Stock Code: 3015

全漢企業股份有限公司

FSP Technology Inc.

2021
Annual Report

Date of Publication: May 8, 2022

Annual Report URL: http://mops.twse.com.tw
http://www.fsp-group.com/tw

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IV. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None.

V. Corporate Website: http://www.fsp-group.com/tw

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Chapter 1. Letter to Shareholders

Dear Shareholders,

In 2021, the global pandemic persisted amid geopolitical conflicts and disruptions in the semiconductor supply chain that caused shortages and price hikes of certain materials. The demand for powering CPU and GPU in cloud and networking devices has led to an increase in the volume and gross margin of power supply products. FSP followed trends and adjusted its material preparation policy and product portfolio to achieve a 13% growth in overall revenue compared to the previous year, totaling approximately NT$16.7 billion. Telecom cloud and industrial products accounted for over 60% of the total revenue, and the overall number of power supplies sold totaled nearly 21.2 million units, exceeding the target of 20.9 million units. The results of operations in 2021 and the business outlook for 2022 are explained below:

I. Results of Operations in 2021

(I) Business Plan Implementation Results

FSP's consolidated revenue for 2021 was NT$16,650,252 thousand, an increase of 13% compared to consolidated revenue of NT$14,796,460 thousand for 2020; the net income before tax for 2021 was NT$960,600 thousand, an increase of 3% compared to net income before tax of NT$934,044 thousand for 2020; net income after tax for 2021 was NT$801,279 thousand, an increase of 16% compared to net income after tax of NT$692,075 thousand for 2020; basic earnings per share before and after tax for 2021 were NT$4.67 and NT$4.03, respectively.

Unit: NT$ thousands; %

Item	2021	2020	Change, by Amount	Change, by Percentage
Operating Revenue	16,650,252	14,796,460	1,853,792	12.53%
Gross Profit	2,424,205	2,063,548	360,657	17.48%
Operating Income	671,909	462,337	209,572	45.33%
Non-Operating Income and Expenditures	288,691	471,707	(183,016)	(38.80%)
Net Income Before Tax	960,600	934,044	26,556	2.84%
Net income After Tax	801,279	692,075	109,204	15.78%

(II) Budget Implementation Status

The Company did not formulate a financial forecast for 2021.

(III) Analysis of Financial Gains and Losses and Profitability

Unit: NT$ thousands; %

Item		2021	2020	Percentage of Increase (Decrease)
Financial Revenue and Expenditures	Operating Revenue	16,650,252	14,796,460	12.53%
	Gross Profit	2,424,205	2,063,548	17.48%
	Net Profit After Tax	801,279	692,075	15.78%
Profitability Analysis	Return on total assets (%)	4.00	4.11	(2.68%)
	Return on equity (%)	6.30	6.72	(6.25%)
	Ratio of income before tax to paid-in capital (%)	51.30	49.88	2.85%
	Net profit margin (%)	4.81	4.68	2.78%
	Earnings Per Share (NT$)	4.03	3.55	13.52%

(IV) Research and Development

The results of R&D in 2021 were as follows:

- Increased ATX power density.
- Continuous development of highly automated products to reduce the cost of labor and increase production capacity.
- Development of power supply to support the 12Vo platform developed by Intel: SFX 650/750W.
- Conducted research and assessment of new component materials and plan the introduction of suitable products.
- High-wattage SFX power supply with multiple output rated for 750W/850W.
- GaN USB PD 65W products.
- 90W/120/135/150W/180W U3 series compact models.
- 50/65W products with wide temperature adaptation.
- Development of 300W 5V, 12V, and 24V power supply for industrial computer products with touch screens or motors.
- CRPS 2400W and 3000W high-power density devices.
- Completed CRPS modularized back panel and entry-level housing to meet the high-mix low-volume demand for edge computing: FC210E.
- 80W and 150W @2" x 4" power supply for telecom applications.
- 30W, 50W, and 75W power supply for industrial applications.
- 250W @ 2" x 4" series.
- 260W @ 3" x 5" series.
- 450W @ 3" x 5" series.
- 120W IP54.
- 250W ATX.

- 500W Class II substrate medical application power supply.
- 600/700W ATX.
- 600W/1100W 50.4V-58.8V On Board/Off Board Charger.
- 1800W 60V/30V On Board Charger.
- 300W CANBUS Charger.
- 700W aluminum-cast high-end water, dust, and shock-proof product development.
- AMR application charger development (1100W).

II. Summary of 2022 Business Plan

In 2022, the Company shall develop high-power digital power supply products with wide temperature adaptation for IOT networking products to meet the high-mix low-volume demand for such products. For USB PD products, the Company shall develop 240W USB PD products to meet the demand of most devices to respond the increase in USB 3.1 power needs. For gaming and Intel's new specifications, we shall develop Titanium-grade products with higher power and high efficiency. For the energy storage and battery market, we shall develop chargers and home energy storage systems targeting light-weight vehicles. The current target for total sales of power supply units is 20.9 million units.

The commissioning of the Company's new Taoyuan 3rd Plant constructed in 2021 is progressing smoothly and we shall make full use of the plant to support purchase orders for products that must be produced in Taiwan.

III. Future Development Strategy

FSP is committed to its corporate mission of "maximizing value for customers, employees, and shareholders with innovative services and high-quality products". We shall continue to develop advanced technologies and innovative power supplies for the industry to provide high value-added power supply products. We shall develop more efficient and durable power supply products for sustainability. They can be used in all kinds of telecom devices and open platform devices to reduce waste and inefficient manufacturing of products. We shall develop battery and charging systems for electric vehicles to reduce the use of vehicles with internal combustion engines and prevent air pollution. We shall also develop products for home energy storage to maintain partial supply of electricity for homes and protect the grid. The Company endeavors to develop and build business models that meet the urgent needs of people based on sustainability ideals.

IV. Impact of the External Competitive Environment, Regulatory Environment, and Overall Business Environment

FSP has set up the Sustainable Development Committee under the jurisdiction of the Board of Directors. With regard to current domestic and foreign laws and regulations that govern our operations, and our management team will continue to pay close attention to policies and laws on corporate governance issues that may affect the Company's financial and business. We shall provide guidance and review environmental issues related to the environment between operations and production, and social issues related to coexistence and mutual prosperity with society and stakeholders on all levels.

