

**Thinking Electronic Industrial Company  
Limited**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Thinking Electronic Industrial Co., Ltd.

### Opinion

We have audited the accompanying financial statements of Thinking Electronic Industrial Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statement").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2021 is discussed as follows:

#### Recognition of revenue from specific product

The Company's principal business is manufacturing and selling of passive components. The Company recognized net sales of NT\$3,775,336 thousand for the year ended December 31, 2021, and revenue from specific products increased significantly than the previous year. Therefore, the occurrence of sales of specific products is considered as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (k) to the financial statements.

Our main audit procedures performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the internal control on revenue recognition and tested the operating effectiveness of the control.
2. We selected samples from the sales ledger and inspected the delivery documents and receipt bouchers and validated the occurrence of sales of specific products.
3. We verified that the revenue amounts recognized in the sales ledger were the same as those data recorded in the accounts receivable ledger.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions

may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 21, 2022

Notice to Readers

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

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

# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,428,034	12	\$ 1,622,395	16
Notes receivable (Note 8)	3,879	-	5,324	-
Accounts receivable, net (Notes 4 and 8)	829,581	7	800,840	8
Accounts receivable - related parties (Notes 8 and 27)	212,413	2	285,727	3
Other receivables	5,245	-	3,112	-
Other receivables - related parties (Note 27)	266	-	97	-
Inventories (Notes 4 and 9)	410,995	4	207,713	2
Other financial assets - current (Notes 10 and 28)	276,800	2	-	-
Other current assets	38,812	-	18,764	-
Total current assets	3,206,025	27	2,943,972	29
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	36,273	-	39,481	-
Investments accounted for using the equity method (Notes 4 and 11)	7,490,254	63	6,434,738	63
Property, plant and equipment (Notes 4, 12, 27 and 29)	936,977	8	613,528	6
Right-of-use assets (Notes 4 and 13)	53,092	-	55,105	1
Other intangible assets (Note 4)	33,652	-	28,359	-
Deferred tax assets (Notes 4 and 22)	99,007	1	109,789	1
Prepayments for equipment (Note 27)	77,806	1	39,640	-
Net defined benefit assets - non-current (Notes 4 and 18)	11,100	-	11,407	-
Other financial assets - non-current (Notes 10 and 28)	31,115	-	31,115	-
Total non-current assets	8,769,276	73	7,363,162	71
<b>TOTAL</b>	<b>\$ 11,975,301</b>	<b>100</b>	<b>\$ 10,307,134</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4 and 14)	\$ 749,630	6	\$ 375,000	3
Accounts payable (Note 15)	47,752	-	20,348	-
Accounts payable - related parties (Notes 15 and 27)	428,093	4	591,993	6
Other payables (Note 16)	382,554	3	286,293	3
Other payables - related parties (Note 27)	5,599	-	434	-
Current tax liabilities (Notes 4 and 22)	96,076	1	107,146	1
Lease liabilities - current (Notes 4 and 13)	1,023	-	929	-
Refund liabilities (Notes 4 and 17)	92,669	1	170,979	2
Other current liabilities (Notes 4 and 24)	2,764	-	2,459	-
Total current liabilities	1,806,160	15	1,555,581	15
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4 and 14)	688,100	6	339,671	3
Deferred tax liabilities (Notes 4 and 22)	1,255,099	10	1,044,936	10
Lease liabilities - non-current (Notes 4 and 13)	53,700	1	54,723	1
Deferred revenue non-current (Notes 4 and 24)	13,489	-	6,728	-
Guarantee deposits received	120	-	130	-
Total non-current liabilities	2,010,508	17	1,446,188	14
Total liabilities	3,816,668	32	3,001,769	29
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 11 and 19)</b>				
Ordinary shares	1,281,127	11	1,281,127	13
Capital surplus	352,907	3	348,263	3
Retained earnings				
Legal reserve	1,159,089	10	1,020,206	10
Special reserve	201,436	1	284,655	3
Unappropriated earnings	5,386,452	45	4,572,550	44
Total retained earnings	6,746,977	56	5,877,411	57
Other equity	(222,378)	(2)	(201,436)	(2)
Total equity	8,158,633	68	7,305,365	71
<b>TOTAL</b>	<b>\$ 11,975,301</b>	<b>100</b>	<b>\$ 10,307,134</b>	<b>100</b>

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

# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 3,775,517	100	\$ 3,219,942	100
OPERATING COSTS (Notes 9, 21 and 27)	<u>2,310,989</u>	<u>61</u>	<u>2,041,760</u>	<u>63</u>
GROSS PROFIT	1,464,528	39	1,178,182	37
UNREALIZED GAINS FROM SALES (Notes 4 and 27)	(29,161)	(1)	(4,773)	-
REALIZED GAINS FROM SALES (Note 4)	<u>4,773</u>	<u>-</u>	<u>3,748</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,440,140</u>	<u>38</u>	<u>1,177,157</u>	<u>37</u>
OPERATING EXPENSES (Notes 4, 8, 21 and 27)				
Selling and marketing expenses	127,963	3	103,836	3
General and administrative expenses	224,462	6	180,239	6
Research and development expenses	134,925	4	105,417	3
Expected credit loss (gain)	<u>631</u>	<u>-</u>	<u>(1,856)</u>	<u>-</u>
Total operating expenses	<u>487,981</u>	<u>13</u>	<u>387,636</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>952,159</u>	<u>25</u>	<u>789,521</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Notes 11, 21, 24 and 27)				
Interest income	15,999	1	11,287	-
Other income	2,272	-	30,405	1
Other gains and losses	(44,909)	(1)	(55,647)	(2)
Finance costs	(7,220)	-	(2,174)	-
Share of profit of subsidiaries	<u>1,070,155</u>	<u>28</u>	<u>949,374</u>	<u>30</u>
Total non-operating income and expenses	<u>1,036,297</u>	<u>28</u>	<u>933,245</u>	<u>29</u>
PROFIT BEFORE INCOME TAX	1,988,456	53	1,722,766	54
INCOME TAX EXPENSE (Notes 4 and 22)	<u>411,149</u>	<u>11</u>	<u>337,750</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>1,577,307</u>	<u>42</u>	<u>1,385,016</u>	<u>43</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19 and 22)				

(Continued)

# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (1,430)	-	\$ 4,423	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(3,208)	-	12,563	1
Share of the other comprehensive income of subsidiaries accounted for using the equity method	(1,977)	-	272	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>286</u>	<u>-</u>	<u>(885)</u>	<u>-</u>
	<u>(6,329)</u>	<u>-</u>	<u>16,373</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(139,598)	(4)	(200,966)	(6)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	117,430	3	289,286	9
Income tax related to items that may be reclassified subsequently to profit or loss	<u>4,434</u>	<u>-</u>	<u>(17,664)</u>	<u>(1)</u>
	<u>(17,734)</u>	<u>(1)</u>	<u>70,656</u>	<u>2</u>
Other comprehensive income (loss) for the year, net	<u>(24,063)</u>	<u>(1)</u>	<u>87,029</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,553,244</u>	<u>41</u>	<u>\$ 1,472,045</u>	<u>46</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 12.31</u>		<u>\$ 10.81</u>	
Diluted	<u>\$ 12.25</u>		<u>\$ 10.78</u>	

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

(Concluded)

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Surplus	Retained Earnings				Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2020	\$ 1,281,127	\$ 348,263	\$ 908,264	\$ 107,627	\$ 4,010,767	\$ 5,026,658	\$ (277,631)	\$ (7,024)	\$ (284,655)	\$ 6,371,393	
Appropriation of 2019 earnings (Note 19)											
Legal reserve	-	-	111,942	-	(111,942)	-	-	-	-	-	
Special reserve	-	-	-	177,028	(177,028)	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(538,073)	(538,073)	-	-	-	(538,073)	
	-	-	111,942	177,028	(827,043)	(538,073)	-	-	-	(538,073)	
Net profit for the year ended December 31, 2020	-	-	-	-	1,385,016	1,385,016	-	-	-	1,385,016	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	3,810	3,810	70,656	12,563	83,219	87,029	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,388,826	1,388,826	70,656	12,563	83,219	1,472,045	
BALANCE AT DECEMBER 31, 2020	1,281,127	348,263	1,020,206	284,655	4,572,550	5,877,411	(206,975)	5,539	(201,436)	7,305,365	
Appropriation of 2020 earnings (Note 19)											
Legal reserve	-	-	138,883	-	(138,883)	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(704,620)	(704,620)	-	-	-	(704,620)	
Reversal of special reserve	-	-	-	(83,219)	83,219	-	-	-	-	-	
	-	-	138,883	(83,219)	(760,284)	(704,620)	-	-	-	(704,620)	
Net profit for the year ended December 31, 2021	-	-	-	-	1,577,307	1,577,307	-	-	-	1,577,307	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(3,121)	(3,121)	(17,734)	(3,208)	(20,942)	(24,063)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,574,186	1,574,186	(17,734)	(3,208)	(20,942)	1,553,244	
Difference between consideration and carrying amount of subsidiaries acquired (Notes 11 and 19)	-	4,644	-	-	-	-	-	-	-	4,644	
BALANCE AT DECEMBER 31, 2021	\$ 1,281,127	\$ 352,907	\$ 1,159,089	\$ 201,436	\$ 5,386,452	\$ 6,746,977	\$ (224,709)	\$ 2,331	\$ (222,378)	\$ 8,158,633	

The accompanying notes are an integral company only financial statements.



# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,988,456	\$ 1,722,766
Adjustments for:		
Depreciation expense	74,808	68,555
Amortization expense	5,559	4,002
Expected credit loss (gain)	631	(1,856)
Finance costs	7,220	2,174
Interest income	(15,999)	(11,287)
Share of profit of subsidiaries	(1,070,155)	(949,374)
Loss on disposal of property, plant and equipment, net	1	649
Loss on inventories	9,418	15,220
Unrealized gain on transactions with subsidiaries	29,161	4,773
Realized gain on transactions with subsidiaries	(4,773)	(3,748)
Recognition (reversal) of provisions	(47,912)	125,250
Amortization of grants income	(752)	(125)
Other non-cash items	-	(299)
Changes in operating assets and liabilities		
Notes receivable	1,445	(358)
Accounts receivable	(29,372)	(19,545)
Accounts receivable - related parties	73,314	(100,842)
Other receivables	(271)	(261)
Other receivables - related parties	(169)	329
Inventories	(212,700)	98,328
Other current assets	(20,048)	14,133
Net defined benefit assets	(1,123)	(1,100)
Accounts payable	27,404	(36,931)
Accounts payable - related parties	(163,900)	240,927
Other payables	83,798	60,413
Other payables - related parties	4,014	(292,975)
Other current liabilities	306	(273)
Refund liabilities	(30,398)	(1,988)
Cash generated from operations	707,963	936,557
Interest received	14,137	11,435
Interest paid	(4,753)	(1,724)
Income tax paid	(196,554)	(136,017)
Net cash generated from operating activities	<u>520,793</u>	<u>810,251</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at amortized cost	-	25,000
Acquisition of investment accounted for using equity method	(29,250)	-
Acquisition of property, plant and equipment	(420,863)	(142,657)
Payment for intangible assets	(10,852)	(1,566)
Increase in other financial assets	(276,800)	(2,262)

(Continued)

# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

---

	2021	2020
Net cash used in investing activities	\$ (737,765)	\$ (121,485)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	4,450,200	1,709,000
Repayments of short-term borrowings	(4,075,570)	(1,434,000)
Proceeds from long-term borrowings	353,540	347,000
Refund of guarantee deposits received	(10)	-
Repayments of the principal portion of lease	(929)	(1,393)
Cash dividends paid	<u>(704,620)</u>	<u>(538,073)</u>
Net cash generated from financing activities	<u>22,611</u>	<u>82,534</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(194,361)	771,300
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	<u>1,622,395</u>	<u>851,095</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<u>\$ 1,428,034</u>	<u>\$ 1,622,395</u>

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

(Concluded)

# THINKING ELECTRONIC INDUSTRIAL CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

---

### 1. GENERAL INFORMATION

Thinking Electronic Industrial Co., Ltd. (the “Company”) was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 2000.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 21, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended

by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company assessed there was no significant impact that the application of other standards and interpretations will have on the Company's financial position and financial performance.

c. New IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- a) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- b) The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- c) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### a. Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between the parent company only basis and consolidated basis are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting parent company only financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

e. Inventories

Inventories consist of finished goods, work-in-process, raw materials and supplies and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. Differences between the carrying amounts of the investment and the fair value of the consideration paid or received are directly recognized in equity.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a

subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual



cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of corresponding the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, and other financial assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Company's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods comes from sales of thermistors and varistors. Sales of thermistors and varistors are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized simultaneously.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

l. Leases

When the Company is lessee, the Company assesses whether the contract is, or contains, a lease at the inception of a contract.

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the Company recognized as expense the related cost that the grants intend to

compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rate.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit assets are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit assets represent the actual surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 549	\$ 578
Checking accounts	74	74
Demand deposits	925,234	999,525
Cash equivalents		
Time deposits with original maturities less than 3 months	<u>502,177</u>	<u>622,218</u>
	<u>\$ 1,428,034</u>	<u>\$ 1,622,395</u>

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Time deposits (%)	2.71-3.00	0.41-2.85

b. The Company transacted with variety of financial institutions which are high credit quality to disperse credit risk, hence, there was no expected credit loss.

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	<u>\$ 36,273</u>	<u>\$ 39,481</u>

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

## 8. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	<u>\$ 3,879</u>	<u>\$ 5,324</u>
<u>Accounts receivable - non-related parties</u>		
At amortized cost		
Gross carrying amount - operating	\$ 845,234	\$ 815,862
Less: Allowance for impairment loss	<u>15,653</u>	<u>15,022</u>
	<u>\$ 829,581</u>	<u>\$ 800,840</u>
<u>Accounts receivable - related parties</u>		
At amortized cost		
Gross carrying amount - operating (Note 27)	<u>\$ 212,413</u>	<u>\$ 285,727</u>

The Company's notes receivable and accounts receivable have been measured by amortized cost. Refer to Note 26 for information related to credit management policy.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable (including related parties) based on the Company's provision matrix.

### December 31, 2021

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	\$ 1,009,054	\$ 3,040	\$ 28,139	\$ 3,496	\$ 117	\$ 13,801	\$ 1,057,647
Loss allowance (Lifetime ECLs)	<u>(443)</u>	<u>(15)</u>	<u>(281)</u>	<u>(1,049)</u>	<u>(64)</u>	<u>(13,801)</u>	<u>(15,653)</u>
Amortized cost	<u>\$ 1,008,611</u>	<u>\$ 3,025</u>	<u>\$ 27,858</u>	<u>\$ 2,447</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 1,041,994</u>

### December 31, 2020

	Not Past Due	Past Due 1 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	\$ 1,072,111	\$ 1,411	\$ 12,071	\$ 2,162	\$ 20	\$ 13,814	\$ 1,101,589
Loss allowance (Lifetime ECLs)	<u>(422)</u>	<u>(7)</u>	<u>(121)</u>	<u>(648)</u>	<u>(10)</u>	<u>(13,814)</u>	<u>(15,022)</u>
Amortized cost	<u>\$ 1,071,689</u>	<u>\$ 1,404</u>	<u>\$ 11,950</u>	<u>\$ 1,514</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 1,086,567</u>

The movements of the loss allowance of accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 15,022	\$ 16,934
Net remeasurement (reversal) of loss allowance	631	(1,856)
Amounts written off	<u>-</u>	<u>(56)</u>
Balance at December 31	<u>\$ 15,653</u>	<u>\$ 15,022</u>

## 9. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Finished goods	\$ 219,022	\$ 118,656
Work-in-process	72,994	37,102
Raw materials	100,242	42,734
Supplies	6,444	3,053
Inventory in transit	<u>12,293</u>	<u>6,168</u>
	<u>\$ 410,995</u>	<u>\$ 207,713</u>



The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$2,310,989 thousand and \$2,041,760 thousand, respectively, which included the following inventory losses (gains):

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Write-off obsolete inventories	\$ 7,084	\$ 27,658
Inventory write-downs (reversed)	<u>2,334</u>	<u>(12,438)</u>
	<u>\$ 9,418</u>	<u>\$ 15,220</u>

## 10. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Pledged time deposits	\$ 305,600	\$ 28,800
Refundable deposits	<u>2,315</u>	<u>2,315</u>
	<u>\$ 307,915</u>	<u>\$ 31,115</u>
Current	\$ 276,800	\$ -
Non-current	<u>31,115</u>	<u>31,115</u>
	<u>\$ 307,915</u>	<u>\$ 31,115</u>
Interest rate (%)	0.35-0.57	0.57

For information on other financial assets pledged, refer to Note 28.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Not listed company		
Yenyo Technology Co., Ltd. (Yenyo)	\$ 202,130	\$ 149,749
Greenish Co., Ltd. (Greenish)	2,172,842	1,918,837
Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	2,050,787	1,814,089
Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	<u>3,064,495</u>	<u>2,552,063</u>
	<u>\$ 7,490,254</u>	<u>\$ 6,434,738</u>
	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Yenyo	63.76%	52.61%
Greenish	100.00%	100.00%
Thinking Changzhou	47.39%	47.39%
Thinking Holding	100.00%	100.00%

In July 2021, the Company acquired 4,500,000 shares of its subsidiary Yenyo from non-controlling interests for \$29,250 thousand, and the difference between the amount of consideration and the carrying amount of subsidiaries' net assets acquired was included in the capital reserve of \$4,644 thousand; as a result, its shareholding increased from the original 52.61% to 63.76%. Since the preceding transaction did not change the Company's control over the subsidiary, the Company recognized such transaction as an equity transaction.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were recognized based on the subsidiaries' financial statements which have been audited.

