expenses – interest expenses | 6(20) | 2,473 | 2,555 |
| Interest revenue | 6(18) | ( 19,635 ) | ( 30,161 ) |
| Dividend revenue | 6(2)(19) | ( 408 ) | ( 9,814 ) |
| Share of profit or loss from affiliated companies under the equity method | 6(6) | 107,127 | 24,376 |
| Gain on disposal of Investment at equity method | 6(6)(20) | ( 330,596 ) | - |
| Gains on disposal of property, plant and equipment | 6(20) | ( 332 ) | ( 1,699 ) |
| Property, plant, and equipment recognized as expenses | | - | 398 |
| Changes of assets/liabilities related to operating activities | | | |
| Net changes of assets/liabilities related to operating activities | | | |
| Accounts receivable (including the related party) | | 293,818 | 145,173 |
| Inventory | | ( 25,839 ) | 123,417 |
| Other accounts receivable | | 22,556 | ( 16,250 ) |
| Other current assets | | 237 | 208 |
| Other non-current assets | | ( 5,853 ) | ( 78 ) |
| Net changes of liabilities related to operating activities | | | |
| Contract liabilities – current | | ( 19,423 ) | 15,002 |
| Accounts payable (including the related party) | | ( 235,029 ) | ( 31,145 ) |
| Other payables (including the related party) | | 22,509 | ( 40,027 ) |
| Refund liabilities – current | | 290 | ( 7,639 ) |
| Liability reserve | | ( 22,663 ) | ( 5,717 ) |
| Advance on rent | | ( 439 ) | ( 1,290 ) |
| Cash (outflow) inflow from operations | | ( 63,766 ) | 325,085 |
| (Paid) returned income tax | | ( 35,664 ) | 26,079 |
| Net cash (outflow) inflow from operating activities | | ( 99,430 ) | 351,164 |
| Cash flow from investing activities | | | |
| Disposal of financial assets proceeds measured at fair value through profit or loss | 6(2) | $ 15,090 | $ 28,845 |
| Refunds from liquidation of financial assets measured at fair value through profit or loss | 12(3) | 1,260 | - |
| Acquisition of financial assets measured at amortized cost | | - | ( 133,285 ) |
| Disposal of financial assets measured at amortized cost | | 212,488 | - |
| Disposal of investment under equity method | 6(6) | 490,062 | - |
| Refunds from decapitalization of affiliated companies under the equity method | 6(6) | 5,000 | 6,000 |
| Acquisition of property, plant, and equipment | 6(7) | ( 64,477 ) | ( 49,861 ) |
| Disposal of property, plant, and equipment proceeds | | 365 | 3,153 |
| (Increase) in refundable deposit | | ( 994 ) | ( 483 ) |
| Interest received | | 19,805 | 29,366 |
| Dividends received | | 408 | 9,814 |
| Cash dividend distributed by affiliated companies recognized under the equity method | 6(6) | 434 | - |
| Net cash inflow (outflow) from investing activities | | 679,441 | ( 106,451 ) |
| Cash flow from financing activities | | | |

Please refer to the notes of the consolidated financial statements, which constitute a part of the consolidated financial report.

CyberTAN Technology Inc. and the subsidiaries

Consolidated statement of cash flow

January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| | Notes | January 1 to December 31, 2021 | January 1 to December 31, 2020 |
|---|---|---|---|
| Increase in short-term loans | | - | 295,835 |
| Decrease in short-term loans | | ( 117,963 ) | - |
| Increase (decrease) in guarantee deposits | | 3,455 | ( 2,421 ) |
| Repayment of lease principal | 6(27) | ( 46,705 ) | ( 43,561 ) |
| Allocation of cash dividends | 6(15) | ( 49,291 ) | ( 49,291 ) |
| Interest paid | | ( 24,645 ) | ( 26,721 ) |
| Decrease in other current liabilities | | ( 60,818 ) | ( 45,534 ) |
| Net cash (outflow) inflow from financing activities | | ( 295,967 ) | 128,307 |
| Foreign exchange rate effect | | 2,259 | 1,788 |
| Increase in cash and cash equivalents in the current period | | 286,303 | 374,808 |
| Balance of cash and cash equivalents, beginning | | 1,884,022 | 1,509,214 |
| Balance of cash and cash equivalents, ending | | $ 2,170,325 | $ 1,884,022 |

Please refer to the notes of the consolidated financial statements, which constitute a part of the consolidated financial report.

<u>CyberTAN Technology Inc. and the subsidiaries</u>
<u>Notes to Consolidated Financial Statements</u>
<u>2021 and 2020</u>

Unit: NTD thousand
(Unless otherwise specified)

I. Company History and Business Scope

CyberTAN Technology Inc. (hereinafter referred to as the "the Company") was established in the Republic of China. The Company and its subsidiaries (hereinafter referred to as "the Group") have mainly engaged in wired communication mechanical equipment manufacturing, electronic components manufacturing, and the R&D, development and sales of broadband Internet routers, gateways, virtual private networks, firewalls, Layer 3 and Layer 4 switches, wired broadband network security router and wireless broadband network security router.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial report was released after being approved by the board of directors on March 21, 2022.

III. New Standards, Amendments, and Interpretations Adopted

(I) Effect of adopting the new promulgated or amended IFRS endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The following are applicable promulgated, amended and revised standards and interpretations of IFRSs endorsed by the FSC in 2021:

| New, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| 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 the 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.

(II) Effect of not adopting the new promulgated or revised IFRS, IAS, IFRIC, and SIC endorsed by the FSC

The following are applicable new promulgated, amended and revised standards and interpretations of IFRSs endorsed by the FSC in 2022:

| New, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| 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 Cycle | January 1, 2022 |

The Group evaluated that the above standards and interpretations applicable have no significant impact on the financial status and business results of the Group.

(III) Impacts of IFRS issued by IASB but not yet approved by 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, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be decided by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Classification of liabilities as current or non-current (Amendments to IAS 1) | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8, ‘Definition of accounting estimates’ | January 1, 2023 |
| Amendments to IAS 12,‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023 |

The Group evaluated that the above standards and interpretations applicable have no significant impact on the financial status and business results of the Group.

IV. Summary of Significant Accounting Policies

The major accounting policies applied to prepare the consolidated financial statements are as follows. Unless otherwise provided, the policies have been applied during all the presentation period.

(I) Compliance Statement

The consolidated financial report was prepared in accordance with the “Regulations Governing the Preparation of Financial Report by Securities Issuers,” and the IFRS, IAS, IFRIC and SIC (hereinafter referred to as the “IFRSs”) endorsed by FSC.

(II) Basis of preparation

1. Except the following important items, the consolidated financial report was prepared based on the historical cost:
   (1) Financial instruments and liabilities (including derivatives) measured at fair value through profit or loss based on fair value.
   (2) Financial assets measured at fair value through other comprehensive income based on fair value.
   (3) Defined benefit liability stated based on the net after pension fund assets less the

present value of defined benefit obligations.

2. The preparation of financial report that complies with IFRSs requires some important accounting estimates. The application of the Group's accounting policy also requires the management to use their judgment during the process. For item involving high judgment or complexity or items involving important estimates and assumptions of the consolidated financial report, please refer to the description in Note 5.

(III) Basis of consolidation

1. Principle for the preparation of consolidated financial statements

(1) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date when the Group forfeits the controlling power.

(2) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group's interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.

(4) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration was directly recognized as equity.

(5) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be remeasured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliated companies or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into profit or loss when the related assets or liabilities are disposed thereof, the profit or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.

2. The subsidiaries covered within the consolidated financial report:

| Investor | Subsidiaries | | Equity percentage | | |
|---|---|---|---|---|---|
| Name | Name | Nature of business | December 31, 2021 | December 31, 2020 | Description |
| The Company | CyberTAN Corp(U.S.A) | Sales company | 100% | 100% | |
| " | Ta Tang Investment Co., Ltd. | General investment business | 100% | 100% | |

| | | | | |
|---|---|---|---|---|
| " | CyberTAN (B.V.I) Investment Corp. | “ | 100% | 100% |
| CyberTAN (B.V.I)Investment Corp. | HON YAO FU Technology Company Limited | Manufacturing company | 100% | 100% |
| " | CyberTAN Technology (HONG KONG) Limited | General investment business | 100% | 100% |
| CyberTAN Technology (HONG KONG) Limited | Fuhongkang Technology (Shenzhen) Co., Ltd. | Manufacturing company | 100% | 100% |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | Chongqing Hongdaofu Technology Co., Ltd. | " | 100% | 100% |

3. The subsidiaries that are not included in the consolidated financial statements: None.
4. Different adjustment and treatment by subsidiaries in the accounting period: None.
5. Significant restrictions: None.
6. Subsidiaries over which the Group holds important non-controlling equity: None.

(IV) Translation of foreign currency

Each item listed in the separate financial statements of the Group is measured by the currency of the primary economic environment in which the business department situated (i.e. functional currency). The consolidated financial report was prepared in the Company’s functional currency, “NTD.”

1. Foreign currency transaction and balance
   (1) Foreign currency transaction converts the conversion difference generated by the transaction to functional currency adopting the spot exchange rate on the date of transactions or measurement date and recognizes the difference as current profit or loss.
   (2) The monetary assets and balance of liabilities in foreign currency are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as current profit or loss.
   (3) For non-monetary assets and balance of liabilities in foreign currency, those measured at fair value through profit or loss are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as current profit or loss; those measured at fair value through other comprehensive income are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as other comprehensive income item; those not measured at fair value are measured at historical exchange rate on initial transaction date.
   (4) All exchange gain or loss is listed in “Other Profit and Loss” of profit and loss statement.
2. Translation of the foreign operation
   (1) For all Group’s entities, affiliated companies and joint agreements with differences in functional currency and presentation currency, the business result and financial status is converted to presentation currency by the following method:
      A. The assets and liabilities presented in each balance sheet were translated based on the exchange rates closed on every balance sheet date;
      B. The profits and losses presented in each statement of comprehensive income were translated in accordance with the average exchange rates in current period; and
      C. All resulted exchange differences were recognized under other comprehensive

income.

(2) When the foreign operation for partial disposal or selling is a subsidiary, the accumulated exchange differences recognized under other comprehensive income are reattributed proportionally as non-controlling equity of the subsidiaries. However, when the Group maintains partial rights of the former subsidiary but losses the control over the subsidiary included in the foreign operation institutions, it is conducted based on the disposal of all equity in the foreign operation institutions.

(V) <u>Classification of assets and liabilities as current and non-current</u>

1. Assets that match any of the following conditions shall be classified as current assets:

   (1) Assets expected to be realized, intent to be sold or consumed over the normal operating cycles.
   (2) Primarily for trading purposes.
   (3) Assets expected to be realized within 12 months after the balance sheet date.
   (4) Assets in cash or cash equivalents, except for those that are used for an exchange or to settle a liability, or otherwise remain restricted in more than 12 months after the balance sheet date.

   The Group listed all assets that did not comply with the following conditions as non-current assets.

2. Assets that match any of the following conditions shall be classified as current liabilities:

   (1) Liabilities expected to be settled in normal business cycle.
   (2) Primarily for trading purposes.
   (3) Liabilities expected to be settled within 12 months after the balance sheet date.
   (4) Liabilities with settlement period which cannot be unconditionally deferred for at least 12 months after the date of the balance sheet. Liabilities under the terms that give counterparties the option repay in the form of equity instruments and without the effect on their classification due to such terms

   The Group listed all assets that did not comply with the following conditions as non-current liabilities.

(VI) <u>Cash equivalents</u>

Cash equivalent includes short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. The time deposits that fall into the above definition and are intended to satisfy the short-term cash commitment shall be classified cash equivalents.

(VII) <u>Financial assets measured at fair value through other comprehensive income</u>

1. This refers to irrevocable choice at initial recognition to recognize the later fair value change of the equity instrument investment held not for transaction in other comprehensive profit or loss; or at the same time the debt instrument investment meets the following conditions:

   (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows or to sell.
   (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. The Group adopts the trade date accounting for financial assets in accordance with the

general trade practice measured at fair value through other comprehensive income.

3. It is initially recognized at fair value plus the transaction cost by the Group and the subsequent valuation is measured at fair value:

   The changes in fair value belonging to equity instrument investment is recognized as other comprehensive income. During derecognition, accumulated profit or loss previously recognized in other comprehensive income shall not be subsequently reclassified as profit or loss but classified as retained earnings. When the Group is entitled to collect dividends, the economic effect related to the dividend may inflow and the amount of revenue can be measured reliably Therefore, the related dividend revenue shall be recognized as profit or loss.

(VIII) Financial assets measured at amortized cost

1. This refers to those meeting the following conditions at the same time:
   (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
   (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts the trade date accounting for financial assets in accordance with the general trade practice measured at amortized cost.
3. The time deposit not complying with cash equivalents held by the Group is measured at investment amount since the impact of discounting was insignificant.

(IX) Accounts receivable

1. This refers to accounts from the rights to receive consideration without any condition due to commodity transfer or labor service based on contract agreement.
2. This belongs to short-term accounts receivable with unpaid interest. The invoice payable was measured at the initial per value by the Group since the impact of discounting was insignificant.

(X) Impairment of financial assets

For financial assets measured at amortized cost accounts receivable that comprises material financial parts, after taking reasonable and supporting materials into consideration (including forward-looking ones) on each balance sheet date, the Group measures the loss allowance based on 12-month expected credit losses for those without significant increase in credit risk after initial recognition; for those with significant increase in credit risk after initial recognition, the loss allowance is measured based on the amount of the expected credit losses throughout the duration; for accounts receivable excluding material financial parts or contract assets, the allowance loss is measured at the amount of the expected credit losses throughout the duration.

(XI) Derecognition of the financial assets

The Group will derecognize financial assets only in the event where the interests on a contract for financial assets-based cash flow ceased to be effective.

(XII) Lease transactions of lessor – operating lease

The lease income from operating lease deducting any given incentives of the lessee is amortized and recognized as current profit or loss under straight-line method over the lease period.

(XIII) Inventory

Inventories are measured at the lower of cost or net realizable value while the cost is determined by weighted average method. The cost of finished product and goods in process includes material, direct manpower, other direct costs and manufacturing expenses related to production (amortized based on normal productivity) without loan cost. The item-by-item comparison method is adopted when comparing the cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in ordinary course of business less the estimated cost needed to complete the work and relevant variable selling expense.

(XIV) Investment – affiliated companies under equity method

1. The affiliated companies refer to the entity in which the Group has significant impact upon and often holds more than 20% of voting shares directly or indirectly. The investment of the Group in the affiliated companies adopts the equity method for disposal and is recognized based on cost upon acquisition.
2. The shares in profit or loss acquired from affiliated companies by the Group was recognized as current profit or loss and shares of other comprehensive income was recognized as other comprehensive income. In the event that the Group's shares of loss in the affiliated companies is equal to or exceed its equity in the affiliated companies (including other unsecured receivables), the Group does not recognize further losses, unless in the event of occurrence of legal obligations, presumed obligations or within the scope that the Group made payment on behalf of the affiliated companies.
3. When changes to equity irrespective of profit and loss or comprehensive income occur to affiliated companies with no impact on the shareholding ratio of the Group, all of changes in equity will be recognized as "capital reserves" based on the shareholding ratio by the Group.
4. The unrealized profit or loss deriving from the transactions between the Group and the affiliated companies were written off based on the equity ratio of the affiliated companies; the unrealized loss was written off unless the evidence displayed the impairment of transferred assets in such transaction. Accounting policies of the affiliated companies have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
5. When the Group forfeits its material influence over the affiliated companies, if the Group disposes the affiliated companies, the accounting treatment for the values related to the affiliated companies as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed thereof, the gain or loss shall be reclassified into income from equity, when the Group has no significant impact on the affiliated companies. Provided that where it still has material influence over the affiliated companies, the amount previously recognized in other comprehensive income is

transferred according to the method stated above based on the proportion.

6. When the Group disposes of an affiliate, the capital surplus of the affiliate is transferred to profit or loss if the Group loses significant influence on the affiliate. If there is still significant influence, profit or loss shall be transferred in proportion to the disposal.

(XV) Property, plant and equipment

1. Property, plant and equipment is accounted at acquisition cost at initiation and the relevant interest is capitalized during the purchase and construction period.
2. The subsequent cost is included in the book value of assets or recognized as single asset only when future economic benefits related to such item will probable inflow to the Group and the cost of such item can be measured reliably. The book value of the replaced part shall be derecognized. All other repair expenses are recognized as profit or loss upon occurring.
3. The subsequent measurement of property, plant, and equipment adopts the cost model and the depreciation is calculated over the estimated useful lives in accordance with the straight-line method. The property, plant and equipment are depreciated and for each and every major part individually.
4. The Group at least reviews the residual value, estimated useful years and depreciation method of each asset at the end of each fiscal year. If the expected values of the residual value and useful years are different from the previous estimate or the expected consumption pattern used in future economic benefits of such asset has significant changes, it is conducted based on the accounting estimate of IFRS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” since the date of change. The useful life of each asset are as follows:

| | |
|---|---|
| House and buildings | 3 years to 41 years |
| (The useful life of interior construction is 3–10 years) | |
| Machinery and equipment | 3 years to 10 years |
| Transportation equipment | 5 years |
| Office equipment | 2 years to 10 years |
| Other equipment | 2 years to 5 years |

(XVI) Lease transactions of lessee – right-of-use assets/lease liabilities

1. The lease asset is recognized as right-of-use assets and lease liabilities upon the date available for use by the Group. When the lease contract is short-term lease or low-valued underlying asset lease, the lease payment is recognized as expenses on a straight-line method within the lease period.
2. The unpaid lease payment is recognized as lease liability based on present value discounted at the Group’s incremental borrowing rate of interest on the start date of lease. The lease payment belongs to fixed payment deducting any received lease incentives.

   Subsequently, it is measured at the amortized cost under the interest method, and the interest expense are recognized during the lease period. When changes in lease term or lease payment is not caused by contract modification, lease liabilities will be reevaluated and the remeasurement will be used to adjust right-of-use assets.
3. The right-of-use assets are recognized based on the cost on the starting date of the lease, the cost includes:

(1) The original measured amount of lease liability;
(2) Any lease payment paid before or on the starting date; and
(3) Initial direct costs incurred.

The subsequence is measured by cost model and the right-of-use assets provide depreciation from the starting date of lease, up to the durable life expires or the lease period expires, the earlier prevails. When the lease liabilities are reassessed, the right-of-use assets will adjust any remeasurement of the lease liabilities.

4. For lease modification regarding the decrease in scope of lease, the lessee will decrease the book amount of right-of-use assets to reflect partial or overall termination of lease and will recognize the difference between it and the remeasurement amount of lease liabilities as profit or loss.

(XVII) Intangible assets

The computer software is recognized by acquisition cost and is amortized under straight-line method based on 2 years of useful life.

(XVIII) Impairment of non-financial assets

The Group will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount is the fair value of an asset less the disposition cost or the use value, whichever is higher. Impairment loss recognized in previous years on assets may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

(XIX) Loans

This refers to the short-term loan borrowed from the bank. Loans of the Group is measured based on the fair value less trading cost at the time of initial recognition. The subsequent measurement of any difference between the price lessing trading cost and redemption value, its interest expenses shall be recognized in profit or loss based on amortized procedure under effective interest method within the outstanding period.

(XX) Accounts payable

1. This means debt generated from the purchase of materials, commodities or labor services on credit.
2. This belongs to short-term accounts payable with unpaid interest. The invoice payable was measured at the initial per value by the Group since the impact of discounting was insignificant.

(XXI) Derecognition of the financial liabilities

The Group will have the financial liabilities derecognized when the contractual obligation is performed, discharged, or expired.

(XXII) Offsetting of financial assets and liabilities

The financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXIII) Liability reserve

The reserve for warranty liabilities shall be recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The reserve for liabilities is measured by best estimated present value paid to settle the obligation on the balance sheet date. The discount rate adopts the pre-tax discount rate that reflects the specific risk assessment of current market toward the time value of money and the liabilities and the discounted amortization is then recognized as interest expenses. The future operating loss shall not be recognized in the reserve for liabilities.

(XXIV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

2. Pension

(1) Defined appropriation plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(2) Defined benefit plan

A. The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary uses the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate is based on the market yield rate of government bonds (on the balance sheet date) that have the same currency exposure and maturity date as the obligations on the balance sheet date.

B. The remeasurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.

3. Remuneration to employees and directors

The remuneration to employees and directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate. If the remuneration to employees is paid with stock shares, the basis for calculating the number of shares shall be the closing price on the day preceding to the day of resolution made by the shareholders' meeting.

(XXV) Income Tax

1. The income tax expenses consist of current income tax and deferred income tax. The income tax is recognized in the profit or loss except the income taxes relevant to the items which are recognized under other comprehensive income or directly counted into the items of equity, is recognized under other comprehensive income or directly counted into equity respectively.
2. The Group calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. The income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.
3. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. All taxable provisional differences generated from investment in subsidiaries and affiliated companies, of which the time of reverse is controllable by the Group and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.
4. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be reevaluated on each balance sheet date.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.

(XXVI) Capital stock

Common share is classified as equity. The net amount directly attributable to new shares issuing or additional cost of stock option is recognized as deduction of proceeds in the equity after deducting income tax.

(XXVII) Allocation of dividends

The dividends allocated to the Company's shareholders are recognized in the financial report upon allocation of dividends resolved by the shareholders' meeting or resolved specially by the board of directors of the Company. The distributed cash dividend is recognized as liabilities and the distributed stock dividend is recognized as stock dividend to be distributed and reclassified as common shares on the date of new share issuance.

(XXVIII) Recognition of revenue

1. Sale of goods

(1) The Group researches and develops, manufactures and sells products related to wire communication and wireless broadband network. The sales revenue is recognized upon the transfer of product control to the customer, i.e. the timing when the product is delivered to the buyer, the buyer has the discretionary power regarding the selling channels and prices of product and the Group has no unfulfilled contract obligations that may affect the reception of such product by the buyer. When the product is delivered to the specified location, the risk of obsolescence and loss is transferred to the buyer and the buyer accepts the product based on the sales contract or there is objective evidence indicating all acceptance standards has been met, the commodity delivery is thus completed.

(2) The sales revenue of communication products is recognized by net amount of contract price deducting estimated sales discount. Generally, the sales discount for the customer is calculated based on accumulated sale volume of 12 months. The Group adopts expected value method to estimate sales discount based on historical experience. The revenue amount is recognized only within the scope of height may not result in significant reversal and the estimate is updated on each balance sheet date. As of the balance sheet date, the estimated sales discount payable to the customer related to the sales is recognized as refund liabilities. The collection conditions of trading are agreed based on general business trading mode.

(3) The Group provides standard warranty for products sold and has responsibility to provide refund for products with defect, which is recognized in reserve for liabilities upon sales.

(4) The accounts receivable is recognized upon the delivery of product to the customer because the Group has unconditional rights to contract proceeds since that timing and can collect consideration from the customer after that time.

2. Cost of acquiring customer contract

The Group expected to recover the additional cost generated from the acquisition of customer contract. However, the related contract term is less than one year so such cost shall be recognized in expenses when incurred.

(XXIX) Government grants

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(XXX) Business segment

The Group's business segment information adopts the same reporting method as the internal management report provided for the main operating decision maker. The main operating decision maker is responsible to distribute resources to business segment and evaluate their performance. The main operating decision maker of the Group is identified to be the board of directors.

V. Major sources of Uncertainty to Significant Accounting Judgments, Estimates and Assumptions

When preparing the consolidated financial report of the Group, the management decided the adopted accounting policy by their judgment and made accounting estimates and assumptions based on the reasonable expectation toward future events subject to current circumstances on the balance sheet date. The actual results might be different from the major accounting estimates and assumptions, so the historical experience and other factors will be considered for constant evaluation and adjustment. The risk description of the assumptions and estimates which may cause major adjustments to the book amount of assets and liabilities in the following financial year. The Company has taken into account the economic impact of COVID-19 in its critical accounting estimates and will continue to evaluate the impact of COVID-19 on its financial position and performance.The following are the description of uncertainty to significant accounting judgments, estimates and assumptions:

(I) Significant judgments on choice of accounting policy

None.

(II) Accounting estimates and assumptions

1. Valuation of inventory

Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As a result, the Group must make judgment and estimate to determine the net realizable value of the inventory on the balance sheet date. Due to the repaid transformation of technology, the Group assesses the amount of normal wearing out and phasing out of inventory or inventory with no market price and writes off the cost of inventory from net realizable value on the balance sheet date. The valuation of inventory is mainly estimated according to the product demand within a certain period in the future, therefore significant changes may occur.

As of December 31, 2021, the book value of the Group's inventory was NTD 534,419.

2. Evaluation for the loss of accounts receivable

During the evaluation process for the impairment of accounts receivable, the Group uses the overdue ages of accounts receivable, customer's financial status, historical trading record and subsequent collections as the basis. The Group also calculates loss ratio based on past aging data statement and considers the industrial forward-looking evaluation to estimate credit loss rate. This requires subjective judgment and the reserve matrix as the basis to estimate the possible credit loss.

As of December 31, 2021, the book value of accounts receivable (including the related party) after recognizing the credit loss by the Group was NTD 1,045,610.

## VI. Explanation of Important Accounting Titles

### (I) Cash and Cash Equivalents

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash on hand and working fund | $ 277 | $ 277 |
| Checking deposit and current deposits | 693,456 | 634,020 |
| Time deposit | 862,915 | 953,214 |
| Cash equivalents – repurchase bonds | 613,677 | 296,511 |
| Total | $ 2,170,325 | $ 1,884,022 |

1. The financial institutions trading with the Group are reputable banks and the Group trades with various financial institutions to spread the credit risk. Thus, the possibility of expected default is low.
2. The Group has reclassified time deposit with the initial maturity date over three months and limitation to item of "Financial assets measured at amortized cost." Please refer to the description in Note 6, (3).

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

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| TWSE/TPEx listed stocks | $36 | $ 380 |
| TWSE/TPEx unlisted stocks | 38,752 | 41,133 |
| Subtotal | 38,788 | 41,513 |
| Valuation adjustment | 33,144 | ( 3,202) |
| Total | $ 71,932 | $ 38,311 |

1. The Group classified the equity instrument investment belonged to strategic investment as financial assets measured at fair value through other comprehensive income.
2. Due to the need of capital expenses, the Group sold A10 Networks. Inc. with fair value of NTD 15,090 and NTD 28,845 in 2021 and 2020, respectively.
3. The details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

| | 2021 | 2020 |
|---|---|---|
| Equity instrument measured at fair value through other comprehensive income | | |
| Fair value changes recognized in other comprehensive income | $ 51,091 | ($ 3,207) |
| Dividend income recognized in profit or loss | | |
| held at the end of current period | $ - | $ 9,814 |
| Derecognized during the period | 408 | - |
| | $ 408 | $ 9,814 |
| Accumulated gain recognized in retained earnings due to derecognition | $ 24,746 | $ 27,948 |

4. For information related to financial assets measured at fair value through other comprehensive income, please refer to Note 12, (3).

(III) Financial assets measured at amortized cost

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current items: | | |
| Time deposit expired over three months | $ 1,190,634 | $ 1,403,222 |
| Non-current items: | | |
| Pledged time deposit | $ 21,070 | $ 21,073 |

1. Without taking into account the collaterals or credit enhancement held by the Group, for the financial assets measured at amortized cost that best represents the Group, the maximum amount of credit risk exposure as of December 31, 2021 and 2020 was the book balance.
2. The counterparty invested by the Group has good credit risk.
3. For pledged financial assets measured at amortized cost by the Group, please refer to Note 8.

## (IV) Notes and Accounts Receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable | $ - | $ - |
| Accounts receivable | 731,323 | 706,103 |
| Accounts receivable – the related party | 321,643 | 640,681 |
| Less: Allowance loss | ( 7,356) | ( 8,882) |
| | $ 1,045,610 | $ 1,337,902 |

1. For aging analysis of notes and accounts receivable (including the related party), please refer to Note 12, (2).
2. The balances of accounts receivable (including the related party) on December 31, 2021 and 2020 were generated by the customer's contract. Also, the balance of accounts receivable from the customer's contract was NTD 1,491,957 as of January 1, 2020.
3. The accounts receivable (including the related party) of the Group does not include collaterals.
4. Without taking into account the collaterals or credit enhancement held by the Group, for the accounts receivable that best represents the Group, the maximum credit risk exposure amount as of December 31, 2021 and 2020 was the book balance.
5. For the information related to credit risks, please refer to Note 12, (2).