FSP is committed to protecting the environment with green energy, respecting customers, and creating a high-quality work environment. We seek to become the most reliable partner for customers, consumers, suppliers, and employees and maximize value for customers, shareholders, and employees.

I wish you good health and prosperity

Chairman: Cheng, Ya-Jen

Chapter 2. Company Profile

I. Company Profile

(I) Date of Incorporation

Date of incorporation and registration: April 15, 1993

(II) Company History

1993:	The Company was established in April with a capital of NT$5,000 thousand. It initially focused on OEM and trading of power supplies.
1994:	The Company's capital increased from NT$5,000 thousand to NT$10,000 thousand.
1997:	The Company's capital increased from NT$10,000 thousand to NT$38,000 thousand.
1998:	The Company launched power supplies that meet Micro ATX specifications in response to the launch of low-price computers.
1998:	In December, the Company increased its capital to NT$188,000 thousand to support business expansion and purchased land in Guishan Industrial Zone, Taoyuan to build its own factory.
1999:	In July, the Company filed an application for public offering of shares and increased the capital to NT$325,000 thousand.
2000:	In September, the Company increased its capital through capitalization of profits of NT$65,000 thousand and capital increase by cash of NT$30,000 thousand to increase the capital to NT$420,000 thousand.
2000:	The Guishan Factory was inaugurated in October.
2000:	The Company invested in the wholly-owned subsidiary FSP International Inc. in the British Virgin Islands and used the company to invest in Shenzhen HuiLi Electronics Co., Ltd. in China.
2001:	The ERP system was officially launched in July and was connected to the factories in China to facilitate instantaneous communication.
2001:	In September, the Company received ISO 9001 Quality Management System and ISO 14001 Environmental Management System certification.
2001:	In September, the Company increased its capital through capitalization of profits of NT$121,800 thousand, capitalization of capital surplus of NT$4,200 thousand, employee bonus converted to capital increase of NT$5,000 thousand, and capital increase by cash of NT$49,000 thousand to increase the Company's paid-in capital to NT$600,000 thousand.

2001:	To expand the production capacity, the Company increased the capital of its subsidiary company FSP International Inc. by US$1,000 thousand and used it to invest in Power Electronics Co., Ltd. in the British Virgin Islands. The Company then used Power Electronics Co., Ltd. to invest in Zhonghan Electronics Shenzhen Co., Ltd. in China.
2002:	In August, The Company increased its capital through capitalization of profits of NT$30,000 thousand, capitalization of capital surplus of NT$60,000 thousand, and employee bonus converted to capital increase of NT$10,000 thousand to increase the paid-capital to NT$700,000 thousand.
2002:	The Company's shares are traded on Taiwan Stock Exchange on October 16.
2003:	To increase its proximity to the market and provide services to customers, the Company increased the capital of the subsidiary FSP International Inc. by US$2,000 thousand and used it to set up Famous Holding Ltd. in Samoa. The Company then used Famous Holding Ltd. to invest in Wuxi SPI Technology Co., Ltd. in China.
2003:	In June, the Company increased its capital through capitalization of profits of NT$87,500 thousand and employee bonus converted to capital increase of NT$9,730 thousand to increase the Company's paid-in capital to NT$797,230 thousand.
2003:	To increase its proximity to the market and provide services to customers, the Company increased the capital of the subsidiary FSP International Inc. by US$950 thousand and used it to increase the capital in Famous Holding Ltd. in Samoa. The Company then used it to invest in Wuxi Zhonghan Technology Co., Ltd. in China.
2003:	In September, the Company increased its capital by cash of NT$63,910 thousand and increased the Company's paid-in capital to NT$861,140 thousand.
2004:	In March, the Company raised US$30,000 thousand to issue overseas convertible bonds.
2004:	To actively expand business and serve customers in the European market, the Company invested in the wholly-owned subsidiary Amacrox Technology Co., Ltd. in the British Virgin Islands and used it to invest in the wholly-owned Amacrox GMBH I.G. in Germany with an equity of EUR 500 thousand.
2004:	To actively expand business and serve customers in the American market, the Company invested in the wholly-owned subsidiary

	Amacrox Technology Co., Ltd. and used it to invest in a 45% stake in FSP Group USA Corp. in the United States.
2004:	To actively expand the domestic sales market in China and provide services to customers, the Company used the subsidiary FSP International Inc. to increase the capital of Famous Holding Ltd. in Samoa. The Company then used it to increase the capital of Wuxi Zhonghan Technology Co., Ltd. which was used to invest RMB 9,900 thousand for the equity of Shenzhen Zhong Han Science & Tech. Co., Ltd.
2004:	In May, the Board of Directors resolved to repurchase treasury stocks of 3,000,000 shares and the repurchase was completed in July.
2004:	In July, the Company increased its capital through capitalization of profits of NT$129,171 thousand and employee bonus converted to capital increase of NT$15,000 thousand to increase the Company's paid-in capital to NT$1,005,311 thousand.
2005:	To increase the technical capabilities of high-end products and switching power supply market share in Europe and the Americas, the Company invested NT$270,469 thousand in 3Y Power Technology (Taiwan) Inc. for a 70% stake. It also used it to invest US$7,350 thousand in 3Y Power Technology, Inc. in the United States with a 100% stake.
2005:	In response to business requirements, the Company filed an application to the Investment Commission and obtained approval for capital increase of US$2,000 thousand for FSP International Inc. (BVI). It also used Famous Holding Ltd. in Samoa and Power Electronics Co., Ltd. (BVI) to indirectly invest in Wuxi SPI Technology Co., Ltd. and Zhonghan Electronics Shenzhen Co., Ltd. in China.
2005:	In August, the Company increased its capital through capitalization of profits of NT$243,828 thousand and employee bonus converted to capital increase of NT$24,100 thousand to increase the Company's paid-in capital to NT$1,273,239 thousand.
2006:	In May, the Company converted overseas convertible corporate bonds into 923,658 common stocks and increased the Company's paid-in capital to NT$1,282,476 thousand.
2006:	In July, the Company converted overseas convertible corporate bonds into 167,939 common stocks and increased the Company's paid-in capital to NT$1,284,155 thousand.