## 12. PROPERTY, PLANT, AND EQUIPMENT

### a. Changes in cost and accumulated depreciation :

#### For the Year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 144,685	\$ 208,664	\$ 568,489	\$ 1,514	\$ 197,763	\$ 104,013	\$ 1,225,128
Additions	-	972	106,011	-	8,641	281,205	396,829
Disposals	-	-	(4,330)	-	(1,050)	-	(5,380)
Balance at December 31, 2021	<u>\$ 144,685</u>	<u>\$ 209,636</u>	<u>\$ 670,170</u>	<u>\$ 1,514</u>	<u>\$ 205,354</u>	<u>\$ 385,218</u>	<u>\$ 1,616,577</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 83,594	\$ 374,541	\$ 1,421	\$ 152,044	\$ -	\$ 611,600
Depreciation expense	-	5,311	45,899	27	22,142	-	73,379
Disposals	-	-	(6,329)	-	(1,050)	-	(5,379)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 88,905</u>	<u>\$ 416,111</u>	<u>\$ 1,448</u>	<u>\$ 173,136</u>	<u>\$ -</u>	<u>\$ 679,600</u>
Carrying amount at December 31, 2021	<u>\$ 144,685</u>	<u>\$ 120,731</u>	<u>\$ 254,059</u>	<u>\$ 66</u>	<u>\$ 32,218</u>	<u>\$ 385,218</u>	<u>\$ 936,977</u>

#### For the Year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 142,020	\$ 208,378	\$ 528,752	\$ 1,514	\$ 191,567	\$ 22,685	\$ 1,094,916
Additions	2,665	286	46,086	-	6,339	81,328	136,704
Disposals	-	-	(6,349)	-	(143)	-	(6,492)
Balance at December 31, 2020	<u>\$ 144,685</u>	<u>\$ 208,664</u>	<u>\$ 568,489</u>	<u>\$ 1,514</u>	<u>\$ 197,763</u>	<u>\$ 104,013</u>	<u>\$ 1,225,128</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 78,177	\$ 340,791	\$ 1,395	\$ 129,957	\$ -	\$ 550,320
Depreciation expense	-	5,417	39,450	26	22,230	-	67,123
Disposals	-	-	(5,700)	-	(143)	-	(5,843)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 83,594</u>	<u>\$ 374,541</u>	<u>\$ 1,421</u>	<u>\$ 152,044</u>	<u>\$ -</u>	<u>\$ 611,600</u>
Carrying amount at December 31, 2020	<u>\$ 144,685</u>	<u>\$ 125,070</u>	<u>\$ 193,948</u>	<u>\$ 93</u>	<u>\$ 45,719</u>	<u>\$ 104,013</u>	<u>\$ 613,528</u>

In January 2019, the board of directors of the Company approved the investment plan for the Nanzih Plant in Kaohsiung, and the estimated investment amount increased to \$1,000,000 thousand in January 2021, which had not been completed and accepted as of the reporting date, and the actual project contract request was included in the property under construction.

A reconciliation of the above-mentioned increase in property, plant and equipment and the amount paid in the cash flow statement is as follows:



Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Land	0.75-1.38	0.75-1.38

c. Material leasing activities and terms

The Company leases land located at Nanzih Export Processing Zone for the use of plants with the remaining useful life of 4 to 8 years. The government reserves the right to adjust the rent according to the assessed land value. The Company does not have bargain purchase options to acquire the leasehold land at the end of the lease period. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases	<u>\$ 821</u>	<u>\$ 442</u>
Expenses relating to low-value asset leases	<u>\$ 357</u>	<u>\$ 412</u>
Total cash outflow for leases	<u>\$ 2,795</u>	<u>\$ 2,947</u>

#### 14. BORROWINGS

a. Short - term borrowings

	<u>December 31</u>	
	2021	2020
Secured loans (Note 28)	\$ 249,630	\$ -
Credit loans	<u>500,000</u>	<u>375,000</u>
	<u>\$ 749,630</u>	<u>\$ 375,000</u>
The annual interest rate (%)		
Secured loans	0.34	-
Credit loans	0.68-0.72	0.75-0.77

b. Long - term borrowings

	<u>December 31</u>	
	2021	2020
Credit Loans	\$ 700,540	\$ 347,000
Less: Government grants discount	<u>12,440</u>	<u>7,329</u>
	<u>\$ 688,100</u>	<u>\$ 339,671</u>
The annual interest rate (%)	0.35	0.35

Borrowings under the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" have interest at prime rate and are used for capital expenditures and operating turnovers. The details of the relevant loan contract are as follows:

- 1) Credit period: The credit period is from October 2020 to October 2027, and the credit is \$1,264,000 thousand, which is a revolving loan allowing separate drawdowns, and all credits will expire in October 2027.
- 2) Borrowing interest rate: For the first 5 years from the date of initial drawdown, the annual interest rate of prime rate loan is 0.35% after the reduction of the variable interest rate of 0.495% based on the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. On the sixth year, when variable interest rate increases by 0.005% based on the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd., the loan interest rate will be 0.85%. The Company calculates its fair value with an annual interest rate of 0.845% based on general condition.
- 3) Repayment method: Monthly installments start on the fourth year from the date of initial drawdown until October 2027.
- 4) Each annual repayment plan drawdown is as follows:

Repayment year	<u>Amounts of Repayment</u> 2020
2023 (November-December)	\$ 14,458
2024	138,710
2025	193,190
2026	193,190
2027 (January-October)	<u>160,992</u>
	<u>\$ 700,540</u>

## 15. ACCOUNTS PAYABLE

The Company's accounts payable were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms; therefore, no interest was charged on the outstanding accounts payable.

## 16. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Payable for salaries and bonuses	\$ 165,627	\$ 128,237
Payable for employees' compensation	91,100	64,300
Payable for purchase of equipment	40,127	27,730
Payable for remuneration of directors	26,800	23,400
Others	<u>58,900</u>	<u>42,626</u>
	<u>\$ 382,554</u>	<u>\$ 286,293</u>

## 17. REFUND LIABILITIES

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 170,979	\$ 47,717
Recognized (reversed)	(47,912)	125,250
Usage	<u>(30,398)</u>	<u>(1,988)</u>
Balance at December 31	<u>\$ 92,669</u>	<u>\$ 170,979</u>

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 83,126	\$ 81,262
Fair value of plan assets	<u>(94,226)</u>	<u>(92,669)</u>
Net defined benefit assets	<u>\$ (11,100)</u>	<u>\$ (11,407)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance at January 1, 2020	\$ 86,681	\$ (92,565)	\$ (5,884)
Service cost			
Current service cost	136	-	136
Net interest expense (income)	<u>857</u>	<u>(933)</u>	<u>(76)</u>
Recognized in profit or loss	<u>993</u>	<u>(933)</u>	<u>60</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,764)	(2,764)
Actuarial loss-change in financial assumptions	935	-	935
Actuarial gain - experience adjustments	<u>(2,594)</u>	<u>-</u>	<u>(2,594)</u>
Recognized in other comprehensive income	<u>(1,659)</u>	<u>(2,764)</u>	<u>(4,423)</u>
Contributions from the employer	<u>-</u>	<u>(1,160)</u>	<u>(1,160)</u>
Benefits paid	<u>(4,753)</u>	<u>4,753</u>	<u>-</u>
Balance at December 31, 2020	<u>81,262</u>	<u>(92,669)</u>	<u>(11,407)</u>
Service cost			
Current service cost	104	-	104
Net interest expense (income)	<u>631</u>	<u>(727)</u>	<u>(96)</u>
Recognized in profit or loss	<u>735</u>	<u>(727)</u>	<u>8</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(930)	(930)
Actuarial loss-change in financial assumptions	637	-	637
Actuarial loss - experience adjustments	<u>1,723</u>	<u>-</u>	<u>1,723</u>
Recognized in other comprehensive income	<u>2,360</u>	<u>(930)</u>	<u>1,430</u>
Contributions from the employer	<u>-</u>	<u>(1,131)</u>	<u>(1,131)</u>
Benefits paid	<u>(1,231)</u>	<u>1,231</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 83,126</u>	<u>\$ (94,226)</u>	<u>\$ (11,100)</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate (%)	0.65	0.80
Expected rate of salary increase (%)	2.00	2.00

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (1,056)</u>	<u>\$ (1,165)</u>
0.25% decrease	<u>\$ 1,088</u>	<u>\$ 1,203</u>
Expected rate of salary increase		
1% increase	<u>\$ 4,454</u>	<u>\$ 4,941</u>
1% decrease	<u>\$ (4,026)</u>	<u>\$ (4,440)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plans for the next year	<u>\$ 1,130</u>	<u>\$ 1,150</u>
Average duration of the defined benefit obligation (years)	9	9



## 19. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>128,113</u>	<u>128,113</u>
Shares issued	<u>\$ 1,281,127</u>	<u>\$ 1,281,127</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