## (V) Inventory

| | December 31, 2021 | | |
|---|---|---|---|
| | Costs | Allowance devaluation loss | Book amount |
| Materials | $ 387,905 | ($ 43,105) | $ 344,800 |
| Goods in process and semi-finished goods | 45,616 | ( 7,066) | 38,550 |
| Finished products | 78,322 | ( 6,256) | 72,066 |
| Inventory in transit | 89,805 | - | 89,805 |
| Total | $ 601,648 | ($ 56,427) | $ 545,221 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Costs | Allowance devaluation loss | Book amount |
| Materials | $ 333,560 | ($ 35,590) | $ 297,970 |
| Goods in process and semi-finished goods | 95,384 | ( 8,402) | 86,982 |
| Finished products | 101,384 | ( 6,076) | 95,308 |
| Inventory in transit | 39,122 | - | 39,122 |
| Total | $ 569,450 | ($ 50,068) | $ 519,382 |

The inventory cost recognized in expenses in current period by the Group:

| | 2021 | 2020 |
|---|---|---|
| Cost of sold inventory | $ 3,831,647 | $ 4,451,827 |
| Devaluation loss | 5,888 | 10,589 |
| | $ 3,837,535 | $ 4,462,416 |

## (VI) Investment at equity method

| | 2021 | 2020 |
|---|---|---|
| January 1 | $ 1,219,126 | $ 1,282,553 |
| Disposal of investment under equity method | ( 165,547) | - |
| Cash dividend distributed by affiliated companies under the equity method | ( 434) | - |
| Refunds from decapitalization of affiliated companies under the equity method | ( 5,000) | ( 6,000) |
| Share of other comprehensive income from affiliated companies under the equity method | 2,076 | ( 6,502) |
| Share in profit or loss of affiliated companies under equity method | ( 107,127) | ( 24,376) |
| Exchange difference in the financial statement translation of the foreign operation | ( 290) | ( 1,617) |
| Other equity changes (Note 6(16)) | 21,240 | ( 24,932) |
| December 31 | $ 964,044 | $ 1,219,126 |

| | December 31, 2020 | December 31, 2020 |
|---|---|---|
| Affiliated companies | | |
| Microelectronics Technology Inc. | | |
| (Microelectronics Technology) | $ 925,427 | $ 1,198,210 |
| Mega Power Ventures Inc. | 38,617 | 20,916 |
| | $ 964,044 | $ 1,219,126 |

1. The basic information about affiliated companies important to the Group is stated as follows:

| Company name | Principal business place | Shareholding ratio | | Nature of relationship | Measurement method |
|---|---|---|---|---|---|
| | | December 31, 2021 | December 31, 2020 | | |
| Microelectronics Technology | Taiwan | 22.96% | 26.72% | Invested company under the equity method by the Company | Equity method |

2. The summarized financial information of affiliated companies important to the Group is stated as follows:

| Balance sheet | Microelectronics Technology | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Current assets | $ 4,563,530 | $ 3,451,306 |
| Non-current assets | 1,988,820 | 1,948,477 |
| Current liabilities | ( 3,281,470) | ( 1,916,050) |
| Non-current liabilities | ( 1,308,514) | ( 1,064,203) |
| Total net assets | $ 1,962,366 | $ 2,419,530 |
| Shares of the affiliates' net assets | $ 450,540 | $ 646,450 |
| Goodwill | 492,444 | 573,063 |
| Others | ( 17,557) | ( 21,303) |
| Book value of affiliated companies | $ 925,427 | $ 1,198,210 |

| | Microelectronics Technology | |
|---|---|---|
| | 2021 | 2020 |
| Revenue | $ 3,929,852 | $ 3,949,997 |
| Net loss of continuing operations for the year | ($ 450,016) | ($ 95,415) |
| Other comprehensive income (after tax) | ( 7,148) | ( 140,510) |
| Total comprehensive income for the year | ($ 457,164) | ($ 235,925) |

3. As the affiliated company important to the Group, Microelectronics Technology has open market quotation. Its fair value on December 31, 2021 and 2020 were NTD 7,882,825 and NTD 2,031,835, respectively.

4. The Group holds 22.96% of Microelectronics's shares, which is the single largest shareholder of such company. However, the shareholding does not exceed half of total shares and does not exceed the majority vote of the shareholders present at the meeting. Also, the Group has no control over the financial affairs, operation and personnel guidelines of Microelectronics Technology without any actual guidance of relevant activities. Therefore, it is determined that the Group has no control over such company but only significant impact thereof.

## (VII) Property, plant and equipment

| | House and buildings | Machinery and equipment | Others | Total |
|---|---|---|---|---|
| **January 1, 2021** | | | | |
| Costs | $ 871,443 | $ 238,705 | $ 262,303 | $ 1,372,451 |
| Accumulated depreciation | ( 283,133) | ( 167,567) | ( 205,584) | ( 656,284) |
| | $ 588,310 | $ 71,138 | $ 56,719 | $ 716,167 |
| 2020 | | | | |
| January 1 | $ 588,310 | $ 71,138 | $ 56,719 | $ 716,167 |
| Increase | 1,300 | 35,958 | 27,219 | 64,477 |
| Disposal (cost) | - | ( 6,215) | ( 1,993) | ( 8,208) |
| Disposal (accumulated depreciation) | - | 6,182 | 1,993 | 8,175 |
| Depreciation expenses | ( 26,367) | ( 23,432) | ( 15,031) | ( 64,830) |
| Reclassification (cost) | - | 744 | ( 744) | - |
| Net exchange differences | - | 5,259 | 2,310 | 7,569 |
| December 31 | $ 563,243 | $ 89,634 | $ 70,473 | $ 723,350 |
| **December 31, 2021** | | | | |
| Costs | $ 872,743 | $ 275,127 | $ 288,614 | $ 1,436,484 |
| Accumulated depreciation | ( 309,500) | ( 185,493) | ( 218,141) | ( 713,134) |
| | $ 563,243 | $ 89,634 | $ 70,473 | $ 723,350 |

| | House and buildings | Machinery and equipment | Others | Total |
|---|---|---|---|---|
| **January 1, 2020** | | | | |
| Costs | $ 869,507 | $ 262,754 | $ 299,100 | $ 1,431,361 |
| Accumulated depreciation | ( 256,805) | ( 230,344) | ( 211,975) | ( 699,124) |
| | $ 612,702 | $ 32,410 | $ 87,125 | $ 732,237 |
| 2020 | | | | |
| January 1 | $ 612,702 | $ 32,410 | $ 87,125 | $ 732,237 |
| Increase | 1,936 | 40,750 | 7,175 | 49,861 |
| Disposal (cost) | - | ( 4,877) | ( 5,787) | ( 10,664) |
| Disposal (accumulated depreciation) | - | 4,616 | 4,594 | 9,210 |
| Depreciation expenses | ( 26,328) | ( 15,943) | ( 17,250) | ( 59,521) |
| Reclassification (cost) | - | 16,358 | ( 16,756) | ( 398) |
| Net exchange differences | - | ( 2,176) | ( 2,382) | ( 4,558) |
| December 31 | $ 588,310 | $ 71,138 | $ 56,719 | $ 716,167 |
| **December 31, 2020** | | | | |
| Costs | $ 871,443 | $ 238,705 | $ 262,303 | $ 1,372,451 |
| Accumulated depreciation | ( 283,133) | ( 167,567) | ( 205,584) | ( 656,284) |
| | $ 588,310 | $ 71,138 | $ 56,719 | $ 716,167 |

The property, plant, and equipment of the Group were not provided as collateral or capitalized interest.

(VIII) Lease transactions – Lessee

1. The underlying assets rented by the Group include the land and the building. The term of lease contract is usually 4 to 20 years. The lease contract adopts individual negotiation and includes various different terms and conditions. Besides the rented assets shall not be used as loan guarantee, there were no other restrictions.
2. The lease terms of drinking fountain, copy machine and parking space rented by the Group are less than 12 months.
3. The following information is the book value and recognized depreciation expenses of right-of-use assets:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Book amount | Book amount |
| Land | $ 240,365 | $ 257,705 |
| House | 322,407 | 320,080 |
| | $ 562,772 | $ 577,785 |

| | 2021 | 2020 |
|---|---|---|
| | Depreciation expenses | Depreciation expenses |
| Land | $ 17,340 | $ 17,340 |
| House | 36,551 | 35,315 |
| | $ 53,891 | $ 52,655 |

4. The increase in right-of-use asset of the Group in 2021 and 2020 were NTD 36,417 and NTD 0, respectively.
5. The following is information regarding the profit or loss items related to lease contracts:

| | 2021 | 2020 |
|---|---|---|
| Item influencing current profit or loss | | |
| Interest expenses of lease liabilities | $ 19,483 | $ 20,673 |
| Expenses for short-term lease contracts | 2,424 | 2,156 |
| Expenses for lease of low-price assets | 213 | 207 |
| | $ 22,120 | $ 23,036 |

6. The Group's total cash outflow of lease in 2021 and 2020 were NTD 68,825 and NTD 66,597, respectively.

(IX) Lease transactions – Lessor

1. The underlying assets leased by the Group is the building and the term of lease contract is usually 3 to 7 years. The lease contract adopts individual negotiation and includes various different terms and conditions. To ensure the use condition of the leased assets, it is often required that the lessee shall not use the leased assets for loan guarantee.
2. The Group recognized NTD 72,112 and NTD 55,267 of rent revenue based on the operating lease contract in 2021 and 2020, respectively, and there were no variable lease payments.
3. The maturity analysis of lease payment based on operating lease of the Group is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Not more than 1 year | $ 37,609 | $ 67,602 |

| | | |
|---|---|---|
| More than 1 year but less than 5 years | - | 34,472 |
| Total | $ 37,609 | $ 102,074 |

## (X) Short-term loans

| Nature of loan | December 31, 2021 | Interest rate interval | Collateral |
|---|---|---|---|
| Bank loans | | | |
| Credit loans | $ 570,450 | 0.70% ~0.85% | None |

| Nature of loan | December 31, 2020 | Interest rate interval | Collateral |
|---|---|---|---|
| Bank loans | | | |
| Credit loans | $ 688,413 | 0.80% ~0.90% | None |

## (XI) Pension

1. (1) The Company has established the regulations for retirement with welfare in accordance with the Labor Standards Act, which is applicable to the years of service for full-time employees before the implementation of the Labor Pension Act on July 1, 2005, and the employees continued to adopt the Labor Standards Act after the "Labor Pension Act" has come into effect. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The company contributes 2% of the total salary on a monthly basis to the pension fund and deposit at the special pension account under the title of the Pension Reserve Monitoring Committee Taiwan the Bank of Taiwan. Before the end of the fiscal year, the Company calculates the balance of the said labor pension fund account. If the pension account balance is insufficient to pay for the pension of employees expecting to meet the retirement conditions in the following year, the spread amount shall be deposited by the Company in a lump sum before the end of March in the following year.

   (2) The amount recognized in the balance sheet is stated as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current values of the ascertained fringe benefit obligations | ($ 23,162) | ($ 22,598) |
| Fair values of the planned assets | 62,623 | 61,524 |
| Net defined benefit assets | $ 39,461 | $ 38,926 |

(3) Changes in the net defined benefit liabilities are as follows:

| | Current values of the ascertained fringe benefit obligations | Fair values of the planned assets | Net defined benefit assets |
|---|---|---|---|
| 2021 | | | |
| Balance, January 1 | ($ 22,598) | $ 61,524 | $ 38,926 |
| Service cost in the current period | ( 100) | - | ( 100) |
| Interest (expenses) revenue | ( 79) | 215 | 136 |
| | ( 22,777) | 61,739 | 38,962 |
| Remeasurement amount: | | | |
| Return on plan assets (excluding amount included in interest income or expenses) | | 884 | 884 |
| Effects of changes in financial assumptions | 408 | - | 408 |
| Adjustment through experience | ( 793) | - | ( 793) |
| | ( 385) | 884 | 499 |
| Pension fund paid | - | - | - |
| Balance, December 31 | ($ 23,162) | $ 62,623 | $ 39,461 |

| | Current values of the ascertained fringe benefit obligations | Fair values of the planned assets | Net defined benefit assets |
|---|---|---|---|
| 2020 | | | |
| Balance, January 1 | ($ 26,042) | $ 60,433 | $ 34,391 |
| Service cost in the current period | ( 99) | - | ( 99) |
| Interest (expenses) revenue | ( 195) | 453 | 258 |
| | ( 26,336) | 60,886 | 34,550 |
| Remeasurement amount: | | | |
| Return on plan assets (excluding amount included in interest income or expenses) | | 2,000 | 2,000 |
| Effects of changes in financial assumptions | ( 995) | - | ( 995) |
| Adjustment through experience | 3,362 | - | 3,362 |
| | 2,367 | 2,000 | 4,367 |
| Pension fund paid | 1,371 | ( 1,362) | 9 |
| Balance, December 31 | ($ 22,598) | $ 61,524 | $ 38,926 |

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (the scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.) The utilization of the fund is supervised by Supervisory Committee

for Labor Pension Reserve. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of No. 19 of IAS. For the fair value of the total assets under the fund on December 31, 2021 and 2020, please refer to the labor pension fund utilization report published by the government each year.

(5) Actuarial hypotheses about pension are summarized as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 0.70% | 0.35% |
| Future raise rate | 3.00% | 3.00% |

The hypotheses of future mortality rate are estimated based on the statistics published by each country and experience.

Due to the change in principal actuarial assumptions adopted, the affected present value of the defined benefit obligation is as follows:

| | Discount rate | | Future raise rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Decrease by 0.25% | Increase by 0.25% | Decrease by 0.25% |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit obligation | ($ 609) | $ 631 | $ 615 | ($ 597) |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 637) | $ 661 | $ 642 | ($ 622) |

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(6) The Group schedules to contribute NTD 0 to the pension plan in 2022.

(7) Until December 31, 2021, the weighted average duration of the pension plan has been 10 years. The maturity analysis on pension contribution is as follows:

| | |
|---|---|
| Less than 1 year | $ 366 |
| 1–2 years | 346 |
| 2–5 years | 2,048 |
| Over 5 years | 21,532 |
| | $ 24,292 |

2. (1) As of July 1, 2005, the Company and its domestic subsidiaries instituted the defined contribution pension plan according to the Labor Pension Act applicable to the native employees. The Company and its domestic subsidiaries shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to

the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the Labor Pension Act chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

(2) Hongdaofu and Fuhongkang contributes specific ratio of the local employees' total salary as the fund of endowment insurance on a monthly basis according to the endowment insurance system regulated by the government of People's Republic of China. The contribution ratio was 14% in 2021 and 2020. The pension of each employee is arranged by the government. Except for the contribution of fund on a monthly basis, the Group shall bear no other obligations.

(3) The principal of the pension cost recognized by the Group according to the said pension regulations were NTD 36,926 and NTD 11,145 in 2021 and 2020, respectively.

(XII) Liability reserve

| | Warranty | |
|---|---|---|
| | 2021 | 2020 |
| Balance, January 1 | $ 37,131 | $ 42,848 |
| Increase in liability reserve in current period | 5,360 | 6,971 |
| Used liability reserve in current period | ( 28,023) | ( 12,688) |
| Balance, December 31 | $ 14,468 | $ 37,131 |

The analysis of liability reserve is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | $ 5,101 | $ 19,978 |
| Non-current | $ 9,367 | $ 17,153 |

The Group's reserve for warranty liabilities is estimated according to the historical warranty information of such product to estimate possible after-sale service in the future. The warranty liabilities of the Group estimated to be used in 2022 and 2023 are NTD 5,101 and NTD 9,367 respectively.

(XIII) Capital stock

As of December 31, 2021, the Company's authorized capital was NTD 3,630,000 which was divided into 363,000 thousand shares (including 14,000 thousand shares exercisable under employee stock options). The paid-in capital was NTD 3,286,054 at NTD 10 per share. All shares issued by the Company were paid in full.

(XIV) Capital reserves

According to the Company Act, for the capital reserves including shares issued at premium excessing the par value and the gains in the form of gifts, besides covering losses, the Company shall distribute the capital reserve by issuing new shares or in cash in proportion to the original shareholding ratio of the shareholders when the Company incurs no loss. In addition, according to relevant regulation of Securities and Exchange Act, the capital surplus mentioned above that can be capitalized annually shall not exceed 10% of the total paid-in capital. When the reserve is insufficient to cover the capital losses, the Company shall not use capital reserve for offset.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Stock premium | Changes in net worth of equity of affiliated companies and joint ventures recognized under equity method | New restricted employee shares | Others | Total |
| January 1 | $ 484,632 | $ 43,221 | $ 41,310 | $ 8,968 | $ 578,131 |
| Changes in equity of associates and joint ventures recognized in proportion to its shareholding | - | ( 6,081) | - | - | ( 6,081) |
| December 31 | $ 484,632 | $ 37,140 | $ 41,310 | $ 8,968 | $ 572,050 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Stock premium | Changes in net worth of equity of affiliated companies and joint ventures recognized under equity method | New restricted employee shares | Others | Total |
| January 1 (December 31) | $ 484,632 | $ 43,221 | $ 41,310 | $ 8,968 | $ 578,131 |

(XV) Retained earnings

1. If the Company has profit at the year's final accounting, it shall first be used to pay the income tax and make up any cumulative losses in accordance with laws, and 10% of the balance shall be appropriated as legal reserve, unless the existing legal reserve reaches the amount of the Company's paid-in capital. The rest of the balance shall be used for provision/reversal of special reserves pursuant to laws. The residual balance, if any, shall be added to cumulative undistributed earnings. The Board of Directors shall draft a motion for allocation of the residual balance plus the undistributed earnings.
2. The dividend policy of the Company is as follows: The Company is now in the growth stage and will develop and expand in line with our business. The distribution of earnings shall consider the Company's capital expense budget and needs in the future and the board of directors shall propose a motion for the distribution and submit to the shareholders' meeting for approval before distribution. However, the dividends for the shareholders in the dividends distributed in current year shall not exceed two-thirds of the distributed dividends.
3. The legal reserve shall not be used unless for covering losses or issuing new shares or in cash in proportion to the original shareholding ratio of the shareholders. The new shares or cash allocated shall be no more than 25% of the paid-in capital.
4. Pursuant to laws, when allocating earnings, the Company shall provide the special reserve from the credit balance under other equities on the balance sheet date in current year and then may allocate the earnings. Where the credit balance under other equities is reversed, the reversed amount may be included into the allocable earnings.
5. The 2020 and 2019 earnings distribution proposals of the Company approved at the regular shareholders' meeting held separately on July 30, 2021 and June 24, 2020 are stated as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Dividends per share (NTD) | Amount | Dividends per share (NTD) |
| Allocated legal reserve | $ 4,883 | | $ 6,924 | |
| Allocated special reserve | 61,390 | | 58,495 | |
| Distributed cash dividends for shareholders | 49,291 | 0.15 | 49,291 | 0.15 |
| Total | $ 115,564 | | $ 114,710 | |

6. As of March 21, 2021, the board of directors had not approved the proposal of 2021 earnings distribution.

(XVI) Other items of interest

| | Financial assets measured at fair value through other comprehensive income | Translation of foreign currency | Total |
|---|---|---|---|
| January 1, 2021 | ($ 62,612) | ($ 125,279) | ($ 187,891) |
| Valuation adjustment | 51,091 | - | 51,091 |
| Tax of valuation adjustment | 2,379 | - | 2,379 |
| Valuation adjustment transferred to retained earnings | ( 24,746) | - | ( 24,746) |
| Valuation adjustment – Affiliated companies | 21,240 | - | 21,240 |
| Valuation adjustment transferred to retained earnings – Affiliated companies | 9,462 | - | 9,462 |
| Currency translation differences: | | | |
| - Group | - | 8,251 | 8,251 |
| - Group's tax | - | ( 1,650) | ( 1,650) |
| - Affiliated companies | - | ( 290) | ( 290) |
| December 31, 2021 | ($ 3,186) | ($ 118,968) | ($ 122,154) |
| January 1, 2020 | ($ 10,294) | ($ 116,208) | ($ 126,502) |
| Valuation adjustment | ( 3,207) | - | ( 3,207) |
| Tax of valuation adjustment | 4,085 | - | 4,085 |
| Valuation adjustment transferred to retained earnings | ( 27,948) | - | ( 27,948) |
| Valuation adjustment – Affiliated companies | ( 24,932) | - | ( 24,932) |
| Valuation adjustment transferred to retained earnings – Affiliated companies | ( 316) | - | ( 316) |
| Currency translation differences: | | | |
| - Group | - | ( 9,318) | ( 9,318) |
| - Group's tax | - | 1,864 | 1,864 |
| - Affiliated companies | - | ( 1,617) | ( 1,617) |
| December 31, 2020 | ($ 62,612) | ($ 125,279) | ($ 187,891) |

(XVII) Operating revenue

| | 2021 | 2020 |
|---|---|---|

| | | |
|---|---|---|
| Revenue from customer contracts | $ 3,946,796 | $ 4,834,151 |

1. Details of revenue from customer contracts

The revenue of the Group is mainly from providing products transferred in certain timing and the revenue can be classified by the following main product lines and geographical regions:

| 2021 | Europe Communication product | America Communication product | Asia Communication product | Australia Communication product | Other departments | Total |
|---|---|---|---|---|---|---|
| Revenue from external customer contracts | $ 554,708 | $2,663,903 | $ 316,473 | $ 51,327 | $ 360,385 | $ 3,946,796 |

| 2020 | Europe Communication product | America Communication product | Asia Communication product | Australia Communication product | Other departments | Total |
|---|---|---|---|---|---|---|
| Revenue from external customer contracts | $ 750,434 | $3,498,279 | $ 320,638 | $ 61,821 | $ 202,979 | $ 4,834,151 |

2. Contract liabilities

(1) The Group's balance of contract liabilities – advance sale receipts related to revenue from customer contract recognized on December 31, 2021, December 31, 2020 and January 1, 2020 were NTD 34,060, NTD 53,483 and NTD 38,481, respectively.

(2) Contract liabilities at the beginning recognized in the revenue in current period

| | 2021 | 2020 |
|---|---|---|
| Balance of the contract liabilities at the beginning recognized in the revenue in current period | $ 23,825 | $ 8,614 |

(XVIII) Interest revenue

| | 2021 | 2020 |
|---|---|---|
| Bank deposit interest | $ 19,635 | $ 30,161 |

(XIX) Other revenue

| | 2021 | 2020 |
|---|---|---|
| Rental revenue | $ 72,112 | $ 55,267 |
| Dividend revenue | 408 | 9,814 |
| Revenue from government subsidy | 291 | 27,799 |
| Other income, others | 9,954 | 16,460 |
| Total | $ 82,765 | $ 109,340 |

(XX) Other gains and losses

| | 2021 | 2020 |
|---|---|---|
| Gains on disposal of property, plant and equipment | $ 332 | $ 1,699 |
| Gains on disposal of Investment | 330,596 | - |
| Net currency exchange losses | 10,773 | ( 24,145) |
| Miscellaneous expenses – depreciation expenses | ( 21,075) | ( 17,977) |
| Miscellaneous expenses – interest expenses | ( 2,473) | ( 2,555) |
| Miscellaneous expenses | ( 3,377) | ( 3,140) |
| | $ 314,776 | ($ 46,118) |

(XXI) Financial Costs

| | 2021 | 2020 |
|---|---|---|
| Interest expenses: | | |
| Bank loans | $ 4,977 | $ 6,583 |
| Lease liabilities | 17,010 | 18,118 |
| | $ 21,987 | $ 24,701 |

(XXII) Additional Information on the Nature of Expense

| | 2021 | 2020 |
|---|---|---|
| Employee benefit expenses | $ 501,644 | $ 423,355 |
| Property, plant and equipment | | |
| Depreciation expenses | 52,334 | 48,870 |
| Depreciation expenses of right-of-use assets | 45,312 | 45,329 |
| Amortization expense of intangible assets | 648 | 1,226 |
| | $ 599,938 | $ 518,780 |

(XXIII) Employee benefit expenses

| | 2021 | 2020 |
|---|---|---|
| Salary expenses | $ 425,684 | $ 367,305 |
| Expenses for labor and health insurance | 24,334 | 26,537 |
| Pension expenses | 36,890 | 10,986 |
| Other employment expenses | 14,736 | 18,527 |
| | $ 501,644 | $ 423,355 |

1. According to the Articles of Incorporation, if there is profit after annual closing, the Company shall allocate 7%–9% thereof as the remuneration to employees. However, earnings must first be used to offset cumulative losses, if any, before being distributed to the employees and directors as their remuneration at the percentage.
2. The Company estimated the remuneration to employees was NTD 887 and NTD 1,249 in 2021 and 2020, respectively. Said values were stated into salary expenses.

   According to the earnings gained in 2021, the estimated remuneration to employees was 8.5% and the actual distributed amount resolved by the board of directors was NTD 887, which will be distributed in cash.

   Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements

3. Please refer to the "Market Observation Post System" for information related to the remuneration to employees, directors, and supervisors of the Company approved by the board of directors and resolved by a shareholders' meeting.