2006:	In August, the Company increased its capital through capitalization of profits of NT$160,519 thousand and employee bonus converted to capital increase of NT$18,030 thousand to increase the Company's paid-in capital to NT$1,462,704 thousand.
2007:	In January, the Company converted overseas convertible corporate bonds into 4,490,905 common stocks and increased the Company's paid-in capital to NT$1,507,613 thousand.
2007:	In April, the Company converted overseas convertible corporate bonds into 286,654 common stocks and increased the Company's paid-in capital to NT$1,510,480 thousand.
2007:	In August, the Company increased its capital through capitalization of profits of NT$188,810 thousand and employee bonus converted to capital increase of NT$40,730 thousand to increase the Company's paid-in capital to NT$1,740,020 thousand.
2007:	In September, the Company increased its capital by cash of NT$160,000 thousand and increased the Company's paid-in capital to NT$1,900,020 thousand.
2007:	In December, the Company merged Protek Electronics Corp. through capital increase with the issuance of new shares. The Company increased its capital by NT$70,000 thousand and increased the Company's paid-in capital to NT$1,970,020 thousand.
2008:	In July, the Company increased its capital through capitalization of profits of NT$197,002 thousand and employee bonus converted to capital increase of NT$22,135 thousand to increase the Company's paid-in capital to NT$2,189,157 thousand.
2008:	In December, the Company canceled treasury stock totaling NT$62,270 thousand and changed the Company's paid-in capital to NT$2,126,887 thousand.
2009:	In August, the Company increased its capital through capitalization of profits of NT$53,172 thousand and employee bonus converted to capital increase of NT$2,470 thousand to increase the Company's paid-in capital to NT$2,182,529 thousand.
2010:	In April, employee stock option plans were converted into common stocks totaling NT$4,660 thousand and it increased the Company's paid-in capital to NT$2,187,189 thousand.
2010:	In May, employee stock option plans were converted into common stocks totaling NT$8,380 thousand and it increased the Company's paid-in capital to NT$2,195,569 thousand.
2010:	The subsidiary 3Y Power Technology (Taiwan) Inc. merged Jui Po Technology Co., Ltd. through capital increase with the issuance of

	new shares in May and increased the capital by NT$9,000 thousand with a stake of 67.17%.
2010:	In August, employee stock option plans were converted into common stocks totaling NT$3,940 thousand and the Company increased its capital through capitalization of profits of NT$43,911 thousand and employee bonus converted to capital increase of NT$1,392 thousand to increase the Company's paid-in capital to NT$2,244,812 thousand.
2010:	In October, the Company obtained the OHSAS 18001 Occupational Safety and Health Management System certification.
2010:	In November, employee stock option plans were converted into common stocks totaling NT$710 thousand and it increased the Company's paid-in capital to NT$2,245,522 thousand.
2011:	In April, employee stock option plans were converted into common stocks totaling NT$3,570 thousand and it increased the Company's paid-in capital to NT$2,249,092 thousand.
2011:	In May, employee stock option plans were converted into common stocks totaling NT$7,200 thousand and it increased the Company's paid-in capital to NT$2,256,292 thousand.
2011:	In August, the Company increased its capital through capitalization of profits of NT$24,256 thousand and employee stock option plans converted into common stocks totaling NT$5,890 thousand to increase the Company's paid-in capital to NT$2,286,438 thousand.
2011:	In November, employee stock option plans were converted into common stocks totaling NT$1,080 thousand and increased the Company's paid-in capital to NT$2,287,518 thousand.
2011:	In October, the Company obtained the ISO 14064-1 Greenhouse Gas Inventory Statement.
2012:	In April, employee stock option plans were converted into common stocks totaling NT$100 thousand and it increased the Company's paid-in capital to NT$2,287,618 thousand.
2012:	In May, employee stock option plans were converted into common stocks totaling NT$5,130 thousand and it increased the Company's paid-in capital to NT$2,292,748 thousand.
2012:	In September, employee stock option plans were converted into common stocks totaling NT$780 thousand and it increased the Company's paid-in capital to NT$2,293,528 thousand.
2012:	In November, employee stock option plans were converted into common stocks totaling NT$2,310 thousand and it increased the Company's paid-in capital to NT$2,295,838 thousand.

