Pan-International Industrial Corp. and Subsidiaries
2021 and 2020 Consolidated Financial Statements and Auditors' Report
(Stock code 2328)

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

Pan-International Industrial Corp. and Subsidiaries

2021 and 2020 Consolidated Financial Statements and Auditors' Report

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Pan-International Industrial Corp. and Subsidiaries

Declaration of Consolidated Financial Statement of Affiliates

In 2021 (from January 1, 2021 to December 31, 2021), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

Your attention is requested

Pan-International Industrial Corp.

Responsible person: Sung-Fa Lu

March 22, 2022

Independent Auditors' Review Report

(2022) Cai-Shen-Bao-Zi No. 21003341

To Pan-International Industrial Corp.

Audit Opinions

We have audited the consolidated balance sheet of December 31, 2021 and December 31, 2020, the consolidated comprehensive income sheet, consolidated statement of changes in equity, consolidated statement of cash flows from January 1 to December 31, 2021 and 2020, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Pan-International Industrial Corp. and its subsidiaries (hereinafter "Pan-International Group").

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission. Therefore, they are able to properly express the consolidated financial status of Pan-International Group as of December 31, 2021 and 2020, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2021 and 2020.

Basis of our opinions

We have conducted the audit according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements. We are independent of Pan-International Group in accordance with the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

Key Audit Matters

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

The key audit matters of the consolidated financial statements of the year 2021 of Pan-International Group are as follows:

Assessment of the provision for valuation loss on inventory

Description

For additional information on the accounting policy of inventory valuation, refer to Note 4 (14) of the consolidated financial statements. For information on the uncertainty of accounting estimates and assumptions for inventory valuation, refer to Note 5 (2) of the consolidated financial statements. For a description of the inventory items, refer to Note 6 (4) of the consolidated financial statements. As of December 31, 2021, Pan-International Group recognized inventory loss and provision for valuation loss of inventory amounting to NT$5,029,126 thousand and NT$176,739 thousand, respectively.

Pan-International Group mainly produces cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allow for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Group measures the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Group is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Group as key audit matter.

The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

1. Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
2. Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.
3. Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

Appropriateness of Non-Standard Accounting Entries

Description

Accounting entries record the daily transactions that have occurred. They form the financial statement item balances and transaction amounts after posting, accumulating, and classifying. The accounting entries of Pan-International Group are mainly classified into two categories: standard entries and non-standard entries. Standard entries are based on the original transactions' operation processes and approval procedures through the front-end subsystems (sales, purchase, production, and inventory systems). The relevant transaction entries are transferred into the general ledger. For non-standard entries, the manual operation mode is used to directly record and approve other non-automatic transfer transactions into the general ledger.

Due to the variety and complexity of non-standard entries, which involve manual work and judgment, Inappropriate accounting entries may lead to major financial statement misrepresentations. Therefore, the CPA believes that non-standard accounting entries have high inherent risks. Therefore, testing for non-standard accounting entries is one of the most critical items to check.

The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

1. Understand and evaluate the nature of non-standard accounting entries as well as the effectiveness of the entry generation process and control and the appropriateness of the division of rights and responsibilities for relevant personnel, including subjects such as inappropriate personnel, time, and accounting.
2. Based on the preceding understanding and evaluation, check the appropriateness of the relevant supporting documents and entries for non-standard entries that were identified as high-risk entries, and ensure they have been established and approved by the responsible personnel.

Additional information - audits conducted by other auditors

Some of the investee companies of Pan-International Group accounted for under the equity method were presented in the consolidated financial statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, the opinions on the aforementioned consolidated financial statements regarding the amount presented in the aforementioned financial statements of these companies before adjustment were based on the Auditors' Report of other certified public accountants. The total assets of the aforementioned companies (including the investment by equity method) as of December 31, 2021 and 2020, amounted to NT$6,473,851 thousand and NT$5,766,000 thousand, respectively, accounting for 27% and 28% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2021 and 2020, amounted to NT$7,356,134 thousand and NT$5,225,571 thousand, respectively, accounting for 30% and 25% of the consolidated net operating revenue, respectively.

Additional information - Issuance of Auditors' Report on Parent Company Only Financial Statements

Pan-International Industrial Corp. has prepared the parent company only financial statements of 2021 and 2020. We have audited these statements and issued an unqualified opinion and additional information. Auditors' Reports issued by other accountants are on record for reference.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

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

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

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing principles generally accepted in the Republic of China will always detect a material misstatement in the financial statements when it exists. Misstatements can arise from fraud or error. These 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 principles 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pan-International Group.
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 Pan-International Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Pan-International Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes to the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and we are responsible for forming an audit opinion on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Pan-International Group in 2021 and therefore are 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.

PwC Taiwan

Yung-Chien Hsu

Independent Auditors

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan
Approval No.: (84)Tai-Cai-Cheng-VI No. 13377
Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 22, 2022

Pan-International Industrial Corp. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NTD thousand

	Assets	Note	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 6,241,785	26	$ 7,544,242	36
1110	Financial assets at FVTPL - Current	6 (2)	11,336	-	54,250	-
1150	Net notes receivable	6 (3)	5,707	-	41	-
1170	Net accounts receivable	6 (3)	2,917,801	12	2,564,231	12
1180	Accounts receivable - Related parties net	7	3,305,089	13	2,759,169	13
1200	Other receivables	6 (5) and 7	706,222	3	118,590	1
130X	Inventory	6 (4)	4,852,387	20	1,967,196	10
1470	Other current assets	8	267,069	1	159,825	1
11XX	**Total current assets**		18,307,396	75	15,167,544	73
	Non-Current Assets					
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (5)	2,406,698	10	2,367,713	12
1550	Investment by equity method	6 (6) and 8	742,334	3	804,554	4
1600	Property, plant, and equipment	6 (7) and 8	2,152,912	9	1,670,684	8
1755	Right-of-use assets	6 (8) and 8	319,099	2	288,179	1
1760	Net investment property	6 (9) and 8	214,527	1	234,558	1
1780	Intangible asset	6 (10)	36,218	-	36,963	-
1840	Deferred tax assets	6 (24)	73,568	-	90,266	1
1900	Other non-current assets	6 (13) and 8	69,672	-	19,163	-
15XX	**Total non-current assets**		6,015,028	25	5,512,080	27
1XXX	**Total assets**		$ 24,322,424	100	$ 20,679,624	100

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NTD thousand

	LIABILITIES AND EQUITY	Note	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liability					
2100	Short-term borrowings	6 (11)	$ 1,028,206	4	$ 1,568,333	8
2130	Contractual liabilities - Current	6 (19) and 7	939,066	4	395,622	2
2150	Notes payable		64,745	-	-	-
2170	Accounts payable		4,883,276	20	2,813,815	14
2180	Accounts payable - Related parties	7	1,312,672	6	1,356,093	7
2200	Other payables	6 (12)	1,246,495	5	905,806	4
2230	Current tax liabilities		252,298	1	309,283	1
2280	Lease liabilities - Current	7	79,991	-	73,157	-
2399	Other current liabilities - Other		25,990	-	28,282	-
21XX	**Total current liabilities**		9,832,739	40	7,450,391	36
	Non-current liabilities					
2570	Deferred tax liabilities	6 (24)	290,552	1	269,971	1
2580	Lease liabilities - Non-current	7	86,182	1	147,802	1
2600	Other non-current liabilities	6 (13)	19,036	-	23,166	-
25XX	**Total non-current liabilities**		395,770	2	440,939	2
2XXX	**Total liabilities**		10,228,509	42	7,891,330	38
	Equity attributable to owners of the parent company					
	Share capital	6 (14)				
3110	Common share capital		5,183,462	21	5,183,462	25
	Capital surplus	6 (15)				
3200	Capital surplus		1,503,606	6	1,503,606	8
	Retained earnings	6 (16)				
3310	Legal reserve		1,138,619	5	1,062,342	5
3320	Special reserve		1,349,724	6	1,312,274	6
3350	Unappropriated earnings		4,308,365	18	3,453,829	17
	Other equities	6 (17)				
3400	Other equities		(1,072,434)	(5)	(1,349,724)	(7)
31XX	**Total equity attributable to owners of the parent company**		12,411,342	51	11,165,789	54
36XX	**Non-controlling interests**	6 (18)	1,682,573	7	1,622,505	8
3XXX	**Total equity**		14,093,915	58	12,788,294	62
	Significant Contingent Liabilities and Unrecognized Commitments	9				
3X2X	**Total liabilities and equity**		$ 24,322,424	100	$ 20,679,624	100

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu   Managerial Officer: Sung-Fa Lu   Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(except in NTD for earnings per share)

	Item	Note	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	6 (19) and 7	$ 24,226,194	100	$ 20,547,713	100
5000	Operating cost	6 (4) (22) and 7	(21,577,044)	(89)	(18,403,018)	(89)
5900	Operating profit margin		2,649,150	11	2,144,695	11
	Operating expenses	6 (22)				
6100	Selling and marketing expenses		(265,656)	(1)	(220,811)	(1)
6200	General and administrative expenses		(650,827)	(3)	(716,427)	(4)
6300	Research and development expenses		(346,780)	(1)	(267,362)	(1)
6450	Expected credit impairment	12 (2)	(3,682)	-	(15,297)	-
6000	Total operating expenses		(1,266,945)	(5)	(1,219,897)	(6)
6900	Operating profit		1,382,205	6	924,798	5
	Non-operating income and expense					
7100	Interest income		84,741	-	111,701	-
7010	Other income	6 (20)	122,932	1	135,412	1
7020	Other gains and losses	6 (21)	34,659	-	90,455	-
7050	Financial costs	6 (23)	(12,892)	-	(35,099)	-
7060	Share of profits and losses of affiliated companies and joint ventures recognized by the equity method	6 (6)	(62,220)	-	(34,001)	-
7000	Total non-operating income and expenses		167,220	1	268,468	1
7900	**Net income before tax**		1,549,425	7	1,193,266	6
7950	Income tax expense	6 (24)	(386,828)	(2)	(402,771)	(2)
8200	**Net income for the period**		$ 1,162,597	5	$ 790,495	4

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to December 31, 2021 and 2020

Unit: NTD thousand

(except in NTD for earnings per share)

	Item	Note	2021 Amount	2021 %	2020 Amount	2020 %
	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasured value of defined benefit plan	6 (14)	$ 1,547	-	$ 26,079	-
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (17)	847,889	3	142,489	1
8349	Income tax related to items not reclassified	6 (24)	(37,195)	-	(5,233)	-
8310	Total of items not reclassified to profit or loss		812,241	3	163,335	1
	Items that may be reclassified subsequently to profit or loss:					
8361	Currency translation difference	6 (17) (18)	(308,852)	(1)	(161,568)	(1)
8360	Total of items that may be reclassified subsequently to profit or loss:		(308,852)	(1)	(161,568)	(1)
8300	**Other comprehensive income (net)**		$ 503,389	2	$ 1,767	-
8500	**Total comprehensive income in the current period**		$ 1,665,986	7	$ 792,262	4
	NET PROFIT ATTRIBUTABLE TO:					
8610	Owners of the parent company		$ 967,232	4	$ 663,190	3
8620	Non-controlling interests		195,365	1	127,305	1
			$ 1,162,597	5	$ 790,495	4
	Total comprehensive income attributable to:					
8710	Owners of the parent company		$ 1,581,837	7	$ 725,323	4
8720	Non-controlling interests		84,149	-	66,939	-
			$ 1,665,986	7	$ 792,262	4
	Earnings per share (EPS)	6 (25)				
9750	Basic earnings per share		$ 1.87		$ 1.28	
9850	Diluted earnings per share		$ 1.86		$ 1.27	

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu Managerial Officer: Sung-Fa Lu Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