(XXIV) Income Tax

1. Income tax expenses

(1) Income tax expense consisting of:

| | 2021 | 2020 |
|---|---|---|
| Income tax in the current period: | | |
| Income tax generated from the current income | $ 7,366 | $ 34,960 |
| Additional tax levied on the undistributed earnings | 835 | 553 |
| Overestimated income tax in previous year | ( 3,621) | ( 15,681) |
| Total income tax in the current period | 4,580 | 19,832 |
| Deferred income tax: | | |
| Initial occurrence and reversal of temporary difference | ( 21,362) | ( 24,583) |
| Total deferred income tax | ( 21,362) | ( 24,583) |
| Income tax benefits | ($ 16,782) | ($ 4,751) |

(2) Income tax related to other comprehensive income:

| | 2021 | 2020 |
|---|---|---|
| Changes in fair value of financial assets changed by fair value through other comprehensive income | $ 2,379 | $ 4,085 |
| Remeasurement of defined benefit obligation | ( 100) | ( 873) |
| Exchange differences on the translation of the foreign operation | ( 1,650) | 1,864 |
| | $ 629 | $ 5,076 |

2. Relation between income tax and accounting profit:

| | 2021 | 2020 |
|---|---|---|
| Income tax calculated based on net profit before tax at the statutory tax rate | ($ 11,282) | ($ 15,697) |
| Excluded expenses by the tax laws | 23,101 | 6,316 |
| Exemption by the tax laws | ( 66,744) | ( 4,365) |
| Effects of income by alternative minimum tax | 2,695 | - |
| Realizable evaluation changes of deferred income tax assets | 38,234 | 24,123 |
| Overestimated income tax in previous year | ( 3,621) | ( 15,681) |
| Additional tax levied on the undistributed earnings | 835 | 553 |
| Income tax benefits | ($ 16,782) | ($ 4,751) |

3. The amount of deferred income tax assets and liabilities due to temporary difference are shown in the following:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognized into profit and/or loss | Recognized in other comprehensive net profit | Exchange difference | December 31 |
| Temporary difference: | | | | | |
| - Deferred income tax assets: | | | | | |
| Loss on inventory valuation | $ 7,296 | ($ 1,749) | $ - | ($ 46) | $ 5,501 |
| Warranty reserve | 7,426 | ( 4,533) | - | - | 2,893 |
| Refund liabilities | 372 | 58 | - | - | 430 |
| Bonus payable for unused vacation | 1,531 | 156 | - | ( 3) | 1,684 |
| Pension fund payable | 634 | ( 634) | - | - | - |
| Exchange differences on the translation of the foreign operation | 23,964 | - | ( 1,650) | - | 22,314 |
| Unrealized exchange loss | 5,975 | (3,390) | - | - | 2,585 |
| Subtotal | $ 47,198 | ($ 10,092) | ($ 1,650) | ($ 49) | $ 35,407 |
| - Deferred income tax liabilities: | | | | | |
| Foreign investment at equity method | ($ 42,178) | $ 31,866 | $ - | $ - | ( $10,312) |
| Remeasurement of defined benefit plan | ( 4,947) | 627 | ( 100) | - | ( 4,420) |
| Unrealized exchange gain | | ( 1,039) | | | ( 1,039) |
| Gain from financial assets valuation at fair value through other comprehensive income | ( 2,813) | - | 2,379 | - | ( 434) |
| Subtotal | ($ 49,938) | $ 31,454 | $ 2,279 | $ - | ($ 16,205) |
| Total | ($ 2,740) | $ 21,362 | $ 629 | ($ 49) | $ 19,202 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognized into profit and/or loss | Recognized in other comprehensive net profit | Exchange difference | December 31 |
| Temporary difference: | | | | | |
| - Deferred income tax assets: | | | | | |
| Loss on inventory valuation | $ 6,039 | $ 1,149 | $ - | $ 108 | $ 7,296 |
| Warranty reserve | 8,570 | ( 1,144) | - | - | 7,426 |
| Refund liabilities | 1,900 | ( 1,528) | - | - | 372 |
| Bonus payable for unused vacation | 1,525 | - | - | 6 | 1,531 |
| Pension fund payable | 666 | ( 32) | - | - | 634 |
| Exchange differences on the translation of the foreign operation | 22,100 | - | 1,864 | - | 23,964 |
| Unrealized exchange loss | 8,642 | (2,667) | - | - | 5,975 |
| Net lease liabilities | 530 | ( 530) | - | - | - |
| Subtotal | $ 49,972 | ($ 4,752) | $ 1,864 | $ 114 | $ 47,198 |
| - Deferred income tax liabilities: | | | | | |
| Foreign investment at equity method | ($ 71,513) | $ 29,335 | $ - | $ - | ( $42,178) |
| Remeasurement of defined benefit plan | ( 4,074) | - | ( 873) | - | ( 4,947) |
| Gain from financial assets valuation at fair value through other comprehensive income | ( 6,898) | - | 4,085 | - | ( 2,813) |
| Subtotal | ($ 82,485) | $ 29,335 | $ 3,212 | $ - | ($ 49,938) |
| Total | ($ 32,513) | $ 24,583 | $ 5,076 | $ 114 | ($ 2,740) |

4.The validity period and unrecognized deferred income tax assets of Group's unused income tax losses are as follows:

| December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| Region | Year of occurrence | Declared/ Approved | Amount not yet deducted | Amount of unrecognized deferred income tax assets | Final deduction year |
| Taiwan | 110 | 105,350 | 105,350 | 105,350 | 120 |
| China | 107 | 99,169 | 99,169 | 99,169 | 112 |
| China | 108 | 109,737 | 109,737 | 109,737 | 113 |
| China | 109 | 158,663 | 158,663 | 158,663 | 114 |
| China | 110 | 114,426 | 114,426 | 114,426 | 115 |

| December 31, 2020 | | | | |
|---|---|---|---|---|
| Region | Year of occurrence | Declared/ Approved | Amount not yet deducted | Amount of unrecognized deferred income tax assets |
| China | 107 | 99,169 | 99,169 | 99,169 |
| China | 108 | 109,737 | 109,737 | 109,737 |
| China | 109 | 158,663 | 158,663 | 158,663 |

5.The Company' s income tax returns through 2019 have been assessed and approved by the Tax

## (XXV) Earnings per share

| | 2021 | | |
|---|---|---|---|
| | After-tax income | Weighted average outstanding shares (thousand shares) | Losses per share (NTD) |
| Basic earnings per share: | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 24,393 | 328,605 | $ 0.07 |
| Diluted earnings per share | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 24,393 | 328,605 | |
| Impacts of dilutive potential common shares on employee remuneration | - | 42 | |
| Impacts of net profit attributable to the parent company's common stock shareholders plus potential common stocks | $ 24,393 | 328,647 | $ 0.07 |

| | 2020 | | |
|---|---|---|---|
| | After-tax income | Weighted average outstanding shares (thousand shares) | Earnings per share (NTD) |
| Basic earnings per share: | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 23,575 | 328,605 | $ 0.07 |
| Diluted earnings per share | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 23,575 | 328,605 | |
| Impacts of dilutive potential common shares on employee remuneration | - | 193 | |
| Impacts of net profit attributable to the parent company's common stock shareholders plus potential common stocks | $ 23,575 | 328,798 | $ 0.07 |

(XXVI) Supplementary information on cash flow

Investment activities and financing activities that do not affect cash flow:

| | 2021 | 2020 |
|---|---|---|
| Exchange difference in the financial statement translation of the foreign operation | $ 6,311 | ($ 9,071) |
| Unrealized gain (losses) of financial assets measured at fair value through other comprehensive income | $ 74,710 | ($ 24,054) |

(XXVII) Changes in liabilities from financing activities

| | Lease liabilities | |
|---|---|---|
| | 2021 | 2020 |
| January 1 | $ 592,076 | $ 634,639 |
| Changes in cash flow from financing activities | ( 46,705) | ( 43,561) |
| Increase in current period | 36,417 | - |
| Impact of changes in exchange rate | 2,579 | 998 |
| December 31 | $ 584,367 | $ 592,076 |

Besides lease liabilities, the Group's changes in liabilities from financing activities in 2021 and 2020 were changes in cash flow from financing without any non-cash changes. Please refer to the consolidated statement of cash flow.

## VII. Transactions of the Related Party

(I) Name of the related party and relationship

| Name of the related party | Relationship with the Group |
|---|---|
| TSE-TSAN CHEN | Key management of the Group |
| Microelectronics Technology Inc. and its subsidiaries | Affiliated companies |

| | |
|---|---|
| Hon Hai Precision Industry Co., Ltd. and its subsidiaries | Groups that have significant impact on the Group |
| FOXCONN Technology Co., Ltd. and its subsidiaries | Other related parties |
| Fitipower Integrated Technology Inc. | 〃 |
| Innolux Corporation and its subsidiaries | 〃 |
| Garuda Technology Co., Ltd. and its subsidiaries | 〃 |
| Pan-International Industrial Corp. | 〃 |

## (II) Significant transactions with the related party

### 1. Operating revenue

| | 2021 | 2020 |
|---|---|---|
| Sale of goods: | | |
| Groups that have significant impact on the Group | | |
| -Belkin | $ 985,344 | $ 1,577,001 |
| -Cloud Network | 530,862 | 698,039 |
| - Others | 62,733 | 105,159 |
| Total | $ 1,578,939 | $ 2,380,199 |

The Group's unit sales price of partial goods for the related party is equivalent to the general customer's price while partial goods are not sold to the customer. Thus, the sales prices are incomparable. The mode of collection adopts NET20 days and the collection period is O/A 120 days. The mode of collection for general customer is O/A 60 days.

### 2. Purchase

| | 2021 | 2020 |
|---|---|---|
| Purchase of commodities: | | |
| Affiliated companies | $ 128,072 | $ 201,698 |
| Groups that have significant impact on the Group | 175,201 | 250,466 |
| Other related parties | 35,537 | 58,565 |
| Total | $ 338,810 | $ 510,729 |

The Group's unit purchase price of partial goods for the related party is equivalent to the general vendor's price while partial unit purchase price has no other vendor's price for comparison. The mode of collection adopts NET30 days and the collection period is O/A 120 days. The mode of collection for general vendors is O/A 60 days.

### 3. Accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivable – the related party | | |
| Groups that have significant impact on the Group | | |
| -Belkin | $ 187,673 | $ 574,245 |
| -Cloud Network | 95,781 | 50,681 |
| -Mega Well | 37,231 | 13,527 |
| -Others | 958 | 2,228 |
| Total | $ 321,643 | $ 640,681 |

## 4. Other accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other receivables – the related party | | |
| Groups that have significant impact on the Group | | |
| - Hon Hai and its subsidiaries | $ 995 | $ 986 |
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | 1,901 | 28,314 |
| Total | $ 2,896 | $ 29,300 |

Other receivables from the related party mainly are the purchase amount on behalf of the related party.

## 5. Accounts payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable – the related party | | |
| Groups that have significant impact on the Group | | |
| - FUHONG PRECISION | $ 7,047 | $ 18,141 |
| - Foxconn Interconnect Technology Limited | 6,298 | 10,703 |
| - Others | 2,296 | 1,590 |
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | 24,018 | 23,410 |
| Other related parties | 7,015 | 12,584 |
| Total | $ 46,674 | $ 66,428 |

## 6. Other payables

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other payables – the related party | | |
| Groups that have significant impact on the Group | | |
| -Belkin | $ - | $ 7,141 |
| -Hon Hai | 2,504 | 1,479 |
| -Carston | - | 1,009 |
| -Shenzhen Fertile Plan | 3,374 | 2,745 |
| - Others | 5,380 | 8,519 |
| Affiliated companies | 205 | 798 |
| Other related parties | 464 | 668 |
| Total | $ 11,927 | $ 22,359 |

Other payables to the related party mainly are payables of processing fee, labor service fee and freight.

7. Lease transactions – Lessee

(1) The Group rented buildings from FOXCONN Technology Co., Ltd. The tern of lease contract is 10 years and the rent is paid at the end of each month.

(2) Lease liabilities

A. Ending balance:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other related parties | $ 1,061 | $ 2,101 |

B. Interest expenses:

| | 2021 | 2020 |
|---|---|---|
| Other related parties | $ 42 | $ 63 |

8. Processing expenses

| | 2021 | 2020 |
|---|---|---|
| Groups that have significant impact on the Group | $ 11,719 | $ 10,363 |

9. Labor service fee

| | 2021 | 2020 |
|---|---|---|
| Groups that have significant impact on the Group | $ 1,430 | $ 2,281 |

10. Property transaction

Acquisition of property, plant, and equipment

| | 2021 | 2020 |
|---|---|---|
| Other related parties | $ 389 | $ - |

11. Freight costs

| | 2021 | 2020 |
|---|---|---|
| Groups that have significant impact on the Group | $ 17,584 | $ 19,867 |

12. Rental revenue

| | 2021 | 2020 |
|---|---|---|
| Affiliated companies | | |
| -Microelectronics Technology and its subsidiaries | $ 60,964 | $ 45,261 |
| Groups that have significant impact on the Group | | |
| -Hon Hai and its subsidiaries | 9,903 | 9,682 |
| Total | $ 70,867 | $ 54,943 |

The Group leased property, plant and equipment to the related party in 2021 and 2020. The rent price per square meter has no significant difference with those of the non-related party. The rent is collected every quarter.

13. Guarantee deposits

| | 2021 | 2020 |
|---|---|---|
| Affiliated companies | | |
| -Microelectronics Technology and its subsidiaries | $ 5,765 | $ 1,972 |

14. Other transactions

The related party TSE-TSAN CHEN served as the joint guarantor and joint writer of guaranteeing invoice for the loan from financial institutions by the Group in 2021 and 2020.

(III) Information on the remuneration to the key management:

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 9,530 | $ 11,460 |
| Benefits after severance/retirement | 404 | 403 |
| Total | $ 9,934 | $ 11,863 |

VIII. Pledged Assets

The details of the Group's assets provided as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Asset item | December 31, 2021 | December 31, 2020 | Purpose of collateral |
| Time deposit (listed financial assets measured at amortized cost – current) | $ - | $ 875 | Guarantees for customs duties |
| Time deposit (listed financial assets measured at amortized cost – non-current) | 21,070 | 21,073 | Guarantee deposits of superficies, guarantees for customs duties |
| Total | $ 21,070 | $ 21,948 | |

IX. Major Contingent Liabilities and Commitments Made Under Unrecognized Contracts

(I) Contingency

None.

(II) Commitments

None.

X. Losses Due to Major Disasters

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital Management

The Group's capital management objective is intended to protect the Group's continued operation and maintain optimal capital structure to reduce capital cost and provide remuneration to the shareholder. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce liabilities.

(II) Financial instruments

1. Categories of financial instruments

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets | | |
| Equity instrument investment specified by financial assets measured at fair value through other comprehensive income | $ 71,932 | $ 38,311 |
| Financial assets measured at amortized cost | 4,441,296 | 4,681,353 |
| | $ 4,513,228 | $ 4,719,664 |
| Financial liabilities | | |
| Financial liabilities measured at amortized cost | $ 1,443,347 | $ 1,770,374 |
| Lease liabilities | 584,367 | 592,076 |
| | $ 2,027,714 | $ 2,362,450 |

Note: The financial assets carried at amortized cost including cash and cash equivalents, financial assets measured at amortized cost, accounts receivables (including the related party), other receivables and guaranteed deposits paid; the financial liabilities measured at amortized cost include the short-term loans, accounts payable (including the related party), other payables (including the related party) and deposits received.

2. Risk management policy

(1) Various financial risks have impact on the daily operation of the Group, including the market risk (including the exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. To reduce adverse impact of uncertainty on the Group's financial performance, the Group used forward exchange contracts to hedge the risk of exchange rate. The derivative tools used by the Group is for hedging purpose instead of trading or speculation.

(2) The risk management work is executed by the Group's financial department based on the policy approved by the board of directors. The Group's financial department is responsible for identifying, evaluating and hedging financial risks by the close cooperation with each business unit in the Group. The board of directors has established written principles for the overall risk management while providing written policy for certain scope and matters, such as exchange rate risk, interest rate risk, credit risk, utilization of the financial and non-financial instruments and the investment principles of remained current funds.

3. Nature and degree of important financial risk

(1) Market risk

Exchange rate risk

A. The Group is a multinational corporation. Therefore, the exchange rate risk resulted from transactions with functional currency relatively different from the Company and its subsidiaries mainly involve USD and RMB. Related exchange rate risks come from the future commercial transactions and recognized assets and liabilities.

B. The management of the Group has established policy that regulates the management of the exchange rate risk which is relative to the functional currency of the Companies in the Group. Each Company shall adopt hedging policy against the overall exchange rate risk via the Group's financial department. The exchange rate risk is measured by the expected transactions with high possibility to generate USD and RMB expenses which adopt forward exchange contract to reduce impact of exchange rate fluctuation on the expected purchase inventory cost.

C. The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is RMB). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets and liabilities denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency (thousand dollars) | Exchange rate | Book amount (NTD) | Range of change | Impact on profit or loss | Impact on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 44,621 | 27.680 | $ 1,235,109 | 1% | $ 9,863 | $ 18 |
| RMB : NTD | 2,144 | 4.344 | 9,314 | 1% | 75 | - |
| USD : RMB | 15,690 | 6.372 | 434,299 | 1% | 3,474 | - |
| USD : VND | 452 | 23,163.180 | 12,511 | 1% | 100 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | 1,157,458 | 27.680 | 32,038,437 | 1% | 256,307 | - |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency (thousand dollars) | Exchange rate | Book amount (NTD) | Range of change | Impact on profit or loss | Impact on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 52,487 | 28.480 | $1,494,830 | 1% | $11,843 | $ 116 |
| RMB : NTD | 2,119 | 4.377 | 9,275 | 1% | 74 | - |
| USD : RMB | 16,476 | 6.507 | 469,236 | 1% | 3,754 | - |
| USD : VND | 408 | 25,657.658 | 11,620 | 1% | 93 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | 60,980 | 28.480 | 1,736,710 | 1% | 13,894 | - |

D. The Group's total amount of all exchange gain (loss) (including the realized and unrealized) from monetary items due to significant impact of exchange rate fluctuation were NTD 10,773 and NTD (24,145) in 2021 and 2020, respectively.

Price risk

A. The Group's equity instruments exposed to price risk are the holding financial assets measured at the fair value through profit or loss and financial assets measured at the fair value through other comprehensive income. To manage the price risk of the equity instrument investment, the Group separated the investment portfolio and the separation method is based on the limited amount set by the Group.

B. The Group mainly invested in the equity instruments issued at home and abroad and the price of such equity instrument is affected by the uncertainty of the investment's future value. If the price of the equity instrument increase or decrease by 1% and all other factors remain unchanged, the other comprehensive income in 2021 and 2020 will increase or decrease by NTD 719 and NTD 383 as a result of the profit or loss in equity instrument measured at fair value through other comprehensive income.

(2) Credit risk

A. The Group's credit risk is the risk of financial loss that would be incurred by the Group if its customers or financial instrument trading counterparty fail to perform the contracts. This is mainly due to the trading counterparty cannot pay the accounts payable based on the payment conditions and the contractual cash flows of debt instrument investment classified as measured at amortized cost and fair value through profit or loss.

B. The Group established the credit risk management in the Group's aspect. For trading banks and financial institutes, only those with good credit can be accepted as trading counterparties. According to the loan policy expressly defined internally, each business department within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the board of directors according to the internal or external ratings. The management will also control the periodic draw down of credit limits.

C. The Group adopts IFRS 9 for presumption that when the contract payment past due for over 90 days based on the agreed payment terms, the Group takes it as a default of the contract.

D. The following presumption provided by the Group adopts IFRS 9 as the basis to determine whether the credit risk of financial instrument increases significantly after the initial recognition:

(A) When the contract payment past due for over 30 days based on the agreed payment terms, it is determined that the credit risk of financial instrument increased significantly after the initial recognition.

(B) For bond investment traded in Taipei Exchange, those financial assets with investment grading rated by any external credit rating agency on balance sheet date are considered with low credit risk.

E. The Group's indexes used to determine the debt instrument as credit impairment are as follows:

(A) Issuer has major financial difficulty or likely to wind up or proceed with other financial reorganizations;

(B) The active market of financial assets might extinguish due to financial difficulty of the issuer;

(C) Overdue or non-performance of interest or principal payment by the issuer;

(D) National or regional adverse economic changes related to the default of issuer.

F. The Group classified the customer's notes and accounts receivable based on customer rating and the characteristics of customer and used the reserve matrix as the basis with simplified approach to estimate the expected credit losses.

G. The Group offsets the amount of recoverable financial assets which cannot be reasonably expected after the recourse procedure. However, the Group will continue the legal recourse procedure to protect the creditor's right. As of December 31, 2021 and 2020, the Group does not have creditor's right which was written off with means of recourse.

H. The Group adopted the business indicators of National Development Council for the future forward-looking considerations to adjust the established loss ratio based on certain period of history and current information to estimate the allowance loss of the notes and accounts (including the related parties) receivable. The reserve matrix on December 31, 2021 and 2020 are as follows:

| | Undue | Overdue 1 – 90 days | Overdue 91 – 180 days | Overdue 181 – 365 days | Overdue more than 365 days | Total |
|---|---|---|---|---|---|---|
| December 31, 2021 | | | | | | |
| Expected loss ratio | 0.64% | 3.10% | 10.60% | 24.05% | 100.00% | |
| Total book value | $1,043,022 | $ 7,842 | $ 2,102 | $ - | $ - | $1,052,966 |
| Allowance loss | 6,890 | 243 | 223 | - | - | 7,356 |

| | Undue | Overdue 1 – 90 days | Overdue 91 – 180 days | Overdue more than 181 days | Overdue more than 365 days | Total |
|---|---|---|---|---|---|---|
| December 31, 2020 | | | | | | |
| Expected loss ratio | 0.36% | 5.69% | 8.20% | 15.70% | 100.00% | |
| Total book value | $1,341,771 | $ 1,294 | $ 3,719 | $ - | $ - | $1,346,784 |
| Allowance loss | 8,503 | 74 | 305 | - | - | 8,882 |

I. The aging analysis of accounts receivable (including the related party) is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| Undue | $ 1,043,022 | $ 1,341,771 |
| Within 90 days | 7,842 | 1,294 |
| 91 – 180 days | 2,102 | 3,719 |
| 181 – 365 days | - | - |
| 365 days and above | - | - |
| | $ 1,052,966 | $ 1,346,784 |

The aging analysis stated above was based on the number of overdue days.

J. The Group's statement of changes in the allowance loss for accounts receivable using the simplified approach is as follows:

| | 2021 |
|---|---|
| | Accounts receivable (including the related party) |
| January 1 | $ 8,882 |
| Reversal of impairment loss | (1,526) |
| December 31 | $ 7,356 |

| | 2020 |
|---|---|
| | Accounts receivable (including the related party) |
| January 1 | $ 8,033 |
| Impairment loss recognized | 849 |
| December 31 | $ 8,882 |

(3) Liquidity risk

A. The cash flow forecast is executed by each business department in the Group and summarized by the Group's finance department. The finance department of the Group supervises the forecast of the Group's current fund demand to ensure there are sufficient fund to support the operating needs.

B. The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. The contractual cash flow amount disclosed in the following statement is the undiscounted amount.

| Non-derivative financial liabilities<br>December 31, 2021 | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Deposit received | $ 7,381 | $ 50 | $ - | $ 456 |
| Lease liabilities | 67,489 | 66,672 | 202,862 | 350,855 |
| | $ 74,870 | $ 66,722 | $ 202,862 | $ 351,311 |

| Non-derivative financial liabilities<br>December 31, 2020 | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Deposit received | $ 1,284 | $ 1,972 | $ 719 | $ 456 |
| Lease liabilities | 64,000 | 61,594 | 182,719 | 403,411 |
| | $ 65,284 | $ 63,566 | $ 183,438 | $ 403,867 |

Except for those specified above, the non-derivative financial liabilities of the Group will expire within the coming year.

(III) Fair value information

1. The levels of the valuation technique adopted to measure the fair value of the financial and non-financial instruments are defined as follows:

Level 1: The quotation of the same asset or liability in an active market on the measurement date acquired by the enterprise (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis. The fair value of TPEx-listed share invested by the Group belongs to this level.

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 derivatives invested by the Group belongs to this level.

Level 3: Inputs for the asset or liability that are not based on.

2. The following is the analysis regarding the Group's classification of the financial instruments measured at fair value based on the nature, characteristics and risks of the assets and liabilities as well as the levels of fair value:

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value assets: | | | | |
| Equity security of financial assets measured at fair value through other comprehensive income | $ 2,211 | $ - | $ 69,721 | $ 71,932 |

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Recurring fair value assets: | | | | |
| Equity security of financial assets measured at fair value through other comprehensive income | $ 14,448 | $ - | $ 23,863 | $ 38,311 |

3. The methods and assumptions used by the Group to measure fair value is as follows:
   (1) The Group's fair value inputs (i.e. Level 1) adopting the quoted market price are listed in the following based on the characteristics of the instruments:

| | TWSE/TPEx listed stocks |
|---|---|
| Quoted market price | Closing price |

   (2) Except for the financial instrument in the active market, the fair value of other financial instruments is based on the evaluation technology or the quotation of the counterparty. The fair value acquired through the evaluation technology can take reference from other substantial conditions and similar financial instruments' current fair value and discounted cash flow method or other evaluation technology, including the market information that can be acquired on the date of preparing the consolidated balance sheet. The information is then used on a calculation model (such as yield curve referred by Taipei Exchange and the average quotation of Reuters commercial paper rate).
   (3) When evaluating unstandardized financial instruments with low complexity such as debt instrument without active market, interest rate swap contract, exchange swap contract and options, the Group adopts evaluation technology widely used in the market participants. The parameters used by the evaluation model of such financial instruments usually are information observable in the market.
   (4) The Group includes the credit valuation adjustment in the consideration for the fair value calculation of financial and non-financial instruments to reflect the credit risk of the trading counterparty and the credit quality of the Group, respectively.
4. There was no transfer between level 1 and level 2 in 2021 and 2020.
5. The following statement is the changes in level 3 in 2021 and 2020:

| | Equity Instruments | |
|---|---|---|
| | 2021 | 2020 |
| January 1 | $ 23,863 | $ 36,694 |
| Refunds from decapitalization of invested equity instrument at fair value through other comprehensive income | ( 1,260) | - |
| Profit or loss recognized under other comprehensive income | 48,239 | ( 10,731) |
| Foreign exchange rate effect | ( 1,121) | ( 2,100) |
| December 31 | $ 69,721 | $ 23,863 |

6. There was no transfer-in and transfer-out from level 3 in 2021 and 2020.
7. For the Group's evaluation process for fair value classified as level 3, the finance department is responsible to conduct the independent fair value validation of the financial instrument. The department confirms the reasonableness of the evaluation result by making the evaluation result closer to the market status with information from independent sources, confirming the information source is independent, reliable and consistent with other resources and represents executable price, regularly calibrating

evaluation model, conducting roll-back test, updating required input value and data as well as other necessary fair value adjustment for evaluation model.

8. For the evaluation model used by the measurement item of level 3 fair value, the quantitative information of unobservable major input and sensitivity analysis for the changes in unobservable major input are as follows:

| | Fair value on December 31, 2021 | Evaluation technology | Unobservable major input | Relationship between input and fair value |
|---|---|---|---|---|
| Non-derivative equity instruments: | | | | |
| Stocks of venture capital companies | $ 69,721 | Net asset value method | N/A | N/A |

| | Fair value on December 31, 2020 | Evaluation technology | Unobservable major input | Relationship between input and fair value |
|---|---|---|---|---|
| Non-derivative equity instruments: | | | | |
| Stocks of venture capital companies | $ 23,863 | Net asset value method | N/A | N/A |

(IV) Other matters

In light of the COVID-19 outbreak and numerous COVID-19 measures initiated by the government, coupled with the countermeasures the Group has adopted and its continuous efforts regarding the management of related matters, there was no significant impact on the Group's operations and business in 2021.

## XIII. Noted Disclosures

### (I) Information related to material transactions

1. Loans to others: None.
2. Endorsement/guarantee made for others: None.
3. Marketable securities held at year-end (excluding investments in subsidiaries, affiliated companies, and joint venture): Please refer to Attachment I.
4. Accumulated amount of the same marketable security purchased or sold reaching NTD 300 million or more than 20% of the paid-in capital: Please refer to Attachment II.
5. Amount on acquisition of property reaching NTD 300 million or more than 20% of the paid-in capital: None.
6. Amount on disposal of property reaching NTD 300 million or more than 20% of the paid-in capital: None.
7. Purchase/sale amount of transactions with the related party reaching NTD 100 million or more than 20% of the paid-in capital: Please refer to Attachment III.
8. Accounts receivable from the related party reaching NTD 100 million or more than 20%

of the paid-in capital: Please refer to Attachment IV.

9. Engagement in derivatives trading: None.
10. Business relationship and major transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Attachment V.

(II) Information related to reinvested enterprises

Information related to the invested company, such as names and locations, etc. (excluding the invested company in China): Please refer to Attachment VI.

(III) Information about investment in Mainland China

1. Basic information: Please refer to Attachment VII.
2. Major transactions with the invested company in China either directly or indirectly with occurrence through third regions: Please refer to Attachment VIII.

(IV) Major Shareholder information

Major Shareholder information: None.

## XIV. Business Segment Information

(I) General information

The Company only engages in one industry and the Group's operating decision maker, the board of directors, adopts the overall group financial statements to evaluate performance and distribute resources. Therefore, the Company is identified to be single reportable segment.

(II) Segment Information Measurement

The Group is a single reportable segment. The Group's operating decision maker, the board of directors, adopts profit after tax in the financial statements for measurement and as the basis of performance evaluation. Therefore, the business segment information is consistent with the information of main financial statements.

(III) Information by product type and labor service:

The Group manufactures and sells broadband network security router and wireless LAN products. The Group belongs to one industry since its product feature and manufacturing process are similar while the market and sales methods are the same. Therefore, the disclosure of industrial information is not applicable.

(IV) Information by regions

The Group's information by region in 2021 and 2020 is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| America | $ 3,024,288 | $ 592 | $ 3,692,032 | $ 661 |
| Europe | 554,709 | - | 752,362 | - |
| Asia | 316,472 | 1,512,865 | 328,015 | 1,513,927 |
| Australia | 51,327 | - | 61,742 | - |
| Total | $ 3,946,796 | $ 1,513,457 | $ 4,834,151 | $ 1,514,588 |

(V) Important customer information

The following are details regarding the customers of the Group whose revenue accounted for more than 10% of the revenue in statement of comprehensive income in 2021 and 2020:

2021

| Customer name | Sales amount | | Ratio of revenue in statement of comprehensive income |
|---|---|---|---|
| A | $ | 1,469,772 | 37.24% |
| B | | 985,110 | 24.96% |
| C | | 530,862 | 13.45% |
| D | | 355,581 | 9.01% |

2020

| Customer name | Sales amount | | Ratio of revenue in statement of comprehensive income |
|---|---|---|---|
| A | $ | 1,577,001 | 32.62% |
| B | | 1,518,510 | 31.41% |
| C | | 698,039 | 14.44% |
| D | | 508,878 | 10.53% |

CyberTAN Technology Inc.
Securities – Ending (Excluding Those Controlled by Invested Subsidiaries, Affiliated Companies and Joint Ventures)
December 31, 2021

Attachment I

Unit: NTD thousand
(Unless otherwise specified)

| Holding company | Type and name of securities (Note 1) | Relationship with the issuer of securities (Note 2) | Account title | Transaction: Number of shares | Transaction: Book amount (Note 3) | Transaction: Shareholding ratio | Transaction: Fair value | Remarks (Note 4) |
|---|---|---|---|---|---|---|---|---|
| CyberTAN Technology Inc. | Solutionsoft Systems, Inc. | - | Investment in equity instruments measured at fair value through other comprehensive income | $ 2,500,000 | - | 5.25% | - | - |
| CyberTAN (B.V.I) InvestmentCorp. | Innovation Works Limited | - | 〃 | 41,755 | 69,721 | 2.71% | 69,721 | - |
| Ta Tang Investment Co., Ltd. | A10 Networks. Inc. | - | 〃 | 4,817 | 2,211 | 0.01% | 2,211 | - |
| 〃 | Protop Technology Co., Ltd. | - | 〃 | 142,408 | - | 0.06% | - | |

Note 1: The securities referred to in the table means the stocks, bonds, beneficiary certificates within the “Financial Instruments: Recognition and Measurement” of IAS 39 and other securities deriving from these items.
Note 2: This column is not required if the issuer of the securities is not a related party.
Note 3: Where fair value measurement is used, please fill in the “book value” column with the book value after the valuation adjustment of the fair value and deduction of any accumulated loss; otherwise, please complete the column with the initial acquisition cost or the book value of the amortized cost net of the accumulated loss.
Note 4: For any securities in the table that are provided as a guarantee, pledged for loans, or restricted pursuant to any agreement, the number of stocks provided for guarantee or pledged for loans, the amount of the guarantee or pledge, or the restrictions shall be indicated in the Remarks.