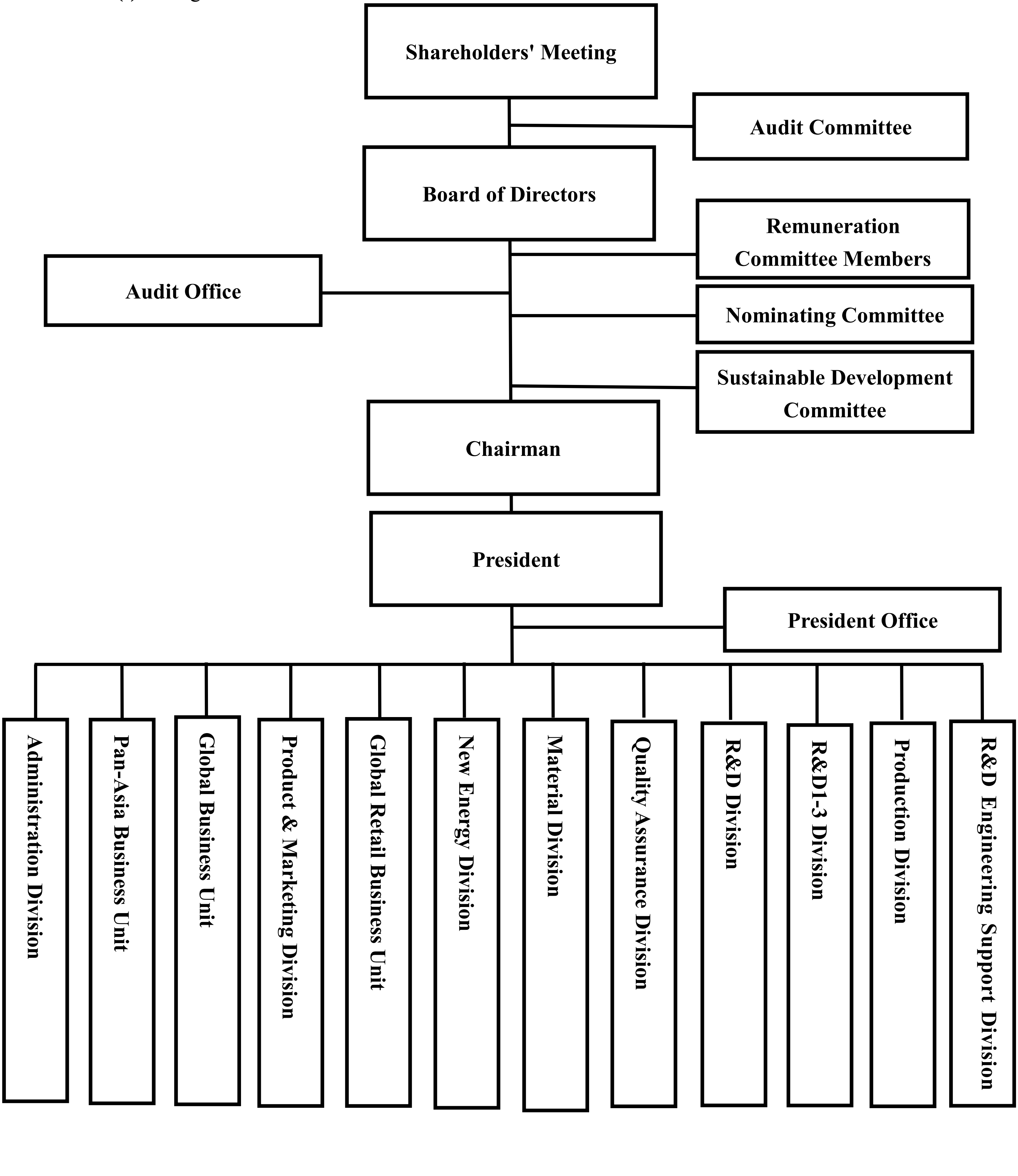
2012:	In December, the Company obtained IECQ QC 080000 Hazardous Substance Process Management certification.
2013:	In March, employee stock option plans were converted into common stocks totaling NT$2,930 thousand and it increased the Company's paid-in capital to NT$2,298,768 thousand.
2013:	In May, employee stock option plans were converted into common stocks totaling NT$8,840 thousand and it increased the Company's paid-in capital to NT$2,307,608 thousand.
2013:	In September, employee stock option plans were converted into common stocks totaling NT$1,790 thousand and it increased the Company's paid-in capital to NT$2,309,398 thousand.
2013:	In December, employee stock option plans were converted into common stocks totaling NT$7,830 thousand and it increased the Company's paid-in capital to NT$2,317,228 thousand.
2014:	In February, employee stock option plans were converted into common stocks totaling NT$27,430 thousand and it increased the Company's paid-in capital to NT$2,344,658 thousand.
2014:	The Company produced the world's first 400W power Supply that passed the 80 Plus Titanium certification.
2015:	In March, the Company built the Research and Development Building in Guishan Industrial Zone, Taoyuan.
2015:	In September, the Company reduced capital totaling NT$422,038 thousand and decreased the Company's paid-in capital to NT$1,922,620 thousand.
2016:	In January, FSP EMERGY 1000/3000 environmentally friendly energy storage system wins the 2016 Taiwan Excellence Award.
2016:	In response to business requirements, the Company filed an application to the Investment Commission and obtained approval for the subsidiary FSP International Inc. (BVI) to use the earnings of US$4,000 thousand from Shenzhen HuiLi Electronics Co., Ltd. in China and Power Electronics Co., Ltd. to indirectly increase the capital of Zhonghan Electronics Shenzhen Co., Ltd.
2016:	In November, the Company obtained ISO 13485 Medical Device Quality System certification.
2017:	The Research and Development Building was inaugurated in January.
2018:	In response to business requirements, the Company filed an application to the Investment Commission and obtained approval for the subsidiary FSP International Inc. (BVI) to use its own funds

	USD3,500 thousand to indirectly invest in Shenzhen HuiLi Electronics Co., Ltd.
2019:	In response to business requirements, the Company filed an application to the Investment Commission and obtained approval for the subsidiary Famous Holding Ltd. in Samoa to use the earnings of US$6,000 thousand from Wuxi Zhonghan Technology Co., Ltd. in China to indirectly invest in Wuxi SPI Technology Co., Ltd. in China.
2019:	In October, the Company obtained the ISO 45001 Occupational Safety and Health Management System certification.
2019:	In response to business requirements, the subsidiary 3Y Power Technology (Taiwan) Inc. increased capital by cash totaling NT$25,000 thousand with a 65.87% stake.
2020:	In January, the Company built the production site in Guishan Industrial Zone, Taoyuan.
2020:	In March, the Board of Directors resolved to repurchase treasury stocks of 5,000,000 shares and the repurchase was completed in May.
2020:	In July, the Company canceled treasury stock totaling NT$50,000 thousand and changed the Company's paid-in capital to NT$1,872,620 thousand.
2021:	The Production Building was inaugurated in July.
2021:	To actively expand business and serve customers in the European and Asian market, the Company invested in FSP Turkey Dis Ticaret Limited Sirketi with a 91.41% stake.
2021:	In December, the Company received the "Excellent Enterprise Award in Taoyuan City".