		Equity attributable to owners of the parent company										
			Capital surplus		Retained earnings			Other equities				
	Note	Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Legal reserve	Special reserve	Unappropriated earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling interests	Total Equity
2020												
Balance on January 1		$ 5,183,462	$ 1,402,318	$ 101,288	$ 959,410	$ 883,205	$ 3,741,403	($ 1,061,916)	($ 250,358)	$ 10,958,812	$ 1,619,122	$ 12,577,934
Net income for the period		-	-	-	-	-	663,190	-	-	663,190	127,305	790,495
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	20,860	(101,216)	142,489	62,133	(60,366)	1,767
Total comprehensive income in the current period		-	-	-	-	-	684,050	(101,216)	142,489	725,323	66,939	792,262
Earnings distribution and provisions for 2019:	6 (16)											
Provision of legal reserve		-	-	-	102,932	-	(102,932)	-	-	-	-	-
Provision of special reserve		-	-	-	-	429,069	(429,069)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(518,346)	-	-	(518,346)	-	(518,346)
Equity instruments measured at fair value through other comprehensive income	6 (17)	-	-	-	-	-	78,723	-	(78,723)	-	-	-
Decrease in non-controlling interests	6 (18)	-	-	-	-	-	-	-	-	-	(63,556)	(63,556)
Balance on December 31		$ 5,183,462	$ 1,402,318	$ 101,288	$ 1,062,342	$ 1,312,274	$ 3,453,829	($ 1,163,132)	($ 186,592)	$ 11,165,789	$ 1,622,505	$ 12,788,294
2021												
Balance on January 1		$ 5,183,462	$ 1,402,318	$ 101,288	$ 1,062,342	$ 1,312,274	$ 3,453,829	($ 1,163,132)	($ 186,592)	$ 11,165,789	$ 1,622,505	$ 12,788,294
Net income for the period		-	-	-	-	-	967,232	-	-	967,232	195,365	1,162,597
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	1,128	(197,527)	811,004	614,605	(111,216)	503,389
Total comprehensive income in the current period		-	-	-	-	-	968,360	(197,527)	811,004	1,581,837	84,149	1,665,986
Earnings distribution and provisions for 2020:	6 (16)											
Provision of legal reserve		-	-	-	76,277	-	(76,277)	-	-	-	-	-
Provision of special reserve		-	-	-	-	37,450	(37,450)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(336,925)	-	-	(336,925)	-	(336,925)
Decrease in non-controlling interests	6 (18)	-	-	-	-	-	-	-	-	-	(24,081)	(24,081)
The refund of share payments from the investee's capital reduction exceeds the book value		-	-	-	-	-	641	-	-	641	-	(641)
Equity instruments measured at fair value through other comprehensive income	6 (5) (17)	-	-	-	-	-	336,187	-	336,187	-	-	(-)
Balance on December 31		$ 5,183,462	$ 1,402,318	$ 101,288	$ 1,138,619	$ 1,349,724	$ 4,308,365	($ 1,360,659)	$ 288,225	$ 12,411,342	$ 1,682,573	$ 14,093,915

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu Managerial Officer: Sung-Fa Lu Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Note	January 1 to December 31, 2021	January 1 to December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		$ 1,549,425	$ 1,193,266
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (22)	417,290	398,648
Provision for expected credit impairment loss	12 (2)	3,682	15,297
Net benefits of financial assets and liabilities measured at fair value through the income	6 (21)	(29,210)	(48,804)
Interest expense	6 (23)	12,892	35,099
Interest income		(84,741)	(111,701)
Dividend income	6 (20)	(25,416)	(1,547)
Income from rental reduction		(3,123)	(4,308)
Share of profits and losses of affiliated companies recognized by the equity method	6 (6)	62,220	34,001
Unrealized foreign exchange gain		(29,160)	(73,935)
Net loss from the disposal of property, plant and equipment	6 (21)	4,955	9,986
Gain on disposal of investments	6 (21)	(14,520)	-
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets and liabilities measured at fair value through the income		58,548	73,172
Net notes receivable		(20,641)	6,163
Net accounts receivable		(392,468)	(28,825)
Accounts receivable - Related parties net		(345,508)	1,345,988
Other receivables		(24,185)	(19,447)
Inventory		(2,510,368)	504,125
Other current assets		(93,717)	39,449
Net change in liabilities related to operating activities			
Notes payable		(54,870)	-
Accounts payable		1,557,708	(491,909)
Accounts payable - Related parties		(31,598)	(837,050)
Other payables		85,959	(132,455)
Other current liabilities		(8,414)	(13,969)
Contractual liabilities		543,444	132,511
Other non-current liabilities		(5,452)	(24,365)
Cash inflow from operations		622,732	1,999,390
Income tax paid		(424,956)	(266,843)
Net cash inflow from operating activities		197,776	1,732,547
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss		(1,902)	-
Disposal of financial assets at fair value through profit or loss		5,846	-
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	6 (5)	239,883	285,612
Refund of capital investment in financial assets measured at fair value through other comprehensive income		9,060	10,271
Acquisition of subsidiaries (deducting cash acquired)	6 (27)	(100,004)	-
Purchase property, plant and equipment assets	6 (27)	(624,820)	(339,936)
Proceeds from disposal of property, plant and equipment		13,594	41,610
Increase in refundable deposits		-	(691)
Decrease in refundable deposits		3,368	616
Increase in other non-current assets		(61,523)	(6,711)
Interest received		84,741	111,965
Dividend received		25,416	1,547
Net cash inflow (outflow) from investment activities		(406,341)	104,283
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	6 (28)	(493,359)	67,382
Lease principal repayment		(59,263)	(65,934)
Cash dividend payment	6 (16)	(336,925)	(518,346)
Interest paid		(12,892)	(34,549)
Number of cash dividends paid to non-controlling interests	6 (18)	(61,002)	(63,556)
Net cash outflow from financing activities		(963,441)	(615,003)
Impact of changes in the exchange rate on cash and cash equivalents		(130,451)	121,904
Increase (decrease) in cash and cash equivalents in the current period		(1,302,457)	1,343,731
Cash and cash equivalents at the beginning of the period		7,544,242	6,200,511
Cash and cash equivalents at the end of the period		$ 6,241,785	$ 7,544,242

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu Managerial Officer: Sung-Fa Lu Accounting supervisor: Feng-An Huang

Unit: NTD thousand
(unless otherwise noted)

I. Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as "the Company") was established in the Republic of China. The main business activities of the Company and its subsidiaries (hereinafter referred to as "the Group") are the development, manufacturing, and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

II. The Authorization of Financial Reports

This Consolidated Financial Statement has been passed by the Board for announcement on March 22, 2022.

III. Application of Newly Released and Revised Standards and Interpretations

(I) The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2021:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 4 "Extension of temporary exemption from the application of IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 second stage "Interest Rate Benchmark Reform - Phase 2."	January 1, 2021
Amendment to IFRS 16 "COVID-19-Related Rent Concessions After June 30, 2021"	April 1, 2021 (Note)

Note: FSC has authorized early application from January 1, 2021 onward.

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(II) Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2022:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 3 "Index to conceptual framework"	January 1, 2022
Amendment to IAS 16 "Property, plant and equipment: price before reaching intended use"	January 1, 2022
Amendment to IAS 37 "Loss contracts - Cost of performing contracts"	January 1, 2022
Annual improvement from 2018 to 2020	January 1, 2022

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(III) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Asset sales or investments between investors and their associated enterprises or joint ventures"	To be decided by IASB
IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 ─ Information Comparison”	January 1, 2023
Amendment to IAS 1 "Classification of current or non-current liabilities"	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

IV. Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Statement of compliance

The consolidated financial statements are compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, SIC and IFRIC (hereinafter collectively referred to as IFRSs) recognized by Financial Supervisory Commission.

(II) Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:

(1) Financial assets and liabilities (including derivatives) are measured at fair value through income.

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

(3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.

2. The preparation of financial reports in accordance with IFRSs requires the use of some important accounting estimates. In the application of the Group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to note 5 for details.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial reports

(1) All subsidiaries of the Group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the group. When the group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the Group obtains their control, and the merger is terminated from the date of loss of control.

(2) Intra-group transactions, balances, and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the Group.

(3) The components of profit and loss and other comprehensive income are attributable to the owners and non-controlling interests of the parent company; the total amount of comprehensive income is also attributable to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.

(4) If the changes in the proportion of shareholding over the subsidiary do not result in the loss of control (transactions with non-controlling interests), it is processed as equity transaction and seen as transactions among owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.

(5) When the Group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost on initial recognition of the associate or joint venture. Any difference between the fair value and the book value is recognized as the current profit and loss. All amounts previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

2. Subsidiaries listed in the consolidated financial reports:

			% of Ownership		
Investor	Investee	Main Business	December 31, 2021	December 31, 2020	Explanation
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.(PIU)	Engaged in the import and sales of various electronic products.	100	100	(5) (6)
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD. (PGH)	Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products.	100	100	(1) (2) (4) (5) (6)
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Engaged in the domestic investment business.	100	100	(3) (5) (6)

(1) PGH’s subsidiary, Bristech International Ltd., Great Support International Ltd, and sub-subsidiary, NCIH International Holdings Ltd were dissolved in September 2020.

(2) PGH's sub-subsidiary Jiangxi Anya Trading Co., Ltd. was de-registered in March, 2021.

(3) Yen Yung International Investment Co., Ltd.’s sub-subsidiary Xinhaiyang Precision Components (Ganzhou) Co., Ltd. has been canceled in April 2021. Please refer to 6 (21) for details on relevant disposal gains and losses.

(4) Dongguan Pan-International Precision Electronics Co., Ltd., a 2nd-tier subsidiary of PGH, acquired an 80% equity in Wuhu Ruichang Electric System Co., Ltd. in June 2021. Hence the new investee was included in this consolidated financial report.

(5) The disclosure of the indirect reinvestment of the above subsidiaries in companies in Mainland China is shown in Table 10.

(6) The financial information of individual subsidiaries included in the consolidated financial statements of the Group in 2021 and 2020 has been audited.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.

6. Subsidiaries with significant non-controlling interests in the Group

The total uncontrolled equity of the Group as of December 31, 2021 and 2020 amounted to NT$1,682,573 and NT$1,622,505, respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries

		Non-controlling interests			
		December 31, 2021		December 31, 2020	
Investee	Main business location	Amount	Shareholding percentage	Amount	Shareholding percentage
P.I.E. INDUSTRIAL BERHAD	Malaysia	$ 1,600,134	49	$ 1,583,933	49

Summary financial information of subsidiaries:

Balance sheet

	December 31, 2021	December 31, 2020
Current assets	$ 4,226,988	$ 3,683,194
Non-Current Assets	1,113,530	864,567
Current liability	(1,997,828)	(1,256,703)
Non-current liabilities	(48,878)	(30,596)
Net total assets	$ 3,293,812	$ 3,260,462

Comprehensive Income Statement

	2021	2020
Income	$ 6,931,817	$ 4,838,283
Net income before tax	484,971	377,001
Income tax expense	(103,710)	(60,279)
Net income for the period	381,261	316,722
Other comprehensive income (after tax)	(221,991)	(124,230)
Total comprehensive income in the current period	$ 159,270	$ 192,492
Total comprehensive profit and loss attributable to non-controlling interests	$ 77,373	$ 93,513

Cash Flow Statement

	2021	2020
Net cash outflow from operating activities	($ 176,491)	($ 65,800)
Net cash outflow from investment activities	(401,504)	(164,577)
Net cash inflow from financing activities	150,317	63,021
Effects of exchange rate changes on the balance of cash and cash equivalents	(65,413)	(47,815)
Decrease in cash and cash equivalents in the current period	(493,091)	(215,171)
Cash and cash equivalents at the beginning of the period	1,012,026	1,227,197
Cash and cash equivalents at the end of the period	$ 518,935	$ 1,012,026

(IV) Foreign exchange conversion

1. The presentation currency of this consolidated financial report is the functional currency of the Company, “NTD”.

2. Foreign currency transactions and balances

(1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.

(2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

(3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.

(4) All exchange gains and losses are reported in "other gains and losses" in the income statement.

3. Conversion of foreign operations

(1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:

A. Assets and liabilities expressed on each balance sheet are converted at the closing exchange rate on that balance sheet date;

B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and

C. All exchange differences arising from the conversion are recognized in other comprehensive income.

(2) When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the Group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.