### b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)</u>		
Conversion of bonds	\$ 265,446	\$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
The difference between consideration and the carrying amount of subsidiaries acquired	<u>4,644</u>	<u>-</u>
	<u>\$ 352,907</u>	<u>\$ 348,263</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

### c. Retained earnings and dividend policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated

to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meeting on July 29, 2021 and June 15, 2020, respectively. The appropriations of earnings for 2020 and 2019 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share</b>		
	<b>For the Year Ended</b>		<b>(NT\$)</b>		
	<b>2020</b>	<b>2019</b>	<b>For the Year Ended</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 138,883	\$ 111,942			
Special reserve	(83,219)	177,028			
Cash dividends	<u>704,620</u>	<u>538,073</u>	\$ 5.5	\$ 4.2	
	<u>\$ 760,284</u>	<u>\$ 827,043</u>			

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on March 21, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 157,419	
Special reserve	20,942	
Cash dividends	<u>807,110</u>	\$ 6.3
	<u>\$ 985,471</u>	

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 16, 2022.

d. Other equity items

1) Exchange differences on translation of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (206,975)	\$ (277,631)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(139,598)	(200,966)
Income tax benefit relating to exchange differences arising on translation of foreign operations	27,920	40,193
Share from subsidiaries accounted for using the equity method	117,430	289,286
Income tax expenses relating to share from subsidiaries accounted for using the equity method	<u>(23,486)</u>	<u>(57,857)</u>
Balance at December 31	<u>\$ (224,709)</u>	<u>\$ (206,975)</u>

2) Unrealized gain/loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 5,539	\$ (7,024)
Recognized for the year		
Unrealized gain (loss) on financial assets at FVTOCI	<u>(3,208)</u>	<u>12,563</u>
Balance at December 31	<u>\$ 2,331</u>	<u>\$ 5,539</u>

**20. OPERATING REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 3,775,336	\$ 3,219,769
Service revenue	<u>181</u>	<u>173</u>
	<u>\$ 3,775,517</u>	<u>\$ 3,219,942</u>

a. Refer to Note 4 (k) for information related to contracts with customers.

b. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes and accounts receivable (Note 8)	<u>\$ 1,045,873</u>	<u>\$ 1,091,891</u>	<u>\$ 969,290</u>

c. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Type of revenue		
Passive components	\$ 3,775,336	\$ 3,219,769
Service revenue	<u>181</u>	<u>173</u>
	<u>\$ 3,775,517</u>	<u>\$ 3,219,942</u>

## 21. NET PROFIT

Net profit included following items:

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 14,285	\$ 7,260
Financial assets at fair value through income	102	-
Financial assets at amortized cost	-	97
Other (Note 27 h.)	<u>1,612</u>	<u>3,930</u>
	<u>\$ 15,999</u>	<u>\$ 11,287</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Grants	\$ 894	\$ 12,024
Rental income	700	693
Others (Note 27 h.)	<u>678</u>	<u>17,688</u>
	<u>\$ 2,272</u>	<u>\$ 30,405</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange losses, net	\$ (44,908)	\$ (55,013)
Others	<u>(1)</u>	<u>(634)</u>
	<u>\$ (44,909)</u>	<u>\$ (55,647)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest expense of borrowings	\$ 7,821	\$ 1,995
Interest on lease liabilities	<u>688</u>	<u>700</u>
	8,509	2,695
Less: Amounts included in the cost of qualifying assets	<u>1,289</u>	<u>521</u>
	<u>\$ 7,220</u>	<u>\$ 2,174</u>

Information on capitalized interest is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	<u>\$ 1,289</u>	<u>\$ 521</u>
Capitalization rate (%)	0.35-1.23	0.35-1.23

e. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 73,379	\$ 67,123
Right-of-use-assets	2,013	2,018
Other intangible assets	<u>5,559</u>	<u>4,002</u>
	80,951	73,143
Less: Amounts included in the cost of qualifying assets	<u>584</u>	<u>586</u>
	<u>\$ 80,367</u>	<u>\$ 72,557</u>
 An analysis of depreciation by function		
Operating costs	\$ 59,787	\$ 54,063
Operating expenses	<u>15,021</u>	<u>14,492</u>
	<u>\$ 74,808</u>	<u>\$ 68,555</u>
 An analysis of amortization by function		
Operating costs	\$ 2,100	\$ 1,647
Operating expenses	<u>3,459</u>	<u>2,355</u>
	<u>\$ 5,559</u>	<u>\$ 4,002</u>

f. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits		
Salary	\$ 458,613	\$ 369,734
Others	<u>83,206</u>	<u>70,090</u>
	<u>541,819</u>	<u>439,824</u>
Retirement benefits		
Defined contribution plans	17,901	12,723
Defined benefit plans (Note 18)	<u>8</u>	<u>60</u>
	<u>17,909</u>	<u>12,783</u>
	<u>\$ 559,728</u>	<u>\$ 452,607</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 208,653	\$ 172,891
Operating expenses	<u>351,075</u>	<u>279,716</u>
	<u>\$ 559,728</u>	<u>\$ 452,607</u>

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 21, 2022 and March 22, 2021, respectively, were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<u>Accrual rate</u>		
Employees' compensation (%)	4.3	3.6
Remuneration of directors (%)	1.3	1.3
<u>Amounts</u>		
Employees' compensation	\$ 91,100	\$ 64,300
Remuneration of directors	26,800	23,400

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAX

a. Major components of income tax expense are as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 156,571	\$ 168,716
Income tax on unappropriated earnings	31,427	8,319
Adjustments for prior years	<u>(2,514)</u>	<u>(5,784)</u>
	<u>185,484</u>	<u>171,251</u>
Deferred tax		
In respect of the current year	223,029	162,782
Adjustments for prior years	<u>2,636</u>	<u>3,717</u>
	<u>225,665</u>	<u>166,499</u>
Income tax expense recognized in profit or loss	<u>\$ 411,149</u>	<u>\$ 337,750</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 1,988,456</u>	<u>\$ 1,722,766</u>
Income tax expense calculated at the statutory rate	\$ 397,691	\$ 344,553
Tax-exempt income	(4,091)	(3,190)
Income tax on unappropriated earnings	31,427	8,319
Usage of investment credit	(14,000)	(9,865)
Adjustments for prior years' tax	<u>122</u>	<u>(2,067)</u>
Income tax expense recognized in profit or loss	<u>\$ 411,149</u>	<u>\$ 337,750</u>

The applicable tax rate of the Company is 20%.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax recognized in other comprehensive income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Deferred income tax expense (benefit)		
The difference in translation of foreign operations	\$ (27,920)	\$ (40,193)
Remeasurement on defined benefit plans	(286)	885
Share of other comprehensive income (loss) of subsidiaries by using equity method	<u>23,486</u>	<u>57,857</u>
Income tax recognized in other comprehensive income	<u>\$ (4,720)</u>	<u>\$ 18,549</u>

c. Current tax assets and liabilities

	<b><u>December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax liabilities		
Income tax payable	<u>\$ 96,076</u>	<u>\$ 107,146</u>

d. Deferred tax assets and liabilities

The movements of net of deferred tax assets and liabilities are as follows:

For the Year ended December 31, 2021

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 7,629	\$ 715	\$ -	\$ 8,344
Unrealized gross profits	4,068	2,460	-	6,528
Unrealized refund liabilities	34,196	(15,662)	-	18,534
Share of other comprehensive income (loss) of subsidiaries for using the equity method	(42,778)	-	(23,486)	(66,264)
Exchange differences on translation of the financial statements of foreign operations	94,521	-	27,920	122,441
Others	<u>12,153</u>	<u>(3,015)</u>	<u>286</u>	<u>9,424</u>
	<u>\$ 109,789</u>	<u>\$ (15,502)</u>	<u>\$ 4,720</u>	<u>\$ 99,007</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 1,041,545	\$ 209,939	\$ -	\$ 1,251,484
Others	<u>3,391</u>	<u>224</u>	<u>-</u>	<u>3,615</u>
	<u>\$ 1,044,936</u>	<u>\$ 210,163</u>	<u>\$ -</u>	<u>\$ 1,255,099</u>

For the Year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 9,372	\$ (1,743)	\$ -	\$ 7,629
Unrealized gross profits	3,863	205	-	4,068
Unrealized refund liabilities	9,543	24,653	-	34,196
Share of other comprehensive income (loss) of subsidiaries for using the equity method	15,079	-	(57,857)	(42,778)
Exchange differences on translation of the financial statements of foreign operations	54,328	-	40,193	94,521
Others	<u>11,578</u>	<u>1,460</u>	<u>(885)</u>	<u>12,153</u>
	<u>\$ 103,763</u>	<u>\$ 24,575</u>	<u>\$ (18,549)</u>	<u>\$ 109,789</u>

(Continued)



	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 850,691	\$ 190,854	\$ -	\$ 1,041,545
Others	<u>3,171</u>	<u>220</u>	<u>-</u>	<u>3,391</u>
	<u>\$ 853,862</u>	<u>\$ 191,074</u>	<u>\$ -</u>	<u>\$ 1,044,936</u> (Concluded)

e. Income tax assessments

The tax returns of the Company through 2019 have been assessed by the tax authorities.