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Major Corporate Functions

Divisions	Business Activities
Audit Office	(1) Review and evaluate the Company's internal control system. (2) Establish and revise the internal audit system and ensure early warning functions. (3) Perform regular audits of the operation of management systems in the Company.
President Office	(1) Document Control Dept.: Management of procedures for internal documents. (2) Information Technology Dept.: Maintenance and management of the software and hardware of the information system. (3) Technique Development Dept.: Develop technologies and conduct basic research. (4) ESH Dept.: Compliance with environmental safety and health regulations and preparation of the Corporate Social Responsibility Report. (5) Labor Safety Dept.: Occupational safety and health management. (6) Legal Affairs and Intellectual Property Dept.: Management of legal affairs and related matters.
Administration Division	(1) Human resource management and general affairs. (2) Accounting and financial affairs and establishment of the accounting system.
Pan-Asia Business Unit Global Business Unit	(1) Preparation of sales forecasts, marketing plans, and product price implementation plans. (2) Provide product introduction, business contact, and quotation to customers. (3) Coordinate with technical units to produce and send samples based on customer requirements. (4) Responsible for providing quotations and issuance of internal purchase orders to procurement and production units for the samples approved by customers. (5) Responsible for marketing and sales for project customers.
Product & Marketing Division	(1) Standard product lifecycle management. (2) Development of strategic markets and strategic customers. (3) Integrated marketing planning. (4) Brand promotion. (5) Media and PR plans.
Global Retail Business Unit	(1) Development, marketing, and sales of retail products of the Company's brand.
New Energy Division	(1) Development, production, and sales of high-power energy storage system with lithium-ion batteries. (2) Development and production plans for lithium-ion battery management systems, chargers, and inverters. (3) Development of modular standard battery packs and mobile backup power systems for integrated applications. (4) New product planning and development.
Material Division	(1) Development, investigation, management, and contracting of suppliers of materials. (2) Planning and implementation of price negotiations for materials, analysis of machine costs, and procurement of production and non-production materials. (3) Execution and control of material requirement plans and management of warehousing operations. (4) Process Import/export affairs for all units of the Company.
Quality Assurance Division	(1) Inspections of incoming materials, process quality control, and sampling inspections of finished goods. (2) Process customer complaints, propose countermeasures, and conduct customer satisfaction surveys. (3) Integrate quality issues between factories and customers. Reduce defective rates and improve the Company's quality and image through immediate feedback and comprehensive follow-up. (4) RMA data analysis, tracking improvements, and quality management of after-sales services.
R&D Division R&D1-3 Divisions	(1) Preparation, execution, and management of annual development plans. (2) Development and design of related products, original sample production/tests/review, transfer of technical documents, design review, and confirmation of design changes. (3) Review and resolve issues in sample production, trial production, and validation for related products. (4) Propose matters of note for production operations and implementation of pilot run production.
Production Division	(1) Organization of regular production and sales meetings to achieve the optimal balance for production and sales. (2) Responsible for the preparation and processing of products.
R&D Engineering Support Division	(1) Assist R&D units in improving design quality and standard. (2) Implementation of verification tests and support for tests on customer requirements. (3) Anomaly analysis tests and sample shipment tests. (4) Factory-wide instrumentation and equipment management, calibration, and maintenance.

II. Information on the Company's Directors, President, Vice President, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units:

(I) Directors:

1. Information on Directors and Independent Directors:

April 11, 2022

Title	Nationality/Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives or Directors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Cheng, Ya-Jen	Male 61-70	2020.06.16	3 years	1993.04.08	12,167,477	6.33%	12,167,477	6.50%	1,019,992	0.54%	—	—	College of Engineering, Tatung University Chairman, FSP Technology Inc.	Note 1	Executive Assistant to the President	Cheng, Ming-Hsiang	Father-son	Note 5
Vice Chairman	R.O.C.	Wang, Chung-Shun	Male 71-80	2020.06.16	3 years	1999.06.15	11,265,794	5.86%	11,605,794	6.20%	618,892	0.33%	—	—	Feng Chia University Chairman, FSP Technology Inc.	Note 2	—	—	—	—
Director	R.O.C.	Yang, Fu-An	Male 61-70	2020.06.16	3 years	1993.04.08	11,792,834	6.13%	11,792,834	6.30%	249,022	0.13%	—	—	Feng Chia University Vice President, FSP Technology Inc.	Note 3	—	—	—	—
Director	British Virgin Islands	2K Industries Inc. (BVI)	—	2020.06.16	3 years	2005.06.10	6,793,162	3.53%	5,193,162	2.77%	—	—	—	—	—	—	—	—	—	—
	R.O.C.	Representative: Wang, Po-Wen	Male 51-60	2020.06.16	3 years	2005.06.10	—	—	—	—	—	—	—	—	Bachelor of Arts (Economics) U.C. Berkeley	Other position concurrently held at the Company: None Operations Manager, Fortron/Source Group Ltd Director, Fu Chuang Yuan Corporation	—	—	—	—
Director	Belize	Datazone Limited	—	2020.06.16	3 years	2002.06.22	390,839	0.20%	390,839	0.21%	—	—	—	—	—	—	—	—	—	—
	R.O.C.	Representative: Chu, Hsiu-Yin	Female 61-70	2020.06.16	3 years	2002.06.22	—	—	2,660,070 (Note 4)	1.42%	—	—	—	—	Department of Life-and-Death Studies, Nanhua University	Other position concurrently held at the Company: None Chairman, Unitel Pty Ltd. Director, Dehuang Biomedical Technology Inc.	—	—	—	—
Director	R.O.C.	Chen, Kuang-Chun	Male 51-60	2020.06.16	3 years	1999.06.15 (Note 6)	3,007,913	1.56%	2,989,913	1.59%	—	—	—	—	LeeMing Institute of Technology	—	—	—	—	—
Director	R.O.C.	Huang, Jr-Wen	Male 51-60	2020.06.16	3 years	2005.06.10	—	—	—	—	—	—	—	—	Master's degree, Saint Louis University Touch Cloud Inc. Supervisor	Other position concurrently held at the Company: None Senior Vice President, Investment Department, IBF Venture Capital Co., Ltd. Independent Director,	—	—	—	—

Title	Nationality/Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives or Directors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Bizlink Holding Inc. Supervisor, Genepharm Biotech Corp. Supervisor, Ttbio Corp.				
Independent Director	R.O.C.	Liu, Shou-Hsiang	Male 71-80	2020.06.16	3 years	2002.06.22	–	–	–	–	–	–	–	–	PhD in Economics, National Taiwan University Associate Professor, Ming Chuan University Research Fellow, Chung-Hua Institution for Economic Research Chairman and President, Ta Hua Investment Trust Independent Director, Hwatai Bank Co., Ltd.	Other position concurrently held at the Company: None Advisory Board Member, Chung-Hua Institution for Economic Research	–	–	–	–
Independent Director	R.O.C.	Cheng, Chia-Jiun	Male 61-70	2020.06.16	3 years	2011.06.15	–	–	–	–	–	–	–	–	Master of Business Administration, National Chengchi University President, Digital United Telecom Co., Ltd.	Other position concurrently held at the Company: None Azion Corporation Independent Director Independent Director, Bizlink Holding Inc.	–	–	–	–
Independent Director	R.O.C.	Hsu, Cheng-Hung	Male 61-70	2020.06.16	3 years	2015.06.08	–	–	–	–	1,227	0.00%	–	–	Department of Physics, Tamkang University Unitech Printed Circuit Board Corp. President	Other position concurrently held at the Company: None Shanghai Zhanhua Electronic Co., Ltd. Director	–	–	–	–

∗ The shareholding ratio is rounded to the second decimal place.