(3) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

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

1. Assets that meet one of the following conditions are classified as current assets:

(1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.

(2) Held mainly for trading purposes.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Those that are expected to be settled in the normal business cycle.

(2) Held mainly for trading purposes.

(3) Expected to be settled within 12 months after the balance sheet date.

(4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(VII) Financial assets at FVTPL

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.

2. The group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.

3. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(VIII) Financial assets at FVTOCI

1. Financial assets at FVTOCI refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:

(1) The financial asset is held under the business model to collect contractual cash flow and for sale.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.

3. The Group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

(1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive income, while the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(IX) <u>Financial assets measured at after-amortization cost</u>

1. Financial assets measured at after-amortization cost refer to those who meet the following conditions at the same time:

(1) Holding the financial asset under the business model to collect the contractual cash flow.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.

3. The Group measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.

4. Due to the short holding period, the fixed deposits held by the Group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

(X) <u>Accounts and notes receivable</u>

1. Accounts and notes receivable refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.

2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the Group measures them based on the original invoice amount.

(XI) Impairment of financial assets

On each balance sheet date, the Group takes into account all reasonable and verifiable information (including forward-looking) for financial assets measured at amortized cost. If the credit risk does not increase significantly after the original recognition, the loss allowance is measured at 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components or contract assets, the loss allowance is measured according to the expected credit loss amount in the period.

(XII) Derecognition of financial assets

When the Group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognized.

(XIII) Lessor’s lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

(XIV) Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and related variable sales expenses.

(XV) Investment by equity method - Affiliated enterprises

1. Affiliated enterprises refer to all individual entities in which the Group has a significant influence on them but has no control over them. Generally, the Group directly or indirectly holds more than 20% of its voting rights. The Group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.

2. The Group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the group does not recognize any further loss, unless the group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.

3. When there is a change in equity from a related company that is not profit or loss or other comprehensive profit or loss and does not affect the shareholding ratio of the related company, the Group shall recognize the change in ownership as a “capital reserve” based on the shareholding ratio.

4. The unrealized gains and losses arising from the transactions between the Group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.

5. When the Group disposes of an affiliated enterprise, if there is a loss of significant influence on the affiliated enterprise, the accounting treatment of all amounts previously recognized in other comprehensive income related to the affiliated enterprise is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss, then if there is a loss of significant influence on the affiliated enterprise, the profit or loss will be reclassified as profit and loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

(XVI) Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.

2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.

3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.

4. The Group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

Buildings	20 ~ 40 years
Equipment	2 ~ 10 years
Others	2 ~ 10 years

(XVII) Lessee’s lease transaction - Right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.

2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the group's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.

The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

(XVIII) Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

(XIX) Intangible asset

Goodwill is generated by corporate acquisition based on the purchase method.

(XX) Impairment of non-financial assets

1. The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.

2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating department, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

(XXI) Borrowings

Refers to short-term borrowings from a bank. The Group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

(XXII) Notes payable and accounts payable

1. Notes payable and accounts payable refer to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.

2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Group uses the original invoice amount to measure the value.

(XXIII) Financial liabilities measured at fair value through the income

1. Financial liabilities are designated to be measured at fair value through income at the time of initial recognition. When financial liabilities meet any of the following conditions, the Group designates them as measured at fair value through income at the time of initial recognition:

(1) They belong to a mixed (combined) contract; or

(2) Inconsistent measurement or recognition can be eliminated or significantly reduced; or

(3) They are a tool to manage and evaluate the performance on a fair value basis in accordance with a written risk management policy.

2. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXIV) Derecognition of financial liabilities

The Group will derecognize financial liabilities if the specified contractual obligation has been performed, canceled, or expired.

(XXV) The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

(XXVI) Non-hedging derivatives and embedded derivatives

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXVII) Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.

B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

3. Employee remuneration and director’s remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

(XXVIII) Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.

2. The group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the group operates and the taxable income is generated. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders’ meeting.

3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.

5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.

6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.

(XXIX) Dividend distribution

Cash dividends distributed to the Company's shareholders are recognized as liabilities in the financial reports when the Company's board of directors resolves a decision to distribute dividends. Stock dividends distributed to the Company's shareholders are recognized as stock dividends to be distributed in the financial reports when the Company's shareholders' meeting resolves a decision to distribute stock dividends, and reclassified to ordinary shares on the record date of the issue of new shares.

(XXX) Revenue recognition

1. The Group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the Group has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer‘s payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

(XXXI) Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the Group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

(XXXII) Business combination

1. The Group accounts for business combinations using the acquisition method. Consideration of business combination is determined based on the fair value of assets transferred, the fair value of liabilities created or borne, and the fair value of equity instruments issued. The amount of consideration includes the fair value of any asset or liability given rise by contingent consideration. Acquisition-related costs are expensed at the time incurred. Identifiable assets acquired and liabilities borne in a business combination are measured at fair value as of the acquisition date. The Group accounts for acquisitions on a transaction-by-transaction basis. Components of non-controlling interests that represent shareholders' current ownership and shareholders' proportional entitlement to a business' net assets in the event of liquidation are measured at fair value or based on the percentage of non-controlling interests relative to the acquirer's net identifiable assets as of the acquisition date; all other components of non-controlling interests are measured at fair value as of the acquisition date.

2. If the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held exceeds the fair value of identifiable assets acquired and liabilities borne from the acquisition, the excess is recognized as goodwill on the acquisition date; if the fair value of identifiable assets acquired and liabilities borne from the acquisition exceeds the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held, the shortfall is recognized through current profit and loss on the acquisition date.

(XXXIII) Operating departments

The Group's operating departments information is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operating department and assessing their performance.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

(I) Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The Group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

(II) Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectation of future events based on the situation as of the balance sheet date. However, the actual results may be different from the estimates. For the risk of significant adjustment to book values of assets and liabilities in the next fiscal year, please refer to the following details:

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

VI. Summary of Significant Accounting Items

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 584	$ 5,619
Checking and demand deposit accounts	4,752,828	6,241,449
Time deposit	1,488,373	1,297,174
	$ 6,241,785	$ 7,544,242

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

2. The bank deposits pledged by the Group as of December 31, 2021 and 2020 are classified as other current assets and other non-current assets. Please refer to Note 8 for details.

(II) Financial assets at FVTPL

Item	December 31, 2021	December 31, 2020
Current items:		
Mandatory financial assets measured at fair value through income		
Open-end funds	$ 9,224	$ 50,916
Foreign exchange forward contracts	2,112	3,334
	$ 11,336	$ 54,250

1. The financial products held by the Group in 2021 and 2020 were recognized as net gains amounting to NT$29,210 and NT$48,804, respectively.

2. The transaction and contract information of non-hedging derivative financial assets are explained as follows:

	December 31, 2021		
Derivative financial assets	Contract amount (Nominal principal) (NT$ thousand)		Contract period
Current items:			
Foreign exchange forward contracts	RMB (BUY)	321,135	December 2021 - March 2022
	USD (SELL)	50,000	

	December 31, 2020		
Derivative financial assets	Contract amount (Nominal principal) (NT$ thousand)		Contract period
Current items:			
Foreign exchange forward contracts	RMB (BUY)	72,783	December 2020 - January 2021
	USD (SELL)	11,000	

Foreign exchange forward contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable.

3. The Group has not pledged financial assets measured at fair value through income.

(III) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Note receivable	$ 5,707	$ 41
Accounts receivable	2,927,776	2,570,432
Less: Allowance for impairment loss	(9,975)	(6,201)
	$ 2,923,508	$ 2,564,272

1. The Group does not hold any collateral.
2. The balance of accounts receivable and notes receivable as of December 31, 2021 and 2020 were generated from customer contracts. The balance of accounts and notes receivable from customer contracts on January 1, 2020, amounted to NT$2,608,592.
3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group as of December 31, 2021 and 2020, is the book value of each type of notes and accounts receivable.
4. Please refer to note 12(2) for details of relevant credit risk information.

(4) Inventory

	December 31, 2021		
	Cost	Allowance for valuation losses	Book value
Raw materials	$ 1,494,871	($ 45,798)	$ 1,449,073
Work in process	1,035,532	(26,019)	1,009,513
Finished products	2,498,723	(104,922)	2,393,801
	$ 5,029,126	($ 176,739)	$ 4,852,387

	December 31, 2020		
	Cost	Allowance for valuation losses	Book value
Raw materials	$ 980,033	($ 92,289)	$ 887,744
Work in process	511,455	(10,825)	500,630
Finished products	671,899	(93,077)	578,822
	$ 2,163,387	($ 196,191)	$ 1,967,196

The cost of inventory recognized as expense losses by the Group in the current period:

	2021	2020
Cost of inventory sold	$ 21,628,992	$ 18,396,193
Inventory valuation loss	6,245	43,617
Income from sales of scrap materials	(58,193)	(36,792)
	$ 21,577,044	$ 18,403,018

(V) Financial assets measured at fair value through other comprehensive income - Non-current

Item	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed and OTC stocks	$ 1,621,037	$ 1,166,154
Non-listed, OTC, or emerging stocks	785,661	1,201,559
Total	$ 2,406,698	$ 2,367,713

1. For information on changes in fair value recognized in other comprehensive income of the Group in 2021 and 2020, refer to Note 6 (17), other equities.

2. The fair value of equity instruments sold by the Group in 2021 was NT$761,284, and the accumulated disposal benefits were NT$336,187, which were transferred from other equity to undistributed surplus. According to the agreement, the sale price of the preceding equity transaction shall be collected within 18 months after the closing date. As of December 31, 2021, the Group has not received the sale price of NT$521,401, which is listed as other receivables. Please refer to Note 6 (27) and Table 4 of Note 13 for detailed descriptions.

3. The Group did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2021 and 2020.

(VI) Investment by equity method

	December 31, 2021	December 31, 2020
Long Time Tech. Co., Ltd.	$ 742,334	$ 804,554

1. The investment of the Group accounted for investment by equity method in 2021 and 2020 was based on the evaluation of the audited financial statements of these associates covering the same period.

2. The share of operating results of the Group's significant affiliated companies is summarized as follows:

	2021	2020
Current net loss of continuing business units	($ 62,220)	($ 34,001)
Total comprehensive income in the current period	($ 62,220)	($ 34,001)

3. The Group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.26% of the equity of Long Time Tech. Co., Ltd., but they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.

4. Please refer to Note 8 for details on investment by equity method that the Group had placed as collateral for contractual liabilities.

(VII) Property, plant, and equipment

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2021						
Cost	$ 24,010	$ 577,238	$ 4,673,728	$ 687,857	$ 28,766	$ 5,991,599
Cumulative depreciation	-	(348,789)	(3,425,163)	(546,963)	-	(4,320,915)
	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684
2021						
January 1	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684
Addition	-	18,920	407,035	101,010	229,493	756,458
Acquisition through business combination	-	35,954	69,078	4,936	-	109,968
Disposal	-	(632)	(9,307)	(4,513)	(4,097)	(18,549)
Transfer	-	11,128	-	2,099	(13,227)	-
Depreciation expenses	-	(19,049)	(262,747)	(41,295)	-	(323,091)
Net exchange difference	(799)	(13,330)	(23,458)	110	(5,081)	(42,558)
December 31	$ 23,211	$ 261,440	$ 1,429,166	$ 203,241	$ 235,854	$ 2,152,912
December 31, 2021						
Cost	$ 23,211	$ 656,219	$ 5,110,913	$ 789,034	$ 235,854	$ 6,815,231
Cumulative depreciation		(394,779)	(3,681,747)	(585,793)		(4,662,319)
	$ 23,211	$ 261,440	$ 1,429,166	$ 203,241	$ 235,854	$ 2,152,912

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2020						
Cost	$ 24,394	$ 642,881	$ 4,457,094	$ 671,793	$ 104,729	$ 5,900,891
Cumulative depreciation	-	(341,713)	(3,344,344)	(532,306)	-	(4,218,363)
	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682,528
2020						
January 1	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682,528
Addition	-	19,005	314,440	28,227	51,014	412,686
Disposal	-	-	(41,942)	(2,117)	(7,537)	(51,596)
Transfer	-	(67,445)	109,437	6,847	(116,653)	(67,814)
Depreciation expenses	-	(15,440)	(247,427)	(33,213)	-	(296,080)
Net exchange difference	(384)	(8,839)	1,307	1,663	(2,787)	(9,040)
December 31	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684
December 31, 2020						
Cost	$ 24,010	$ 577,238	$ 4,673,728	$ 687,857	$ 28,766	$ 5,991,599
Cumulative depreciation	-	(348,789)	(3,425,163)	(546,963)	-	(4,320,915)
	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684

1. Please refer to Note 6(26) for detailed explanation on increases in property, plant and equipment following the business combination in the 2nd quarter of 2021.