### 23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	<u>For the Year Ended December 31</u>	
	2021	2020
Net profit used in the computation of earnings per share	<u>\$ 1,577,307</u>	<u>\$ 1,385,016</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	128,113	128,113
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>652</u>	<u>402</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>128,765</u>	<u>128,515</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. GOVERNMENT GRANTS

The Company obtained government loans under the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” which have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value with annual interest rate based on general condition. The difference between the acquisition amount borrowed and the fair value was classified as government’s low interest grants and recognized as deferred revenue.

	<u>For the Year Ended December 31,</u>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 7,480	\$ -
Deferred revenue in the reporting period	7,512	7,605
Realized revenue in the reporting period (in other income)	<u>(752)</u>	<u>(125)</u>
Balance at December 31	<u>\$ 14,240</u>	<u>\$ 7,480</u>
	<u>December 31,</u>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount of deferred revenue</u>		
Current (in other current liabilities)	\$ 751	\$ 752
Non-current	<u>13,489</u>	<u>6,728</u>
	<u>\$ 14,240</u>	<u>\$ 7,480</u>

## 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company’s overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The Company’s management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,273</u>	<u>\$ 36,273</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Domestic unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>39,481</u>	\$ <u>39,481</u>

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	<b>Equity Instruments Financial Assets at FVTOCI</b>
<hr/> <b>Financial assets</b> <hr/>	
Balance at January 1, 2021	\$ 39,481
Recognized in other comprehensive income	<u>(3,208)</u>
Balanced at December 31, 2021	\$ <u>36,273</u>

For the year ended December 31, 2020

	<b>Equity Instruments Financial Assets at FVTOCI</b>
<hr/> <b>Financial assets</b> <hr/>	
Balance at January 1, 2020	\$ 26,918
Recognized in other comprehensive income	<u>12,563</u>
Balanced at December 31, 2020	\$ <u>39,481</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted shares are determined using the market approach where the inputs are categories of business, values of same type of company and operation of company.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<hr/> <b>Financial assets</b> <hr/>		
Amortized cost (Note 1)	\$ 2,784,492	\$ 2,745,949
FVTOCI	36,273	39,481

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities</u>		
Amortized cost (Note 2)	\$ 2,301,848	\$ 1,613,869 (Concluded)

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties, but exclude income tax refund receivable), other financial assets.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties) and other payables (including related parties), long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The treasury function reports monthly to the Company's management.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposes the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the risk from the fluctuation of USD, RMB and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency.

	<b>USD Impact</b>		<b>RMB Impact</b>		<b>EUR Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 10,097	\$ 12,558	\$ 9,236	\$ 6,171	\$ 1,348	\$ 1,188

b) Interest rate risk

The interest rate risk of the Company is primarily related to its fixed interest rates of bank loans. The Company manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Company's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Company.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 810,092	\$ 653,333
Financial liabilities	804,353	430,652
Cash flow interest rate risk		
Financial assets	925,234	999,525
Financial liabilities	688,100	339,671

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have been higher/lower by \$2,371 thousand and by \$6,599 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial instrument.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Company, could be the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Given that the Company's current assets are considerably higher than current liabilities, the Company has no liquidity risk.

## 27. TRANSACTIONS WITH RELATED PARTIES

### a. Related party name and its relationship with the Company

<u>Related Party Name</u>	<u>Related Party Category</u>
Yenyo	Subsidiary
Thinking Changzhou	Subsidiary
Thinking Yichang	Subsidiary
Jiangxi Thinking	Subsidiary
Dongguan Welkin	Subsidiary
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boh Chin Investment Co., Ltd. (Boh Chin Investment)	Related party in substance

### b. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Sales of goods	Subsidiaries		
	Thinking Changzhou	\$ 249,647	\$ 289,174
	Dongguan Welkin	291,876	195,989
	Others	<u>3,006</u>	<u>42,645</u>
		<u>\$ 544,529</u>	<u>\$ 527,808</u>

The price of goods sold to related parties is calculated at cost plus gross profit. Since April 2021, the term of collection was changed from 90 days to 60 days from the invoice date, which was the same as those with non-related parties.

The amounts of unrealized gain on transactions with subsidiaries were \$29,161 thousand and \$4,773 thousand as of December 31, 2021 and 2020, respectively, which were recognized as the deduction of investments accounted for using the equity method.

### c. Purchases of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Purchases of goods	Subsidiaries		
	Thinking Changzhou	\$ 889,632	\$ 821,846
	Dongguan Welkin	1,250,129	403,759
	Others	<u>128,067</u>	<u>244,474</u>
		<u>\$ 2,267,828</u>	<u>\$ 1,470,079</u>

The purchase price with related parties was based on cost plus gross profit. The prices were not comparable due to the Company has no other similar category of purchases with non-related parties. Since in April 2021, the term of collection was changed from 90 days to 60 days from the invoice date.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable - related parties	Subsidiaries		
	Thinking Changzhou	\$ 86,544	\$ 155,073
	Dongguan Welkin	124,614	129,816
	Others	<u>1,255</u>	<u>838</u>
		<u>\$ 212,413</u>	<u>\$ 285,727</u>
Other receivables - related parties	Subsidiaries		
	Thinking Yichang	\$ 121	\$ 97
	Related party in substance		
	Pingtung Welkin	<u>145</u>	<u>-</u>
		<u>\$ 266</u>	<u>\$ 97</u>

e. Payables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts payable - related parties	Subsidiaries		
	Thinking Changzhou	\$ 186,048	\$ 221,925
	Dongguan Welkin	224,869	337,910
	Others	<u>17,176</u>	<u>32,158</u>
		<u>\$ 428,093</u>	<u>\$ 591,993</u>
Other payables - related parties	Subsidiaries		
	Thinking Changzhou	\$ 1,151	\$ -
	Related party in substance		
	Pingtung Welkin	<u>4,448</u>	<u>434</u>
		<u>\$ 5,599</u>	<u>\$ 434</u>

The nature of other payable - related parties (Thinking Changzhou) was payables for equipment.

f. Prepayments

Line Item	Related Party Category/Name	December 31	
		2021	2020
Prepayments for equipment	Subsidiaries		
	Dongguan Welkin	<u>\$ 766</u>	<u>\$ -</u>

g. Acquisition of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Thinking Changzhou	\$ 2,010	\$ -
Dongguan Welkin	<u>3,760</u>	<u>-</u>
	<u>\$ 5,770</u>	<u>\$ -</u>

h. Other transactions with related parties

1) Consigned processing

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Dongguan Welkin	\$ -	\$ 169,718
Related party in substance		
Pingtung Welkin	<u>15,859</u>	<u>574</u>
	<u>\$ 15,859</u>	<u>\$ 170,292</u>

The price and payment terms with substance related parties were not comparable because the Company did not have other consigned processing business with non-related parties. The payment term was 60 days from the invoice date.

2) Consigned purchases and transaction of property

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Thinking Yichang	\$ 314	\$ 193
Related party in substance		
Pingtung Welkin	<u>147</u>	<u>-</u>
	<u>\$ 461</u>	<u>\$ 193</u>

The unrealized gains on consigned purchases from subsidiaries were \$0 for the years ended December 31, 2021 and 2020.

3) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31	
		2021	2020
Lease expense	Related Party in Substance - Boh Chin Investment	<u>\$ 480</u>	<u>\$ 480</u>

The lease contract between the Company and related parties in substance is based on the market rental agreement under general payment terms.