CyberTAN Technology Inc.
Acquisition or sale of the same security with the accumulated cost reaching NT $300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Attachment II

Unit:NTD thousand
(unless otherwise noted)

| Investor | Marketable securities | General ledger account | Counterparty (Note 2) | Relation (Note 2) | At beginning of period: Shares | At beginning of period: Amount | Buy(Note 3): Shares | Buy(Note 3): Amount |
|---|---|---|---|---|---|---|---|---|
| CyberTAN Technology Inc. | Microelectronics Technology, Inc | Investments accounted for under equity method | Trading sold in open market | Affiliated companies | 60,924,995 | 1,198,210 | - | - |

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| Sell(Note 3): Shares | Selling price | Book cost | Gain/loss on disposal | Period end: Shares | Period end: Amount |
|---|---|---|---|---|---|
| 8,571,000 | 490,062 | 165,547 | 330,596 | 52,353,994 | 925,427 |

Note 1: The securities referred to in the table means the stocks, bonds, beneficiary certificates and marketable securities derived from the above items.
Note 2: For investments accounted for under the equity method for marketable securities, these 2 columns should be filled in and the rest can be left blank.
Note 3: The cumulative purchase and sale amounts should be calculated separately according to the market price of NTD300 million or 20% of the paid-in capital.
Note 4: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD10, a transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

CyberTAN Technology Inc.
Purchase/Sale Amount of Transactions with Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021

Attachment III

Unit: NTD thousand
(Unless otherwise specified)

| | | | Transaction | | | | Trading conditions different from those of regular transactions and reasons thereof | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship | Purchase (sale) | Amount | Percentage in total purchases (sales) | Loan period | Unit price | Loan period | Balance | Percentage in total notes/accounts receivable (payable) | Remarks (Note 2) |
| CyberTAN Technology Inc. | Chongqing Hongdaofu Technology Co., Ltd. | Subsidiary of the Company | Purchase | $ 1,759,052 | 30.24% | Payment term: O/A 60 days | $ - | Payment term for regular customers: O/A 60 days | $ 36,462 | 5.63% | - |
| 〃 | HON YAO FU Technology Company Limited | 〃 | Purchase | 1,701,849 | 29.25% | Payment term: O/A 60 days | - | Payment term for regular customers: O/A 60 days | - | 0.00% | - |
| 〃 | Microelectronics Technology, Inc. | Affiliated companies of the Company | Purchase | 128,072 | 2.20% | Payment term: O/A 60 days | - | Payment term for regular customers: O/A 60 days | 24,018 | 3.71% | - |
| 〃 | Belkin International, Inc. | Hon Hai and its subsidiaries | Sale | 971,199 | (24.61%) | Collection term: Net 75 days | - | Payment term for regular customers: O/A 60 days | 184,115 | 17.61% | - |
| 〃 | Cloud Network Technology Singapore Pte. Ltd. | 〃 | Sale | 530,862 | (13.45%) | Collection term: Net 75 days | - | Payment term for regular customers: O/A 60 days | 95,781 | 9.16% | - |

Note 1: If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the "unit price" and "loan period" columns.

Note 2: In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the difference from regular transactions shall be indicated in the Remarks.

Note 3: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD 10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

CyberTAN Technology Inc.
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021

Attachment IV

Unit: NTD thousand
(Unless otherwise specified)

| Company stating in receivables | Counterparty | Relationship | Balance of accounts receivable from related parties (Note 1) | Turnover rate | Overdue accounts receivable from related parties | | Subsequent recovered amount of accounts receivable from related parties | Appropriated allowance for bad debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Treatment | | |
| CyberTAN Technology Inc. | Belkin International, Inc. | Hon Hai and its subsidiaries | $ 184,115 | 2.58% | $ - | - | $ 116,452 | $ 1,178 |
| 〃 | HON YAO FU Technology Company Limited | Subsidiary of the Company | $ 201,051 | 0% | $ - | - | $ 177,555 | $ 1,287 |
| | | | (Other receivables listed in the table)) (Note3) | | | | | |

Note 1: Please list the amount of notes/accounts receivable, other receivables, etc., from related parties, respectively.

Note 2: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD 10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

Note 3: Refers to receivables from the purchase of raw materials

CyberTAN Technology Inc.
Business Relationship and Major Transactions between the Parent Company and Its Subsidiaries and among Subsidiaries and Amounts
January 1 to December 31, 2021

Attachment V

Unit: NTD thousand
(Unless otherwise specified)

| No. (Note 1) | Trader | Counterparty | Relationship with trader (Note 2) | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Title | Amount | Trading conditions | Percentage in total consolidated operating revenue or assets (Note 3) |
| 0 | CyberTAN Technology Inc. | Chongqing Hongdaofu Technology Co., Ltd. | 1 | Purchase | 1,759,052 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days. | 44.57% |
| 〃 | 〃 | 〃 | 1 | Accounts payable | 36,462 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days | 0.48% |
| 〃 | 〃 | HON YAO FU TechnologyCompany Limited | 1 | Purchase | 1,701,849 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days. | 43.12% |
| 〃 | 〃 | 〃 | 1 | Other receivables | 201,051 | Collection term: O/A 60 days; collection term for general customers: O/A 60 days. | 2.65% |
| 1 | Fuhongkang Technology (Shenzhen) Co., Ltd. | CyberTAN Corp. (U.S.A) | 3 | Other receivables | 25,640 | Collection term: O/A 90 days; collection term for general customers: O/A 30–90 days. | 0.34% |

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the “No.” column. This column shall be completed as follows:
(1) 0 is reserved for the parent company.
(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the related parties is classified into three categories as follows. It is only necessary to mark the type. (Repeated disclosure is not necessary for the same transaction between the parent company and its subsidiaries or between the subsidiaries. In case of the transaction in the form of parent company to a subsidiary, for example, if the parent company has disclosed the transaction, the subsidiary is not necessary to disclose the same repeatedly; in case of the transaction in the form of subsidiary to subsidiary, if a subsidiary has disclosed the transaction, the other subsidiary is not necessary to disclose the same.)

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: To calculate the percentage of the transaction amount in total consolidated operating revenue or assets, the share of the balance at ending of the period in the total consolidated assets is used as the basis of the calculation under the item of assets/liabilities; the share of the interim accumulated amount in the total consolidated operating revenue is used as the basis for the calculation under the item of profit/loss.

Note 4: The disclosure criteria are for transaction amounts that reach NTD10 million or more.

CyberTAN Technology Inc.

Name and Territory of Invested Companies and Other Relevant Information (Excluding Invested Companies in China)

January 1 to December 31, 2021

Attachment VI

Unit: NTD thousand
(Unless otherwise specified)

| Name of investor | Name of invested company | Territory | Main business operation | Original investment amount (Note) | | Shareholding at the end of the period | | | Current profit (loss) of invested company (Note 2 (2)) | Profit (loss) from investments recognized in the current period (Note 2 (3)) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of current period | End of last year | Number of shares | Ratio | Book amount | | | |
| CyberTAN Technology Inc. | CyberTAN Corp. (U.S.A) | USA | Sales of wired and wireless communication equipment | $ 18,165 | $ 18,165 | 600,000 | 100.00% | $ 44,499 | $ 3,626 | $ 3,437 | - |
| 〃 | Ta Tang Investment Co., Ltd. | Taiwan | General investment business | 100,000 | 100,000 | 10,000,000 | 100.00% | 196,782 | ( 6,500) | ( 6,500) | - |
| 〃 | CyberTAN TechnologyCorp. (B.V.I) | British Virgin Islands | General investment business | 704,190 | 704,190 | 22,043,717 | 100.00% | 652,844 | ( 161,651) | ( 162,766) | - |
| 〃 | Microelectronics Technology, Inc. | Taiwan | Design, manufacturing and sale of terrestrial microwave communication products | 1,498,555 | 1,659,381 | 52,353,995 | 22.96% | 925,427 | ( 450,016) | ( 109,842) | - |
| 〃 | Mega Power Ventures Inc. | Taiwan | General investment business | 14,000 | 19,000 | 1,400,000 | 25.00% | 38,617 | 10,854 | 2,715 | - |
| CyberTAN (B.V.I) Investment Corp. | CyberTAN Technology (HONGKONG) Limited | Hong Kong | General investment business | 211,072 | 211,072 | - | 100.00% | 403,335 | ( 146,123) | ( 146,123) | - |
| 〃 | HON YAO FU TechnologyCompany Limited | Vietnam | Development, manufacturing and sale of high-end routers | 277,119 | 277,119 | - | 100.00% | 193,532 | ( 25,983) | ( 25,983) | - |

Note 1: When the listed company has set up any holding company overseas and used the consolidated financial statements as the main financial statements pursuant to local laws, the

information on overseas invested companies may be disclosed only to the extent that the information is related to the holding company.

Note 2: Otherwise, the table shall be completed as follows:

(1) The “name of invested company,” “territory,” “main business operation,” “original investment amount” and “shareholding at the end of the period” columns should be completed sequentially based on the Company’s (listed company’s) investment and each of its reinvestments in directly or indirectly controlled-invested companies. The relationship (subsidiary or sub-subsidiary) of each invested company with the Company (listed company) should be indicated in the Remarks.

(2) The “current profit (loss) of invested company” column should be filled in with the amount of the current profit/loss of each invested company.

(3) The “profit (loss) from investments recognized in the current period” column should be filled in only with the amount, recognized by the Company (listed company), of the profit/loss from direct investments in each subsidiary and of the profit/loss of each invested company valued under the equity method, and it is not necessary to provide other profits/losses. When providing “the recognized amount of the current profit/loss from direct investments in each subsidiary,” it should ensure that the current profit/loss amount of each subsidiary includes any profit/loss from reinvestments that shall be recognized in accordance with regulations.

CyberTAN Technology Inc.
Information on Investments in Mainland China – Basic Information
January 1 to December 31, 2021

Attachment VII

Unit: NTD thousand
(Unless otherwise specified)

| Name of Chinese invested company | Main business operation | Paid-in capital | Method of investment (Note 1) | Accumulated amount of investments from Taiwan at the beginning of current period | Amount of investments remitted or recovered in current period: Remittance | Amount of investments remitted or recovered in current period: Recovery | Accumulated amount of investments from Taiwan at the end of current period | Current profit (loss) of invested company | The Company's shareholding ratio of direct or indirect investment | Profit (loss) from investments recognized in current period (Note 2) | Investment book value – ending | Profit received from investments as of the end of current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fuhongkang Technology (Shenzhen) Co., Ltd. | Development, manufacturing and sale of high-end routers | $ 168,188 | (2) | $ 212,868 | $ - | $ - | $ 212,868 | ($ 146,123) | 100% | ($ 146,123) | $ 403,335 | $ - | - |
| Chongqing Hongdaofu Technology Co., Ltd. | Development, manufacturing and sale of high-end routers | 257,298 | (3) | | | | - | ( 151,285) | 100% | ( 152,398) | 57,163 | - | - |

| Name of company | Accumulated amount of investments from Taiwan to Mainland China at the end of current period | Investment amount approved by the Investment Commission, MOEA | Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 4) |
|---|---|---|---|
| Fuhongkang Technology (Shenzhen) Co., | $212,868 (USD6,344) | $217,521 (USD6,500) | $ 3,267,767 |

Note 1: Investment is classified into following three categories. It is only necessary to mark the type:
(1) Engaged in direct investment in Mainland China.
(2) Reinvested in Mainland China through a company in a third area, CyberTAN Technology (HONG KONG) Limited.
(3) Others: Directly reinvested in Chinese companies through investment in the Chinese companies.

Note 2: In the “profit (loss) from investments recognized in the current period” column:
(1) An indication is needed if the investment is under preparation and there is no profit or loss.
(2) There are following three profit/loss recognition bases. The appropriate one must be indicated.
A. The financial statements audited and approved by an international accounting firm that has collaboration relationship with an accounting firm in the Republic of China
B. The financial statements audited by a CPA of the parent company in Taiwan
C. Others

Note 3: All amounts in the table should be stated in NTD.

Note 4: According to the letter Jing-Shen-Zi No. 09704604680 dated August 29, 2008 issued by the Ministry of Economic Affairs, the amendments to the “Investment or Technical Cooperation in the Mainland Area and the Examination Guidelines,” the cumulative ceiling amount of an investment in the Mainland area shall be subject to 60% of the net value or the consolidated net value, whichever is higher.

CyberTAN Technology Inc.
Information on Investments in Mainland China – Major Transactions with Invested Companies in China, either Directly or Indirectly, through A Business in A Third Area
January 1 to December 31, 2021

Attachment VIII

Unit: NTD thousand
(Unless otherwise specified)

| Name of Chinese invested company | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Endorsements/guarantees or pledges of collateral | | Financing | | | | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Balance | % | Balance at ending of period | Purpose | Maximum balance | Balance at ending of period | Range of interest rates | Current interest | |
| Chongqing Hongdaofu Technology Co., Ltd. | ($ 1,759,052) | ( 30.24%) | $ - | - | $ 36,462 | 5.63% | $ - | - | $ - | $ - | - | $ - | - |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | - | - | - | - | - | - | - | - | - | - | - | - | Other payables $25,640 |

Independent Auditors’ Report

Financial Review No.21004870(2022)

To CyberTAN Technology Inc.:

## Audit opinion

We have audited the standalone balance sheet of CyberTAN Technology Inc. (hereinafter referred to as the “CyberTAN”) as at December 31, 2021 and 2020, the parent company only statement of comprehensive income, parent company only statement of changes in equity, and parent company only cash flow statement for the periods January 1 to December 31, 2021 and 2020, and the accompanying footnotes (including summary of major accounting policies).

In our opinion, based on our audit results and other independent auditors’ report (please refer to the other matter section), all material disclosures of the parent company only financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and presented a fair view of the parent company only financial position of CyberTAN as at December 31, 2021 and 2020, and business performance and cash flow for the periods January 1 to December 31, 2021 and 2020.

## Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of CyberTAN in accordance with the Code of Ethics for Professional Accountants of the Republic of China and with other responsibilities of the Code of Ethics performed. According to our audits and other independent auditors’ report, we believe to have obtained sufficient and appropriate audit evidence in order to be used as the basis for the opinion.

## Key audit matters

The “key audit matters” means that the independent auditor has used their professional judgment as the basis to audit the most important matters on the 2021 parent company only financial statements of CyberTAN. These matters were addressed in the content of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The key audit matters of the 2021 parent company only financial statements of CyberTAN are described as follows:

**Evaluation of allowance for inventory valuation loss**

Item Description

Regarding the accounting policies for the inventory valuation, please refer to Note

4(12) to the parent company only financial report; for the uncertainty to accounting estimates and assumptions, please refer to Note 5(2) to the parent company only financial report; for description of inventory accounting titles, please refer to Note 6(5) to the parent company only financial report. The balances of valuation loss regarding the inventory and allowance for inventory on December 31, 2021 were NTD 106,118 thousand and NTD 898 thousand, respectively.

CyberTAN mainly involves in the sale of communication products manufactured by the subsidiaries. The risk caused by loss on inventory devaluation or the obsolescence of inventory may be higher due to the short life cycle and severe market competition. Inventory is evaluated by CyberTAN and its subsidiaries on the basis of the cost and net realizable value, whichever is lower. The aforementioned loss of allowance for inventory valuation was mainly due to the inventory measured at the cost and net realizable value, whichever is lower, and identification of obsolescent or damaged inventory items. Because the large inventory amount and enormous items of CyberTAN and its subsidiaries as well as the objective judgments of the management concerned during the identification of obsolescent or damaged inventory belong to the field to be determined during the audit, we listed the evaluation for the loss of allowance for inventory valuation of CyberTAN and its subsidiaries as one of the important matters in the audit.

Responsive Audit Procedures

The responsive procedures executed by us for specific aspects specified in the preceding key audit matters are as follows:

1. Adopted the acquired allowance policy for inventory devaluation of CyberTAN and its subsidiaries during the comparative period of financial statements and evaluated the reasonableness of the allowance policy.
2. Acquired the net realizable value statement of inventory cost, randomly checked related supporting documents and recalculated its accuracy, validated the appropriateness regarding the logic of inventory aging report system used for evaluation, conducted spot check for individual inventory number to confirm the degree of inventory closeout and information and evaluated the basis of net realizable value estimated by the management and its reasonableness.
3. Checked related information acquired during inventory taking process and inquired the management and personnel related to inventory to confirm conditions of obsolescent, remaining, older, out-of-fashion or damaged inventory neglected in the inventory details.

**Evaluation for the loss of accounts receivable**

Item Description

Regarding the accounting policies for the loss evaluation of accounts receivable, please refer to Note 4(9) to the parent company only financial report; for the uncertainty to accounting estimates and assumptions regarding the loss evaluation of accounts receivable, please refer to Note 5(2) to the parent company only financial report; for description of accounts receivable accounting titles, please refer to Note 6(4) to the parent company only financial report. The balances of accounts receivable (including the related party) and its allowance loss on December 31, 2021 were NTD 1,046,654 thousand and NTD 7,356 thousand, respectively.

CyberTAN regularly assess if there is objective evidence implicating the impairment of individual accounts receivable and the assessment method includes the consideration of overdue ages of accounts receivable, customer’s financial status, historical trading record and subsequent collections. The Group also calculates loss ratio based on past aging data statement and considers expected credit losses of industrial forward-looking evaluation to estimate the amount of loss allowance to be recognized. Because the estimation process involves the objective judgment of the management toward the preceding impairment evidence, the factor impacting the recognized amount of loss allowance tends to have high uncertainty, causing significant impact on the recoverable amount of accounts receivable. Therefore, we consider CyberTAN’s evaluation for the impairment loss of accounts receivable as one of the important matters in the audit.

Responsive Audit Procedures

The responsive procedures executed by us for specific aspects specified in the preceding key audit matters are as follows:

1. Understand and evaluate the reasonableness of the allowance policy and procedure regarding the allowance loss of accounts receivables.
2. Acquire the aging data statement the management used to evaluate the expected credit loss ratio of accounts receivable, confirm its data source logic is consistently adopted and test relevant forms to confirm the correctness of its aging data.
3. Evaluate the reasonableness of the estimation used by the management to evaluate the expected credit loss ratio of accounts receivable and acquire related supporting documents, including forward-looking adjustment, disputable accounts, status of lasting aging, subsequent collection status, financial status impacting the customer and signs suggesting the customer is unable to pay as scheduled.

## Other matters – Audit related to other CPAs

For the companies invested under equity method in the aforementioned parent company only financial statements of CyberTAN, we have not audited the financial statements which was prepared based on different financial report structure, instead other CPAs did. Therefore, our opinions expressed on the amount listed in said parent company only financial statements of such companies and related information disclosed in Note 13 were based on the other independent auditor’ s report. The balances of the invested company under the equity method as of December 31, 2021 and 2020 were NTD 232,149 thousand and NTD 225,691 thousand, respectively. The comprehensive income recognized under the equity method for the said companies were NTD 11,890 thousand and NTD (14,900) thousand on January 1 to December 31, 2021 and 2020, respectively.

## Responsibilities of Management and the Governance Unit with Governance of the Parent Company Only Financial Statements

The management is responsible for preparing the appropriate parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Report by Securities Issuers. Additionally, it is responsible for maintaining the internal control mechanism that is related to and necessary for the preparation of the parent company only financial statements. As a result, it can ensure material misstatement due to fraud or error is not pertained in the parent company only financial statements.

In preparing the parent company only financial statements, the management is also responsible for assessing the ability of CyberTAN to continue as a going concern, disclosing, as applicable, matters related to ongoing concerns and using the going concern basis of accounting unless management either intends to liquidate the CyberTAN or to cease operations, or there is a lack of any option except for liquidation or suspension.

The governance unit (including the audit committee) of CyberTAN is responsible for supervising the financial reporting process.

## Independent Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risk of material misstatement of the parent company only financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the 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. We acquire necessary understanding of the internal control mechanism that is related to the audit to design appropriate audit process for the situation at the time. The purpose of the knowledge is not expressing opinions to the effectiveness of the internal control mechanism of CyberTAN.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Based on the acquired audit evidence, we decide whether the going concern accounting basis adopted by the management is suitable, whether events that might affect the going concern capacity of CyberTAN exist, and whether there is major uncertainty. A conclusion will be made afterwards. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inappropriate, to

modify our opinion. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the CyberTAN to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of individual companies within the CyberTAN in order to express an opinion on the parent company only financial statements. The independent auditor is responsible for guiding, supervising, and implementing the individual audit of CyberTAN, and also for forming an audit opinion for the parent company only financial statements.

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

We also provide those in charge of governance with a statement that we have complied with the Code of Ethics for Professional Accountants of the Republic of China 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, (including related safeguards).

The independent auditor has used the communications with the governing unit as the basis to determine the key audit matters to be performed on the 2021 parent company only financial statements of CyberTAN. We clearly state all above matters in the audit report, unless the law prohibits us to publicly disclose certain matters, or under rare circumstances we decide not to include certain matters in the audit report since we can reasonably expect the resulting negative impact is greater than the public interest they bring.

PricewaterhouseCoopers Taiwan
FENG-MIN CHUAN
CPA
HSU-YUNG CHIEN

Former Securities and Futures Commission, Ministry of Finance
Approval Reference No.: (84)Taiwan-Finance-Securities(6) No. 13377
Former Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan
Approval Reference No.: Jin-Guan-Zheng-Liu-Zi No. 0960038033

March 21, 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.

CyberTAN Technology Inc.
Parent Company Only Balance Sheet
December 31, 2020 and 2021

Unit: NTD thousand

| | Assets | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and Cash Equivalents | 6(1) | $ 1,500,773 | 21 | $ 1,262,921 | 17 |
| 1136 | Financial assets measured at amortized cost – current | 6(3) | 1,190,200 | 17 | 1,342,200 | 18 |
| 1170 | Accounts receivable, net | 6(4) | 721,213 | 10 | 683,703 | 9 |
| 1180 | Accounts receivable – the related party, net | 6(4) and 7 | 318,085 | 5 | 646,110 | 9 |
| 1210 | Other receivables- the related party | 7 | 204,955 | 3 | 44,118 | 1 |
| 1220 | Income tax assets in the current period | | 11,591 | - | - | - |
| 130X | Inventory | 6(5) | 105,220 | 2 | 28,108 | - |
| 1479 | Other current assets – others | | 9,503 | - | 5,307 | - |
| 11XX | **Total current assets** | | 4,061,540 | 58 | 4,012,467 | 54 |
| | **Non-current assets** | | | | | |
| 1517 | Financial assets measured at fair value through profit or loss – non-current | 6(2) | - | - | 1,667 | - |
| 1535 | Financial assets measured at amortized cost -non-current | 6(3) and 8 | 20,636 | - | 20,636 | - |
| 1550 | Investment at equity method | 6(6) | 1,858,169 | 26 | 2,216,952 | 30 |
| 1600 | Property, plant and equipment | 6(7) and 7 | 611,160 | 9 | 631,018 | 9 |
| 1755 | Right-of-use assets | 6(8) and 7 | 243,558 | 4 | 260,214 | 3 |
| 1780 | Intangible assets | | - | - | 126 | - |
| 1840 | Deferred income tax assets | 6(24) | 27,159 | - | 38,125 | 1 |
| 1990 | Other non-current assets – others | 6(11) | 203,255 | 3 | 202,782 | 3 |
| 15XX | **Total non-current assets** | | 2,963,937 | 42 | 3,371,520 | 46 |
| 1XXX | **Total assets** | | $ 7,025,477 | 100 | $ 7,383,987 | 100 |

(To be continued)

CyberTAN Technology Inc.
Parent Company Only Balance Sheet
December 31, 2020 and 2021

Unit: NTD thousand

| | Liabilities and equity | Notes | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term loans | 6(10) | $ 570,450 | 8 | $ 688,413 | 10 |
| 2130 | Contract liabilities – current | 6(17) | 33,384 | 1 | 53,483 | 1 |
| 2170 | Accounts payable | | 481,135 | 7 | 612,340 | 8 |
| 2180 | Accounts payable – the related party | 7 | 74,007 | 1 | 83,715 | 1 |
| 2200 | Other payables | | 85,888 | 1 | 69,014 | 1 |
| 2220 | Other payables – the related party | 7 | 5,078 | - | 11,095 | - |
| 2230 | Income tax liabilities in the current period | | 8,301 | - | 24,695 | 1 |
| 2250 | Liability reserve – current | 6(12) | 5,101 | - | 19,978 | - |
| 2280 | Lease liabilities – current | | 16,989 | - | 16,579 | - |
| 2365 | Refund liabilities – current | | 2,151 | - | 1,861 | - |
| 2399 | Other current liabilities -others | | 31,053 | - | 92,941 | 1 |
| 21XX | **Total current liabilities** | | 1,313,537 | 18 | 1,674,114 | 23 |
| | **Non-current liabilities** | | | | | |
| 2550 | Liability reserve – non-current | 6(12) | 9,367 | - | 17,153 | - |
| 2570 | Deferred income tax liabilities | 6(24) | 15,770 | - | 47,125 | 1 |
| 2580 | Lease liabilities – non-current | | 233,534 | 4 | 248,610 | 3 |
| 2600 | Other non-current liabilities | | 6,990 | - | 3,223 | - |
| 25XX | **Total non-current liabilities** | | 265,661 | 4 | 316,111 | 4 |
| 2XXX | **Total liabilities** | | 1,579,198 | 22 | 1,990,225 | 27 |
| | **Equity** | | | | | |
| | Capital stock | 6(13) | | | | |
| 3110 | Common stock | | 3,286,054 | 47 | 3,286,054 | 45 |
| | Capital reserves | 6(14) | | | | |
| 3200 | Capital reserves | | 572,050 | 8 | 578,131 | 8 |
| | Retained earnings | 6(15) | | | | |
| 3310 | Legal reserve | | 821,042 | 12 | 816,159 | 11 |
| 3320 | Special reserve | | 187,892 | 3 | 126,502 | 2 |
| 3350 | Undistributed earnings | | 701,395 | 10 | 774,807 | 10 |
| | Other equity | 6(16) | | | | |
| 3400 | Other equity | | ( 122,154) | ( 2) | ( 187,891) | ( 3) |
| 3XXX | **Total equity** | | 5,446,279 | 78 | 5,393,762 | 73 |
| | Major Contingent Liabilities and Commitments Made Under Unrecognized Contracts | 9 | | | | |
| | Significant Subsequent Events | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 7,025,477 | 100 | $ 7,383,987 | 100 |

Please refer to the notes of the parent company only financial statements, which constitute a part of the parent company only financial report.