2. Please refer to note 8 for details of the Group's pledged property, plant and equipment.

(VIII) Lease transaction - Lessee

1. The underlying lease assets of the Group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.

2. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

	December 31, 2021	December 31, 2020
	Book value	Book value
Land	$ 158,973	$ 73,017
Houses	160,126	215,162
	$ 319,099	$ 288,179

	2021	2020
	Depreciation expenses	Depreciation expenses
Land	$ 3,335	$ 2,500
Houses	77,615	81,309
	$ 80,950	$ 83,809

3. Increases in right-of-use assets in 2021 and 2020, were reported at NT$115,822 and NT$0, respectively. The NT$79,535 increase in right-of-use assets in 2021 was the result of business combination. Please refer to Note 6(26) for details.

4. The information on profit and loss items related to leasing contracts is as follows:

	2021	2020
Items affecting current profit and loss		
Interest expenses on lease liabilities	$ 5,425	$ 7,138
Expenses of short-term lease contracts	12,848	15,184

5. The total cash outflow of the Group's leases in 2021 and 2020 amounted to NT$77,536 and NT$87,161, respectively.

6. Please refer to Note 8 for details of the Group's right-of-use assets pledged as collateral.

(IX) Investment property

	Land	Buildings	Total
January 1, 2021			
Cost	$ 112,596	$ 221,048	$ 333,644
Cumulative depreciation and impairment	-	(99,086)	(99,086)
	$ 112,596	$ 121,962	$ 234,558
2021			
January 1	$ 112,596	$ 121,962	$ 234,558
Depreciation expenses	-	(5,926)	(5,926)
Net exchange difference	(7,210)	(6,895)	(14,105)
December 31	$ 105,386	$ 109,141	$ 214,527
December 31, 2021			
Cost	$ 105,386	$ 211,248	$ 316,634
Cumulative depreciation and impairment	-	(102,107)	(102,107)
	$ 105,386	$ 109,141	$ 214,527

	Land	Buildings	Total
January 1, 2020			
Cost	$ 92,496	$ 153,299	$ 245,795
Cumulative depreciation and impairment	-	(94,774)	(94,774)
	$ 92,496	$ 58,525	$ 151,021
2020			
January 1	$ 92,496	$ 58,525	$ 151,021
Transfer	23,745	69,735	93,480
Depreciation expenses	-	(6,157)	(6,157)
Net exchange difference	(3,645)	(141)	(3,786)
December 31	$ 112,596	$ 121,962	$ 234,558
December 31, 2020			
Cost	$ 112,596	$ 221,048	$ 333,644
Cumulative depreciation and impairment	-	(99,086)	(99,086)
	$ 112,596	$ 121,962	$ 234,558

1. Rental income and direct operating expenses of investment property:

	2021	2020
Rental income of investment property	$ 39,333	$ 33,622
Direct operating expenses of investment property that generate rental income in the current period	$ 5,926	$ 6,157

2. The fair value of the investment property held by the Group on December 31, 2021 and 2020, amounted to NT$520,052 and NT$522,431, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

3. Please refer to note 8 for details of the Group's pledged investment property.

(X) Intangible assets - Goodwill

	December 31, 2021	December 31, 2020
Balance at the beginning of the period	$ 36,963	$ 37,142
Net exchange difference	(745)	(179)
Ending balance	$ 36,218	$ 36,963

The above-mentioned intangible assets - goodwill was mainly generated by the Group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

(XI) Short-term borrowings

Nature of the borrowings	December 31, 2021	Interest rate bracket	Collateral
Bank loans - Credit loans	$ 1,028,206	0.5%~0.66%	None.

Nature of the borrowings	December 31, 2020	Interest rate bracket	Collateral
Bank loans - Credit loans	$ 1,568,333	0.62%~0.74%	None.

As of December 31, 2021, the Group had an undrawn limit of NT$7,376,988.

(XII) Other payables

	December 31, 2021	December 31, 2020
Salary, bonus, and employee remuneration payable	$ 542,179	$ 433,318
Equipment payment payable	235,818	105,069
Consumables payable	66,976	55,533
Repair expenses payable	57,563	96,293
Others	343,959	215,593
	$ 1,246,495	$ 905,806

(XIII) Pension

1. Measures for defined retirement benefits

(1) The Company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the “Labor Standards Act”, which applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the “Labor Pension Act.” If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the above. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph.

(2) The amount recognized at the balance sheet is specified below:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	$ 88,252	$ 87,952
Fair value of plan assets	(80,492)	(75,243)
Net defined benefit liabilities	$ 7,760	$ 12,709
"Other non-current assets" listed in the table	$ 864	$ -
"Other non-current liabilities" listed in the table	$ 8,624	$ 12,709

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance on January 1	$ 87,952	($ 75,243)	$ 12,709
Cost of service in current period	630	-	630
Interest expense (income)	253	(218)	35
	88,835	(75,461)	13,374
Remeasurement:			
Return on plan assets (Note)	-	(1,164)	(1,164)
Impact of demographic assumption changes	14	-	14
Effect of the change in financial assumption	(2,091)	-	(2,091)
Experience adjustment	1,694	-	1,694
	(383)	(1,164)	(1,547)
Appropriation of pension reserve	-	(4,067)	(4,067)
Payment of pension	(200)	200	-
Balance on December 31	$ 88,252	($ 80,492)	$ 7,760

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2020			
Balance on January 1	$ 118,951	($ 77,722)	$ 41,229
Cost of service in current period	975	-	975
Interest expense (income)	833	(544)	289
	120,759	(78,266)	42,493
Remeasurement:			
Return on plan assets (Note)	-	(3,016)	(3,016)
Effect of the change in financial assumption	(4,765)	-	(4,765)
Experience adjustment	(18,298)	-	(18,298)
	(23,063)	(3,016)	(26,079)
Appropriation of pension reserve	-	(3,705)	(3,705)
Payment of pension	(9,744)	9,744	-
Balance on December 31	$ 87,952	($ 75,243)	$ 12,709

(Note) This does not include the amount contained in interest income or expense

(4) The defined benefit pension plan assets of the Company and Tekcon Electronics Corporation fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for

investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. The Company and Tekcon Electronics Corporation have no right to participate in the operation and management of the fund, they cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2021 and 2020, is stated in the labor pension fund utilization report announced by the government for the respective years.

(5) The actuarial assumption of pension fund is specified below:

	2021	2020
The Company		
Discount rate	0.65%	0.3%
Salary increase rate in the future	2.0%	2.0%
Tekcon Electronics Corporation		
Discount rate	0.7%	0.3%
Salary increase rate in the future	2.0%	2.0%

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

	Discount rate		Salary increase rate in the future	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
Effect on the present value of defined benefit obligations	($ 1,449)	$ 1,493	$ 1,469	($ 1,434)
December 31, 2020				
Effect on the present value of defined benefit obligations	($ 1,624)	$ 1,676	$ 1,644	($ 1,601)

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet.

The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

(6) The Group expected to appropriate $1,662 for payment to the retirement plan in 2022.

(7) As of December 31, 2021, the weighted average duration of the pension plans of the Company and Tekcon Electronics Corporation were 6 years and 9 years, respectively.

2. Measures for defined retirement allocation

(1) Since July 1, 2005, the Company and Tekcon have formulated measures for defined retirement allocation in accordance with the "Labor Pension Act" which applies to employees of Taiwan

nationality. For employees of the Company and Tekcon who choose to apply the labor retirement pension system of the "Labor Pension Act," 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Bureau of Labor Insurance. The payment of labor pension shall be based on the balance of the employee's pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.

(2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. PAN-INTERNATIONAL ELECTRONICS INC., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.

(3) In 2021 and 2020, the Group recognized pension cost amounting to NT$140,467 and NT$151,556, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XIV) Share capital

As of Decemer 31, 2021, the authorized capital of the Company comprised 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds); 518,346,282 shares were outstanding with a par value of NT$10 per share.

(XV) Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The Company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

(XVI) Retained earnings

1. According to the articles of association of the Company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the Company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The Company is in a growth stage, and the dividend distribution policy shall be based on the Company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget, and other factors, while taking into account the shareholders' interests and the Company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
3. The legal reserve shall not be used except to make up for the Company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
4. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.
5. The shareholders resolved to pass distribution of 2020 and 2019 earnings during the meetings held on July 15, 2021 and June 12, 2020; details are as follows:

	2020		2019	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
Legal reserve	$ 76,277		$ 102,932	
Special reserve	37,450		429,069	
Cash dividends	336,925	$ 0.65	518,346	$ 1.00
	$ 450,652		$ 1,050,347	

6. The Board of the Company passed the proposal for the distribution of earnings in 2021 on March 22, 2022, specified as follows:

	2021	
	Amount	Dividend per share (NT$)
Legal reserve	$ 130,519	
Special reserve	(277,289)	
Cash dividends	518,346	$ 1.00
	$ 371,576	

(XVII) Other items of equity

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2021	($ 186,592)	($ 1,163,132)	($ 1,349,724)
Unrealized profit or loss of financial products - Group	811,004	-	811,004
Transfer of valuation adjustment to retained earnings -Group	(373,072)	-	(373,072)
Tax on transfer of valuation adjustment to retained earnings -Group	36,885	-	36,885
Currency conversion difference - Group	-	(197,527)	(197,527)
December 31, 2021	$ 288,225	($ 1,360,659)	($ 1,072,434)

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2020	($ 250,358)	($ 1,061,916)	($ 1,312,274)
Unrealized profit or loss of financial products - Group	142,489	-	142,489
Transfer of valuation adjustment to retained earnings -Group	(78,723)	-	(78,723)
Currency conversion difference - Group	-	(101,216)	(101,216)
December 31, 2020	($ 186,592)	($ 1,163,132)	($ 1,349,724)

(XVIII) Non-controlling interests

	2021	2020
January 1	$ 1,622,505	$ 1,619,122
Share of non-controlling interest:		
Net income for the period	195,365	127,305
Business combination	36,921	-
Remeasured value of defined benefit plan	109	(14)
Coversion difference from the coversion of financial statements of a foreign operation	(111,325)	(60,352)
Cash dividend payment	(61,002)	(63,556)
December 31	$ 1,682,573	$ 1,622,505

(XIX) Operating revenue

	2021	2020
Revenue from customer contracts	$ 24,226,194	$ 20,547,713

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to note 14 for details of revenue.

Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Contractual liabilities	$ 939,066	$ 395,622	$ 263,111

Recognized income of contract liabilities at the beginning of the period:

	2021	2020
Opening balance of contract liabilities recognized as income in the current period	$ 67,176	$ 239,981

(XX) Other income

	2021	2020
Rental income	$48,643	$45,587
Dividend income	25,416	1,547
Subsidy income	38,760	36,019
Other income - Other	10,113	52,259
	$ 122,932	$ 135,412

(XXI) Other gains and losses

	2021	2020
Gain on disposal of investments	$ 14,520	$ -
Net foreign currency conversion gain	1,616	57,445
Net gains of financial assets and liabilities measured at fair value through the income	29,210	48,804
Losses from the disposal of property, plant and equipment	(4,955)	(9,986)
Others	(5,732)	(5,808)
	$ 34,659	$ 90,455

(XXII) Employee benefit, depreciation and amortization expenses

By nature	2021	2020
Employee benefits expense		
Salary expenses	$ 2,455,212	$ 2,103,224
Labor and national health insurance expenses	74,084	57,040
Pension expenses	141,132	152,820
Other HR expenses	279,184	174,785
	$ 2,949,612	$ 2,487,869
Depreciation expenses	$ 409,967	$ 386,046
Amortization expenses	$ 7,323	$ 12,602

1. According to the articles of association of the Company, if the Company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the Board of Directors, and shall be reported to the shareholders' meeting. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.