4) Others

The Company's audit committee had authorized the independent director that represent the Company to lodge a claim for refund of the tax penalty in the amount of \$21,185 thousand (including interest). Such tax penalty resulted from the chairman who violated tax regulations in the past year. The refund had been received on October 19, 2020, and recognized \$3,844 thousand and \$17,341 thousand as interest income and other income, respectively.

i. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 105,770	\$ 88,018
Post-employment benefits	<u>865</u>	<u>1,028</u>
	<u>\$ 106,635</u>	<u>\$ 89,046</u>

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

**28. ASSETS PLEDGED AS COLLATERAL FOR SECURITY**

The Company provided the following assets as collateral for bank borrowing and deposits of construction contract:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Pledged deposits (classified as other financial assets)	<u>\$ 305,600</u>	<u>\$ 28,800</u>

**29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

The Company's unrecognized commitments due to the plants under construction and equipment were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	<u>\$ 64,942</u>	<u>\$ 68,675</u>

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousand)	Exchange Rate		Carrying Amount (In Thousand)
<u>December 31, 2021</u>				
Financial assets				
Monetary items				
USD	\$ 51,362	27.6800	(USD:NTD)	\$ 1,421,700
RMB	219,785	4.3471	(RMB:NTD)	955,427
EUR	4,356	31.3200	(EUR:NTD)	136,430
Non-monetary items				
Investment accounted for using the equity method				
USD	189,210	27.6800	(USD:NTD)	5,237,337
RMB	471,760	4.3471	(RMB:NTD)	2,050,787
Financial liabilities				
Monetary items				
USD	14,884	27.6800	(USD:NTD)	411,989
RMB	7,333	4.3471	(RMB:NTD)	31,877
EUR	52	31.3200	(EUR:NTD)	1,629
<u>December 31, 2020</u>				
Financial assets				
Monetary items				
USD	64,593	28.4800	(USD:NTD)	1,839,609
RMB	145,713	4.3597	(RMB:NTD)	635,265
EUR	3,461	34.9400	(EUR:NTD)	120,927
Non-monetary items				
Investment accounted for using the equity method				
USD	156,984	28.4800	(USD:NTD)	4,470,900
RMB	416,104	4.3597	(RMB:NTD)	1,814,089
Financial liabilities				
Monetary items				
USD	20,499	28.4800	(USD:NTD)	583,812
RMB	4,173	4.3597	(RMB:NTD)	18,193
EUR	61	34.9400	(EUR:NTD)	2,131

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Exchange Rate		Net Foreign Exchange Gains (Losses)
For the year ended December 31, 2021			
USD	27.6800	(USD:NTD)	\$ (3,783)
RMB	4.3471	(RMB:NTD)	1,500
EUR	31.32	(EUR:NTD)	<u>(1,099)</u>
			<u>\$ (3,382)</u>
For the year ended December 31, 2020			
USD	28.4800	(USD:NTD)	\$ (19,978)
RMB	4.3597	(RMB:NTD)	2,394
EUR	34.94	(EUR:NTD)	<u>2,905</u>
			<u>\$ (14,679)</u>

### 31. ADDITIONAL DISCLOSURES

a. Information on significant transactions and investees

- 1) Financing provided to others: Table 1.
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): Table 2.
- 4) Marketable securities acquired or disposed of at cost or price of at least NT\$300 million or 20% of the paid-in capital: Table 3.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: None.
- 10) Information on investees: Table 6.

b. Information on investments in Mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of

investment in the mainland China areas: Table 7.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.
  - c) The amount of property transactions and the amount of the resultant gains or losses: Refer to Note 27.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
  - e) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

c. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater, showing the names and the number of shares and percentage of ownership held by each shareholder: Table 8

### **32. SEGMENT INFORMATION**

The Company has provided the operating segments disclosure in the consolidated financial statements; the parent company financial statements do not need to disclose segment information.

**TABLE 1**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Thinking Changzhou	Guangdong Welkin Thinking	Other receivables - related parties	Y	\$ 109,575 (CNY 25,000 thousand)	\$ - (CNY - thousand)	\$ - (CNY - thousand)	-	Note 1	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,274,418	\$ 1,699,224	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the shareholders' equity of Thinking Changzhou and financing provided to any single entity should not exceed 30% of the shareholders' equity of Thinking Changzhou. For foreign companies of which Thinking Changzhou holds, directly and indirectly 100% of the voting share, the financing provided to any single entity should not exceed 100% of the net equity worth of Thinking Changzhou.

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	\$ 36,273	11	\$ 36,273	
Thinking Changzhou	<u>RMB financial products</u> Wishful Life V- Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 60,000 thousand	-	CNY 60,000 thousand	
	“Tian Libao” net worth type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 193 thousand	-	CNY 193 thousand	
	Accumulate every day - Bank of China	-	Financial assets at FVTPL - current	-	CNY 14,500 thousand	-	CNY 14,500 thousand	
	Structured Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 120,000 thousand	-	CNY 120,000 thousand	
Thinking Yichang	<u>RMB financial products</u> Ziqi Donglai - Xincheng series - Hubei Bank	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
	“Tian Libao” Net Worth Type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 6,000 thousand	-	CNY 6,000 thousand	
	“Wenfu” fixed profit increase - Bank of China	-	Financial assets at FVTPL - current	-	CNY 25,000 thousand	-	CNY 25,000 thousand	
	Wishful Life V - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
	Jiangxin Lingdong 360 days fixed profit increase - Agricultural Bank of China	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
Jiangxi Thinking	<u>RMB financial products</u> Qingkui series half year open end - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 4,000 thousand	-	CNY 4,000 thousand	
	Stable Financial Management Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 11,040 thousand	-	CNY 11,040 thousand	
	Accumulate every day-daily plan - Bank of China	-	Financial assets at FVTPL - current	-	CNY 220 thousand	-	CNY 220 thousand	
	Qianyuan Huizhong (subscript daily and redeem monthly) - China Construction Bank	-	Financial assets at FVTPL - current	-	CNY 14,010 thousand	-	CNY 14,010 thousand	
Dongguan Welkin	<u>RMB financial products</u> Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 40,000 thousand	-	CNY 40,000 thousand	
	Zhouzhoufa - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 20,000 thousand	-	CNY 20,000 thousand	
	Structured Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 6,060 thousand	-	CNY 6,060 thousand	

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Carrying Amount	Gain/Loss on Disposal	Number of shares	Amount
Thinking Changzhou	RMB financial products "E-Lingtong" net worth type	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 26,223 thousand	-	CNY 558,181 thousand	-	CNY 585,249 thousand	CNY 584,404 thousand	CNY 845 thousand	-	-
	Wishful Life V	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 120,000 thousand	-	CNY 200,000 thousand	-	CNY 264,254 thousand	CNY 260,000 thousand	CNY 4,254 thousand	-	CNY 60,000 thousand
	"Tian Libal" net month type	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	-	-	CNY 102,293 thousand	-	CNY 102,291 thousand	CNY 102,000 thousand	CNY 191 thousand	-	CNY 193 thousand
	Accumulate every day	Financial assets at FVTPL - current	Bank of China		-	-	-	CNY 76,500 thousand	-	CNY 62,038 thousand	CNY 62,000 thousand	CNY 38 thousand	-	CNY 14,500 thousand
	Structured Deposit Monthly Profit	Financial assets at FVTPL - current	Fubon Bank (China)		-	CNY 80,000 thousand	-	CNY 120,000 thousand	-	CNY 82,416 thousand	CNY 80,000 thousand	CNY 2,416 thousand	-	CNY 120,000 thousand
Jiangxi Thinking	RMB financial products 7007	Financial assets at FVTPL - current	China Merchants Bank		-	-	-	CNY 60,240 thousand	-	CNY 60,314 thousand	CNY 60,240 thousand	CNY 74 thousand	-	-
Dongguan Welkin	RMB financial products Point Gold Series Structured Deposit	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 15,000 thousand	-	CNY 119,000 thousand	-	CNY 94,555 thousand	CNY 94,000 thousand	CNY 555 thousand	-	CNY 40,000 thousand

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% of Total	Payment Terms (Note)	Unit Price	Payment Term	Ending Balance	% of Total	
The Company	Thinking Changzhou	Subsidiary	Sales	\$ (249,647 )	(7 )	60 days from the end of the month	\$ -	-	\$ (86,544 )	(8 )	
	Thinking Changzhou	Subsidiary	Purchases	889,632	36	60 days from the end of the month	-	-	186,048	22	
	Thinking Yichang	Subsidiary	Purchases	119,569	5	60 days from the end of the month	-	-	15,176	2	
	Dongguan Welkin	Subsidiary	Sales	(291,876 )	(8 )	60 days from the end of the month	-	-	(124,614 )	(12 )	
	Dongguan Welkin	Subsidiary	Purchases	1,250,129	50	60 days from the end of the month	-	-	224,869	26	
Thinking Changzhou	Thinking Yichang	Associate	Purchases	115,300	6	60 days from the end of the month	-	-	41,961	8	
	Jiangxi Thinking	Associate	Sales	(132,255 )	(4 )	60 days from the end of the month	-	-	(38,452 )	(4 )	
	Guangdong Welkin Thinking	Associate	Sales	(110,277 )	(4 )	60 days from the end of the month	-	-	(15,134 )	(1 )	
	Dongguan Welkin	Associate	Sales	(153,325 )	(5 )	60 days from the end of the month	-	-	(55,058 )	(5 )	
Thinking Yichang	Jiangxi Thinking	Associate	Purchases	199,814	32	60 days from the end of the month	-	-	49,895	31	
	Guangdong Welkin Thinking	Associate	Sales	(461,357 )	(44 )	60 days from the end of the month	-	-	(75,222 )	(32 )	
Jiangxi Thinking	Dongguan Welkin	Associate	Sales	(379,212 )	(51 )	60 days from the end of the month	-	-	(57,388 )	(34 )	
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Purchases	974,200	63	60 days from the end of the month	-	-	229,704	62	
Dongguan Welkin	Zhongshan Welkin	Subsidiary	Purchases	220,537	11	60 days from the end of the month	-	-	42,616	6	

Note: In April 2021, the Company cooperated with the Group's policy, and the credit period for group transactions was changed from 90 days to 60 days from the invoice date.



THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Dongguan Welkin	Subsidiary	\$ 124,614	2.29	\$ -	-	\$ 98,716	\$ -
Thinking Changzhou	The Company	Parent company	186,048	4.36	-	-	179,232	-
Dongguan Welkin	The Company	Parent company	224,869	4.44	-	-	205,284	-
	Guangdong Welkin Thinking	Associate	229,704	3.57	-	-	161,954	-

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**INFORMATION OF INVESTEEES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of shares	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	\$ 304,410	\$ 275,160	25,732,508	63.76	\$ 202,130	\$ 33,780	\$ 20,464	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US\$ 7,375 thousand)	242,300 (US\$ 7,375 thousand)	7,374,997	100	2,172,842	264,013	267,412	Note 1
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US\$ 24,729 thousand)	770,212 (US\$ 24,729 thousand)	24,728,858	100	3,064,495	507,495	531,047	Note 1
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	196,512 (US\$ 6,075 thousand)	196,512 (US\$ 6,075 thousand)	6,075,000	100	1,056,600	104,697	104,697	
	Thinking HK	Hong Kong	Investment holding and international trading	311,109 (US\$ 10,020 thousand)	311,109 (US\$ 10,020 thousand)	10,020,000	100	709,858	85,823	85,823	
	View Full Samoa	Samoa	Investment holding and international trading	155,108 (US\$ 5,055 thousand)	155,108 (US\$ 5,055 thousand)	5,055,000	100	1,230,598	288,305	288,305	
	Thinking Samoa	Samoa	Investment holding and international trading	94,465 (US\$ 3,244 thousand)	76,294 (US\$ 2,599 thousand)	3,244,188	100	146,426	28,456	28,456	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Information of investees which located in mainland China, refer to Table 7.

**THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Percentage of Ownership Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2020 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US\$ 21,260 thousand	Note 1	\$ 452,725	\$ -	\$ -	\$ 452,725	\$ 523,644	100	\$ 530,106	\$ 4,185,054	\$ 739,210 (US\$ 24,148)	Notes 10
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US\$ 6,000 thousand	Note 2	194,170	-	-	194,170	104,945	100	104,945	1,055,309	-	-
Jiangxi Thinking	Manufacturing and selling thermistors and varistors	US\$ 10,000 thousand	Note 3	310,330	-	-	310,330	85,848	100	85,848	709,615	-	-
Guangdong Welkin Thinking	Wholesale of thermistors, varistors, sensors and equipment	US\$ 5,000 thousand	Note 4	153,547	-	-	153,547	127,632	100	127,632	311,038	-	-
Dongguan Welkin	Manufacturing and selling thermistors, varistors, sensors and equipment	CNY\$123,955 thousand	Note 5	75,535	18,171	-	93,706	273,424	100	273,424	1,415,769	-	-
Zhongshan Welkin	Manufacturing and selling thermistors and varistors	CNY\$ 60,000 thousand	Note 6	-	-	-	-	(16,728 )	100	(16,728 )	243,982	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$1,217,639 (US\$38,136 thousand)	\$1,196,496 (US\$43,226 thousand) (Note 8)	\$4,895,180 (Note 9)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area, View Full Samoa and Thinking Samoa and the subsidiary, Thinking Changzhou.

Note 6: Indirectly investment in mainland China through subsidiary (Dongguan Welkin).

Note 7: Financial report had been audited by ultimate parent company's certified public accountant.

Note 8: The amount of US\$5,090 thousand was the difference between the MOEA approved investment of US\$43,226 thousand and the amount of accumulated outflow of investment from Taiwan amount of US\$38,136 thousand. Such difference was the result of deducting the capital increase of US\$22,024 thousand from the subsidiary in mainland china, and the deducted amount of US\$465 thousand has been approved but not yet remitted. The added surplus of the subsidiary in mainland China which was approximately US\$17,399 thousand was repatriated. The balance amount as of December 31, 2021 was based on the US\$1=NT\$27.68 exchange rate .

Note 9: The upper limit on investment in mainland China is determined by 60% of the Company's consolidated net worth.

Note 10: The Company recognized share of profits of Thinking Changzhou was \$251,232 thousand, and Greenish recognized share of profits of Thinking Changzhou was \$278,874 thousand. Total amount of share of profits was \$530,106 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

**TABLE 8****THINKING ELECTRONIC INDUSTRIAL CO., LTD****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.38
Zhang, Rui-Min	8,417,000	6.56

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF ACCOUNTS RECEIVABLE	3
STATEMENT OF OTHER RECEIVABLES	4
STATEMENT OF INVENTORIES	5
STATEMENT OF OTHER CURRENT ASSETS	6
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	7
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT	8
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF RIGHT-OF-USE ASSETS	9
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 22
STATEMENT OF SHORT-TERM BORROWINGS	10
STATEMENT OF LONG-TERM BORROWINGS	Note 14
STATEMENT OF ACCOUNTS PAYABLE	11
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF OTHER CURRENT LIABILITIES	12
STATEMENT OF LEASE LIABILITIES	13
STATEMENT OF DEFERRED TAX LIABILITIES	Note 22
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	14
STATEMENT OF OPERATING COSTS	15
STATEMENT OF OPERATING EXPENSES	16
STATEMENT OF OTHER GAINS AND LOSSES	Note 21
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION	17

**STATEMENT 1**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

---

Item	Description	Amount
Petty cash and cash on hand		\$ 549
Bank deposit		
Deposit of NTD		
Checking accounts		74
Demand deposits		255,230
Foreign currency deposits (Note)		
Demand deposits	USD 14,989 thousand	414,886
	RMB 43,142 thousand	187,540
	EUR 1,780 thousand	55,763
	JPY 22,728 thousand	5,466
	HKD 1,789 thousand	6,349
Cash equivalents		
Time deposits with original maturities less than 3 months		
Deposit of NTD		
Foreign currency deposits	RMB115,520 thousand, with annual interest rate of 2.71%-3% The expiry date of foreign currency deposits is March 2021.	502,177
		<hr/>
		<u>\$ 1,428,034</u>

Note: Foreign currency exchange rates of USD, RMB, EUR, JPY and HKD were as follows:

USD:NTD=1:27.68

RMB:NTD=1:4.3471

EUR:NTD=1:31.32

JPY:NTD=1:0.2405

HKD:NTD=1:3.549

**STATEMENT 2**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Company A	Sale of goods	\$ 986
Company B	Sale of goods	561
Company C	Sale of goods	360
Company D	Sale of goods	268
Others (Note)	Sale of goods	<u>1,704</u>
		<u>\$ 3,879</u>

Note: The amounts of individual clients that are included in others does not exceed 5% of the account balance.

**STATEMENT 3**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>	<b>Over a Year</b>	<b>Remark</b>
Related parties			
Thinking Changzhou	\$ 86,544	\$ -	Sale of goods
Thinking Yichang	1,255	-	Sale of goods
Dongguan Welkin	<u>124,614</u>	-	Sale of goods
	<u>212,413</u>		
Non-related parties (Note)	845,234	<u>13,801</u>	Sale of goods
Less: Loss allowance	<u>15,653</u>	<u>\$ 13,801</u>	
	<u>829,581</u>		
	<u>\$ 1,041,994</u>		

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.



**STATEMENT 4**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>	<b>Remark</b>
Related parties		
Thinking Yichang	\$ 121	Transaction of consigned purchases
Pingtung Welkin	<u>145</u>	Transaction of property
	266	
Non-related parties		
Income tax refund receivable	2,841	Business tax
Earned revenue receivable	2,312	
Others	<u>92</u>	
	<u>5,245</u>	
	<u>\$ 5,511</u>	

**STATEMENT 5**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Cost</b>	<b>Net Realizable Value (Note)</b>
Finished goods	\$ 219,022	\$ 287,177
Work-in-process	72,994	130,897
Raw materials	100,242	100,391
Supplies	6,444	6,592
Inventory in transit	<u>12,293</u>	<u>12,293</u>
	<u>\$ 410,995</u>	<u>\$ 537,350</u>

Note: Refer to Note 4 for accounting policy of net realizable value.