Note 1. The Company's Chairman serves concurrently as the President of the Company, Chairman of Chuan Han Investment Co., Ltd., Chairman of 3Y Power Technology (Taiwan) Inc., Director of FSP International Inc., Director of Power Electronics Co., Ltd., Director of Famous Holding Ltd., Director of FSP Group Inc., Director of Amacrox Technology Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of FSP Technology Inc., Director of Jiangsu FSP Power Technology R&D Co., Ltd., Supervisor of Yung Han Co., Ltd., Chairman of 3Y Power Technology Inc., Director of FSP International (HK) Limited, Director of Nanjing FSP-Powerland Technology Inc., Chairman of Amacrox GmbH, Director of Harmony Trading (HK) Limited, Director of Protek Electronics (Samoa) Corp., Director of Luckyield Co., Ltd., Director of FSP Group USA Corp., Chairman of FSP Technology USA Inc., Director of Haohan Electronic Technology (Ji'an) Co., Ltd., Representative of Corporate Director of Voltronic Power Technology Corp., Director of Fu Chuang Yuan Corporation, Supervisor of Hsiang Tsan Investment Co., Ltd., and Chairman of An Wen Investment Co., Ltd.

Note 2. The Company's Vice Chairman serves concurrently as the Vice President of the Company, Representative of Shenzhen HuiLi Electronics Co., Ltd., Representative of

Zhonghan Electronics Shenzhen Co., Ltd., Director of FSP International Inc., Director of Chuan Han Investment Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of 3Y Power Technology (Taiwan) Inc., Representative of Jiangsu FSP Power Technology R&D Co., Ltd., and Supervisor of Fu Chuang Yuan Corporation.

Note 3. The Company's Director serves concurrently as the Company's Vice President, Director of Shenzhen HuiLi Electronics Co., Ltd., Director of Zhonghan Electronics Shenzhen Co., Ltd., Director of FSP International Inc., Director of Chuan Han Investment Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of 3Y Power Technology (Taiwan) Inc., Director of Jiangsu FSP Power Technology R&D Co., Ltd., Director of Fu Chuang Yuan Corporation, Chairman of Yang Chi Investment Co., Ltd., Supervisor of Chin Yu Investment Co., Ltd., Supervisor of An Wen Investment Co., Ltd., and Supervisor of Baichuang Investment Co., Ltd.

Note 4. Chu, Hsiu-Yin's trust account under the custody of Yuanta Commercial Bank

Note 5. Where the Chairman of the Board of Directors, President, or individual with equivalent roles (highest-ranking managerial officer) are the same individual, spouses, or relatives within the first degree of kinship, specify related information regarding the reason, reasonableness, necessity, and response measures:

The Chairman of the Board of Directors serves concurrently as the President to strengthen execution in decision making and improve business efficiency. It is a temporary measure and the Company has actively sought suitable candidates within its ranks. In addition, the Chairman has maintained close communication with the Directors regarding the Company's operations and plans to ensure corporate governance. In the future, the Company intends to increase the number of Independent Directors to enhance the functions of the Board of Directors and strengthen supervisory functions. The Company has implemented the following measures:

(1) The current three Independent Directors have extensive experience and expertise in finance, business, and management and perform their supervisory functions effectively.

(2) Every year, we arrange professional director courses offered by external organizations such as the Securities & Futures Institute for all Directors to enhance the operations of the Board of Directors.

(3) The Independent Directors discuss necessary matters and propose recommendations to the Board of Directors in each functional committee to implement corporate governance.

(4) More than half of the members of the Board of Directors are not employees or managers.

Note 6. The Company organized an election in the shareholders' meeting on June 8, 2017 to replace all Supervisors. The Company also elected (appointed) Directors on June 16, 2020.

2. Major Shareholders

April 11, 2022

Name of Institutional Shareholder	Major Shareholders	Shareholding
2K Industries Inc. (BVI)	ALTOS INTERNATIONAL CORPORATION	65.30%
	ETERNAL WELTH HOLDINGS LIMITED	34.70%
Datazone Limited	ERNEST KAO	50.00%
	SOFIA KAO	50.00%

3. Major Shareholders of Institutional Shareholders

April 11, 2022

Name of Institutional Shareholder	Major Shareholders	Shareholding
ALTOS INTERNATIONAL CORPORATION	WANG,CHUNG-YIN	100%
ETERNAL WELTH HOLDINGS LIMITED	WANG,SHU-MEI	100%

4. Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors

April 11, 2022

Criteria / Name	Professional Qualifications and Experience	Independence Criteria (Note 1)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	12	
Cheng, Ya-Jen	Extensive experience and expertise in finance, business, and management and business administration skills Chairman, FSP Technology Inc.				✓	✓	✓				✓	✓	✓	None
Wang, Chung-Shun	Extensive experience and expertise in finance, business, and management Chairman, FSP Technology Inc.				✓	✓	✓	✓			✓	✓	✓	None
Yang, Fu-An	Extensive experience and expertise in finance, business, and management Vice President, FSP Technology Inc.				✓	✓	✓	✓			✓	✓	✓	None
2K Industries Inc. (BVI) Representative: Wang, Po-Wen	Extensive experience and expertise in economics and management Operations Manager, Fortron/Source Group Ltd Director, Fu Chuang Yuan Corporation	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		None
Datazone Limited Representative: Chu, Hsiu-Yin	Extensive experience and expertise in finance, business, and management Chairman, Unitel Pty Ltd. Director, Dehuang Biomedical Technology Inc.	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		None
Chen, Kuang-Chun	Extensive experience and expertise in R&D and management	✓	✓		✓	✓		✓		✓	✓	✓	✓	None
Huang, Jr-Wen	Extensive experience and expertise in	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Name \ Criteria	Professional Qualifications and Experience	Independence Criteria (Note 1)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	12	
	finance, business, and management Supervisor, Touch Cloud Inc. Senior Vice President, Investment Department, IBF Venture Capital Co., Ltd. Independent Director, Bizlink Holding Inc. Supervisor, Genepharm Biotech Corp. Supervisor, Ttbio Corp.													
Liu, Shou-Hsiang	Extensive experience and expertise in finance, business, and management Associate Professor, Ming Chuan University Research Fellow, Chung-Hua Institution for Economic Research Chairman and President, Ta Hua Investment Trust Independent Director, Hwatai Bank Co., Ltd. Advisory Board Member, Chung-Hua Institution for Economic Research None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Cheng, Chia-Jiun	Extensive experience and expertise in finance, business, and management President, Digital United Telecom Co., Ltd. Independent Director, Azion Corporation Independent Director, Bizlink Holding Inc. None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsu, Cheng-Hung	Extensive experience and expertise in finance, business, and management President, Unitech Printed Circuit Board Corp. Director, Shanghai Zhanhua Electronic Co., Ltd. None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1. Please place ”√” in the corresponding boxes if the directors meet the following conditions during the two years prior to the election and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the

total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not the manager listed in (1) or the spouse, relative within the second degree of kinship, or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total outstanding shares, who is among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchange Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.