2. The Company's remuneration to employees in 2021 and 2020 was estimated at NT$60,674 and NT$40,144, respectively. The remuneration to the Directors was estimated at $6,067 and $4,014, respectively. The aforementioned amount was presented as salary expense in the book.

2021 was estimated based on the profit for the current period (in the current year). The Company's board of directors passed a resolution on March 22, 2022, to distribute the employees' remuneration of NT$60,674 and the directors' remuneration of NT$6,067 for 2021 in cash. There is no difference between the preceding allocation amounts and the amounts stated as expenses by the Company in 2021.

The 2020 employee, director, and supervisor remunerations approved by the board of directors are consistent with the amounts recognized in the 2020 annual financial report.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

(XXIII) Financial costs

	2021	2020
Interest expenses on bank loans	$ 7,127	$ 27,961
Interest expenses on lease liabilities	5,425	7,138
Other financial costs	340	-
	$ 12,892	$ 35,099

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expenses:

	2021	2020
Income tax for the current period:		
Income tax arising from current income	$ 329,260	$ 393,059
Extra tax on undistributed earnings	15,606	-
Income tax under (over) estimates of previous years	4,604	(14,513)
Total income tax for the current period	349,470	378,546
Deferred income tax:		
The original value and reversal of temporary differences	37,358	24,225
Income tax expense	$ 386,828	$ 402,771

(2) Other comprehensive income related income tax amount:

	2021	2020
Changes in fair value of financial assets measured at fair value through other comprehensive income	$ 36,885	$ -
Remeasurement of defined benefit obligation	310	5,233
	$ 37,195	$ 5,233

2. Relation between income tax expense and accounting profit

	2021	2020
Calculation of income tax on earnings before taxation at the mandatory tax rate	$ 464,120	$ 496,077
Expenses to be removed under the tax law	(41,696)	(36,757)
Income exempted from taxation under the tax law	(5,438)	27,045
Temporary difference not recognized as deferred income tax liabilities	(49,695)	(77,019)
Extra tax on undistributed earnings	15,606	-
Change in realizable estimation of deferred income tax assets	-	7,984
Effect of investment deduction on income tax	(673)	(46)
Income tax under (over) estimates of previous years	4,604	(14,513)
Income tax expense	$ 386,828	$ 402,771

3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

	2021				
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
-Temporary difference:					
Provision for valuation loss on inventory	$ 37,602	($ 10,351)	$ -	($ 1,322)	$ 25,929
Pension reserve pending on appropriation	2,492	(429)	(143)	-	1,920
Accrued salaries at end of period	23,282	(1,196)	-	(2,907)	19,179
Others	26,890	(346)	-	(4)	26,540
	$ 90,266	$ 12,322	$ 143	($ 4,233)	$ 73,568
-Deferred tax liabilities:					
Return on foreign investment accounted for under the equity method	($ 196,708)	($ 19,576)	$ -	$ -	($ 216,284)
Taxation difference in depreciations	(72,125)	(5,072)	-	4,620	(72,577)
Unrealized currency exchange gains or losses	-	(678)	-	-	(678)
Others	(1,138)	290	(167)	2	(1,013)
	($ 269,971)	($ 25,036)	($ 167)	$ 4,622	($ 290,552)

	2020				
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
-Temporary difference:					
Provision for valuation loss on inventory	$ 38,255	$ 168	$ -	($ 821)	$ 37,602
Pension reserve pending on appropriation	8,155	(430)	(5,233)	-	2,492
Accrued salaries at end of period	26,211	(2,011)	-	(918)	23,282
Others	36,160	(9,315)	-	45	26,890
	$ 108,781	($ 11,588)	($ 5,233)	($ 1,694)	$ 90,266
-Deferred tax liabilities:					
Return on foreign investment accounted for under the equity method	($ 173,927)	($ 22,781)	$ -	$ -	($ 196,708)
Taxation difference in depreciations	(82,704)	10,325	-	254	(72,125)
Others	(943)	(181)	-	(14)	(1,138)
	($ 257,574)	($ 12,637)	$ -	$ 240	($ 269,971)

4. As of December 31, 2021 and 2020, the Company assessed that the temporary difference of tax payable on some of the subsidiaries will not be reversed in the foreseeable future, and recognized all these differences as deferred income tax liabilities. The unrecognized temporary difference of deferred income tax liabilities amounted to NT$5,159,680 and NT$5,137,550, respectively.

5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2019.

(XXV) Earnings per share (EPS)

	2021		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT$)
Basic earnings per share			
Net income for the period attributable to the common shareholders of the parent company	$ 967,232	518,346	$ 1.87
Diluted earnings per share			
Net income for the period attributable to the common shareholders of the parent company	967,232	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	1,733	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	$ 967,232	520,079	$ 1.86

	2020		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT$)
Basic earnings per share			
Net income for the period attributable to the common shareholders of the parent company	$ 663,190	518,346	$ 1.28
Diluted earnings per share			
Net income for the period attributable to the common shareholders of the parent company	663,190	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	2,437	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	$ 663,190	520,783	$ 1.27

(XXVI) Business combination

1. Dongguan Pan-International Precision Electronics Co., Ltd., one of the Company's 2nd-tier subsidiaries, acquired an 80% equity in Wuhu Ruichang Electric System Co., Ltd. (referred to as "Wuhu Ruichang" below) on June 1, 2021 for a sum of RMB 34,054 thousand, and gained controlling interest over Wuhu Ruichang. Business registrations were completed on June 1, 2021, and the new entity has since been included in the consolidated report. Wuhu Ruichang is mainly involved in the manufacturing of wiring harnesses for automobiles. The purpose of the acquisition is to integrate the resources of the two parties, which in turn creates synergy and expands automobile product lines for the Group.

2. Information on the consideration paid for the acquisition of Wuhu Ruichang, the fair value of assets acquired and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date is as follows:

		June 1, 2021
Consideration for acquisition - cash	$	147,548
Fair value of non-controlling interests		36,921
	$	184,469
Fair value of identifiable assets acquired and liabilities borne		
Cash	$	47,544
Receivables		244,038
Inventory		460,705
Other receivables		63,428
Other current assets		15,680
Property, plant, and equipment		109,968
Right-of-use assets		79,535
Other non-current assets		864
Accounts payable	(	683,599)
Other payables	(	119,136)
Current tax liabilities	(	3,359)
Lease liabilities	(	22,688)
Other current liabilities	(	7,190)
Other non-current liabilities	(	1,321)
Total net identifiable assets		184,469
Goodwill	$	-

Consideration for the acquisition was being collected in installments as of December 31, 2021, and the Group is still evaluating the fair value of net realizable assets.

3. The Group has consolidated Wuhu Ruichang since June 1, 2021; Wuhu Ruichang's contributions in terms of operating revenue and profit before tax amounted to NT$1,252,518 and NT$50,595, respectively. Assuming that Wuhu Ruichang has been consolidated since January 1, 2021, the Group's operating revenues and profit before tax would have been NT$24,841,930 and NT$1,546,612, respectively.

(XXVII) Supplementary information on cash flow

1. Investment activities with partial cash payment:

	2021	2020
Purchase of property, plant and equipment	$ 756,458	$ 412,686
Add: equipment payable at the beginning of the period	105,069	30,733
Less: equipment payable at the end of the period	(235,818)	(105,069)
Net exchange difference	(889)	1,586
Cash paid during the period	$ 624,820	$ 339,936

	2021	2020
Disposal of financial assets at fair value through other comprehensive profit or loss - non-current	$ 761,284	$ 285,612
Add: Receivables at the beginning of the period	-	-
Minus: Receivables at the end of the period	(521,401)	-
Cash paid during the period	$ 239,883	$ 285,612

2. Fair value information relating to assets and liabilities acquired through business combination:

	2021
Fair value of net identifiable assets	$ 184,469
Less: fair value of non-controlling interests	(36,921)
Cash paid for business combination	147,548
Less: cash received from business combination	(47,544)
Consolidated net cash outflow from business combination	$ 100,004

(XXVIII) Changes in liabilities from financing activities

2021	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	$ 1,568,333	$ 220,959	$ 1,789,292
Changes in financing cash flow	(493,359)	(64,688)	(558,047)
Net exchange difference	(46,768)	(329)	(47,097)
Change in value of subsidiaries	-	22,688	22,688
Other non-cash changes	-	(12,457)	(12,457)
December 31	$ 1,028,206	$ 166,173	$ 1,194,379

2020	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	$ 1,573,950	$ 295,287	$ 1,869,237
Changes in financing cash flow	67,382	(72,522)	(5,140)
Net exchange difference	(72,999)	2,076	(70,923)
Other non-cash changes	-	(3,882)	(3,882)
December 31	$ 1,568,333	$ 220,959	$ 1,789,292

VII. Related Party Transactions

(I) Related party's name and relationship

Related Party Name	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)	With significant influence on the group
Sharp Corporation and subsidiaries (Sharp and subsidiaries)	Other related parties
Foxconn Technology Co., Ltd and subsidiaries (FTC and subsidiaries)	Other related parties
GENERAL INTERFACE SOLUTION LIMITED	Other related parties
Cyber TAN Technology, Inc and Subsidiaries	Other related parties
Chery Holding Group and Subsidiaries	Other related parties
Long Time Tech. Co., Ltd.	Affiliates

(II) Major transactions with related parties

1. Operating revenue

	2021	2020
With significant influence on the group		
- Hon Hai and subsidiaries	$ 6,734,570	$ 7,772,303
Other related parties		
- Sharp and subsidiaries	2,367,757	1,653,023
- Other	1,214,101	97,126
	$ 10,316,428	$ 9,522,452

The price and loan period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Group's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Group's period of payment for the related parties ranged from 30 to 120 days.

2. Purchase

	2021	2020
With significant influence on the group		
- Hon Hai and subsidiaries	$ 2,485,330	$ 2,647,263
Other related parties		
- Sharp and subsidiaries	(951)	2,357,346
- FTC and subsidiaries	1,937,095	1,037,358
	$ 4,421,474	$ 6,041,967

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Group to related parties ranged from 30 to 90 days on monthly settlement of open account.

3. Receivables from related parties

		December 31, 2021		December 31, 2020
Note receivable:				
Other related parties - others	$	18,940	$	-
Accounts receivable:				
With significant influence on the group				
- Hon Hai and subsidiaries		2,505,760		2,067,171
Other related parties				
- Sharp and subsidiaries		352,461		567,382
- Others		429,560		125,497
		3,306,721		2,760,050
Less: Allowance for impairment loss	(	1,632)	(	881)
	$	3,305,089	$	2,759,169

The receivables from related parties were mainly from sales and purchases on behalf of the related parties. The payment term for sales to related parties ranged from 30 to 120 days. The receivables are not secured and not interest bearing.

4. Other receivables

		December 31, 2021		December 31, 2020
With significant influence on the group				
- Hon Hai and subsidiaries	$	1,136	$	1,332
Other related parties				
- Sharp and subsidiaries		-		1,684
- FTC and subsidiaries		11		-
	$	1,147	$	3,016

Other receivables from related parties were mainly receivables of advance payments for related parties and receivable discounts.

5. Accounts payables from related parties

		December 31, 2021		December 31, 2020
Accounts payable:				
With significant influence on the group				
- Hon Hai and subsidiaries	$	988,250	$	1,113,108
Other related parties				
- FTC and subsidiaries		324,346		241,948
- Others		76		1,037
	$	1,312,672	$	1,356,093

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

6. Contractual liabilities

		December 31, 2021		December 31, 2020
With significant influence on the group				
- Hon Hai and subsidiaries	$	297,807	$	322,346
Other related parties		70		350
	$	297,877	$	322,696

The preceding contract liabilities of NT$297,369 and NT$322,041 dated December 31, 2021, and 2020 are guaranteed by the Group's investment by equity method, and the number of pledged shares is 7,812,500 shares. Please refer to Note 8 for details.