**STATEMENT 6**

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF OTHER CURRENT ASSETS**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Prepayment for purchases	\$ 12,297
Prepaid expenses	10,618
Office supplies	2,942
Offsets against business tax payable	12,404
Others	<u>551</u>
	<u>\$ 38,812</u>

## THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Balance, December 31, 2020			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount		
Non-listed company													
Yenyo	21,232,508	\$ 149,749	4,500,000	\$ 54,358	-	\$ 1,977	25,732,508	63.76	\$ 202,130	\$ 8.05	\$ 207,238	None	
Greenish	7,374,997	1,918,837	-	269,908	-	15,903	7,374,997	100	2,172,842	299.18	2,206,476	None	
Thinking Changzhou	10,075,514	1,814,089	-	253,480	-	16,782	10,075,514	47.39	2,050,787	199.76	2,012,658	None	
Thinking Holding	24,728,858	<u>2,552,063</u>	-	<u>531,076</u>	-	<u>18,644</u>	24,728,858	100	<u>3,064,495</u>	127.48	<u>3,152,388</u>	None	
		<u>\$ 6,434,738</u>		<u>\$ 1,108,822</u> (Note 1)		<u>\$ 53,306</u> (Note 2)			<u>\$ 7,490,254</u>		<u>\$ 7,578,760</u>		

Note 1: Share of profits using the equity method, realized gain on transactions in the beginning of year, acquired investment funds using the equity method and recognized capital surplus of the difference between consideration and the carry amount of subsidiaries acquired amounted to \$1,070,155 thousand, \$4,773 thousand, \$29,250 thousand and \$4,644 thousand.

Note 2: Financial statements translation differences of foreign operations, remeasurement on defined benefit plans and unrealized gain on transactions at the end of the year amounted to \$22,168 thousand, \$1,977 thousand and \$29,161 thousand.

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NON-CURRENT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investees	Balance, January 1, 2021		Additions in Investment		Decrease in Investment		Market Value or Net Assets Value		Accumulated Impairment	Collateral
	Shares	Fair Value	Shares	Amount (Note 1)	Shares	Amount	Shares	Fair Value (Note 2)		
Non-listed company's shares										
ACPA TECHNOLOGY CO., LTD.	2,469,130	\$ 39,481	-	\$ -	-	\$ 3,208	2,469,130	\$ 36,273	\$ -	None

Note 1: Recognized as unrealized other comprehensive gain of financial assets at fair value.

Note 2: Refer to Note 26 for fair value measurement.

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

	<b>Balance at January 1, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at December 31, 2021</b>
Cost				
Land	\$ 58,682	\$ -	\$ -	\$ 58,682
Accumulated depreciation				
Land	<u>(3,577)</u>	<u>(2,013)</u>	<u>-</u>	<u>(5,590)</u>
	<u>\$ 55,105</u>	<u>\$ (2,013)</u>	<u>\$ -</u>	<u>\$ 53,092</u>

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Type of Borrowings and Bank Name</b>	<b>Contract Period</b>	<b>Interest Rates for the Year (%)</b>	<b>Balance of December 31, 2021</b>
Secured loans			
King's Town Bank	2021/12/13-2022/03/13	0.34	\$ 249,630
Credit Loans			
E. SUN Bank	2021/12/30-2022/01/18	0.68	150,000
Yuanta Bank	2021/11/08-2022/03/07	0.70-0.72	150,000
CTBC Bank	2021/12/08-2022/03/08	0.72	100,000
Bank of Taiwan	2021/12/23-2022/03/23	0.70	<u>100,000</u>
			<u>500,000</u>
			<u>\$ 749,630</u>

Note: At the end of December 31, 2021, the amount of unused short-term borrowings was approximately \$1,660,370 thousand.

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Related parties	
Dongguan Welkin	\$ 224,869
Thinking Changzhou	186,048
Thinking Yichang	15,176
Yenyo	<u>2,000</u>
	<u>428,093</u>
Non-related parties	
Company E	9,859
Company F	5,352
Company G	4,780
Company H	2,663
Company I	2,627
Others (Note)	<u>22,471</u>
	<u>47,752</u>
	<u>\$ 475,845</u>

Note: The amount of individual vendor that are included in others does not exceed 5% of the account balance.



**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF OTHER CURRENT LIABILITIES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Temporary receipts	\$ 360
Withholding	1,653
Deferred revenue	<u>751</u>
	<u>\$ 2,764</u>

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

---

<b>Item</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance of December 31, 2021</b>
Land	2016.06-2029.10	0.75-1.38	\$ 54,723
Less: Lease liabilities - current			1,023
			<hr/>
Lease liabilities - non-current			<u>\$ 53,700</u>

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF OPERATING REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Shipments (Thousand PCS)</b>	<b>Amount</b>
Revenue from sale of goods		
Passive components	7,522,047	\$ 3,775,336
Service revenue		<u>181</u>
		<u>\$ 3,775,517</u>

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEARS ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

Item	Amount
Production cost	
Raw material used	
Raw material, beginning of year	\$ 42,734
Raw material purchased	208,004
Raw material, end of year	(100,242)
Others	<u>15,218</u>
	165,714
Supplies used	22,890
Direct labor	148,226
Manufacturing expense	<u>260,635</u>
Manufacturing cost	597,465
Work-in-process, beginning of year	37,102
Work-in-process purchased	4,279
Work-in-process, end of year	(72,994)
Others	<u>17,761</u>
Cost of finish goods	583,613
Finish goods, beginning of year	118,656
Finish goods purchased	2,249,384
Finish goods, end of year	(219,022)
Others	<u>(383,059)</u>
Total of production cost	<u>2,349,572</u>
Other operating cost	
Inventory write-downs	2,334
Income from sale of scraps	(5,401)
Loss on obsolete inventory	7,084
Others	<u>(42,600)</u>
	<u>(38,583)</u>
	<u>\$ 2,310,989</u>

**THINKING ELECTRONIC INDUSTRIAL CO., LTD.**

**STATEMENT OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries	\$ 49,067	\$ 152,558	\$ 84,368	\$ 285,993
Labor cost (Note)	7,138	17,117	14,027	38,282
Export expense	18,750	53	-	18,803
Professional service fees	13,121	6,580	1,956	21,657
Commission expense	8,016	-	-	8,016
Depreciation and amortization expense	1,748	5,788	10,944	18,480
Utilities expense	102	1,015	3,812	4,929
Remuneration of directors	-	26,800	-	26,800
Consumption supplies	2	65	10,304	10,371
Shipping expense	15,040	1,606	110	16,756
Others	<u>14,979</u>	<u>12,880</u>	<u>9,404</u>	<u>37,263</u>
	<u>\$ 127,963</u>	<u>\$ 224,462</u>	<u>\$ 134,925</u>	487,350
Expected credit loss				631
				<u>\$ 487,981</u>

Note: The labor cost includes labor and health insurance, pension, food stipend and others.

## THINKING ELECTRONIC INDUSTRIAL CO., LTD.

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Labor cost						
Salary and bonuses	\$ 172,620	\$ 285,993	\$ 458,613	\$ 143,429	\$ 226,305	\$ 369,734
Labor and health insurance	15,677	17,917	33,594	12,293	14,579	26,872
Pension	7,322	10,587	17,909	6,159	6,624	12,783
Remuneration of directors	-	26,800	26,800	-	23,400	23,400
Others	<u>13,034</u>	<u>9,778</u>	<u>22,812</u>	<u>11,010</u>	<u>8,808</u>	<u>19,818</u>
	<u>\$ 208,653</u>	<u>\$ 351,075</u>	<u>\$ 559,728</u>	<u>\$ 172,891</u>	<u>\$ 279,716</u>	<u>\$ 452,607</u>
Depreciation	\$ 59,787	\$ 15,021	\$ 74,808	\$ 54,063	\$ 14,492	\$ 68,555
Amortization	2,100	3,459	5,559	1,647	2,355	4,002

- Note: a. As of December 31, 2021 and 2021, the Company had 498 and 439 employees, respectively. There were 5 non-employee director for both of the reporting period.
- b. The average employee welfare expense for the years ended December 31, 2021 and 2021 was \$1,081 thousand and \$989 thousand, respectively.
- c. The average employee salary and bonuses for the years ended December 31, 2021 and 2021 was \$930 thousand and \$852 thousand, respectively.
- d. Change in the average employee salary and bonuses was 9%.
- e. The Company has established an audit committee to replace the role of supervisor, so it has no remuneration for supervisor.
- f. The Company's salary and remuneration policy (including directors, supervisors, managers and employees).

## 1) Director

The Company's remuneration of directors are distributed in accordance with the Articles of Incorporation. Please refer to Note 21 (g) for related regulations. The remuneration will be adjusted based on the Company's operating conditions and the related regulations. In consideration of the Company's sustainable development, the remuneration of directors will be submitted to the compensation committee and the board of directors for approval.

(Continued)

## 2) Manager

Based on the “Rules for Distribution of Compensation to Managers”, the Company’s compensation committee will take the manager’s services provided and standards of the industry into consideration.

Monthly salary: Depending on the manager’s job tenure and the value of job title. Salary movement should not exceed 150% of the industry standards.

Variable salary: Depending on the Company’s operating condition, including bonuses and employee remuneration.

## 3) Employee

The principle of the Company’s employee salary system stands on fairness and competitiveness. Employee salary includes monthly salary and variable salary. For the total amount of remuneration of employees, please refer to Note 21 (g). Salary of employee is distributed according to the “Regulation of Salary” and according to the employee’s duties and professional skills. Remuneration of employee is also distributed according to the “Regulation of Distribution of Cash and Shares Dividends” and according to the employee’s performance and contribution to the Company.

(Concluded)