(10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other director of the Company.

(11) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

(12) Not a governmental, juridical person or representative as defined in Article 27 of the Company Act.

5. Diversity and Independence of the Board Directors

(I) Diversity of the Board Directors:

The election of Directors (including Independent Directors) of the Company shall be based on the "Procedures for Election of Directors" and the candidate nomination system stipulated in Article 192-1 of the Company Act. The Company shall announce the period for accepting nominations for Directors (including Independent Directors) and the number of candidates for election before the book closure date prior to the shareholders' meeting in accordance with the law. The period of acceptance shall be no less than 10 days. After the Board of Directors reviews the list of candidates for Directors (including Independent Directors) and deems that they meet the requirements for Directors (including Independent Directors), the list shall be submitted to the shareholders' meeting for election.

The Company shall carefully consider the setup and diversity standards for the Board of Directors. It shall select Directors with the necessary knowledge, skills, and education to perform their duties based on their professional background, field, and practical experience. The Company shall also ensure that the number of Directors who are also managers of the Company does not exceed one third of the number of Directors as specified in the management targets.

The Company's Board of Directors is diverse and has different core competencies for effectively carrying out its responsibilities, which include establishing a good governance system for the Board of Directors, supervising, appointing, and directing the Company's management, strengthening management functions, and taking responsibility for the overall operations of the Company's economic, social, and environmental development to maximize stakeholders' interests.

The Company's current Board of Directors consists of 10 Directors, including 4 non-executive Directors (including 1 female Director), 3 Independent Directors, and 3 Executive Directors. The members have extensive experience and expertise in finance, business, economics, R&D, and management.

The Company attaches great importance to professional skills and gender equality in the composition of the Board. We aim to appoint an additional Director with legal expertise or a female Director in the 11th Board of Directors to meet our target.

The overall capabilities of the Board of Directors are specified in Article 20 of the Company's "Corporate Governance Best-Practice Principles". All members of the Board of Directors shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goals of corporate governance, the Board of Directors shall possess the following abilities:

I. Ability to make operational judgments.

II. Ability to perform accounting and financial analysis.

III. Ability to conduct management administration.

IV. Ability to conduct crisis management.

V. Knowledge of the industry.

VI. An international market perspective.

VII. Ability to lead.

VIII. Ability to make policy decisions.

The implementation status is listed in the table below:

Diversified Core Competences / Name of Director	Basic Composition									Industry Experience				Professional Skills				
	Nationality	Gender	Age			A Concurrent Employee of the Company	Seniority of Independent Director			Production management	Sales and marketing	Innovation and R&D	Asset management	Accounting	Finance	Law	Risk management	International market perspective
			41-50	51-60	61-75		Less than 3 years	3 to 9 years	More than 9 years									
Cheng, Ya-Jen	R.O.C.	Male			✓	✓				✓	✓	✓	✓	✓	✓		✓	✓
Wang, Chung-Shun	R.O.C.	Male			✓	✓				✓			✓	✓	✓		✓	✓
Yang, Fu-An	R.O.C.	Male			✓	✓				✓			✓	✓	✓		✓	✓
2K Industries Inc. (BVI) Representative: Wang, Po-Wen	R.O.C.	Male		✓													✓	✓
Datazone Limited Representative: Chu, Hsiu-Yin	R.O.C.	Female			✓								✓		✓		✓	✓
Chen, Kuang-Chun	R.O.C.	Male		✓								✓	✓				✓	✓
Huang, Jr-Wen	R.O.C.	Male		✓									✓	✓	✓		✓	✓
Liu, Shou-Hsiang	R.O.C.	Male			✓				✓				✓	✓	✓		✓	✓
Cheng, Chia-Jiun	R.O.C.	Male			✓				✓				✓	✓	✓		✓	✓
Hsu, Cheng-Hung	R.O.C.	Male			✓			✓					✓	✓	✓		✓	✓

Diversified Competences / Name of Director	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Industrial Knowledge	International market perspective	Ability to lead	Ability to make policy decisions
Cheng, Ya-Jen	✓	✓	✓	✓	✓	✓	✓	✓
Wang, Chung-Shun	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Fu-An	✓	✓	✓	✓	✓	✓	✓	✓
2K Industries Inc. (BVI) Representative: Wang, Po-Wen	✓	*	✓	✓	✓	✓	*	✓
Datazone Limited Representative: Chu, Hsiu-Yin	✓	*	✓	✓	✓	✓	✓	✓
Chen, Kuang-Chun	✓	*	✓	✓	✓	✓	✓	✓
Huang, Jr-Wen	✓	✓	✓	✓	✓	✓	✓	✓
Liu, Shou-Hsiang	✓	✓	✓	✓	*	✓	✓	✓
Cheng, Chia-Jiun	✓	✓	✓	✓	✓	✓	✓	✓
Hsu, Cheng-Hung	✓	✓	✓	✓	✓	✓	✓	✓

Note: *The Director has certain skills in this category

(II) Independence of the Board Directors:

The current Board of Directors consists of ten members, who were all elected by shareholders. The Board of Directors consists of five natural-person Directors, two representatives of Corporate Directors, and three Independent Directors.

More than half of the members of the Board of Directors are not employees or managers. They are also not a spouse or a relative within the second degree of kinship.

As required by the rules for public listing, the Company has obtained a written statement from each Independent Non-Executive Director for confirming the independence of the Director or his or her immediate family members with respect to the Company.