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

Unit: NTD thousand
(Except the unit of earnings per share is NTD)

| | | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|
| | Item | Notes | Amount | % | Amount | % |
| 4000 | Operating revenue | 6(17) and 7 | $ 3,927,997 | 100 | $ 4,820,615 | 100 |
| 5000 | Operating cost | 6(5)(22) (23) and 7 | (3,714,988) | (95) | (4,351,680) | (90) |
| 5900 | Operating gross profit | | 213,009 | 5 | 468,935 | 10 |
| | Operating expense | 6(22) (23) and 7 | | | | |
| 6100 | Selling expenses | | (11,707) | - | (18,733) | (1) |
| 6200 | Administrative expenses | | (58,394) | (2) | (57,311) | (1) |
| 6300 | R&D expenses | | (249,469) | (6) | (253,203) | (5) |
| 6450 | Expected credit impairment losses | 12(2) | 1,526 | - | (849) | - |
| 6000 | Total operating expenses | | (318,044) | (8) | (330,096) | (7) |
| 6900 | Operating profits | | (105,035) | (3) | 138,839 | 3 |
| | Non-operating revenue and expenses | | | | | |
| 7100 | Interest revenue | 6(18) | 9,198 | - | 12,278 | - |
| 7010 | Other revenue | 6(19) and 7 | 75,481 | 2 | 90,324 | 2 |
| 7020 | Other gains and losses | 6(20) | 302,501 | 8 | (36,920) | (1) |
| 7050 | Financial Costs | 6(21) | (7,861) | - | (9,718) | - |
| 7070 | Share of profit or loss of subsidiaries, affiliated companies and joint ventures recognized under the equity method | 6(6) | (272,956) | (7) | (180,435) | (3) |
| 7000 | Total non-operating income and expense | | 106,363 | 3 | (124,471) | (2) |
| 7900 | **Net profit before tax** | | 1,328 | - | 14,368 | 1 |
| 7950 | Income tax benefits (expenses) | 6(24) | 23,065 | 1 | 9,207 | - |
| 8200 | **Current net profit** | | $ 24,393 | 1 | $ 23,575 | 1 |
| | **Other comprehensive income** | | | | | |
| | **Items not reclassified to profit or loss** | | | | | |
| 8311 | Remeasurement of defined benefit plan | 6(11) | $ 499 | - | $ 4,367 | - |
| 8316 | Unrealized valuation gains and loss from equity instrument investments measured at fair value through other comprehensive income | 6(2)(16) | (407) | - | (9,964) | - |
| 8330 | Share of other comprehensive income of subsidiaries, affiliated companies and joint ventures recognized under the equity method – items not reclassified to profit or loss | 6(6) | 77,193 | 2 | (20,592) | (1) |
| 8349 | Income tax related to items not reclassified | 6(24) | (100) | - | (873) | - |
| 8310 | Total of items not reclassified to profit or loss | | 77,185 | 2 | (27,062) | (1) |
| | **Items may be reclassified to profit or loss subsequently** | | | | | |
| 8361 | Exchange difference in the financial statement translation of the foreign operation | 6(16) | 8,251 | - | (9,318) | - |
| 8380 | Share of other comprehensive income of subsidiaries, affiliated companies and joint ventures recognized under the equity method – items may be reclassified to profit or loss | 6(16) | (290) | - | (1,617) | - |
| 8399 | Income tax related to items may be reclassified | 6(16) (24) | (1,650) | - | 1,864 | - |
| 8360 | Total of items may be reclassified to profit or loss subsequently | | 6,311 | - | (9,071) | - |
| 8300 | **After-tax income of other comprehensive losses for the year** | | $ 83,496 | 2 | ($ 36,133) | (1) |
| 8500 | **Total comprehensive income (losses) for the year** | | $ 107,889 | 3 | ($ 12,558) | - |
| | Basic earnings per share | | | | | |
| 9750 | Total basic earnings per share | 6(25) | $ 0.07 | | $ 0.07 | |
| | Diluted earnings per share | | | | | |
| 9850 | Total diluted earnings per share | 6(25) | $ 0.07 | | $ 0.07 | |

Please refer to the notes of the parent company only financial statements, which constitute a part of the parent company only financial report.

## CyberTAN Technology Inc.
### Parent Company Only Statement of Changes in Equity
### January 1 to December 31, 2020 and 2021

Unit: NTD thousand

| | Notes | Common stock | Capital reserves | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Undistributed earnings | Other equity: Exchange difference in the financial statement translation of the foreign operation | Other equity: Unrealized profit or loss of financial assets measured at fair value through other comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2020 | | | | | | | | | |
| Balance at January 1, 2020 | | $ 3,286,054 | $ 578,131 | $ 809,235 | $ 68,007 | $ 840,686 | ($ 116,208) | ($ 10,294) | $ 5,455,611 |
| Current net profit | | - | - | - | - | 23,575 | - | - | 23,575 |
| Other comprehensive income for the year | 6(16) | - | - | - | - | (3,008) | (9,071) | (24,054) | (36,133) |
| Total comprehensive income for the year | | - | - | - | - | 20,567 | (9,071) | (24,054) | (12,558) |
| Appropriation and allocation of earnings in 2019: | 6(15) | | | | | | | | |
| Allocated legal reserve | | - | - | 6,924 | - | (6,924) | - | - | - |
| Allocated special reserve | | - | - | - | 58,495 | (58,495) | - | - | - |
| Allocation of cash dividends | | - | - | - | - | (49,291) | - | - | (49,291) |
| Recognized changes in the subsidiary | 6(16) | - | - | - | - | 27,948 | - | (27,948) | - |
| Changes of affiliated companies and joint ventures under equity method | 6(16) | - | - | - | - | 316 | - | (316) | - |
| Balance at December 31, 2020 | | $ 3,286,054 | $ 578,131 | $ 816,159 | $ 126,502 | $ 774,807 | ($ 125,279) | ($ 62,612) | $ 5,393,762 |
| 2021 | | | | | | | | | |
| Balance at January 1, 2021 | | $ 3,286,054 | $ 578,131 | $ 816,159 | $ 126,502 | $ 774,807 | ($ 125,279) | ($ 62,612) | $ 5,393,762 |
| Current net profit | | - | - | - | - | 24,393 | - | - | 24,393 |
| Other comprehensive income for the year | 6(16) | - | - | - | - | 2,475 | 6,311 | 74,710 | 83,496 |
| Total comprehensive income for the year | | - | - | - | - | 26,868 | 6,311 | 74,710 | 107,889 |
| Appropriation and allocation of earnings in 2019: | 6(15) | | | | | | | | |
| Allocated legal reserve | | - | - | 4,883 | - | (4,883) | - | - | - |
| Allocated special reserve | | - | - | - | 61,390 | (61,390) | - | - | - |
| Allocation of cash dividends | | - | - | - | - | (49,291) | - | - | (49,291) |
| Disposal of equity instruments measured at fair value through other comprehensive income | 6(16) | - | - | - | - | 24,746 | - | (24,746) | - |
| Disposal of investments at equity method | 6(14)(16) | - | (6,081) | - | - | (9,462) | - | 9,462 | (6,081) |
| Balance at December 31, 2021 | | $ 3,286,054 | $ 572,050 | $ 821,042 | $ 187,892 | $ 701,395 | ($ 118,968) | ($ 3,186) | $ 5,446,279 |

Please refer to the notes of the parent company only financial statements, which constitute a part of the parent company only financial report.

# CyberTAN Technology Inc.

## Parent Company Only Statement of Cash Flow

January 1 to December 31, 2020 and 2021

Unit: NTD thousand

| | Notes | January 1 to December 31, 2021 | January 1 to December 31, 2020 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Net profit before tax in the current period | | $ 1,328 | $ 14,368 |
| Adjustment items | | | |
| Income/expenses items without impact on cash flow | | | |
| Depreciation expenses | 6(7)(8)(22) | 43,534 | 46,001 |
| Miscellaneous expenses – depreciation expenses | 6(7)(8)(20) | 21,075 | 17,977 |
| Interest expenses | 6(21) | 7,861 | 9,718 |
| Miscellaneous expenses – interest expenses | 6(20) | 2,473 | 2,555 |
| Interest revenue | 6(18) | ( 9,198 ) | ( 12,278 ) |
| Amortization expenses | 6(22) | 126 | 1226 |
| Expected credit impairment losses | 12(2) | ( 1,526 ) | 849 |
| Dividend revenue | 6(2)(19) | ( 408 ) | ( 9,814 ) |
| Share of losses of from subsidiaries, affiliated companies and joint ventures recognized under the equity method | 6(6) | 272,956 | 180,435 |
| Gains on disposal of investments at equity method | 6(20) | ( 330,596 ) | - |
| Gains on disposal of property, plant and equipment | 6(20) | - | ( 625 ) |
| Changes of assets/liabilities related to operating activities | | | |
| Net changes of assets/liabilities related to operating activities | | | |
| Accounts receivable | | ( 35,983 ) | 593,441 |
| Accounts receivable – the related party | | 328,025 | ( 448,019 ) |
| Other receivables- the related party | | ( 160,837 ) | 113,792 |
| Inventory | | ( 77,112 ) | 67,089 |
| Other current assets – others | | ( 4,361 ) | 8,872 |
| Other non-current assets | | 26 | ( 67 ) |
| Net changes of liabilities related to operating activities | | | |
| Contract liabilities – current | | ( 20,099 ) | 15,002 |
| Accounts payable | | ( 131,205 ) | 138,329 |
| Accounts payable – the related party | | ( 9,708 ) | ( 272,975 ) |
| Other payables | | 17,058 | ( 27,507 ) |
| Other payables – the related party | | ( 6,017 ) | ( 8,211 ) |
| Refund liabilities – current | | 290 | ( 7,639 ) |
| Liability reserve | | ( 22,663 ) | ( 5,717 ) |
| Other current liabilities -others | | ( 61,888 ) | ( 87,845 ) |
| Cash inflow from operations | | ( 176,849 ) | 328,957 |
| Returned (paid) income tax | | ( 27,059 ) | 36,794 |
| Net cash inflow (outflow) from operating activities | | ( 203,908 ) | 365,751 |
| Cash flow from investing activities | | | |
| Refunds from liquidation of financial assets measured at fair value through profit or loss | | 1,260 | - |
| Disposal of investment under equity method | 6(6) | 490,062 | - |
| Refunds from decapitalization of the invested company under the equity method | 6(6) | 5,000 | 6,000- |
| Acquisition of property, plant, and equipment | 6(7) | ( 25,392 ) | ( 14,482 ) |
| Disposal of property, plant, and equipment proceeds | | - | 886 |
| Dividends received | | 408 | 9,814 |
| Collection of cash dividend distributed by affiliated companies recognized under the equity method | 6(6) | 434 | - |
| Disposal (Acquisition) of financial assets measured at amortized cost | | 152,000 | ( 133,700 ) |
| Interest received | | 9,362 | 11,496 |
| Net cash inflow (outflow) from investing activities | | 632,594 | ( 119,986 ) |
| Cash flow from financing activities | | | |

Please refer to the notes of the parent company only financial statements, which constitute a part of the parent company only financial report.

CyberTAN Technology Inc.

Parent Company Only Statement of Cash Flow

January 1 to December 31, 2020 and 2021

Unit: NTD thousand

| | Notes | January 1 to December 31, 2021 | January 1 to December 31, 2020 |
|---|---|---|---|
| Increase in short-term loans | | - | 295,835 |
| Decrease in short-term loans | | ( 117,963 ) | - |
| Decrease in guarantee deposits | | 3,767 | ( 929 ) |
| Repayment of lease principal | | ( 16,829 ) | ( 16,494 ) |
| Allocation of cash dividends | 6(15) | ( 49,291 ) | ( 49,291 ) |
| Interest paid | | ( 10,518 ) | ( 11,738 ) |
| Net cash inflow (outflow)from financing activities | | ( 190,834 ) | 217,383 |
| Increase in cash and cash equivalents in the current period | | 237,852 | 463,148 |
| Balance of cash and cash equivalents, beginning | | 1,262,921 | 799,773 |
| Balance of cash and cash equivalents, ending | | $ 1,500,773 | $ 1,262,921 |

Please refer to the notes of the parent company only financial statements, which constitute a part of the parent company only financial report.

CyberTAN Technology Inc.
Notes to Parent Company Only Financial Statements
2021 and 2020

Unit: NTD thousand
(Unless otherwise specified)

I. Company History and Business Scope

CyberTAN Technology Inc. (hereinafter referred to as the "the Company") was established in the Republic of China. We mainly engaged in wired communication mechanical equipment manufacturing, electronic components manufacturing, and the R&D, development and sales of broadband Internet routers, gateways, virtual private networks, firewalls, Layer 3 and Layer 4 switches, wired broadband network security router and wireless broadband network security router.

II. Approval Date and Procedures of the Financial Statements

The parent company only financial report was released after being approved by the board of directors on March 21, 2022.

III. New Standards, Amendments, and Interpretations Adopted

(I) Effect of adopting the new promulgated or amended IFRS endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The following are applicable new promulgated, amended and revised standards and interpretations of IFRSs endorsed by the FSC in 2021:

| New, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| 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 the 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.

(II) Effect of not adopting the new promulgated or revised IFRS, IAS, IFRIC, and SIC endorsed by the FSC

The following are applicable new promulgated, amended and revised standards and interpretations of IFRSs endorsed by the FSC in 2022:

| New, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| 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 Cycle | January 1, 2022 |

The Company evaluated that the above standards and interpretations applicable have no significant impact on the financial status and business results of the Company.

(III) Impacts of IFRS issued by IASB but not yet approved by FSC

The following are the IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC:

| New, Amended, or Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be decided by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 –Comparative Information" | January 1, 2023 |
| Classification of liabilities as current or non-current (Amendments to IAS 1) | January 1, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 |
| Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction" | January 1, 2023 |

The Company evaluated that the above standards and interpretations applicable have no significant impact on the financial status and business results of the Company.

IV. Summary of Significant Accounting Policies

The major accounting policies applied to prepare the parent company only financial statements are as follows. Unless otherwise provided, the policies have been applied during all the presentation period.

(I) Compliance Statement

The present company only financial report has been duly worked out in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers.

(II) Basis of preparation

1. Except the following important items, the parent company only financial report has been duly prepared on the basis of historical costs:
   (1) Financial instruments and liabilities (including derivatives) measured at fair value through profit or loss based on fair value.
   (2) Measurement at fair value through other comprehensive income based on fair value.
   (3) Defined benefit liability stated based on the net after pension fund assets less the present value of defined benefit obligations.
2. The preparation of financial report that complies with the IFRS, IAS, IFRIC and SIC (hereinafter referred to as the "IFRSs") endorsed by FSC requires some important accounting estimates. The application of the Group's accounting policy also requires the management to use their judgment during the process. For items involving high judgment or complexity or items involving important estimates and assumptions of the consolidated financial report, please refer to the description in Note 5.

(III) Translation of foreign currency

Each item listed in the parent company only financial statements of the Company is measured by the currency of the primary economic environment in which the business department situated (i.e. functional currency). The parent company only financial report was prepared in the Company's functional currency, "NTD."

1. Foreign currency transaction and balance

(1) Foreign currency transaction converts the conversion difference generated by the transaction to functional currency adopting the spot exchange rate on the date of transactions or measurement date and recognizes the difference as current profit or loss.

(2) The monetary assets and balance of liabilities in foreign currency are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as current profit or loss.

(3) For non-monetary assets and balance of liabilities in foreign currency, those measured at fair value through profit or loss are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as current profit or loss; those measured at fair value through other comprehensive income are adjusted based on the spot exchange rate evaluation on the balance sheet date and the conversion difference generated by adjustment is recognized as other comprehensive income item; those not measured at fair value are measured at historical exchange rate on initial transaction date.

(4) All exchange gain or loss is listed in "Other Profit and Loss" of profit and loss statement.

2. Translation of the foreign operation

(1) For all Company's entities, affiliated companies and joint agreements with differences in functional currency and presentation currency, the business result and financial status is converted to presentation currency by the following method:

A. The assets and liabilities presented in each balance sheet were translated based on the exchange rates closed on every balance sheet date;

B. The profits and losses presented in each statement of comprehensive income were translated in accordance with the average exchange rates in current period; and

C. All resulted exchange differences were recognized under other comprehensive income.

(2) When the foreign operation for partial disposal or selling is a subsidiary, the accumulated exchange differences recognized under other comprehensive income are reattributed proportionally as non-controlling equity of the subsidiaries. However, when the Company maintains partial rights of the former subsidiary but losses the control over the subsidiary included in the foreign operation institutions, it is conducted based on the disposal of all equity in the foreign operation institutions.

(IV) Classification of assets and liabilities as current and non-current

1. Assets that match any of the following conditions shall be classified as current assets:

(1) Assets expected to be realized, intent to be sold or consumed over the normal

operating cycles.

(2) Primarily for trading purposes.

(3) Assets expected to be realized within 12 months after the balance sheet date.

(4) Assets in cash or cash equivalents, except for those that are used for an exchange or to settle a liability, or otherwise remain restricted in more than 12 months after the balance sheet date.

The Company listed all assets that did not comply with the following conditions as non-current assets.

2. Assets that match any of the following conditions shall be classified as current liabilities:

(1) Liabilities expected to be settled in normal business cycle.

(2) Primarily for trading purposes.

(3) Liabilities expected to be settled within 12 months after the balance sheet date.

(4) Liabilities with settlement period which cannot be unconditionally deferred for at least 12 months after the date of the balance sheet. Liabilities under the terms that give counterparties the option repay in the form of equity instruments and without the effect on their classification due to such terms

The Company listed all assets that did not comply with the following conditions as non-current liabilities.

(V) Cash equivalents

Cash equivalent includes short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. The time deposits that fall into the above definition and are intended to satisfy the short-term cash commitment shall be classified cash equivalents.

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

1. This refers to irrevocable choice at initial recognition to recognize the later fair value change of the equity instrument investment held not for transaction in other comprehensive profit or loss; or at the same time the debt instrument investment meets the following conditions:

(1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows or to sell.

(2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.。

2. The Company adopts adopts the trade date accounting for financial assets in accordance with the general trade practice measured at fair value through other comprehensive income.

3. It is initially recognized at fair value plus the transaction cost by the Group and the subsequent valuation is measured at fair value:

(1) The changes in fair value belonging to equity instrument investment is recognized as other comprehensive income. During derecognition, accumulated profit or loss previously recognized in other comprehensive income shall not be subsequently

reclassified as profit or loss but classified as retained earnings. When the Company is entitled to collect dividends, the economic effect related to the dividend may inflow and the amount of revenue can be measured reliably Therefore, the related dividend revenue shall be recognized as profit or loss.

(2) The changes in fair value belonging to equity instrument investment is recognized as other comprehensive income. The impairment loss, interest income and exchange gain or loss in foreign currency before derecognition is recognized as profit or loss. During derecognition, the accumulated profit or loss previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(VII) Financial assets measured at amortized cost

1. This refers to those meeting the following conditions at the same time:
   (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
   (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Company adopts the trade date accounting for financial assets in accordance with the general trade practice measured at amortized cost.
3. The time deposit not complying with cash equivalents held by the Company is measured at investment amount since the impact of discounting was insignificant.

(VIII) Accounts receivable

1. This refers to accounts from the rights to receive consideration without any condition due to commodity transfer or labor service based on contract agreement.
2. This belongs to short-term accounts receivable with unpaid interest. The invoice payable was measured at the initial per value by the Company since the impact of discounting was insignificant.

(IX) Impairment of financial assets

For debt instrument investment measured at fair value through other comprehensive income, financial assets measured at amortized cost and accounts receivable or rentals receivable that comprises material financial parts, after taking reasonable and supporting materials into consideration (including forward-looking ones) on each balance sheet date, the Company measures the loss allowance based on 12-month expected credit losses for those without significant increase in credit risk after initial recognition; for those with significant increase in credit risk after initial recognition, the loss allowance is measured based on the amount of the expected credit losses throughout the duration; for accounts receivable excluding material financial parts or contract assets, the allowance loss is measured at the amount of the expected credit losses throughout the duration.

(X) Derecognition of the financial assets

The Company will derecognize financial assets only in the event where the interests on a contract for financial assets-based cash flow ceased to be effective.

(XI) Operating lease (lessor)

The lease income from operating lease deducting any given incentives of the lessee is amortized and recognized as current profit or loss under straight-line method over the lease period.

(XII) Inventory

Inventories are measured at the lower of cost or net realizable value while the cost is determined by weighted average method. The cost of finished product and goods in process includes material, direct manpower, other direct costs and manufacturing expenses related to production (amortized based on normal productivity) without loan cost. The item-by-item comparison method is adopted when comparing the cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in ordinary course of business less the estimated cost needed to complete the work and relevant variable selling expense.

(XIII) Investment/subsidiaries and affiliated companies under the equity method

1. Subsidiaries mean the entities controlled by the Company (including structured entities). When the Company is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Company is held controlling the entities.
2. Unrealized gains and losses on transactions between the Company and subsidiaries were written off. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The shares of profit or loss acquired from subsidiaries by the Company were recognized as current profit or loss and shares of other comprehensive income were recognized as other comprehensive income. In the event that the shares of loss in the subsidiaries recognized by the Company equal to or exceed its equity in the subsidiaries, the Company continues the recognition of the losses based on the shareholding ratio.
4. The affiliated companies refer to the entity in which the Company has significant impact upon and often holds more than 20% of voting shares directly or indirectly. The investment of the Company in the affiliated companies adopts the equity method for disposal and is recognized based on cost upon acquisition.
5. The shares in profit or loss acquired from affiliated companies by the Company were recognized as current profit or loss and shares of other comprehensive income was recognized as other comprehensive income. In the event that the Company’s shares of loss in the affiliated companies is equal to or exceed its equity in the affiliated companies (including other unsecured receivables), the Company does not recognize further losses, unless in the event of occurrence of legal obligations, presumed obligations or within the scope that the Company made payment on behalf of the affiliated companies.
6. When changes to equity irrespective of profit and loss or comprehensive income occur to affiliated companies with no impact on the shareholding ratio of the Company, all of changes in equity will be recognized as “capital reserves” based on the shareholding ratio by the Company.
7. The unrealized profit or loss deriving from the transactions between the Company and the affiliated companies were written off based on the equity ratio of the affiliated companies; the unrealized loss was written off unless the evidence displayed the impairment of transferred assets in such transaction. Accounting policies of the affiliated companies have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

8. When the Company forfeits its material influence over the affiliated companies, if the Group disposes the affiliated companies, the accounting treatment for the values related to the affiliated companies as stated into other comprehensive income previously is identical with the basis for the Company's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed thereof, the gain or loss shall be reclassified into income from equity, when the Company has no significant impact on the affiliated companies. Provided that where it still has material influence over the affiliated companies, the amount previously recognized in other comprehensive income is transferred according to the method stated above based on the proportion.
9. According to regulations of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current income and other comprehensive income as presented in the parent company only financial statements shall be identical with the current income and other comprehensive income attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the parent company only financial statements shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

(XIV) Property, plant and equipment

1. Property, plant and equipment is accounted at acquisition cost at initiation and the relevant interest is capitalized during the purchase and construction period.
2. The subsequent cost is included in the book value of assets or recognized as single asset only when future economic benefits related to such item will probable inflow to the Company and the cost of such item can be measured reliably. The book value of the replaced part shall be derecognized. All other repair expenses are recognized as profit or loss upon occurring.
3. The subsequent measurement of property, plant, and equipment adopts the cost model and the depreciation is calculated over the estimated useful lives in accordance with the straight-line method. The property, plant and equipment are depreciated and for each and every major part individually.
4. The Company at least reviews the residual value, estimated useful years and depreciation method of each asset at the end of each fiscal year. If the expected values of the residual value and useful years are different from the previous estimate or the expected consumption pattern used in future economic benefits of such asset has significant changes, it is conducted based on the accounting estimate of IFRS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" since the date of change. The useful life of each asset are as follows:

| | |
|---|---|
| House and buildings | 3 years to 41 years |
| (The useful life of interior construction is 3–10 years) | |
| Machinery and equipment | 3 years to 10 years |
| Transportation equipment | 5 years |
| Office equipment | 2 years to 10 years |
| Other equipment | 2 years to 5 years |

(XV) Lease transactions of lessee – right-of-use assets/lease liabilities

1. The lease asset is recognized as right-of-use assets and lease liabilities upon the date available for use by the Company. When the lease contract is short-term lease or low-valued underlying asset lease, the lease payment is recognized as expenses on a straight-line method within the lease period.
2. The unpaid lease payment is recognized as lease liability based on present value discounted at the Company's incremental borrowing rate of interest on the start date of lease. The lease payment includes:

   Subsequently, it is measured at the amortized cost under the interest method, and the interest expense are recognized during the lease period. When changes in lease term or lease payment is not caused by contract modification, lease liabilities will be reevaluated and the remeasurement will be used to adjust right-of-use assets.
3. The right-of-use assets are recognized based on the cost on the starting date of the lease, the cost includes:

   (1) The original measured amount of lease liability;

   (2) Any lease payment paid before or on the starting date;

   (3) Initial direct costs incurred; and

   The subsequence is measured by cost model and the right-of-use assets provide depreciation from the starting date of lease, up to the durable life expires or the lease period expires, the earlier prevails. When the lease liabilities are reassessed, the right-of-use assets will adjust any remeasurement of the lease liabilities.

(XVI) Intangible assets

1. Computer software

   The computer software is recognized by acquisition cost and is amortized under straight-line method based on 2 years of useful life.
2. Goodwill

   The goodwill is generated due to acquisition method adopted for business merger.

(XVII) Impairment of non-financial assets

1. The Company will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount is the fair value of an asset less the disposition cost or the use value, whichever is higher. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

2. The recoverable amount of goodwill shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.
3. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit group expected to benefit from the merger of businesses generating the goodwill.

(XVIII) Loans

This refers to the long-term and short-term amounts borrowed from the bank. Loans of the Company is measured based on the fair value less trading cost at the time of initial recognition. The subsequent measurement of any difference between the price lessing trading cost and redemption value, its interest expenses shall be recognized in profit or loss based on amortized procedure under effective interest method within the outstanding period.

(XIX) Accounts payable

1. This means debt generated from the purchase of materials, commodities or labor services on credit.
2. This belongs to short-term accounts payable with unpaid interest. The invoice payable was measured at the initial per value by the Company since the impact of discounting was insignificant.

(XX) Derecognition of the financial liabilities

The Company will have the financial liabilities derecognized when the contractual obligation is performed, discharged, or expired.

(XXI) Offsetting of financial assets and liabilities

The financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Liability reserve

The reserve for warranty liabilities shall be recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The reserve for liabilities is measured by best estimated present value paid to settle the obligation on the balance sheet date. The discount rate adopts the pre-tax discount rate that reflects the specific risk assessment of current market toward the time value of money and the liabilities and the discounted amortization is then recognized as interest expenses. The future operating loss shall not be recognized in the reserve for liabilities.

(XXIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

2. Pension

   (1) Defined appropriation plan

   Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

   (2) Defined benefit plan

   A. The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary uses the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate is based on the market yield rate of government bonds (on the balance sheet date) that have the same currency exposure and maturity date as the obligations on the balance sheet date.

   B. The remeasurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.

3. Remuneration to employees and directors

   The remuneration to employees and directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate. If the remuneration to employees is paid with stock shares, the basis for calculating the number of shares shall be the closing price on the day preceding to the day of resolution made by the shareholders' meeting.

(XXIV) <u>Income Tax</u>

1. The income tax expenses consist of current income tax and deferred income tax. The income tax is recognized in the profit or loss except the income taxes relevant to the items which are recognized under other comprehensive income or directly counted into the items of equity, is recognized under other comprehensive income or directly counted into equity respectively.

2. The Company calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. The income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.

3. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the parent company only balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial

recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized, insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. All taxable provisional differences generated from investment in subsidiaries and affiliated companies, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.

4. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be reevaluated on each balance sheet date.
5. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.

(XXV) Capital stock

Common share is classified as equity. The net amount directly attributable to new shares issuing or additional cost of stock option is recognized as deduction of proceeds in the equity after deducting income tax.

(XXVI) Allocation of dividends

The dividends allocated to the Company's shareholders are recognized in the financial report upon allocation of dividends resolved by the shareholders' meeting of the Company. The distributed cash dividend is recognized as liabilities and the distributed stock dividend is recognized as stock dividend to be distributed and reclassified as common shares on the date of new share issuance.

(XXVII) Recognition of revenue

1. Sale of goods

(1) The Company researches and develops, manufactures and sells products related to wire communication and wireless broadband network. The sales revenue is recognized upon the transfer of product control to the customer, i.e. the timing when the product is delivered to the buyer, the buyer has the discretionary power regarding the selling channels and prices of product and the Company has no unfulfilled contract obligations that may affect the reception of such product by the buyer. When the product is delivered to the specified location, the risk of obsolescence and loss is

transferred to the buyer and the buyer accepts the product based on the sales contract or there is objective evidence indicating all acceptance standards has been met, the commodity delivery is thus completed.

(2) The sales revenue of communication products is recognized by net amount of contract price deducting estimated sales discount. Generally, the sales discount for the customer is calculated based on accumulated sale volume of 12 months. The Company adopts expected value method to estimate sales discount based on historical experience. The revenue amount is recognized only within the scope of height may not result in significant reversal and the estimate is updated on each balance sheet date. As of the balance sheet date, the estimated sales discount payable to the customer related to the sales is recognized as refund liabilities. The collection conditions of trading are agreed based on general business trading mode.

(3) The Company provides standard warranty for products sold and has responsibility to provide refund for products with defect, which is recognized in reserve for liabilities upon sales.

(4) The accounts receivable is recognized upon the delivery of product to the customer because the Company has unconditional rights to contract proceeds since that timing and can collect consideration from the customer after that time.

2. Cost of acquiring customer contract

The Company expected to recover the additional cost generated from the acquisition of customer contract. However, the related contract term is less than one year so such cost shall be recognized in expenses when incurred.