7. Lease transaction - Lessee

(1) The Group leases the plant from the Group which has a significant impact on the Group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Lease liabilities:

A. Ending balance

	December 31, 2021	December 31, 2020
With significant influence on the group	$ 76,578	$ 113,332

B. Interest expense

	2021	2020
With significant influence on the group	$ 2,650	$ 3,590

8. Others

In an attempt to expand the current line of automobile products, the Group acquired a 50% equity in Wuhu Ruichang Electric Systems Co., Ltd. in June 2021 from Hon Hai and subsidiaries, a group of companies that has significant influence in the Group. Consideration of this transaction amounted to NT$91,472.

(III) Compensation of key management personnel

	2021	2020
Short-term employee benefits	$ 13,902	$ 13,986
Post-employment benefits	240	240
Total	$ 14,142	$ 14,226

VIII. Pledged Assets

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

	Book value		
Asset item	December 31, 2021	December 31, 2020	Guarantee purpose
Other current assets - Pledge time deposit	$ 1,973	$ 720	Issuing of letter of credit and customs deposit
Other non-current assets - Pledge time deposit	3,483	1,306	Customs deposit
Property, plant, and equipment	42,548	10,411	Guarantee mortgage for bank line overdraft (note)
Investment property	9,495	10,813	Guarantee mortgage for a bank line
Right-of-use assets	56,175	-	Guarantee mortgage for a bank line
Investment by equity method (Long Time Technology)	207,123	-	Contractual liabilities
	$ 320,761	$ 23,250	

Note: As of December 30, 2021, the land, buildings above has been pledged as a guarantee for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingent matters

The Group has no contingent liabilities for material legal claims arising from daily operating activities.

(II) Commitments

On November 30, 2021, the Group's Board of Directors approved the purchase of pre-sale factory buildings. The total transaction amount is NT$488,880 and paid in 5 installments. As of December 31, 2021, the outstanding payment is $439,990.

X. Major Disaster Losses

None.

XI. Significant Subsequent Events

The Board of the Company passed the proposal for the distribution of earnings in 2021 on March 22, 2022. Additional information is specified in Note 6 (16).

XII. Others

(I) (I) The Group has adopted relevant measures in response to the outbreak of COVID-19. The spread of disease did not have a material impact on the Group's operations and business performance in 2021.

(II) Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the "current and non-current borrowings" reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The group's strategy for 2021 is the same as that in 2020, both of which are committed to maintaining the net debt ratio below 70%.

(III) Financial instrument

1. Types of financial instruments

As of December 31, 2021and2020, the book amounts of the Group's financial assets classified as measured at amortized cost under IFRS 9 (including cash and cash equivalents, bills receivable, accounts receivable [including related parties], and other receivables) were NT$13,176,604 and NT$12,986,273, respectively. The book amounts of financial liabilities classified as amortized costs (including short-term loans, notes payable, accounts payable [including related parties], and other payables) were NT$8,535,394 and NT$6,644,047, respectively. The book amounts of lease liabilities in 2021 and December 31, 2020, were NT$166,173 and NT$220,959, respectively. Please refer to notes 6(2) and (5) for the book values of financial assets/liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

2. Risk management Policy

(1) Types of risks

The group adopts a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the group, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk.

(2) Management objectives

A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.

B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation, and process, with due consideration of the overall external trend, internal operating conditions, and the actual impact of market fluctuations.

C. The Group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Group's financial position and financial performance.

(3) Management system

A. Risk management shall be carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.

B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

3. Nature and extent of significant financial risks

(1) Market risk

<u>Exchange rate risks</u>

A. Nature: The group is a multinational electronic OEM company, and most of the exchange rate risks in its operating activities come from:

a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The group has offices in many countries around the world, so there is an exchange rate risk in a variety of different currencies, but the main ones are the US dollar, RMB, and Malaysian ringgit.)

b. In addition to the commercial transactions (operating activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

B. Management

a. For such risks, the group has established a policy that requires companies within the group to manage the exchange rate risk relative to their functional currencies.

b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the group's finance office.

C. Intensity

The group's business involves a number of non-functional currencies (New Taiwan dollar is the functional currency of the company and some subsidiaries, and RMB and Malaysian ringgit are the functional currencies of some subsidiaries). Therefore, the group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2021				
				Sensitivity analysis	
	Foreign currency (thousand)	Exchange rate	Book value (NTD)	Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
Financial assets					
Monetary item					
USD: NTD	$ 136,157	27.68	$ 3,768,826	1%	$ 37,688
USD: RMB	88,708	6.3757	2,462,573	1%	24,626
USD: MYR	56,691	4.1701	1,569,207	1%	15,692
EUR: MYR	3,782	4.7185	118,452	1%	1,185
Foreign operations					
USD: NTD	344,199	27.68	9,527,433		
Financial liabilities					
Monetary item					
USD: NTD	152,958	27.68	4,233,877	1%	42,339
USD: RMB	16,294	6.3757	452,329	1%	4,523
USD: MYR	60,002	4.1701	1,660,855	1%	16,609

	December 31, 2020						
					Sensitivity analysis		
	Foreign currency (thousand)	Exchange rate		Book value (NTD)	Range of change		Impact on profit and loss
(Foreign currency: functional currency)							
Financial assets							
Monetary item							
USD: NTD	$ 125,768	28.48	$	3,581,873	1%	$	35,819
USD: RMB	52,794	6.5249		1,500,053	1%		15,001
USD: MYR	50,365	4.0290		1,434,395	1%		14,344
Foreign operations							
USD: NTD	313,825	28.48		8,937,740			
Financial liabilities							
Monetary item							
USD: NTD	134,057	28.48		3,817,943	1%		38,179
USD: MYR	30,972	4.0290		882,083	1%		8,821
USD: RMB	39,476	6.5249		1,121,645	1%		11,216

D. Nature

The Group's currency items were under significant influence of exchange rate fluctuations in 2021 and 2020, with recognition of exchange income (including realized and unrealized items) amounting to a gain of NT$1,616 and NT$57,445, respectively.

Price risk

A. The equity instruments of the Group exposed to price risk are financial assets measured at fair value through other comprehensive incomes. In order to manage the price risk of equity instrument investment, the Group diversifies its portfolio in accordance with the limits set by the Group.

B. The Group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the effect on other comprehensive income of gains or losses of equity investment classified as measured at fair value through other comprehensive income would increase or decrease by NT$24,067 and NT$23,677 in 2021 and 2020, respectively.

Cash flow and fair value interest rate risk

The interest rate risk of the group comes from short-term borrowings. Borrowings at fixed interest rates expose the group to an interest rate risk at fair value, but after assessment, the group has no significant interest rate risk.

(2) Credit risk

A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties repaying the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.

B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the Group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.

C. The basis for the Group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

D. When the contract payment is overdue for more than 90 days according to the agreed payment terms, the Group deems it a breach of contract.

E. The Group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.

F. The indicators used by the Group to determine the credit impairment of debt instrument investment are as follows:

(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;

(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;

(C) The issuer delays or fails to pay the interest or principal;

(D) Adverse changes in national or regional economic conditions leading to issuer default.

G. The aging analysis of notes receivable and accounts receivable (including those of related parties) are as follows:

	December 31, 2021	December 31, 2020
Not Past Due	$ 6,214,073	$ 5,303,552
Less than 90 days	19,208	20,552
91 ~ 180 days	957	257
More than 181 days	5,966	6,162
	$ 6,240,204	$ 5,330,523

The above is an aging analysis based on the number of overdue days.

H. Other receivables (including related parties):

The other receivables of the Group are mainly tax refund receivables and payment receivables, and there is no risk of major non-performance or repayment issues. Therefore, the allowance loss is measured according to the 12-month expected credit loss amount. The allowance losses recognized by the Group in 2021 and on December 31, 2020, were NT$0.

I. The Group classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss on notes and accounts receivable. The method for estimating the loss rate on December 31, 2021 and 2020 is as follows:

	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2021					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	$ 5,813,366	$ 414,897	$ -	$ 11,941	$ 6,240,204
Allowance for loss	$ 2,325	$ 166	$ -	$ 9,116	$ 11,607

	Group 1	Group 2	Group 3	Group 4	合計
December 31, 2020					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	$ 4,882,814	$ 425,661	$ -	$ 22,048	$ 5,330,523
Allowance for loss	$ 1,953	$ 170	$ -	$ 4,959	$ 7,082

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the Group's credit standards.

Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the Group's credit standards.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No external agency rating, and non-A, B, or C rated customers according to the Group's credit standards.

J. The table of changes in the allowance for losses of accounts receivable (including bills) and other receivables (including related parties) after the Group adopted a simplified approach is as follows:

	2021	2020
January 1	$ 7,082	$ 4,720
Recognition of impairment loss	3,682	15,297
Irrecoverable amount written off	-	(12,644)
Effect of first-time consolidation of subsidiary	752	-
Net exchange difference	91	(291)
December 31	$ 11,607	$ 7,082

K. All the Group’s investments in debt instruments measured at amortized cost as were at low credit risk as of December 31, 2021 and 2020. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

(3) Liquidity risk

A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group’s finance department. The group’s finance department monitors the forecast of the group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the group will not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.

B. When the remaining cash held by the Group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits, and securities. The instruments selected have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity. It is expected that cash flow will be generated immediately for the management of liquidity risk.

C. The following table shows the grouping of the Group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

December 31, 2021	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
Non-derivative financial liabilities:				
Lease liabilities	$ 83,529	$ 82,889	$ 4,645	$ 171,063

December 31, 2020	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
Non-derivative financial liabilities:				
Lease liabilities	$ 78,281	$ 74,930	$ 77,214	$ 230,425

In addition to the above, the Group's non-derivative financial liabilities are all due within the next year.

(IV) Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the Group belongs to this level.

Level 2: The input value of assets or liabilities is directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the Group belongs to this level.

Level 3: The input value of assets or liabilities is unobservable. The equity instruments invested by the Group without an active market belong to this level.

2. Financial instruments not measured at fair value

The book values of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other payable, lease liabilities, and other current liabilities) are reasonable approximations of their fair values.

3. For the Group’s financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

(1) The information about the Group's classification of its assets and liabilities by their nature is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Repetitive fair value				
Financial assets at FVTPL				
-Open-end funds	$ 9,224	$ -	$ -	$ 9,224
-Foreign exchange forward contracts	-	2,112	-	2,112
	$ 9,224	$ 2,112	$ -	$ 11,336
Financial assets at FVTOCI				
- Equity securities	$ 1,621,037	$ -	$ 785,661	$ 2,406,698

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Repetitive fair value				
Financial assets at FVTPL				
-Open-end funds	$ 50,916	$ -	$ -	$ 50,916
-Foreign exchange forward contracts	-	3,334	-	3,334
	$ 50,916	$ 3,334	$ -	$ 54,250
Financial assets at FVTOCI				
- Equity securities	$ 1,166,154	$ -	$ 1,201,559	$ 2,367,713

(2) The methods and assumptions used by the Group to measure fair value are as follows:

A. If the group adopts a market quotation as the input value of fair value (i.e. level 1), the instruments classified by their characteristics are as follows:

	Listed and OTC stocks	Open-end funds
Market quotation	Closing price	Net value

B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.

C. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate.

D. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.

E. The Group has incorporated credit risk assessment adjustments into its calculation for the fair values of financial and non-financial instruments to reflect counterparty credit risks and the Group's credit quality, respectively.

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

5. The following table shows the changes in Level 3 in 2021 and 2020:

	Equity securities	
	2021	2020
January 1	$ 1,201,559	$ 1,751,723
Amounts bought in the current period	1,902	-
Amounts sold of current period	(761,284)	-
Profit(loss) recognized in other comprehensive income	368,444	(483,413)
The refund of cost and share payment from investee	(173)	-
Transfer to Level 3	(1,902)	
Net exchange difference	(22,885)	(66,751)
December 31	$ 785,661	$ 1,201,559

6. Since InnoCare Optoelectronics Corp. was listed on the GTSM in November 2021 and the trading volume in the market has increased steadily, sufficient observable market information can be obtained. Therefore, the Group transferred the fair value used from Level 3 to Level 1 at the end of the event occurring month. In 2020, there was no transfer in or out of Level 3.

7. For the fair value of level 3 of the Group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	Fair value on December 31, 2021		Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:						
Non-listed and non-OTC stocks	$	711,849	Net asset value method	Lack of market liquidity discount	26%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non-OTC stocks		73,812	Comparable public company approach	Price–to-book ratio	1.41	The higher the multiplier, the higher the fair value.
				Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

	Fair value on December 31, 2020		Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:						
Non-listed and non-OTC stocks	$	1,134,447	Net asset value method	Lack of market liquidity discount	24%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non-OTC stocks		67,112	Comparable public company approach	Price–to-book ratio	1.27	The higher the multiplier, the higher the fair value.
				Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

9. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

				Recognized in other comprehensive income	
Financial assets	Period	Input value	Change	Favorable change	Unfavorable change
Equity instruments	December 31, 2021	Lack of market liquidity discount	±1%	$ 3,785	($ 3,785)
Equity instruments	December 31, 2021	Price–to-book ratio	±1%	$ 523	($ 523)

				Recognized in other comprehensive income	
Financial assets	Period	Input value	Change	Favorable change	Unfavorable change
Equity instruments	December 31, 2020	Lack of market liquidity discount	±1%	$ 3,668	($ 3,668)
Equity instruments	December 31, 2020	Price–to-book ratio	±1%	$ 527	($ 527)

XIII. Additional Disclosures

(I) Information about significant transactions

1. Loans to others: Please refer to Table 1.

2. Endorsements/guarantees provided: Please refer to Table 2.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.

4. The cumulative amount of buying or selling the same securities reaches NT$300 million or more, or 20% of the paid-in capital: Please refer to Table 4.

5. The amount of real estate acquisition is NT$300 million or over 20% of the paid-in capital: Please refer to Table 5 for details.

6. The cumulative amount of property disposal reaches NT$300 million or more, or 20% of the paid-in capital: No such situation.

7. Total purchases from or sales to related parties amounting reaches NT$100 million or more, or 20% of the paid-in capital: Please refer to Table 6.

8. Total accounts receivable from related parties amounting reaches NT$100 million or more, or 20% of the paid-in capital: Please refer to Table 7.

9. Engagement in derivatives trading: Please refer to note 6(2).

10. Significant Inter-company Transactions during the Reporting Period: Please refer to Table 8.

(II) Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 9.

(III) Information on investments in mainland China

1. Basic information: Please refer to Table 10.

2. Major transactions directly with investee companies in mainland China or indirectly through enterprises in a third region: Please refer to Tables 6, 7, and 8.

(IV) Information on major shareholders

Information of major shareholders: Please refer to Table 11.

XIV. Operating departments information

(I) General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the "Electronic Components Segment" and "Consumer Electronics and Computer Peripherals Segment," which are also the segments to be reported.

The operating departments information is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the Group mainly use the income and pre-tax profit and loss of each operating department as indicators for performance evaluation and resource allocation.

(II) Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

2021	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue	$ 12,618,685	$ 1,607,509	$ 24,226,194
Segment profit and loss	$ 1,037,569	$ 810,225	$ 1,847,794

2020	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue	$ 12,891,364	$ 7,656,349	$ 20,547,713
Segment profit and loss	$ 806,377	$ 463,652	$ 1,270,029

Note: Since the measured amount of the assets of the operating department is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

(III) Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating departments are as follows:

Income	2021	2020
Profit and loss of the segments to be reported	$ 1,847,794	$ 1,270,029
Other profit and loss	(298,369)	(76,763)
Pre-tax profit and loss of continuing operating departments	$ 1,549,425	$ 1,193,266

(IV) Information on product type and service type

The revenue of external customers is mainly from the sale of the aforementioned segments for reporting. Segments for reporting are differentiated by product. Therefore, income by product type should be the income of the segments in the report.

(V) Information on the regions

Information of the Group by region in 2021 and 2020 is shown below:

	2021		2020	
	Income	Non-Current Assets	Income	Non-Current Assets
Mainland China	$ 10,684,943	$ 1,584,389	$ 9,461,754	$ 1,335,057
Malaysia	4,018,098	1,105,156	2,846,724	859,882
Hong Kong	2,792,637	-	2,788,589	-
Taiwan	3,024,563	102,204	2,283,819	54,085
USA	2,059,689	679	1,563,317	523
Others	1,646,264	-	1,603,510	-
	$ 24,226,194	$ 2,792,428	$ 20,547,713	$ 2,249,547

(VI) Information on key customers

Customers accounting for more than 10% of the sales revenue as stated in the Group's Consolidated Income Statement of 2021 and 2020:

	2021	2020
Customer Group A	$ 6,734,570	$ 7,772,303

Pan-International Industrial Corp. and Subsidiaries

Loans to others

January 1 to December 31, 2021

Table 1

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Loan extending company	Borrower	Dealing items (Note 2)	Whether a related party	Maximum amount of the period (Note 3)	Ending balance (Note 8)	Transaction Amounts	Interest Rate	Loan nature (Note 4)	Business Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Provision for allowance for loss for bad debt	Collateral		Loans limits for individual entities (Note 7)	Total loan limit (Note 7)	Remarks
													Name	Value			
0	Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD	Other receivables - related parties	Yes	$ 313,940	$ -	$ -	NA	Short-term financing	$ -	Operating turnover	$ -	None.	$ -	$ 1,241,134	$ 4,964,537	
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Wuhu Ruichang Electric Systems Co., Ltd.	Other receivables - related parties	Yes	174,164	174,164	174,164	4.00%	Short-term financing	-	Operating turnover	-	None.	-	432,032	432,032	

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: Loans to external parties are capped at 40% of the Company's net worth overall and 10% of the Company's net worth per borrower.

Loans to external parties by Dongguan Pan-International Precision Electronics Co., Ltd. are capped at 40% of its net worth overall and 40% of its net worth per borrower.

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the board of directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp. and Subsidiaries

Endorsement/guarantee provided

January 1 to December 31, 2021

Table 2

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Name of company of the endorsement/ guarantee	Guaranteed Party		Endorsement/ guarantee limit for a single enterprise (Note 3)	Maximum endorsement/ guarantee balance of the period (Note 4)	Endorsement/ guarantee balance of the period (Note 5)	Transaction Amounts (Note 6)	Amount of endorsement/ guarantee backed by assets	Ratio of the cumulative endorsement/ guarantee amount to the net value in the latest financial report	Endorsement/ guarantee limit (Note 3)	Endorsement/ guarantee from the parent company to subsidiary (note 7)	Endorsement/ guarantee from subsidiary to parent company (note 7)	Endorsement/ guarantee to entities in the Mainland China (Note 7)	Remarks
		Company name	Relation (Note 2)											
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL ELECTRONICS(M) SDN.BHD.	2	$ 1,646,906	$ 1,118,417	$ 1,083,796	$ 477,729	$ -	8.73	$ 3,293,812	Y	N	N	
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL WIRE&CABLE(M) SDN.BHD.	2	1,646,906	88,239	84,665	3,053	-	0.68	3,293,812	Y	N	N	

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

(1). A company with business relations.

(2). A company with more than 50% of its voting shares is directly or indirectly held by the company.

(3). A company directly or indirectly holding more than 50% of the voting shares of the company.

(4). A company with more than 90% of its voting shares is directly or indirectly held by the company.

(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.

(6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

(7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The sum of endorsements and guarantees granted by the Company to external parties are capped at 100% of the Company's net worth overall, and 50% of the Company's net worth per endorsed/guaranteed party; the sum of endorsements and guarantees granted by the Company and subsidiaries to external parties are capped at 100% of the Company's net worth overall, and 50% of the Company's net worth per endorsed/guaranteed party.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries

Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).

December 31, 2021

Table 3

Unit: NTD thousand
(unless otherwise noted)

Holding Company Name	Type of marketable securities	Name of marketable securities	Relationship with the Holding Company	Financial report Account	Period end: Number of shares/beneficiary certificates	Period end: Book value	Period end: Shares Ratio	Period end: Fair value	Remarks
Pan-International Industrial Corp.	Common share	Innolux Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	82,705,987	$ 1,621,037	0.78	$ 1,621,037	
Pan-International Industrial Corp.	Common share	WK Technology Fund	None.	Financial assets measured at fair value through other comprehensive income - Non-current	4,219	-	0.42	-	
Pan-International Industrial Corp.	Common share	Syntrend Creative Park Co., Ltd.	The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd.	Financial assets measured at fair value through other comprehensive income - Non-current	12,831,500	73,812	5.23	73,812	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	EASTSPRING INVESTMENTS ISLAMIC INCOME FUND	None.	Financial assets at FVTPL - Current	23,332	80	-	80	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG AIIMAN MONEY MARKET FUND I	None.	Financial assets at FVTPL - Current	539,828	1,928	-	1,928	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG USD CASH FUND	None.	Financial assets at FVTPL - Current	255,043	7,216	1.14	7,216	
Yen Yung International Investment Co., Ltd	Common share	Lico Technology Corporation	None.	Financial assets measured at fair value through income - Non-current	3,400,000	-	2.73	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	UER HOLDINGS CORPORATION	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through income - Non-current	1,781,979	-	8.22	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	FSK HOLDINGS LIMITED	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	50,400,000	46,580	17.50	46,580	
PAN GLOBAL HOLDING CO., LTD.	B share	CYBERTAN TECHNOLOGY CORP.	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	28,498,993	665,269	16.87	665,269	

Pan-International Industrial Corp. and Subsidiaries

The cumulative amount of buying or selling the same securities reaches NT$300 million or more, or 20% of the paid-in capital

January 1 to December 31, 2021

Table 4

Unit: NTD thousand
(unless otherwise noted)

Company bought or sold	Name and type of marketable securities	Financial report Account	Related Party (note 2)	Relation (note 2)	At beginning of period		Buy		Sell				Period end	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Gain/loss on disposal	Shares	Amount
PAN GLOBAL HOLDING CO.,LTD	CYBERTAN TECHNOLOGY CORP. (A share)	Note 1	Szitic (HK) Commercial Property Company Limited	Note 3	17,467,125	$ 513,489	-	$ -	(17,467,125)	$ 761,284	$ 425,097	$ -	-	$ -

Note 1: Presented as "Financial assets at FVTOCI." Gain/loss on disposal includes NT$336,187 that were reclassified directly from other comprehensive income to retained earnings.

Note 2: The two fields are mandatory for marketable securities that are accounted using the investment by equity method, whereas the remainder can be left blank.

Note 3: The counterparty is not a related party to the Company.

Pan-International Industrial Corp. and Subsidiaries

The amount of real estate acquired is NT$300 million or over 20% of the paid-in capital.

January 1 to December 31, 2021

Table 5

Unit: NTD thousand
(unless otherwise noted)

Company of Real Estate Acquisition	Asset Name	Fact Occurrence Date	Transaction Amount	Price Payment Status	Related Party	Relation	The previous transfer data if the transaction counterpart is a related person: Owner	Relation with the Issuer	Transfer date	Amount	Reference basis for price determination	Purpose of acquisition and usage	Other agreed matters
Pan-International Industrial Corp.	Land: Land lot #339 at Jiankang Section, Zhonghe District, New Taipei City (parts held) Building: 6F., No. 198, Jianba Rd., Zhonghe Dist., New Taipei City (Taiwan Park) & 22 parking spaces	November 30, 2021	$ 488,880	$ 48,890	De En Construction Co., Ltd.	Non-related Parties	-	-	-	$ -	Market and Real Estate Valuation Reports	Factory/office building for self-use	None.