(XXVIII) Government grants

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Company, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

## V. Major sources of Uncertainty to Significant Accounting Judgments, Estimates and Assumptions

When preparing the parent company only financial report of the Company, the management decided the adopted accounting policy by their judgment and made accounting estimates and assumptions based on the reasonable expectation toward future events subject to current circumstances on the balance sheet date. The actual results might be different from the major accounting estimates and assumptions, so the historical experience and other factors will be considered for constant evaluation and adjustment. The Company has taken into account the economic impact of COVID-19 in its critical accounting estimates and will continue to evaluate the impact of COVID-19 on its financial position and performance.The following are the description of uncertainty to significant accounting judgments, estimates and assumptions:

(I) Significant judgments on choice of accounting policy

None.

(II) Accounting estimates and assumptions

1. Valuation of inventory

Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As a result, the Company must make judgment and estimate to determine the net realizable value of the inventory on the balance sheet date. Due to the repaid transformation of technology, the Company assesses the amount of normal wearing out and phasing out of inventory or inventory with no market price and writes off the cost of inventory from net realizable value on the balance sheet date. The valuation of inventory is mainly estimated according to the product demand within a certain period in the future, therefore significant changes may occur.

As of December 31, 2021, the book value of the Company's inventory was NTD 105,220.

2. Evaluation for the loss of accounts receivable

During the evaluation process for the impairment of accounts receivable, the Company uses the overdue ages of accounts receivable, customer's financial status, historical trading record and subsequent collections as the basis. The Company also calculates loss ratio based on past aging data statement and considers the industrial forward-looking evaluation to estimate credit loss rate. This requires subjective judgment and the reserve matrix as the basis to estimate the possible credit loss.

As of December 31, 2021, the book value of accounts receivable (including the related party) after recognizing the credit loss by the Company was NTD 1,039,298.

## VI. Explanation of Important Accounting Titles

### (I) Cash and Cash Equivalents

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash on hand and working fund | $ 277 | $ 277 |
| Checking deposit and current deposits | 97,819 | 35,133 |
| Time deposit | 789,000 | 931,000 |
| Cash equivalents – repurchase bonds | 613,677 | 296,511 |
| Total | $ 1,500,773 | $ 1,262,921 |

1. The financial institutions trading with the Company are reputable banks and the Company trades with various financial institutions to spread the credit risk. Thus, the possibility of expected default is low.
2. The Company has reclassified time deposit with the initial maturity date over three months and limitation to item of "Financial assets measured at amortized cost." Please refer to the description in Note 6, (3).

### (II) Financial assets measured at fair value through other comprehensive income

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| TWSE/TPEx unlisted stocks | $ - | $ 1,260 |
| Valuation adjustment | - | 407 |
| Total | $ - | $ 1,667 |

1. The Company classified the equity instrument investment belonged to strategic investment as financial assets measured at fair value through other comprehensive income.

2. The details of financial assets measured at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

| | 2021 | 2020 |
|---|---|---|
| Equity instrument measured at fair value through other comprehensive income | | |
| Fair value changes recognized in other comprehensive income | ($ 407) | ($ 9,964) |
| Dividend income held at the end of current period recognized in profit or loss | $ 408 | $ 9,814 |

3. For information related to financial assets measured at fair value through other comprehensive income, please refer to Note 12, (3).

(III) Financial assets measured at amortized cost

| Item | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current items: | | |
| Time deposit expired over three months | $ 1,190,200 | $ 1,342,200 |
| Non-current items: | | |
| Pledged time deposit | $ 20,636 | $ 20,636 |

1. Without taking into account the collaterals or credit enhancement held by the Company, for the financial assets measured at amortized cost that best represents the Company, the maximum amounts of credit risk exposure as of December 31, 2021 and 2020 were the book balance, respectively.
2. The counterparty invested by the Company has good credit risk.
3. For pledged financial assets measured at amortized cost by the Company, please refer to Note 8.

(IV) Notes and Accounts Receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivable | 728,569 | 692,585 |
| Accounts receivable – the related party | 318,085 | 646,110 |
| Less: Allowance loss | ( 7,356) | ( 8,882) |
| | $ 1,039,298 | $ 1,329,813 |

1. For aging analysis of notes and accounts receivable (including the related party), please refer to Note 12, (2).
2. The balances of notes and accounts receivable as of December 31, 2021 and 2020 were generated by the customer's contract. Also, the balance of accounts receivable from the customer's contract was NTD 1,484,117 as of January 1, 2020.
3. The notes and accounts receivable (including the related party) of the Company does not include collaterals.
4. Without taking into account the collaterals or credit enhancement held by the Company, for the notes and accounts receivable that best represents the Company, the maximum credit risk exposure amounts as of December 31, 2021 and 2020 were the book balance, respectively.
5. For the information related to credit risks, please refer to Note 12, (2).

## (V) Inventory

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Costs | | Allowance devaluation loss | | Book amount | |
| Materials | $ | 6,693 | ($ | 1) | $ | 6,692 |
| Semi-finished goods | | 60 | ( | 20) | | 40 |
| Finished products | | 23,223 | ( | 877) | | 22,346 |
| Inventory in transit | | 76,142 | | - | | 76,142 |
| Total | $ | 106,118 | ($ | 898) | $ | 105,220 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Costs | | Costs | | Book amount | |
| Materials | $ | 109 | ($ | 9) | $ | 100 |
| Semi-finished goods | | 4 | ( | 4) | | - |
| Finished products | | 18,931 | ( | 1,951) | | 16,980 |
| Inventory in transit | | 11,028 | | - | | 11,028 |
| Total | $ | 30,072 | ($ | 1,964) | $ | 28,108 |

The inventory cost recognized in expenses in current period by the Company:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Cost of sold inventory | $ | 3,716,054 | $ | 4,354,039 |
| Revaluation gain | ( | 1,066) | ( | 2,359) |
| | $ | 3,714,988 | $ | 4,351,680 |

In 2021, the Company benefited from inventory decline due to gain from price recovery of inventory.

## (VI) Investment at equity method

| | 2021 | | 2020 | |
|---|---|---|---|---|
| January 1 | $ | 2,216,952 | $ | 2,434,914 |
| Disposal of investment at equity method | ( | 165,547) | | - |
| Refunds from decapitalization of investment under the equity method | ( | 5,000) | ( | 6,000) |
| Cash dividend distributed from investment under the equity method | ( | 434) | | - |
| Share of profit or loss from investment under the equity method | ( | 272,956) | ( | 180,435) |
| Other comprehensive income under the equity method | | 77,193 | ( | 20,592) |
| Exchange difference in the financial statement translation of the foreign operation | | 7,961 | ( | 10,935) |
| December 31 | $ | 1,858,169 | $ | 2,216,952 |

For information of the Company’s subsidiaries, please refer to Note 4(3) in the 2021 consolidated financial statements of the Company and its subsidiaries.

1. The investment gains (losses) recognized under the equity method in 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Subsidiaries: | | |
| CyberTAN Corp.(U.S.A) | $ 3,437 | $ 2,713 |
| CyberTAN(B.V.I) Investment Corp. | ( 162,766) | ( 149,389) |
| Ta Tang Investment Co., Ltd. | ( 6,500) | ( 9,383) |
| Affiliated companies: | | |
| Microelectronics Technology, Inc. (Microelectronics Technology) | ( 109,842) | ( 24,627) |
| Mega Power Ventures Inc. | 2,715 | 251 |
| Total | ($ 272,956) | ($ 180,435) |

2. The basic information about affiliated companies important to the Company is stated as follows:

| Company name | Principal business place | Shareholding ratio December 31, 2021 | Shareholding ratio December 31, 2020 | Nature of relationship | Measurement method |
|---|---|---|---|---|---|
| Microelectronics Technology | Taiwan | 22.96% | 26.72% | Invested company under the equity method by the Company | Equity method |

3. The summarized financial information of affiliated companies important to the Company is stated as follows:

| | Microelectronics Technology | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| Current assets | $ 4,563,530 | $ 3,451,306 |
| Non-current assets | 1,988,820 | 1,948,477 |
| Current liabilities | ( 3,281,470) | ( 1,916,050) |
| Non-current liabilities | ( 1,308,514) | ( 1,064,203) |
| Total net assets | $ 1,962,366 | $ 2,419,530 |
| Shares of the affiliates' net assets | $ 450,540 | $ 646,450 |
| Goodwill | 492,444 | 573,063 |
| Others | ( 17,557) | ( 21,303) |
| Book value of affiliated companies | $ 925,427 | $ 1,198,210 |

| | Microelectronics Technology | |
|---|---|---|
| | 2021 | 2020 |
| Revenue | $ 3,929,852 | $ 3,949,997 |
| Net profit of continuing operations for the year | ($ 450,016) | ($ 95,415) |
| Other comprehensive income (after tax) | ( 7,148) | ( 140,510) |
| Total comprehensive income for the year | ($ 457,164) | ($ 235,925) |

4. As the affiliated company important to the Company, Microelectronics Technology, Inc. has the open quotation. Its fair value as of December 31, 2021 and 2020 were NTD 7,882,825 and NTD 2,031,835, respectively.

5. In 2021, the Group sold 8,751,000 shares of affiliate Microelectronics Technology Inc. for a total sale price of NTD409,062. This was recognized as an investment gain of NTD330,596 accounted for under the equity method, decreasing its shareholding from 26.72% to 22.96%.

6. The Company holds 22.96% of Microelectronics's shares, which is the single largest shareholder of such company. However, the shareholding does not exceed half of total shares and does not exceed the majority vote of the shareholders present at the meeting. Also, the Company has no control over the financial affair, operation and personnel guidelines of Microelectronics Technology without any actual guidance of relevant activities. Therefore, it is determined that the Company has no control over such company but only significant impact thereof.

(VII) Property, plant and equipment

| | House and buildings | Machinery and equipment | Other equipment | Total |
|---|---|---|---|---|
| January 1, 2021 | | | | |
| Costs | $ 871,442 | $ 78,163 | $ 91,907 | $ 1,041,512 |
| Accumulated depreciation | ( 283,132) | ( 57,021) | ( 70,341) | ( 410,494) |
| | $ 588,310 | $ 21,142 | $ 21,566 | $ 631,018 |
| 2021 | | | | |
| January 1 | $ 588,310 | $ 21,142 | $ 21,566 | $ 631,018 |
| Increase | 1,300 | 21,132 | 3,500 | 25,932 |
| Disposal (cost) | - | ( 5,169) | - | ( 5,169) |
| Disposal (accumulated depreciation) | - | 5,169 | - | 5,169 |
| Depreciation expenses | ( 26,367) | ( 10,848) | ( 8,575) | ( 45,790) |
| December 31 | $ 563,243 | $ 31,426 | $ 16,491 | $ 611,160 |
| December 31, 2021 | | | | |
| Costs | $ 872,742 | $ 94,126 | $ 95,407 | $ 1,062,275 |
| Accumulated depreciation | ( 309,499) | ( 62,700) | ( 78,916) | ( 451,115) |
| | $ 563,243 | $ 31,426 | $ 16,491 | $ 611,160 |

| | House and buildings | Machinery and equipment | Other equipment | Total |
|---|---|---|---|---|
| January 1, 2020 | | | | |
| Costs | $ 869,506 | $ 72,216 | $ 90,185 | $ 1,031,907 |
| Accumulated depreciation | ( 256,804) | ( 51,977) | ( 61,170) | ( 369,951) |
| | $ 612,702 | $ 20,239 | $ 29,015 | $ 661,956 |
| 2020 | | | | |
| January 1 | $ 612,702 | $ 20,239 | $ 29,015 | $ 661,956 |
| Increase | 1,936 | 10,824 | 1,722 | 14,482 |
| Disposal (cost) | - | ( 4,877) | - | ( 4,877) |
| Disposal (accumulated depreciation) | - | 4,616 | - | 4,616 |
| Depreciation expenses | ( 26,328) | ( 9,660) | ( 9,171) | ( 45,159) |
| December 31 | $ 588,310 | $ 21,142 | $ 21,566 | $ 631,018 |
| December 31, 2020 | | | | |
| Costs | $ 871,442 | $ 78,163 | $ 91,907 | $ 1,041,512 |
| Accumulated depreciation | ( 283,132) | ( 57,021) | ( 70,341) | ( 410,494) |
| | $ 588,310 | $ 21,142 | $ 21,566 | $ 631,018 |

The property, plant, and equipment of the Company were not provided as collateral or capitalized interest.

(VIII) Lease transactions – Lessee

1. The underlying assets rented by the Company include the land and the building. The term

of lease contract is usually 4 to 20 years. The lease contract adopts individual negotiation and includes various different terms and conditions. Besides the rented assets shall not be used as loan guarantee, there were no other restrictions.

2. The lease terms of drinking fountain, copy machine and parking space rented by the Company are less than 12 months.

3. The following information is the book value and recognized depreciation expenses of right-of-use assets:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | Book amount | Book amount |
| Land | $ 240,365 | $ 257,706 |
| House | 3,192 | 2,508 |
| | $ 243,557 | $ 260,214 |

| | 2021 | 2020 |
|---|---|---|
| | Depreciation expenses | Depreciation expenses |
| Land | $ 17,340 | $ 17,340 |
| House | 1,479 | 1,479 |
| | $ 18,819 | $ 18,819 |

4. The Company's increasing of right-of-use assets in 2021 and 2020 were NTD 2,163 and NTD 0, respectively.

5. The following is information regarding the profit or loss items related to lease contracts:

| | 2021 | 2020 |
|---|---|---|
| Item influencing current profit or loss | | |
| Interest expenses of lease liabilities | $ 5,357 | $ 5,690 |
| Expenses for short-term lease contracts | 164 | 160 |
| Expenses for lease of low-price assets | 213 | 207 |
| | $ 5,734 | $ 6,057 |

6. The Company's total cash outflow of lease in 2021 and 2020 were NTD 22,563 and NTD 22,551, respectively.

(IX) Lease transactions – Lessor

1. The underlying asset leased by the Company is the building and the term of lease contract is usually 1 to 5 years. The lease contract adopts individual negotiation and includes various different terms and conditions. To ensure the use condition of the leased assets, it is often required that the lessee shall not use the leased assets for loan guarantee.

2. The Company recognized NTD 72,112 and NTD 55,267 of rent revenue based on the operating lease contract in 2021 and 2020, respectively, and there were no variable lease payments.

3. The maturity analysis of lease payment based on operating lease of the Company is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Not more than 1 year | $ 37,609 | $ 67,602 |
| More than 1 year but less than 5 years | - | 34,472 |
| Total | $ 37,609 | $ 102,074 |

(X) Short-term loans

| Nature of loan | December 31, 2021 | Interest rate interval | Collateral |
|---|---|---|---|
| Bank loans – credit loans | $ 570,450 | 0.70%~0.85% | None |

| Nature of loan | December 31, 2020 | Interest rate interval | Collateral |
|---|---|---|---|
| Bank loans – credit loans | $ 688,413 | 0.80%~0.90% | None |

(XI) Pension

1. (1) The Company has established the regulation for retirement with welfare in accordance with the "Labor Standards Act," which is applicable to the years of service for full-time employees before the implementation of the "Labor Pension Act" on July 1, 2005, and the employees continued to adopt the "Labor Standards Act" after the "Labor Pension Act" has come into effect. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The company contributes 2% of the total salary on a monthly basis to the pension fund and deposits at the special pension account under the title of the Pension Reserve Monitoring Committee Taiwan the Bank of Taiwan. Before the end of the fiscal year, the Company calculates the balance of the said labor pension fund account. If the pension account balance is insufficient to pay for the pension of employees expecting to meet the retirement conditions in the following year, the spread amount shall be deposited by the Company in a lump sum before the end of March in the following year.

(2) The amount recognized in the balance sheet is stated as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current values of the ascertained fringe benefit obligations | ($ 23,162) | ($ 22,598) |
| Fair values of the planned assets | 62,623 | 61,524 |
| Net defined benefit assets | $ 39,461 | $ 38,926 |

(3) Changes in the net defined benefit liabilities are as follows:

| | Current values of the ascertained fringe benefit obligations | Fair values of the planned assets | Net defined benefit assets |
|---|---|---|---|
| 2021 | | | |
| Balance, January 1 | ($ 22,598) | $ 61,524 | $ 38,926 |
| Service cost in the current period | ( 100) | - | ( 100) |
| Interest (expenses) revenue | ( 79) | 215 | 136 |
| | ( 22,777) | 61,739 | 38,962 |
| Remeasurement amount: | | | |
| Return on plan assets (excluding amount Included in interest income or expenses) | - | 884 | 884 |
| Effects of changes in | 408 | - | 408 |

| | | | |
|---|---|---|---|
| the demographic assumption | | | |
| Effects of changes in financial assumptions | ( 793) | - | ( 793) |
| Adjustment through experience | ( 385) | 884 | 499 |
| Pension fund paid | - | - | - |
| Balance, December 31 | ($ 23,162) | $ 62,623 | $ 39,461 |

| | Current values of the ascertained fringe benefit obligations | Fair values of the planned assets | Net defined benefit assets |
|---|---|---|---|
| 2020 | | | |
| Balance, January 1 | ($ 26,042) | $ 60,433 | $ 34,391 |
| Service cost in the current period | ( 99) | - | ( 99) |
| Interest (expenses) revenue | ( 195) | 453 | 258 |
| | ( 26,336) | 60,886 | 34,550 |
| Remeasurement amount: | | | |
| Return on plan assets (excluding amount included in interest income or expenses) | - | 2,000 | 2,000 |
| Effects of changes in the demographic assumption | ( 995) | - | ( 995) |
| Effects of changes in financial assumptions | 3,362 | - | 3,362 |
| Adjustment through experience | 2,236 | - | 2,236 |
| | 2,367 | 2,000 | 4,367 |
| Pension fund paid | 1,371 | ( 1,362) | 9 |
| Balance, December 31 | ($ 22,598) | $ 61,524 | $ 38,926 |

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (the scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.) The utilization of the fund is supervised by Supervisory Committee for Labor Pension Reserve. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of No. 19 of IAS. For the fair

value of the total assets under the fund on December 31, 2020 and 2021, please refer to the labor pension fund utilization report published by the government each year.

(5) Actuarial hypotheses about pension are summarized as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 0.70% | 0.35% |
| Future raise rate | 3.00% | 3.00% |

The hypotheses of future mortality rate are estimated based on the statistics published by each country and experience.

Due to the change in principal actuarial assumptions adopted, the affected present value of the defined benefit obligation is as follows:

| | Discount rate | | Future raise rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Decrease by 0.25% | Increase by 0.25% | Decrease by 0.25% |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit obligation | ($ 609) | $ 631 | $ 615 | ($ 597) |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 637) | $ 661 | $ 642 | ($ 622) |

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(6) The Company schedules to contribute NTD 0 to the pension plan in 2022.

(7) Until December 31, 2021, the weighted average duration of the pension plan has been 10 years. The maturity analysis on pension contribution is as follows:

| | |
|---|---|
| Less than 1 year | $ 366 |
| 1–2 years | 346 |
| 2–5 years | 2,048 |
| Over 5 years | 21,532 |
| | $ 24,292 |

2. (1) As of July 1, 2005, the Company instituted the defined contribution pension plan according to the “Labor Pension Act” applicable to the native employees. The Company shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the “Labor Pension Act” chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

(2) The principal of the pension cost recognized by the Company according to the said pension regulations were NTD 8,226 and NTD 8,977 in 2021 and 2020,

respectively.

(XII) Liability reserve

| | Warranty | |
|---|---|---|
| | 2021 | 2020 |
| Balance, January 1 | $ 37,131 | $ 42,848 |
| Increase in liability reserve in current period | 5,360 | 6,971 |
| Used liability reserve in current period | ( 28,023) | ( 12,688) |
| Balance, December 31 | $ 14,468 | $ 37,131 |

The analysis of liability reserve is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | $ 5,101 | $ 19,978 |
| Non-current | $ 9,367 | $ 17,153 |

The Company’s reserve for warranty liabilities is estimated according to the historical warranty information of such product to estimate possible after-sale service in the future. The warranty liabilities of the Company estimated to be used in 2022 and 2023 are NTD 5,101 and NTD 9,367 respectively.

(XIII) Capital stock

As of December 31, 2021, the Company’s authorized capital was NTD 3,630,000 which was divided into 363,000 thousand shares (including 14,000 thousand shares exercisable under employee stock options). The paid-in capital was NTD 3,286,054 at NTD 10 per share. All shares issued by the Company were paid in full.

(XIV) Capital reserves

According to the Company Act, for the capital reserves including shares issued at premium excessing the par value and the gains in the form of gifts, besides covering losses, the Company shall distribute the capital reserve by issuing new shares or in cash in proportion to the original shareholding ratio of the shareholders when the Company incurs no loss. In addition, according to relevant regulation of Securities and Exchange Act, the capital surplus mentioned above that can be capitalized annually shall not exceed 10% of the total paid-in capital. When the reserve is insufficient to cover the capital losses, the Company shall not use capital reserve for offset.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Stock premium | Changes in net worth of equity of affiliated companies and joint ventures recognized under equity method | New restricted employee shares | Others | Total |
| January 1 | $ 484,632 | $ 43,221 | $ 41,310 | $ 8,968 | $ 578,131 |
| Changes in equity of associates and joint ventures recognized in proportion to its shareholding | - | ( 6,081) | - | - | ( 6,081) |
| December 31 | $ 484,632 | $ 37,140 | $ 41,310 | $ 8,968 | $ 572,050 |

2020

| | Stock premium | Changes in net worth of equity of affiliated companies and joint ventures recognized under equity method | New restricted employee shares | Others | Total |
|---|---|---|---|---|---|
| January 1 (December 31) | $ 484,632 | $ 43,221 | $ 41,310 | $ 8,968 | $ 578,131 |

(XV) Retained earnings

1. If the Company has profit at the year's final accounting, it shall first be used to pay the income tax and make up any cumulative losses in accordance with laws, and 10% of the balance shall be appropriated as legal reserve, unless the existing legal reserve reaches the amount of the Company's paid-in capital. The rest of the balance shall be used for provision/reversal of special reserves pursuant to laws. The residual balance, if any, shall be added to cumulative undistributed earnings. The Board of Directors shall draft a motion for allocation of the residual balance plus the undistributed earnings.
2. The dividend policy of the Company is as follows: The Company is now in the growth stage and will develop and expand in line with our business. The distribution of earnings shall consider the Company's capital expense budget and needs in the future and the board of directors shall propose a motion for the distribution and submit to the shareholders' meeting for approval before distribution. However, the dividends for the shareholders in the dividends distributed in current year shall not exceed two-thirds of the distributed dividends.
3. The legal reserve shall not be used unless for covering losses or issuing new shares or in cash in proportion to the original shareholding ratio of the shareholders. The new shares or cash allocated shall be no more than 25% of the paid-in capital.
4. Pursuant to laws, when allocating earnings, the Company shall provide the special reserve from the credit balance under other equities on the balance sheet date in current year and then may allocate the earnings. Where the credit balance under other equities is reversed, the reversed amount may be included into the allocable earnings.
5. The 2019 and 2020 earnings distribution proposals of the Company approved at the regular shareholders' meeting held separately on July 30, 2021 and June 24, 2020 are stated as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Dividends per share (NTD) | Amount | Dividends per share (NTD) |
| Allocated legal reserve | $ 4,883 | | $ 6,924 | |
| Allocated special reserve | 61,390 | | 58,495 | |
| Distributed cash dividends for shareholders | 49,291 | 0.15 | 49,291 | 0.15 |
| Total | $ 115,564 | | $ 114,710 | |

6. As of March 21, 2022, the board of directors had not approved the proposal of 2021 earnings distribution.

## (XVI) Other items of interest

| | Financial assets measured at fair value through other comprehensive income | Translation of foreign currency | Total |
|---|---|---|---|
| January 1, 2021 | ($ 62,612) | ($ 125,279) | ($ 187,891) |
| Valuation adjustment | ( 407) | - | ( 407) |
| Retained earnings of Valuation adjustment | ( 24,746) | - | ( 24,746) |
| Valuation adjustment – Subsidiaries and affiliated companies | 75,117 | - | 75,117 |
| Valuation adjustment transferred to retained earnings – Subsidiaries and affiliated companies | 9,462 | - | 9,462 |
| Currency translation differences: | | | |
| - the Company and subsidiaries | - | 8,251 | 8,251 |
| - tax of the Company and subsidiaries | - | ( 1,650) | ( 1,650) |
| - Affiliated companies | - | ( 290) | ( 290) |
| December 31, 2021 | ($ 3,186) | ($ 118,968) | ($ 122,154) |

| | Financial assets measured at fair value through other comprehensive income | Translation of foreign currency | Total |
|---|---|---|---|
| January 1, 2020 | ($ 10,294) | ($ 116,208) | ($ 126,502) |
| Valuation adjustment | ( 9,964) | - | ( 9,964) |
| Valuation adjustment – Subsidiaries and affiliated companies | ( 14,090) | - | ( 14,090) |
| Valuation adjustment transferred to retained earnings – Subsidiaries and affiliated companies | ( 28,264) | - | ( 28,264) |
| Currency translation differences: | | | |
| - the Company and subsidiaries | - | ( 9,318) | ( 9,318) |
| - tax of the Company and subsidiaries | - | 1,864 | 1,864 |
| -Affiliates | - | ( 1,617) | ( 1,617) |
| December 31, 2020 | ($ 62,612) | ($ 125,279) | ($ 187,891) |

## (XVII) Operating revenue

| | 2021 | 2020 |
|---|---|---|
| Revenue from customer contracts | $ 3,927,997 | $ 4,820,615 |

1. Details of revenue from customer contracts

   The revenue of the Company is mainly from providing products transferred in certain timing and the revenue can be classified by the following main product lines and geographical area:

| 2021 | Europe Communication product | America Communication product | Asia Communication product | Australia Communication product | Other departments | Total |
|---|---|---|---|---|---|---|
| Revenue from external customer contracts | NTD 554,708 | NTD 2,667,533 | NTD 294,044 | NTD 51,327 | NTD 360,385 | NTD 3,927,997 |

| 2020 | Europe Communicatio | America Communication | Asia Communication | Australia Communication | Other | Total |
|---|---|---|---|---|---|---|

| | n product | product | product | product | departments | |
|---|---|---|---|---|---|---|
| Revenue from external customer contracts | NTD 737,046 | NTD3,498,131 | NTD 320,638 | NTD 61,821 | NTD 202,979 | NTD4,820,615 |

2. Contract liabilities

(1) The Company's balance of contract liabilities – advance sale receipts related to revenue from customer contract recognized on December 31, 2021, December 31, 2020 and January 1, 2020 were NTD 33,384, NTD 53,483 and NTD 38,481, respectively.

(2) Contract liabilities at the beginning recognized in the revenue in current period

| | 2021 | 2020 |
|---|---|---|
| Balance of the contract liabilities at the beginning recognized in the revenue in current period | $ 23,825 | $ 8,614 |

## (XVIII) Interest revenue

| | 2021 | 2020 |
|---|---|---|
| Interest revenue | $ 9,198 | $ 12,278 |

## (XIX) Other revenue

| | 2021 | 2020 |
|---|---|---|
| Dividend revenue | $ 408 | $ 9,814 |
| Rental revenue | 72,112 | 55,267 |
| Revenue from government subsidy | 291 | 15,689 |
| Miscellaneous income | 2,670 | 9,554 |
| Total | $ 75,481 | $ 90,324 |

Because the Company is applicable to the salary and operating fund subsidies of businesses in difficulty due to the impact of COVID-19 on manufacturing and technical services by the Ministry of Economic Affairs in 2020, the revenue from government subsidy recognized in 2020 was NTD 15,689.

## (XX) Other gains and losses

| | 2021 | 2020 |
|---|---|---|
| Foreign currency exchange gain, net | ($ 1,702) | ($ 13,874) |
| Gains on disposal of investments under equity method | 330,596 | - |
| Gains on disposal of property, plant and equipment | - | 625 |
| Miscellaneous expenses – depreciation expenses | ( 21,075) | ( 17,977) |
| Miscellaneous expenses – interest expenses | ( 2,473) | ( 2,555) |
| Miscellaneous expenses | ( 2,845) | ( 3,139) |
| Total | $ 302,501) | ($ 36,920) |

## (XXI) Financial Costs

| | 2021 | 2020 |
|---|---|---|
| Interest expenses: | | |

| | | | | |
|---|---|---|---|---|
| Bank loans | $ | 4,977 | $ | 6,583 |
| Lease liabilities | | 2,884 | | 3,135 |
| Financial Costs | $ | 7,861 | $ | 9,718 |

(XXII) Additional Information on the Nature of Expense

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Employee benefit expenses | $ | 214,255 | $ | 220,311 |
| Depreciation expenses of property, plant and equipment | | 33,294 | | 34,508 |
| Depreciation expenses of right-of-use assets | | 10,240 | | 11,493 |
| Amortization expense of intangible assets | | 126 | | 1,226 |
| | $ | 257,915 | $ | 267,538 |

(XXIII) Employee benefit expenses

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Salary expenses | $ | 185,017 | $ | 184,486 |
| Expenses for labor and health insurance | | 12,181 | | 16,173 |
| Pension expenses | | 8,190 | | 8,818 |
| Other employment expenses | | 8,867 | | 10,834 |
| | $ | 214,255 | $ | 220,311 |

1. According to the Articles of Incorporation, if there is profit after annual closing, the Company shall allocate 7%–9% thereof as the remuneration to employees. However, earnings must first be used to offset cumulative losses, if any, before being distributed to the employees and directors as their remuneration at the percentage.
2. The Company estimated the remuneration to employees was NTD 887 and NTD 1,249 in 2021 and 2020, respectively. Said values were stated into salary expenses.

   According to the earnings gained in 2021, the estimated remuneration to employees was 8.5% and the actual distributed amount resolved by the board of directors was NTD 887, which will be distributed in cash.

   The employee remuneration in 2020 approved by the board of directors and the employee remuneration of NTD 1,249 recognized in the 2020 financial report, which are consistent with the amount recognized in the financial statement in 2020.
3. Please refer to the “Market Observation Post System” for information related to the remuneration to employees, directors, and supervisors of the Company approved by the board of directors and resolved by a shareholders’ meeting.

(XXIV) Income Tax

1. Income tax expenses

   (1) Income tax benefits consisting of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Income tax in the current period: | | | | |
| Income tax generated from the current income | $ | 2,695 | $ | 27,523 |
| Underestimated (overestimated) income tax in previous year | ( | 3,621) | ( | 15,002) |
| Total income tax in the current period | ( | 926) | | 12,521 |
| Deferred income tax: | | | | |
| Initial occurrence and reversal of | ( | 22,139) | ( | 21,728) |

| | 2021 | 2020 |
|---|---|---|
| temporary difference | | |
| Total deferred income tax | ( 22,139) | ( 21,728) |
| Income tax (benefits) expenses | ($ 23,065) | ($ 9,207) |

(2) Income tax benefits related to other comprehensive income:

| | 2021 | 2020 |
|---|---|---|
| Remeasurement of defined benefit obligation | ($ 100) | ($ 873) |
| Exchange differences on the translation of the foreign operation | ( 1,650) | 1,864 |
| | ($ 1,750) | $ 991 |

2. Relation between income tax and accounting profit:

| | 2021 | 2020 |
|---|---|---|
| Income tax calculated based on net profit before tax at the statutory tax rate | $ 226 | $ 2,874 |
| Excluded expenses by the tax laws | 23,269 | 6,756 |
| Exemption by the tax laws | ( 66,744) | ( 4,365) |
| Realizable evaluation changes of deferred income tax assets | 21,070 | 530 |
| Underestimated (overestimated) income tax in previous year | ( 3,621) | ( 15,002) |
| Effects of income by alternative minimum tax | 2,695 | - |
| Income tax (benefits) expenses | ($ 23,065) | ($ 9,207) |

3. The amount of deferred income tax assets and liabilities due to temporary difference are shown in the following:

| | 2021 | | | |
|---|---|---|---|---|
| | January 1 | Recognized into profit and/or loss | Recognized in other comprehensive net profit | December 31 |
| Deferred income tax assets: | | | | |
| - Temporary difference: | | | | |
| Loss on inventory valuation | $ 393 | ($ 213) | $ - | $180 |
| Warranty reserve | 7,426 | ( 4,533) | - | 2,893 |
| Bonus payable for unused vacation | 1,186 | 156 | - | 1,342 |
| Exchange differences on the translation of the foreign operation | 23,964 | - | ( 1,650) | 22,314 |
| Pension fund payable | 634 | ( 634) | - | - |
| Refund liabilities | 372 | 58 | - | 430 |
| Unrealized exchange loss | 4,150 | ( 4,150) | - | - |
| Subtotal | $ 38,125 | ($ 9,316) | ($ 1,650) | $ 27,159 |
| - Deferred income tax liabilities: | | | | |
| Foreign investment at equity method | ($ 42,178) | $ 31,866 | $ - | ($ 10,312) |
| Unrealized exchange profit | - | ( 1,038) | $ - | ( 1,038) |
| Remeasurement of defined benefit plan | ( 4,947) | 627 | ( 100) | ( 4,420) |

| | | | | |
|---|---|---|---|---|
| Subtotal | (\$ 47,125) | \$ 31,455 | (\$ 100) | (\$ 15,770) |
| Total | (\$ 9,000) | \$ 22,139 | (\$ 1,750) | \$ 11,389) |

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognized into profit and/or loss | Recognized in other comprehensive net profit | December 31 |
| Deferred income tax assets: | | | | |
| - Temporary difference: | | | | |
| Loss on inventory valuation | \$ 864 | (\$ 471) | \$ - | \$ 393 |
| Warranty reserve | 8,570 | ( 1,144) | - | 7,426 |
| Bonus payable for unused vacation | 1,186 | - | - | 1,186 |
| Exchange differences on the translation of the foreign operation | 22,100 | - | 1,864 | 23,964 |
| Pension fund payable | 666 | ( 32) | - | 634 |
| Refund liabilities | 1,900 | ( 1,528) | - | 372 |
| Unrealized exchange loss | 8,052 | ( 3,902) | - | 4,150 |
| Net lease liabilities | 530 | ( 530) | - | - |
| Subtotal | \$ 43,868 | (\$ 7,607) | \$ 1,864 | \$ 38,125 |
| - Deferred income tax liabilities: | | | | |
| Foreign investment at equity method | (\$ 71,513) | \$ 29,335 | \$ - | (\$ 42,178) |
| Remeasurement of defined benefit plan | ( 4,074) | - | ( 873) | ( 4,947) |
| Subtotal | (\$ 75,587) | \$ 29,335 | (\$ 873) | (\$ 47,125) |
| Total | (\$ 31,719) | \$ 21,728 | \$ 991 | (\$ 9,000) |

4. The validity period and unrecognized deferred income tax assets of Group’s unused income tax losses are as follows:

| December 31,2021 | | | | |
|---|---|---|---|---|
| Year of occurrence | Declared/Approved | Amount not yet deducted | Amount of unrecognized deferred income tax assets | Final deduction year |
| 2021 | \$ 105,350 | \$ 105,350 | \$ 105,350 | 120 |

5. The Company’s profit-seeking business income tax have been certified by the tax authority up until 2019

## (XXV) Earnings per share

| | 2021 | | |
|---|---|---|---|
| | After-tax income | Weighted average outstanding shares (thousand shares) | Losses per share (NTD) |
| Basic earnings per share: | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 24,393 | 328,605 | $ 0.07 |
| Diluted earnings per share | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 24,393 | 328,605 | |
| Impacts of dilutive potential common shares on employee remuneration | - | 42 | |
| Impacts of net profit attributable to the parent company's common stock shareholders plus potential common stocks | $ 24,393 | 328,647 | $ 0.07 |

| | 2020 | | |
|---|---|---|---|
| | After-tax income | Weighted average outstanding shares (thousand shares) | Earnings per share (NTD) |
| Basic earnings per share | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 23,575 | 328,605 | $ 0.07 |
| Diluted earnings per share | | | |
| Net profit attributable to the parent company's common stock shareholders | $ 23,575 | 328,605 | |
| Impacts of dilutive potential common shares on employee remuneration | - | 193 | |
| Impacts of net profit attributable to the parent company's common stock shareholders plus potential common stocks | $ 23,575 | 328,798 | $ 0.07 |

## (XXVI) Changes in liability reserve from financing activities

| | Warranty | |
|---|---|---|
| | 2021 | 2020 |
| January 1 | $ 265,189 | $ 281,683 |
| Changes in cash flow from financing | ( 16,829) | ( 16,494) |
| Increase in current period | 2,163 | - |
| December 31 | $ 250,523 | $ 265,189 |

Besides Lease liabilities, the Group's changes in liabilities from financing activities in 2021 and 2020 were changes in cash flow from financing without any non-cash changes. Please refer to the consolidated statement of cash flow.

## VII. Transactions of the Related Party

### (I) Name of the related party and relationship

| Name of the related party | Relationship with the Company |
|---|---|
| TSE-TSAN CHEN | Key management of the Company |
| CyberTAN Corp.(U.S.A) | Subsidiary of the Company |
| Ta Tang Investment Co., Ltd. | 〃 |
| CyberTAN (B.V.I) Investment Corp. | 〃 |
| CyberTAN Technology (HONG KONG) Limited | The Company is the ultimate parent company of such company |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | 〃 |
| Chongqing Hongdaofu Technology Co., Ltd. | 〃 |
| HON YAO FU Technology Company Limited (HON YAO FU) | 〃 |
| Microelectronics Technology, Inc. and its subsidiaries (Microelectronics Technology and its subsidiaries) | Affiliated companies |
| Hon Hai Precision Industry Co., Ltd. and its subsidiaries (Hon Hai and its subsidiaries) | Groups with significant impact on the Company |
| FOXCONN Technology Co., Ltd. and its subsidiaries | Other related parties |
| Fitipower Integrated Technology Inc. | 〃 |
| Innolux Corporation and its subsidiaries | 〃 |
| Garuda Technology Co., Ltd. and its subsidiaries (Garuda Technology and its subsidiaries) | 〃 |
| Pan-International Industrial Corp. | 〃 |

### (II) Significant transactions with the related party

1. Operating revenue

| | 2021 | 2020 |
|---|---|---|
| Sale of goods: | | |
| Subsidiaries | | |
| -CyberTAN Corp.(U.S.A) | $ 1,518 | $ 89,478 |
| - Others | - | - |
| Groups with significant impact on the Company | | |
| -Belkin | 971,199 | 1,566,318 |
| -Cloud Network | 530,862 | 684,652 |
| - Others | 62,733 | 105,159 |
| | $ 1,566,312 | $ 2,445,607 |

The Company's unit sales price of partial goods for the related party is equivalent to the general customer's price while partial goods are not sold to the customer. Thus, the sales prices are incomparable. The mode of collection adopts NET 20 days and the collection period is O/A 120 days. The mode of collection for general customer is O/A 60 days.

2. Purchase

| | 2021 | 2020 |
|---|---|---|

| | | |
|---|---|---|
| Purchase of commodities: | | |
| Subsidiaries | | |
| - Chongqing Hongdaofu Technology Co., Ltd. | $ 1,759,052 | $ 1,827,012 |
| -HON YAO FU | 1,701,849 | 2,197,647 |
| - Others | - | 11,119 |
| Groups with significant impact on the Company | | |
| -Cloud Network | 45,799 | 99,186 |
| - Foxconn Interconnect Technology Limited | 53,185 | 84,705 |
| - Others | 31,529 | 13,698 |
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | 128,072 | 201,698 |
| Other related parties | | |
| - Garuda Technology and its subsidiaries | 13,682 | 17,735 |
| - Others | 5,215 | 4,003 |
| | $ 3,738,383 | $ 4,456,803 |

The Company's unit selling price of partial goods for the related party is equivalent to the general vendor's price while partial unit purchase price has no other vendor's price for comparison. The mode of collection adopts NET30 days and the collection period is O/A 120 days. The mode of collection for general vendors is O/A 60 days.

3. Accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts receivable – the related party | | |
| Subsidiaries | | |
| -CyberTAN Corp.(U.S.A) | $ - | $ 11,041 |
| Groups with significant impact on the Company | | |
| -Belkin | 184,115 | 568,634 |
| -Cloud Network | 95,781 | 50,680 |
| -Mega well | 37,231 | 13,527 |
| - Others | 958 | 2,228 |
| | $ 318,085 | $ 646,110 |

4. Other accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other receivables – the related party | | |
| Subsidiaries | | |
| -HON YAO FU | $ 201,051 | $ 12,801 |
| - Others | 1,008 | 2,017 |
| Groups with significant impact on the Company | | |
| - Hon Hai and its subsidiaries | 995 | 986 |
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | 1,901 | 28,314 |
| Other related parties | - | - |
| | $ 204,955 | $ 44,118 |

Other receivables from the related party mainly are the purchase amount on behalf of the related party.

5. Accounts payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable – the related party | | |
| Subsidiaries | | |
| - Chongqing Hongdaofu Technology Co., Ltd. | $ 36,462 | $ 42,049 |
| Entities with significant impact on the Company | | |
| - Foxconn Interconnect Technology Limited | 5,884 | 9,710 |
| - Others | 1,825 | 2,969 |
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | 24,018 | 23,410 |
| Other related parties | | |
| - Garuda Technology and its subsidiaries | 4,896 | 4,340 |
| - Others | 922 | 1,237 |
| | $ 74,007 | $ 83,715 |

6. Other payables

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other payables – the related party | | |
| Subsidiaries | | |
| - Others | $ 1,925 | $ - |
| Entities with significant impact on the Company | | |
| -Belkin | - | 7,141 |
| - Hon Hai Precision Ind. Co., Ltd. | 2,504 | 1,479 |
| -Carston | - | 1,009 |
| Affiliated companies | 205 | 798 |
| Other related parties | 444 | 668 |
| | $ 5,078 | $ 11,095 |

Other payables to the related party mainly are payables of processing fee and labor service fee.

7. Lease transactions – Lessee

(1) The Company rented buildings from FOXCONN Technology Co., Ltd. The tern of lease contract is 10 years and the rent is paid at the end of each month.

(2) Lease liabilities

A. Ending balance:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other related parties | $ 1,061 | $ 2,101 |

B. Interest expenses

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Other related parties | $ 42 | $ 63 |

8. Processing expenses

| | 2021 | 2020 |
|---|---|---|
| Groups with significant impact on the Company | $ 11,719 | $ 10,363 |

9. Labor service fee

| | 2021 | 2020 |
|---|---|---|
| Groups with significant impact on the Company | $ 1,430 | $ 2,281 |

The fee was the provided by the Company to the affiliated companies which provided industrial information consultation service in 2020 and 2021

10. Property transaction

(1) Acquisition of property, plant, and equipment

| | 2021 | 2020 |
|---|---|---|
| Other related parties | $ 389 | $ - |

(2) Disposal of property, plant, and equipment:

| | 2021 | |
|---|---|---|
| | Disposal proceeds | Disposal gain |
| HON YAO FU | $ - | $ - |

| | 2020 | |
|---|---|---|
| | Disposal proceeds | Disposal gain |
| HON YAO FU | $ 886 | $ 625 |

11. Service and repair fee

| | 2021 | 2020 |
|---|---|---|
| CyberTAN Corp.(U.S.A) | $ 9,367 | $ 12,130 |

12. Rental revenue

| | 2021 | 2020 |
|---|---|---|
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | $ 60,964 | $ 45,261 |
| Groups with significant impact on the Company | | |
| - Hon Hai and its subsidiaries | 9,903 | 9,682 |
| | $ 70,867 | $ 54,943 |

The Company leased property, plant and equipment to the related party in 2020 and 2021. The rent price per square meter has no significant difference with those of the non-related party. The rent is collected every quarter.

13. Guarantee deposit received

| | 2021 | 2020 |
|---|---|---|
| Affiliated companies | | |
| - Microelectronics Technology and its subsidiaries | $ 5,765 | $ 1,972 |

14. Other transactions

The related party Tse-Tsan Chen served as the joint guarantor of bank loans and joint writer of guaranteeing invoice by the Company in 2021 and 2020.

(III) Information on the remuneration to the key management:

| | 2021 | 2020 |
|---|---|---|
| Salary and other short-term employee benefits | $ 9,530 | $ 11,460 |
| Benefits after severance/retirement | 404 | 403 |
| Total | $ 9,934 | $ 11,863 |

## VIII. Pledged Assets

The details of the Company's assets provided as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Asset item | December 31, 2021 | December 31, 2020 | Purpose of collateral |
| Time deposit (listed financial assets measured at amortized cost – non-current) | $ 20,636 | $ 20,636 | Guarantee deposits of superficies |

## IX. Major Contingent Liabilities and Commitments Made Under Unrecognized Contracts

(I) Contingency

None.

(II) Commitments

None.

## X. Losses Due to Major Disasters

None.

## XI. Significant Subsequent Events

None.

## XII. Others

(I) Capital Management

The Company's capital management objective is intended to protect the Company's continued operation and maintain optimal capital structure to reduce capital cost and provide remuneration to the shareholder. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce liabilities.

(II) Financial instruments

1. Categories of financial instruments

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets | | |
| Equity instrument investment specified by financial assets measured at fair value through other comprehensive income | $ - | $ 1,667 |
| Financial assets measured at amortized cost | 3,955,964 | 3,999,790 |
| | $ 3,955,964 | $ 4,001,457 |
| Financial liabilities | | |
| Financial liabilities measured at amortized cost | $ 1,223,548 | $ 1,467,800 |
| Lease liabilities | 250,523 | 265,189 |
| | $ 1,474,071 | $ 1,732,989 |

Note: The financial assets carried at amortized cost including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivables (including the related party), other receivables – the related party and guaranteed deposits paid; the financial liabilities measured at amortized cost include the short-term loans, accounts payable (including the related party), other payables (including the related party) and deposits received.

2. Risk management policy

(1) Various financial risks have impact on the daily operation of the Company, including the market risk (including the exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. To reduce adverse impact of uncertainty on the Company's financial performance, the Company used forward exchange contracts to hedge the risk of exchange rate. The derivative tool used by the Company is for hedging purpose instead of trading or speculation.

(2) The risk management work is executed by the Company's financial department based on the policy approved by the board of directors. The Company's financial department is responsible for identifying, evaluating and hedging financial risks by the close cooperation with each business unit in the Company. The board of directors has established written principles for the overall risk management while providing written policy for certain scope and matters, such as exchange rate risk, interest rate risk, credit risk, utilization of the financial and non-financial instruments and the investment principles of remained current funds.

3. Nature and degree of important financial risk

(1) Market risk

Exchange rate risk

A. The Company is a multinational corporation. Therefore, the exchange rate risk resulted from transactions with functional currency relatively different from the Company mainly involve USD and RMB. Related exchange rate risks come from the future commercial transactions and recognized assets and liabilities.

B. The management of the Company has established policy that regulates the management of the exchange rate risk which is relative to the functional currency of the companies in the Company. Each company shall adopt hedging policy against the overall exchange rate risk via the Company's financial department. The exchange rate risk is measured by the expected transactions with high possibility to generate USD and RMB expenses which adopt forward exchange contract to reduce impact of exchange rate fluctuation on the expected purchase inventory cost.

C. The Company's business lines involved some non-functional currencies (the functional currency of the Company is NTD). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets and liabilities denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency (thousand dollars) | Exchange rate | Book amount (NTD) | Range of change | Profit or loss affected | Other comprehensive income affected |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 39,371 | 27.680 | $1,089,789 | 1% | $ 8,718 | $ - |
| RMB : NTD | 2,144 | 4.344 | 9,314 | 1% | 75 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 1,157,458 | 27.680 | $32,038,437 | 1% | $ 256,307 | $ - |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| | Foreign currency (thousand dollars) | Exchange rate | Book amount (NTD) | Range of change | Profit or loss affected | Other comprehensive income affected |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 47,352 | 28.480 | $1,348,585 | 1% | $ 10,789 | $ - |
| RMB : NTD | 2,119 | 4.377 | 9,275 | 1% | 74 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 60,980 | 28.480 | $1,736,710 | 1% | $ 13,894 | $ - |

D. The Company's total amount of all exchange loss (including the realized and unrealized) from monetary items due to significant impact of exchange rate fluctuation were NTD (1,702) and NTD (13,874) in 2021 and 2020, respectively.

<u>Price risk</u>

A. The Company's equity instruments exposed to price risk are the holding financial assets measured at the fair value through profit or loss and financial assets measured at the fair value through other comprehensive income. To manage the price risk of the equity instrument investment, the Company separated the investment portfolio and the separation method is based on the limited amount set by the Company.

B. The Company mainly invested in the equity instruments issued at home and abroad and the price of such equity instrument is affected by the uncertainty of the investment's future value. If the price of the equity instrument increase or decrease by 1% and all other factors remain unchanged, the other comprehensive income in 2021 and 2020 will increase or decrease by NTD0 and NTD17 as a result of the profit or loss in equity instrument measured at fair value through other comprehensive income.

(2) Credit risk

A. The Group's credit risk is the risk of financial loss that would be incurred by the Group if its customers or financial instrument trading counterparty fail to perform the contracts. This is mainly due to the trading counterparty cannot pay the notes and accounts payable based on the payment conditions and financial assets classified to be measured at amortized cost.

B. The Company established the credit risk management in the Company's aspect. For trading banks and financial institutes, only those with good credit can be accepted as trading counterparties. According to the loan policy defined by the Company, each business unit within the Company shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the board of directors according to the internal or external ratings. The management will also control the periodic draw down of credit limits.

C. The Company adopts IFRS 9 for presumption that when the contract payment past due for over 90 days based on the agreed payment terms, the Company takes it as a default of the contract.

D. The following presumption provided by the Company adopts IFRS 9 as the basis to determine whether the credit risk of financial instrument increases significantly after the initial recognition:

(A) When the contract payment past due for over 90 days based on the agreed payment terms, it is determined that the credit risk of financial instrument increased significantly after the initial recognition.

(B) For bond investment traded in Taipei Exchange, those financial assets with investment grading rated by any external credit rating agency on balance sheet date are considered with low credit risk.

E. The Company's indexes used to determine the debt instrument as credit impairment are as follows:

(A) Issuer has major financial difficulty or likely to wind up or proceed with other financial reorganizations;

(B) The active market of financial assets might extinguish due to financial difficulty of the issuer;

(C) Overdue or non-performance of interest or principal payment by the issuer;

(D) National or regional adverse economic changes related to the default of issuer.

F. The Company classified the customer's notes and accounts receivable based on customer rating and the characteristics of customer and used the reserve matrix as the basis with simplified approach to estimate the expected credit losses.

G. The Company offsets the amount of recoverable financial assets which cannot be reasonably expected after the recourse procedure. However, the Company will continue the legal recourse procedure to protect the creditor's right. As of December 31, 2020 and 2021, the Company does not have creditor's right which was written off with means of recourse.

H. The Company adopted the business indicators of National Development Council for the future forward-looking considerations to adjust the established loss ratio based on certain period of history and current information to estimate the allowance loss of the notes and accounts (including the related parties) receivable. The reserve matrix on December 31, 2021 and 2020 are as follows:

| | Undue | Overdue 1 – 90 days | Overdue 91 – 180 days | Overdue 181 – 365 days | Overdue more than 365 days | Total |
|---|---|---|---|---|---|---|
| December 31, 2021 | | | | | | |
| Expected loss ratio | 0.64% | 3.10% | 10.60% | 24.05% | 100.00% | |
| Total book value | $1,041,487 | $ 5,167 | $ - | $ - | $ - | $ 1,046,654 |
| Allowance loss | 7,194 | 162 | - | - | - | 7,356 |

| | Undue | Overdue 1 – 90 days | Overdue 91 – 180 days | Overdue more than 181 days | Overdue more than 365 days | Total |
|---|---|---|---|---|---|---|
| December 31, 2020 | | | | | | |
| Expected loss ratio | 0.36% | 5.69% | 8.20% | 15.70% | 100.00% | |
| Total book value | $1,338,451 | $ 244 | $ - | $ - | $ - | $ 1,338,695 |
| Allowance loss | 8,868 | 14 | - | - | - | 8,882 |

I. The aging analysis of accounts receivable (including the related party) is as follows:

| | December 31, 2021 | |
|---|---|---|
| | Notes receivable | Accounts receivable |
| Undue | $ - | $ 1,041,487 |
| Within 90 days | - | 5,167 |
| | $ - | $ 1,046,654 |

| | December 31, 2020 | |
|---|---|---|
| | Notes receivable | Accounts receivable |
| Undue | $ - | $ 1,338,451 |
| Within 90 days | - | 244 |
| | $ - | $ 1,338,695 |

The aging analysis stated above was based on the number of overdue days.

J. The Company's statement of changes in the allowance loss for accounts receivable using the simplified approach is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Accounts receivable (including the related party) | Accounts receivable (including the related party) |
| January 1 | $ 8,882 | $ 8,033 |
| Impairment loss recognized | ( 1,526) | 849 |
| December 31 | $ 7,356 | $ 8,882 |

(3) Liquidity risk

A. The cash flow forecast is executed by each business department in the Company and summarized by the Company's finance department. The finance department of the Company supervises the forecast of the Company's current fund demand to ensure there are sufficient fund to support the operating needs.

B. The following table refers to the Company's non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. The contractual cash flow amount disclosed in the following statement is the undiscounted amount.

| Non-derivative financial liabilities December 31, 2021 | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Deposit received | $ 6,484 | $ 50 | $ - | $ 456 |
| Lease liabilities | 21,595 | 20,759 | 61,907 | 183,566 |
| | $ 28,079 | $ 20,809 | $ 61,907 | $ 184,022 |

| Non-derivative financial liabilities December 31, 2020 | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|
| Deposit received | $ 76 | $ 1,972 | $ 719 | $ 456 |
| Lease liabilities | 21,935 | 21,968 | 61,908 | 204,202 |
| | $ 22,011 | $ 23,940 | $ 22,627 | $ 204,658 |

Except for those specified above, the non-derivative financial liabilities of the Company will expire within the coming year.

(III) Fair value information

1. The levels of the valuation technique adopted to measure the fair value of the financial and non-financial instruments are defined as follows:

Level 1: The quotation of the same asset or liability in an active market on the measurement date acquired by the enterprise (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis. The fair value of TPEx-listed share invested by the Company belongs to this level.

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 derivatives invested by the Company belongs to this level.

Level 3: Inputs for the asset or liability that are not based on.

2. The following is the analysis regarding the Company's classification of the financial instruments measured at fair value based on the nature, characteristics and risks of the assets and liabilities as well as the levels of fair value:

December 31, 2021: None.

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value assets: | | | | |
| Equity security of financial assets measured at fair value through other comprehensive income | $ - | $ - | $ 1,667 | $ 1,667 |

3. The methods and assumptions used by the Company to measure fair value is as follows:

(1) The Company's fair value inputs (i.e. Level 1) adopting the quoted market price are listed in the following based on the characteristics of the instruments:

| | TWSE(TPEx) listed stocks |
|---|---|
| Quoted market price | Closing price |

(2) Except for the financial instrument in the active market, the fair value of other financial instruments is based on the evaluation technology or the quotation of the counterparty. The fair value acquired through the evaluation technology can take reference from other substantial conditions and similar financial instruments' current fair value and discounted cash flow method or other evaluation technology, including the market information that can be acquired on the date of preparing the parent company only balance sheet. The information is then used on a calculation model (such as yield curve referred by Taipei Exchange and the average quotation of Reuters commercial paper rate).

(3) When evaluating unstandardized financial instruments with low complexity such as debt instrument without active market, interest rate swap contract, exchange swap contract and options, the Company adopts evaluation technology widely used in the market participants. The parameters used by the evaluation model of such financial instruments usually are information observable in the market.

(4) The Company includes the credit valuation adjustment in the consideration for the fair value calculation of financial and non-financial instruments to reflect the credit risk of the trading counterparty and the credit quality of the Company, respectively.

4. There was no transfer between level 1 and level 2.

5. The following statement is the changes in level 3 in 2020 and 2021:

| | Equity instruments | |
|---|---|---|
| | 2021 | 2019 |
| January 1 | $ 1,667 | $ 11,631 |
| Profit or loss recognized under other comprehensive income | | |
| Recognized unrealized valuation gains and loss from equity instrument investments measured at fair value through other comprehensive income | ( 407) | ( 9,964) |
| Refunds from decapitalization of invested equity instrument at fair value through other comprehensive income | ( 1,260) | - |
| December 31 | $ - | $ 1,667 |

6. There was no transfer-in and transfer-out from level 3 in 2020 and 2021.

7. For the Company's evaluation process for fair value classified as level 3, the finance department is responsible to conduct the independent fair value validation of the financial instrument. The department confirms the reasonableness of the evaluation result by making the evaluation result closer to the market status with information from independent sources, confirming the information source is independent, reliable and consistent with other resources and represents executable price, regularly calibrating evaluation model, conducting roll-back test, updating required input value and data as well as other necessary fair value adjustment for evaluation model.