Table 5 Page 1

Pan-International Industrial Corp. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.
December 31, 2021

Table 6

Unit: NTD thousand
(unless otherwise noted)

Buyer/Seller	Related Party	Relation	Transaction Details: Purchase (Sale)	Transaction Details: Amount	Transaction Details: Percentage over total purchase (sale)	Transaction Details: Credit period	Differences in transaction terms from those of general transactions and reasons: Unit Price	Differences in transaction terms from those of general transactions and reasons: Credit period	Note/Accounts Receivable (Payable): Balance	Note/Accounts Receivable (Payable): Percentage over total notes and accounts receivable (payable)	Remarks
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	$ 1,591,970	13	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	$ 287,222	10	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	602,081	5	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	263,889	9	
Pan-International Industrial Corp.	FIH (Hong Kong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	695,973	6	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	357,941	13	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS(USA) INC.	Subsidiary of the Company's indirect reinvestment	Sales	359,355	3	Monthly settlement 120 days T/T	No sale to other customers with no basis for comparison	No significant difference	57,653	2	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Shenzhen) Co.,Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	189,801	2	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	45,404	2	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	629,312	5	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	217,159	8	
Pan-International Industrial Corp.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Sales	152,443	1	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	118,520	4	
Pan-International Industrial Corp.	Pan-International Sunrise Trading Corp.	Subsidiary of the Company's indirect reinvestment	Sales	184,459	1	Monthly settlement 120 days T/T	No sale to other customers with no basis for comparison	No significant difference	73,904	3	
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd	Other related parties	Sales	138,934	1	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	121,741	4	
Pan-International Industrial Corp.	Chongqing Fugui Electronics Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	107,961	1	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	42,435	2	
Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	3,919,384	33	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(982,154)	(31)	
Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	1,313,473	11	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(210,740)	(7)	
Pan-International Industrial Corp.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	1,177,386	10	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(414,011)	(13)	
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	2,111,408	100	Monthly settlement 60 days T/T	No sale to other customers with no basis for comparison	No significant difference	676,402	100	
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties	Sales	2,310,634	33	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	339,721	21	Note 1
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Foxconn Technology Co., Ltd	Other related parties	Purchase	1,937,075	31	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(324,347)	(24)	
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Purchase	387,854	6	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(9,998)	(1)	

Pan-International Industrial Corp. and Subsidiaries

Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

December 31, 2021

Table 6

Unit: NTD thousand
(unless otherwise noted)

			Transaction Details				Differences in transaction terms from those of general transactions and reasons		Note/Accounts Receivable (Payable)		Remarks
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period	Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)	
Tekcon Electronics Corporation	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	$ 594,065	75	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	($ 309,774)	(83)	
Tekcon Huizhou Electronics Co., Ltd.	Huaian Fulitong Trade Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	173,684	54	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	(99,728)	(54)	
Wuhu Ruichang Electric Systems Co., Ltd.	Chery Automobile Co., Ltd.	Other related parties	Sales	293,029	23	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	74,349	22	
Wuhu Ruichang Electric Systems Co., Ltd.	Wuhu Chery Automobile Purchasing Co Ltd.	Other related parties	Sales	628,244	50	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	123,256	36	

Note 1: The transaction object was originally named S&O ELECTRONICS (Malaysia) SDN.BHD. and has been renamed to SHARP NORTH MALAYSIA SDN.BHD. in December 2021.

Pan-International Industrial Corp. and Subsidiaries

Total accounts receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

December 31, 2021

Table 7

Unit: NTD thousand

(unless otherwise noted)

Company Name	Related Party	Relation	Balance of accounts receivable from related parties (Note 2)	Turnover Rate	Overdue		Accounts receivable from related parties recovered after the period	Provision for bad debt
					Amount	Actions Taken		
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	$ 287,222	2.97	$ 1,386	Payment received after the period	$ 147,017	$ 114
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	263,889	3.30	-	Payment received after the period	129,686	105
Pan-International Industrial Corp.	FIH (Hong Kong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	357,941	2.38	-	Payment received after the period	157,209	143
Pan-International Industrial Corp.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	118,520	1.54	584	Payment received after the period	63,412	48
Pan-International Industrial Corp.	Hongfujin Precision Industry (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	217,159	5.28	-	Payment received after the period	68,694	87
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd	Other related parties	121,741	2.18			71,220	49
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company	982,154	5.09	-	Payment received after the period	426,032	393
Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company	210,740	5.63	-	Payment received after the period	117,397	-
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	676,402	3.81	-	Payment received after the period	124,589	271
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.(Note 1)	Other related parties	339,721	5.12		Payment received after the period	75,498	-
Wuhu Ruichang Electric Systems Co., Ltd.	Wuhu Chery Automobile Purchasing Co Ltd.	Other related parties	123,256	6.99	-	Payment received after the period	117,910	48

Note 1: The transaction object was originally named S&O ELECTRONICS (Malaysia) SDN.BHD. and has been renamed to SHARP NORTH MALAYSIA SDN.BHD. in December 2021.

Note 2: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries

Significant Inter-company Transactions during the Reporting Period

December 31, 2021

Table 8

Unit: NTD thousand

(unless otherwise noted)

Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with the transaction parties (Note 2)	Description of Transactions (note 4 and note 7) Account		Amount	Transaction Terms	Percentage over consolidated total revenue or total assets (note 3)
0	Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	1	Sales	$	359,355	Note 5	1
0	Pan-International Industrial Corp.	Pan-International Sunrise Trading Corp.	1	Sales		184,459	Note 5	1
0	Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1	Purchase		3,919,384	Note 6	16
0	Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	1	Purchase		1,313,473	Note 6	5
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable		210,740	Note 6	1
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable		982,154	Note 6	4

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1) Fill in 0 for the parent company.

(2) 1 to 6 - subsidiaries.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):

(1) Parent company with a subsidiary.

(2) A subsidiary with the parent company.

(3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is monthly settlement 90 days.

Note 7: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)

January 1 to December 31, 2021

Table 9

Unit: NTD thousand

(unless otherwise noted)

				Original Investment Amount		As of March 31, 2020					
Investor	Investor Company	Location	Main Businesses and Products	March 31, 2020	End of last year	Shares	Ratio	Book value	Net income (loss) of the Investee for current period	Investment gains and losses recognized in the current period	Remarks
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD.	The British Virgin Islands	Holding company	$ 3,472,484	$ 3,472,484	$ 12,220	100	$ 9,332,889	$ 424,175	$ 424,175	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.	USA	Sale of electronic products	73,142	73,142	28,000	100	194,544	4,314	4,314	
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Taiwan	Investment company	363,997	473,997	33,316,236	100	188,118	(1,037)	(1,037)	
Yen Yung International Investment Co., Ltd	Tekcon Electronics Corporation	Taiwan	Manufacturing and sale of connectors for electronic signal cables	393,898	393,898	21,960,504	83.58	179,320	185	155	
PAN GLOBAL HOLDING CO., LTD.	P.I.E. INDUSTRIAL BERHAD (PIB)	Malaysia	Holding company	38,614	38,614	197,459,985	51.42	1,693,678	381,261	196,044	Note 1
PAN GLOBAL HOLDING CO., LTD.	GREAT HAVEN HOLDINGS LTD. (GHH)	The British Virgin Islands	Holding company	534,224	534,224	19,800,000	100	74,720	(70)	(70)	Note 2
PAN GLOBAL HOLDING CO., LTD.	BEYOND ACHIEVE ENTERPRISE LTD. (BAE)	The British Virgin Islands	Holding company	265,728	265,728	9,600,000	100	641,477	3,274)	3,274)	Note 3
PAN GLOBAL HOLDING CO., LTD.	TEAM UNION INTERNATIONAL LTD. (TUI)	Hong Kong	Holding company	453,952	453,952	3,120,001	100	1,080,080	332,877	332,877	Note 4
PAN GLOBAL HOLDING CO., LTD.	EAST HONEST HOLDINGS LIMITED (EHH)	Hong Kong	Holding company	2,967,777	2,967,777	665,799,420	100	3,792,091	297,665	297,665	Note 5
PAN GLOBAL HOLDING CO., LTD.	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	646,000	646,000	20,187,500	16.82	535,211	(139,577)	(44,858)	
Tekcon Electronics Corporation	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	250,000	250,000	7,812,500	5.44	207,123	(139,577)	(17,362)	

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 10 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 10 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 10 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries

Mainland China investment information - Basic information

January 1 to December 31, 2021

Table 10

Unit: NTD thousand

(unless otherwise noted)

Name of the investee in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investments (Note 2)	Cumulative outward remittance of investment amount from Taiwan at the beginning of the period	Investment Flows of current period: Outward	Investment Flows of current period: Inward	Cumulative outward remittance of the investment amount from Taiwan in the period end	Net income (loss) of the Investee for current period	% Ownership of Direct or Indirect Investment	Investment gains and losses recognized in the current period (Note 3)	Book value of the investment at the end of the period	Investment gains repatriated as of the end of the period	Remarks
Dongguan Pan-International Precision Electronics Co., Ltd.	Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.	$ 453,952	2	$ 346,000	$ -	$ -	$ 346,000	$ 332,877	100	$ 332,877	$ 1,080,080	$ -	Note 6
Fuyu Property (Shanghai) Co., Ltd.	Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above.	5,100,937	2	754,280	-	-	754,280	131,122	16.87	-	665,269	-	Note 8
New Ocean Precision Component (Jiangxi) Co., Ltd.	Manufacturing and operation of various types of plugs and sockets and telecommunications.	265,728	2	-	-	-	-	3,274	100	3,274	641,477	-	
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards	2,374,944	2	2,449,680	-	-	2,449,680	262,241	100	262,241	3,791,480	-	Note 4

Company name	The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6)	Investment amount approved by the Investment Commission, MOEA	In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7).
Pan-International Industrial Corp.	$ 3,924,775	$ 5,603,522	$ -

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: As of December 31, 2021, the Company has the following investment withdrawal cases approved by the Investment Commission of the Ministry of Economic Affairs:

Date	Approval letter No.	Investor Company	Original investment amount remitted from Taiwan	
September 5, 2003	0920028972	Dongguan Junwang Technology Co., Ltd.	USD	91 thousand
December 9, 2010	09900496780	Saibo Digital Technology (Guangzhou) Co., Ltd.		476 thousand
May 30, 2011	10000205680	Yunnan Saibo Digital Technology Co., Ltd.		190 thousand
May 30, 2011	10000205690	Chongqing Saibotel Digital Square Co., Ltd.		454 thousand
May 30, 2011	10000205700	Nanchong Saibo Digital Square Co., Ltd.		58 thousand
March 22, 2017	10600038030	UER Battery Technology (Shenzhen) Co., Ltd.		1,100 thousand
May 9, 2017	10630024870	Ganchuang International Trade (Shenzhen) Co., Ltd.		8,650 thousand
			USD	11,019 thousand

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: The company received the letter from the Investment Commission, MOEA referenced Jing-Shen-II No. 10000518690 in November 2011 for cancellation of the approved investment amount of US$500 thousand in Dongguan Pan-International Precision Electronics Co., Ltd. which had not yet been invested; on October 30, 2014, the company received the letter from the Investment Commission, MOEA referenced Jing-Shen-Er-Zi No. 10300233110 for transfer of 42 companies including Qingdao Saiboter Digital Technology Square Co., Ltd. to Samoa Le Zhiwan Ranch Holding Investment Limited; in March 2017, the company received the letter from the Investment Commission, MOEA referenced Jing-Shen-Er-Zi No. 10600038030 for cancellation of the approved investment amount of US$5,200 thousand in UER Battery Technology (Shenzhen) Co., Ltd. which had not yet been invested.

Note 7: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Note 8: the Company's subsidiary Pan Global Holding Co., Ltd. sold 16.87% of its-owned Class A shares of CYBERTAN TECHNOLOGY CORP. in the second quarter of 2021. The reinvestment business Fuyu Property (Shanghai) Co., Ltd. was indirectly disposed of. As of December 31, 2021, the Company indirectly held 16.87% of Class B shares of its reinvestment business Fuyu Property (Shanghai) Co., Ltd.

Pan-International Industrial Corp. and Subsidiaries

Information on major shareholders

December 31, 2021

Table 11

Name of major shareholders	Share	
	Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed dematerialized registration and delivery (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).