8. For the evaluation model used by the measurement item of level 3 fair value, the quantitative information of unobservable major input and sensitivity analysis for the

changes in unobservable major input are as follows:

| | Fair value on December 31, 2020 | Evaluation technology | Unobservable major input | Relationship between input and fair value |
|---|---|---|---|---|
| Non-derivative equity instruments: | | | | |
| Stocks of venture capital companies | NTD 1,667 | Net asset value method | N/A | N/A |

XIII. Noted Disclosures

(I) Information related to material transactions

1. Loans to others: None.
2. Endorsement/guarantee made for others: None.
3. Marketable securities held at year-end (excluding investments in subsidiaries, affiliated companies, and joint venture): Please refer to Attachment I.
4. Accumulated amount of the same marketable security purchased or sold reaching NTD 300 million or more than 20% of the paid-in capital: Please refer to Attachment II.
5. Amount on acquisition of property reaching NTD 300 million or more than 20% of the paid-in capital: None.
6. Amount on disposal of property reaching NTD 300 million or more than 20% of the paid-in capital: None.
7. Purchase/sale amount of transactions with the related party reaching NTD 100 million or more than 20% of the paid-in capital: Please refer to Attachment III.
8. Accounts receivable from the related party reaching NTD 100 million or more than 20% of the paid-in capital: Please refer to Attachment IV.
9. Transactions of derivatives: None.
10. Business relationship and major transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Attachment V.

(II) Information related to reinvested enterprises

Information related to the invested company, such as names and locations, etc. (excluding the invested company in China): Please refer to Attachment VI.

(III) Information about investment in Mainland China

1. Basic information: Please refer to Attachment VII.
2. Major transactions with the invested company in China either directly or indirectly with occurrence through third regions: Please refer to Attachment VIII.

(IV) Major shareholders' information

Major shareholders' information: None.

CyberTAN Technology Inc.
Securities – Ending (Excluding Those Controlled by Invested Subsidiaries, Affiliated Companies and Joint Ventures)
December 31, 2021

Attachment I

Unit: NTD thousand
(Unless otherwise specified)

| Holding company | Type and name of securities (Note 1) | Relationship with the issuer of securities (Note 2) | Account title | Transaction: Number of shares | Transaction: Book amount (Note 3) | Transaction: Shareholding ratio | Transaction: Fair value | Remarks (Note 4) |
|---|---|---|---|---|---|---|---|---|
| CyberTAN Technology Inc. | Solutionsoft Systems, Inc. | - | Investment in equity instruments measured at fair value through other comprehensive income | $ 2,500,000 | - | 5.25% | - | - |
| CyberTAN (B.V.I) InvestmentCorp. | Innovation Works Limited | - | 〃 | 41,755 | 69,721 | 2.71% | 69,721 | - |
| Ta Tang Investment Co., Ltd. | A10 Networks. Inc. | - | 〃 | 4,817 | 2,211 | 0.01% | 2,211 | - |
| 〃 | Protop Technology Co., Ltd. | - | 〃 | 142,408 | - | 0.06% | - | |

Note 1: The securities referred to in the table means the stocks, bonds, beneficiary certificates within the “Financial Instruments: Recognition and Measurement” of IAS 39 and other securities deriving from these items.

Note 2: This column is not required if the issuer of the securities is not a related party.

Note 3: Where fair value measurement is used, please fill in the “book value” column with the book value after the valuation adjustment of the fair value and deduction of any accumulated loss; otherwise, please complete the column with the initial acquisition cost or the book value of the amortized cost net of the accumulated loss.

Note 4: For any securities in the table that are provided as a guarantee, pledged for loans, or restricted pursuant to any agreement, the number of stocks provided for guarantee or pledged for loans, the amount of the guarantee or pledge, or the restrictions shall be indicated in the Remarks.

CyberTAN Technology Inc.

Acquisition or sale of the same security with the accumulated cost reaching NT $300 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Attachment II

Unit:NTD thousand
(unless otherwise noted)

| Investor | Marketable securities | General ledger account | Counterparty (Note 2) | Relation (Note 2) | At beginning of period Shares | At beginning of period Amount | Buy(Note 3) Shares | Buy(Note 3) Amount |
|---|---|---|---|---|---|---|---|---|
| CyberTAN Technology Inc. | Microelectronics Technology, Inc | Investments accounted for under equity method | Trading sold in open market | Affiliated companies | 60,924,995 | 1,198,210 | - | - |

.

| Sell(Note 3) Shares | Sell(Note 3) Selling price | Sell(Note 3) Book cost | Sell(Note 3) Gain/loss on disposal | Period end Shares | Period end Amount |
|---|---|---|---|---|---|
| 8,571,000 | 490,062 | 165,547 | 330,596 | 52,353,994 | 925,427 |

Note 1: The securities referred to in the table means the stocks, bonds, beneficiary certificates and marketable securities derived from the above items.

Note 2: For investments accounted for under the equity method for marketable securities, these 2 columns should be filled in and the rest can be left blank.

Note 3: The cumulative purchase and sale amounts should be calculated separately according to the market price of NTD300 million or 20% of the paid-in capital.

Note 4: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD10, a transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

CyberTAN Technology Inc.
Purchase/Sale Amount of Transactions with Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021

Attachment III

Unit: NTD thousand
(Unless otherwise specified)

| | | | Transaction | | | | Trading conditions different from those of regular transactions and reasons thereof | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship | Purchase (sale) | Amount | Percentage in total purchases (sales) | Loan period | Unit price | Loan period | Balance | Percentage in total notes/accounts receivable (payable) | Remarks (Note 2) |
| CyberTAN Technology Inc. | Chongqing Hongdaofu Technology Co., Ltd. | Subsidiary of the Company | Purchase | $ 1,759,052 | 30.24% | Payment term: O/A 60 days | $ - | Payment term for regular customers: O/A 60 days | $ 36,462 | 5.63% | - |
| 〃 | HON YAO FU Technology Company Limited | 〃 | Purchase | 1,701,849 | 29.25% | Payment term: O/A 60 days | - | Payment term for regular customers: O/A 60 days | - | 0.00% | - |
| 〃 | Microelectronics Technology, Inc. | Affiliated companies of the Company | Purchase | 128,072 | 2.20% | Payment term: O/A 60 days | - | Payment term for regular customers: O/A 60 days | 24,018 | 3.71% | - |
| 〃 | Belkin International, Inc. | Hon Hai and its subsidiaries | Sale | 971,199 | (24.61%) | Collection term: Net 75 days | - | Payment term for regular customers: O/A 60 days | 184,115 | 17.61% | - |
| 〃 | Cloud Network Technology Singapore Pte. Ltd. | 〃 | Sale | 530,862 | (13.45%) | Collection term: Net 75 days | - | Payment term for regular customers: O/A 60 days | 95,781 | 9.16% | - |

Note 1: If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the "unit price" and "loan period" columns.

Note 2: In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the difference from regular transactions shall be indicated in the Remarks.

Note 3: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD 10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

CyberTAN Technology Inc.
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
January 1 to December 31, 2021

Attachment IV

Unit: NTD thousand
(Unless otherwise specified)

| Company stating in receivables | Counterparty | Relationship | Balance of accounts receivable from related parties (Note 1) | Turnover rate | Overdue accounts receivable from related parties | | Subsequent recovered amount of accounts receivable from related parties | Appropriated allowance for bad debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Treatment | | |
| CyberTAN Technology Inc. | Belkin International, Inc. | Hon Hai and its subsidiaries | $ 184,115 | 2.58% | $ - | - | $ 116,452 | $ 1,178 |
| 〃 | HON YAO FU Technology Company Limited | Subsidiary of the Company | $ 201,051 | 0% | $ - | - | $ 177,555 | $ 1,287 |
| | | | (Other receivables listed in the table)) (Note3) | | | | | |

Note 1: Please list the amount of notes/accounts receivable, other receivables, etc., from related parties, respectively.

Note 2: The paid-in capital means that of the parent company. For the shares of any issuer without a par value or where the par value per share is not NTD 10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

Note 3: Refers to receivables from the purchase of raw materials

CyberTAN Technology Inc.
Business Relationship and Major Transactions between the Parent Company and Its Subsidiaries and among Subsidiaries and Amounts
January 1 to December 31, 2021

Attachment V

Unit: NTD thousand
(Unless otherwise specified)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| No. (Note 1) | Trader | Counterparty | Relationship with trader (Note 2) | Title | Amount | Trading conditions | Percentage in total consolidated operating revenue or assets (Note 3) |
| 0 | CyberTAN Technology Inc. | Chongqing Hongdaofu Technology Co., Ltd. | 1 | Purchase | 1,759,052 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days. | 44.57% |
| 〃 | 〃 | 〃 | 1 | Accounts payable | 36,462 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days | 0.48% |
| 〃 | 〃 | HON YAO FU TechnologyCompany Limited | 1 | Purchase | 1,701,849 | Payment term: O/A 90 days; payment term for regular customers: O/A 60 days. | 43.12% |
| 〃 | 〃 | 〃 | 1 | Other receivables | 201,051 | Collection term: O/A 60 days; collection term for general customers: O/A 60 days. | 2.65% |
| 1 | Fuhongkang Technology (Shenzhen) Co., Ltd. | CyberTAN Corp. (U.S.A) | 3 | Other receivables | 25,640 | Collection term: O/A 90 days; collection term for general customers: O/A 30–90 days. | 0.34% |

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the “No.” column. This column shall be completed as follows:
(1) 0 is reserved for the parent company.
(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the related parties is classified into three categories as follows. It is only necessary to mark the type. (Repeated disclosure is not necessary for the same transaction between the parent company and its subsidiaries or between the subsidiaries. In case of the transaction in the form of parent company to a subsidiary, for example, if the parent company has disclosed the transaction, the subsidiary is not necessary to disclose the same repeatedly; in case of the transaction in the form of subsidiary to subsidiary, if a subsidiary has disclosed the transaction, the other subsidiary is not necessary to disclose the same.)

(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: To calculate the percentage of the transaction amount in total consolidated operating revenue or assets, the share of the balance at ending of the period in the total consolidated assets is used as the basis of the calculation under the item of assets/liabilities; the share of the interim accumulated amount in the total consolidated operating revenue is used as the basis for the calculation under the item of profit/loss.

Note 4: The disclosure criteria are for transaction amounts that reach NTD10 million or more.

CyberTAN Technology Inc.
Name and Territory of Invested Companies and Other Relevant Information (Excluding Invested Companies in China)
January 1 to December 31, 2021

Attachment VI

Unit: NTD thousand
(Unless otherwise specified)

| Name of investor | Name of invested company | Territory | Main business operation | Original investment amount (Note): End of current period | Original investment amount (Note): End of last year | Shareholding at the end of the period: Number of shares | Shareholding at the end of the period: Ratio | Shareholding at the end of the period: Book amount | Current profit (loss) of invested company (Note 2 (2)) | Profit (loss) from investments recognized in the current period (Note 2 (3)) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CyberTAN Technology Inc. | CyberTAN Corp. (U.S.A) | USA | Sales of wired and wireless communication equipment | $ 18,165 | $ 18,165 | 600,000 | 100.00% | $ 44,499 | $ 3,626 | $ 3,437 | - |
| 〃 | Ta Tang Investment Co., Ltd. | Taiwan | General investment business | 100,000 | 100,000 | 10,000,000 | 100.00% | 196,782 | ( 6,500) | ( 6,500) | - |
| 〃 | CyberTAN TechnologyCorp. (B.V.I) | British Virgin Islands | General investment business | 704,190 | 704,190 | 22,043,717 | 100.00% | 652,844 | ( 161,651) | ( 162,766) | - |
| 〃 | Microelectronics Technology, Inc. | Taiwan | Design, manufacturing and sale of terrestrial microwave communication products | 1,498,555 | 1,659,381 | 52,353,995 | 22.96% | 925,427 | ( 450,016) | ( 109,842) | - |
| 〃 | Mega Power Ventures Inc. | Taiwan | General investment business | 14,000 | 19,000 | 1,400,000 | 25.00% | 38,617 | 10,854 | 2,715 | - |
| CyberTAN (B.V.I) Investment Corp. | CyberTAN Technology (HONGKONG) Limited | Hong Kong | General investment business | 211,072 | 211,072 | - | 100.00% | 403,335 | ( 146,123) | ( 146,123) | - |
| 〃 | HON YAO FU TechnologyCompany Limited | Vietnam | Development, manufacturing and sale of high-end routers | 277,119 | 277,119 | - | 100.00% | 193,532 | ( 25,983) | ( 25,983) | - |

Note 1: When the listed company has set up any holding company overseas and used the consolidated financial statements as the main financial statements pursuant to local laws, the information on overseas invested companies may be disclosed only to the extent that the information is related to the holding company.

Note 2: Otherwise, the table shall be completed as follows:

(1) The "name of invested company," "territory," "main business operation," "original investment amount" and "shareholding at the end of the period" columns should be completed sequentially based on the Company's (listed company's) investment and each of its reinvestments in directly or indirectly controlled-invested companies. The relationship (subsidiary or sub-subsidiary) of each invested company with the Company (listed company) should be indicated in the Remarks.

(2) The "current profit (loss) of invested company" column should be filled in with the amount of the current profit/loss of each invested company.

(3) The "profit (loss) from investments recognized in the current period" column should be filled in only with the amount, recognized by the Company (listed company), of the profit/loss from direct investments in each subsidiary and of the profit/loss of each invested company valued under the equity method, and it is not necessary to provide other profits/losses. When providing "the recognized amount of the current profit/loss from direct investments in each subsidiary," it should ensure that the current profit/loss amount of each subsidiary includes any profit/loss from reinvestments that shall be recognized in accordance with regulations.

CyberTAN Technology Inc.
Information on Investments in Mainland China – Basic Information
January 1 to December 31, 2021

Attachment VII

Unit: NTD thousand
(Unless otherwise specified)

| Name of Chinese invested company | Main business operation | Paid-in capital | Method of investment (Note 1) | Accumulated amount of investments from Taiwan at the beginning of current period | Amount of investments remitted or recovered in current period | | Accumulated amount of investments from Taiwan at the end of current period | Current profit (loss) of invested company | The Company's shareholding ratio of direct or indirect investment | Profit (loss) from investments recognized in current period (Note 2) | Investment book value – ending | Profit received from investments as of the end of current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remittance | Recovery | | | | | | | |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | Development, manufacturing and sale of high-end routers | $ 168,188 | (2) | $ 212,868 | $ - | $ - | $ 212,868 | ($ 146,123) | 100% | ($ 146,123) | $ 403,335 | $ - | - |
| Chongqing Hongdaofu Technology Co., Ltd. | Development, manufacturing and sale of high-end routers | 257,298 | (3) | | | | - | ( 151,285) | 100% | ( 152,398) | 57,163 | - | - |

| Name of company | Accumulated amount of investments from Taiwan to Mainland China at the end of current period | Investment amount approved by the Investment Commission, MOEA | Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 4) |
|---|---|---|---|
| Fuhongkang Technology (Shenzhen) Co., | $212,868 (USD6,344) | $217,521 (USD6,500) | $ 3,267,767 |

Note 1: Investment is classified into following three categories. It is only necessary to mark the type:

(1) Engaged in direct investment in Mainland China.
(2) Reinvested in Mainland China through a company in a third area, CyberTAN Technology (HONG KONG) Limited.
(3) Others: Directly reinvested in Chinese companies through investment in the Chinese companies.

Note 2: In the “profit (loss) from investments recognized in the current period” column:
(1) An indication is needed if the investment is under preparation and there is no profit or loss.
(2) There are following three profit/loss recognition bases. The appropriate one must be indicated.
A. The financial statements audited and approved by an international accounting firm that has collaboration relationship with an accounting firm in the Republic of China
B. The financial statements audited by a CPA of the parent company in Taiwan
C. Others

Note 3: All amounts in the table should be stated in NTD.

Note 4: According to the letter Jing-Shen-Zi No. 09704604680 dated August 29, 2008 issued by the Ministry of Economic Affairs, the amendments to the “Investment or Technical Cooperation in the Mainland Area and the Examination Guidelines,” the cumulative ceiling amount of an investment in the Mainland area shall be subject to 60% of the net value or the consolidated net value, whichever is higher.

CyberTAN Technology Inc.
Information on Investments in Mainland China – Major Transactions with Invested Companies in China, either Directly or Indirectly, through A Business in A Third Area
January 1 to December 31, 2021

Attachment VIII

Unit: NTD thousand
(Unless otherwise specified)

| Name of Chinese invested company | Sale (purchase) Amount | Sale (purchase) % | Property transaction Amount | Property transaction % | Accounts receivable (payable) Balance | Accounts receivable (payable) % | Endorsements/guarantees or pledges of collateral Balance at ending of period | Endorsements/guarantees or pledges of collateral Purpose | Financing Maximum balance | Financing Balance at ending of period | Financing Range of interest rates | Financing Current interest | Oth |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Chongqing Hongdaofu Technology Co., Ltd. | ($ 1,759,052) | ( 30.24%) | $ - | - | $ 36,462 | 5.63% | $ - | - | $ - | $ - | - | $ - | |
| Fuhongkang Technology (Shenzhen) Co., Ltd. | - | - | - | - | - | - | - | - | - | - | - | - | Oth paya $25 |

CyberTAN Technology Inc.
Cash and Cash Equivalents
December 31, 2021

Statement 1 Unit: NTD thousand

| Item | Summary | | | Amount |
|---|---|---|---|---|
| Cash on hand and working fund | | | | $ 277 |
| Checking deposit and current deposits | | | | |
| - Checks and current deposits in NTD | | | | 64,093 |
| - Checks and current deposits in foreign currency | Current deposit in USD | 808 thousand | Exchange rate 27.68 | 22,363 |
| | Current deposit in RMB | 2,144 thousand | Exchange rate 4.344 | 9,314 |
| | Current deposit in other foreign currency | | | 2,049 |
| Time deposit – NTD | | | | 789,000 |
| Cash equivalents – repurchase bonds | | | | 613,677 |
| Total | | | | $ 1,500,773 |

CyberTAN Technology Inc.
Accounts receivable, net
December 31, 2021

Statement 2

Unit: NTD thousand

| Customer name | Amount | Remarks |
|---|---|---|
| Accounts receivable | | |
| Customer A | $ 609,310 | |
| Customer B | 61,849 | |
| Customer C | 44,136 | |
| Others | 13,274 | Balance of each customer not exceeding 5% of the account amount |
| Subtotal | 728,569 | |
| Less: Allowance loss | ( 7,356) | |
| Total | $ 721,213 | |
| Accounts receivable – the related party | | |
| Belkin | $ 184,115 | |
| Cloud Network | 95,781 | |
| Others | 38,189 | Balance of each customer not exceeding 5% of the account amount |
| Subtotal | $ 318,085 | |

CyberTAN Technology Inc.
Changes in long-term equity investment under the equity method
January 1 to December 31, 2021

Statement 3 Unit: NTD thousand

| Name of invested company | Balance, beginning: Number of shares | Balance, beginning: Amount | Increases in the current period (Note 1): Number of shares | Increases in the current period (Note 1): Amount | Decrease in the current period (Note 2): Number of shares | Decrease in the current period (Note 2): Amount | Balance, ending: Number of shares | Balance, ending: Shareholding ratio | Balance, ending: Amount | Total net worth of equity | Collateral and mortgage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CyberTAN Corp.(U.S.A) | 600,000 | $ 42,293 | - | $ 3,437, | - | ($ 1,231) | 600,000 | 100.00 | $ 44,499 | $ 44,499 | None |
| Ta Tang Investment Co., Ltd. | 10,000,000 | 198,051 | - | 5,231 | - | ( 6,500) | 10,000,000 | 100.00 | 196,782 | 196,782 | 〃 |
| CyberTAN (B.V.I) Investment Corp. | 22,043,717 | 757,482 | - | 58,129 | - | ( 162,767) | 22,043,717 | 100.00 | 652,844 | 652,844 | 〃 |
| Microelectronics Technology, Inc. | 60,924,995 | 1,198,210 | - | 2,899 | ( 8,571,000) | ( 275,682) | 52,353,995 | 22.96 | 925,427 | 450,540 | 〃 |
| Mega Power Ventures Inc. | 1,900,000 | 20,916 | - | 23,135 | ( 500,000) | ( 5,434) | 1,400,000 | 25.00 | 38,617 | 38,617 | 〃 |
| | | $ 2,216,952 | - | $ 92,831 | | ($ 451,614) | | | $ 1,858,169 | | 〃 |

Note 1: This refers to the gain on investment under the equity method and share of other comprehensive income of subsidiaries, affiliated companies and joint ventures recognized under the equity method in current period.

Note2: This refers to the loss on investment under the equity method, share of other comprehensive income of subsidiaries, disposal of investments under equity method, affiliated companies and joint ventures recognized under the equity method and refunds from decapitalization of investment under the equity method.

CyberTAN Technology Inc.
Statement of short-term loans
December 31, 2021

Statement 4

Unit: NTD thousand

| Type of loans | Balance, ending | Loan duration | Interest rate interval | Financing quota | Collateral and mortgage | Remarks |
|---|---|---|---|---|---|---|
| Credit loans | $ 100,195 | October 4, 2021 to January 4, 2022 | 0.75% | $ 500,000 | None | - |
| Credit loans | 203,416 | November 4, 2021 to February 4, 2022 | 0.70%~0.75% | 400,000 | 〃 | - |
| Credit loans | 266,839 | July 30, 2021 to May 28, 2022 | 0.84%~0.85% | 276,800 | 〃 | The line of credit is USD 10 million or equivalent in other currencies. |
| | $ 570,450 | | | $ 1,176,800 | | |

CyberTAN Technology Inc.
Accounts payable
December 31, 2021

Statement 5 Unit: NTD thousand

| Customer name | Amount | | Remarks |
|---|---|---|---|
| Accounts payable | | | |
| Supplier A | $ | 40,929 | |
| Supplier B | | 25,117 | |
| Others | | 415,089 | Balance of each supplier not exceeding 5% of the account amount |
| | $ | 481,135 | |
| Accounts payable – the related party | | | |
| Chongqing Hongdaofu Technology Co., Ltd. | $ | 36,462 | |
| Microelectronics Technology and its subsidiaries | | 24,018 | |
| Foxconn Interconnect Technology Limited | | 5,884 | |
| Garuda Technology and its subsidiaries | | 4,896 | |
| Others | | 2,747 | Balance of each supplier not exceeding 5% of the account amount |
| | $ | 74,007 | |

CyberTAN Technology Inc.
Operating revenue
January 1 to December 31, 2021

Statement 6 Unit: NTD thousand

| Item | Quantity | Amount | Remarks |
|---|---|---|---|
| Operating revenue | | | |
| Communication product | 10,584,683 | $ 3,567,612 | |
| Others | | 360,385 | |
| | | $ 3,927,997 | |

CyberTAN Technology Inc.
Operating cost
January 1 to December 31, 2021

Statement 7 Unit: NTD thousand

| Item | Amount |
|---|---|
| Raw materials, beginning | 109 |
| Less: Raw materials, ending | ( 6,693) |
| Reclassified as expenses | ( 341) |
| Materials consumed in current period | ( 6,925) |
| Manufacturing expenses | 45,285 |
| Current manufacturing costs | 38,360 |
| Semi-finished goods, beginning | 4 |
| Less: Reclassified as expenses | ( 711) |
| Semi-finished goods, ending | ( 60) |
| Current finished product cost | 37,593 |
| Plus: Finished products, beginning | 29,959 |
| Current purchase | 3,750,420 |
| Less: Finished products, ending | ( 99,365) |
| Reclassified as expenses | ( 2,553) |
| Production and marketing costs | 3,716,054 |
| Gains from the reversal of inventory loss in valuation | ( 1,066) |
| Operating cost | $ 3,714,988 |

CyberTAN Technology Inc.
Manufacturing expenses
January 1 to December 31, 2021

Statement 8

Unit: NTD thousand

| Item | Amount | Remarks |
|---|---|---|
| Salary expenses | $ 9,196 | |
| Outsourced processing expenses | 25,379 | |
| Miscellaneous expenses | 3,112 | |
| Others | 7,598 | Balance of each account not exceeding 5% of the account amount |
| | $ 45,285 | |

CyberTAN Technology Inc.
Selling expenses
January 1 to December 31, 2021

Statement 9 Unit: NTD thousand

| Item | Amount | | Remarks |
|---|---|---|---|
| Salary expense | $ | 5,330 | |
| Freight costs | | 1,370 | |
| Commission expenses | | 1,421 | |
| Sample fee | | 1,279 | |
| Others | | 2,307 | Balance of each account not exceeding 5% of the account amount |
| | $ | 11,707 | |

CyberTAN Technology Inc.
Administrative expenses
January 1 to December 31, 2021

Statement 10

Unit: NTD thousand

| Item | Amount | Remarks |
|---|---|---|
| Salary expense | $ 28,175 | |
| Labor service fee | 6,692 | |
| Depreciation | 5,629 | |
| Insurance premium | 3,389 | |
| Others | 14,509 | Balance of each account not exceeding 5% of the account amount |
| | $ 58,394 | |

CyberTAN Technology Inc.
R&D expenses
January 1 to December 31, 2021

Statement 11

Unit: NTD thousand

| Item | Amount | Remarks |
|---|---|---|
| Salary expense | $ 142,316 | |
| Depreciation | 35,741 | |
| Insurance premium | 12,929 | |
| Others | 58,483 | Balance of each account not exceeding 5% of the account amount |
| | $ 249,469 | |

CyberTAN Technology Inc.
Summary of employee benefits, depreciation, depletion and amortization expenses of the year by function
January 1 to December 31, 2021

Statement 12 Unit: NTD thousand

| By function / By nature | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | As operating costs | As operating expenses | Total | As operating costs | As operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salary expenses | $ 9,196 | $ 174,021 | $ 183,217 | $ 9,181 | $ 173,505 | $ 182,686 |
| Expenses for labor and health insurance | 786 | 11,395 | 12,181 | 719 | 15,454 | 16,173 |
| Pension expenses | 425 | 7,765 | 8,190 | 417 | 8,401 | 8,818 |
| Remuneration to Directors | - | 1,800 | 1,800 | - | 1,800 | 1,800 |
| Other employee benefit expenses | 577 | 8,290 | 8,867 | 259 | 10,575 | 10,834 |
| Depreciation expenses | 1,829 | 41,705 | 43,534 | 2,059 | 43,942 | 46,001 |
| Amortization expenses | - | 126 | 126 | - | 1,226 | 1,226 |

Note:

1. The amounts of the Company’s employees in current and previous years were 169 and 188, respectively; among them, six directors did not concurrently serve as employees.
2. The company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the information as follow:
   (1) The average employee benefit expense in current year was NTD 1,303 (“total employee benefit expenses in current year - total remuneration to directors” / “number of employees in current year - number of directors not concurred as employees”).
   The average employee benefit expense in previous year was NTD 1,201 (“total employee benefit expenses in previous year - total remuneration to directors” / “number of employees in previous year - number of directors not concurred as employees”).
   (2) The average employee salary expense in current year was NTD 1,124 (total salary expenses in current year - “number of employees in current year - number of directors not concurred as employees”).
   The average employee benefit expense in previous year was NTD 1,004 (total salary expenses in previous year - “number of employees in previous year - number of directors not concurred as employees”).
   (3) The change in average employee salary expense was by 12% (“average employee salary expenses in current year - average employee salary expenses in previous year” / average employee salary expenses in previous year”).
3. The Company has established an Audit Committee to replace the authority of the supervisors; therefore, there is no remuneration to supervisors.
4. Please refer to Note 6(23) for the Company’s allowance policy of employee remuneration.
5. CyberTAN Technology pays attention to the treatment and benefit of employees and establish a reward system with internal reasonableness and external competitiveness.
   (1) Directors and managers: The Company fully considers business performance of the Company (including financial and non-financial aspects), individual performance and duties and connection and reasonableness between industrial development trends and future economic risks to establish a reasonable remuneration after referring to the external market level. The Company also submits the individual remuneration to directors and managers reviewed by the remuneration committee to the board of directors for resolution.

CyberTAN Technology Inc.
Summary of employee benefits, depreciation, depletion and amortization expenses of the year by function
January 1 to December 31, 2021

Statement 12 | Unit: NTD thousand

(2) Employees: By regular market survey and review, the Company provides remuneration level better than that provided under laws with external competitiveness; for the internal salary of employees, the Company plans the competitive remuneration based on position, educational background, professional seniority and work performance while taking the comparison result of external market salary survey into consideration, regardless of factors such as gender, age, marriage, race, nationality, religion and politics. In this case, the Company is devoted to form a quality work environment with complete welfare.

**CyberTAN Technology Inc.**

**Chairman: Gwong-Yih Lee**