Opinions of the Company on Independence

The Board of Directors is committed to performing a continuous assessment of the independence of its Directors and it will consider all relevant factors including whether the Director continuously proposes constructive questions of the management and other Directors, whether the Director expresses views independent of the management or other Directors, and whether the Director acts appropriately inside the Board of Directors and in interactions with external entities. The conduct of the Company's Independent Non-Executive

Directors is consistent with expectations under applicable conditions and demonstrates these requirements.

After considering all conditions specified in this section, the Company considers that all Independent Non-Executive Directors to be individuals independent of the Company.

(II) Information on the Company's President, Vice President, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

April 11, 2022

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who are Spouses or Within the Second Degree of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Cheng, Ya-Jen	Male	1993.05.01	12,167,477	6.50%	1,019,992	0.54%	–	–	College of Engineering, Tatung University/ Chairman, FSP Technology Inc.	Note 1	–	–	–	Note 4
Vice President	R.O.C.	Wang, Chung-Shun	Male	1993.10.23	11,605,794	6.20%	618,892	0.33%	–	–	Feng Chia University/ Chairman, FSP Technology Inc.	Note 2	–	–	–	–
Vice President	R.O.C.	Yang, Fu-An	Male	1993.10.23	11,792,834	6.30%	249,022	0.13%	–	–	Feng Chia University/ Vice President, FSP Technology Inc.	Note 3	–	–	–	–
President, Kaohsiung Branch	R.O.C.	Chen, Kuo-Ruey	Male	2007.12.01	644,345	0.34%	33,333	0.02%	–	–	Master of Electrical Engineering, National Cheng Kung University/ President, Kaohsiung Branch, FSP Technology Inc.	None	–	–	–	–
Assistant Vice President, Material Division	R.O.C.	Wang, Ya-Chen	Female	1998.05.01	285,883	0.15%	93,502	0.05%	–	–	Feng Chia University/ Assistant Vice President, Material Division., FSP Technology Inc.	None	–	–	–	–
Vice President, Kaohsiung Branch	R.O.C.	Hsu, Pei-Ching	Male	2007.12.01	130,067	0.07%	–	–	–	–	Feng Chia University/ Vice President, Kaohsiung Branch, FSP Technology Inc.	None	–	–	–	–
Vice President, New Energy Division	R.O.C.	Tsai, Fu-Sheng	Male	2012.04.23	–	–	–	–	–	–	PhD, Virginia Polytechnic Institute and State University/ Vice President, New Energy Division, FSP Technology Inc.	None	–	–	–	–
Corporate Governance Officer	R.O.C.	Yao, Wen-Chun	Male	2019.01.08	–	–	–	–	–	–	Master's degree, National Yang-Ming University/ Manager, Legal Affairs and Intellectual Property Dept., FSP Technology Inc.	Note 5	–	–	–	–
Financial Supervisor	R.O.C.	Li, Fu-Jung	Female	2005.04.01	104,740	0.06%	8,281	0.00%	–	–	Fu-Jen Catholic University/ Manager, Finance Dept., FSP Technology Inc.	None	–	–	–	–
Chief Accounting Officer	R.O.C.	Sang, Hsi-Yun	Female	2005.04.01	84,045	0.04%	–	–	–	–	Master's degree, National Central University/ Manager, Accounting Dept., FSP Technology Inc.	None	–	–	–	–

*The shareholding ratio is rounded to the second decimal place.

Note 1. The Company's Chairman serves concurrently as the President of the Company, Chairman of Chuan Han Investment Co., Ltd., Chairman of 3Y Power Technology (Taiwan) Inc., Director of FSP International Inc., Director of Power Electronics Co., Ltd., Director of Famous Holding Ltd., Director of FSP Group Inc., Director of Amacrox Technology Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of FSP Technology Inc., Director of Jiangsu FSP Power Technology R&D Co., Ltd., and Supervisor of Yung Han Co., Ltd., Chairman of 3Y Power Technology Inc., Director of FSP International (HK) Limited, Director of Nanjing FSP-Powerland Technology Inc., Chairman of Amacrox GmbH, Director of Harmony Trading (HK) Limited, Director of Protek Electronics (Samoa) Corp., Director of Luckyield Co., Ltd., Director of FSP Group USA Corp., Chairman of FSP Technology USA Inc., Director of Haohan Electronic Technology (Ji'an) Co., Ltd., Representative of Corporate Director of Voltronic Power Technology Corp., Director of Fu Chuang Yuan Corporation, Supervisor of Hsiang Tsan Investment Co., Ltd., and Chairman of An Wen Investment Co., Ltd.

Note 2. The Company's Vice Chairman serves concurrently as the Vice President of the Company, Representative of Shenzhen HuiLi Electronics Co., Ltd., Representative of Zhonghan Electronics Shenzhen Co., Ltd., Director of FSP International Inc., Director of Chuan Han Investment Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of 3Y Power Technology (Taiwan) Inc., Representative of Jiangsu FSP Power Technology R&D Co., Ltd., and Supervisor of Fu Chuang Yuan Corporation.

Note 3. The Company's Director serves concurrently as the Company's Vice President, Director of Shenzhen HuiLi Electronics Co., Ltd., Director of Zhonghan Electronics Shenzhen Co., Ltd., Director of FSP International Inc., Director of Chuan Han Investment Co., Ltd., Director of Wuxi SPI Technology Co., Ltd., Director of Wuxi Zhonghan Technology Co., Ltd., Director of Shenzhen Zhong Han Science & Tech. Co., Ltd., Director of 3Y Power Technology (Taiwan) Inc., Director of Jiangsu FSP Power Technology R&D Co., Ltd., Director of Fu Chuang Yuan Corporation, Chairman of Yang Chi Investment Co., Ltd., Supervisor of Chin Yu Investment Co., Ltd., Supervisor of An Wen Investment Co., Ltd., and Supervisor of Baichuang Investment Co., Ltd.

Note 4. Where the President or individual with equivalent roles (highest-ranking managerial officer) and the Chairman of the Board of Directors are the same individual, spouses, or relatives within the first degree of kinship, specify related information regarding the reason, reasonableness, necessity, and response measures:

The Chairman of the Board of Directors serves concurrently as the President to strengthen execution in decision making and improve business efficiency. It is a temporary measure and the Company has actively sought suitable candidates within its ranks. In addition, the Chairman has maintained close communication with the Directors regarding the Company's operations and plans to ensure corporate governance. In the future, the Company intends to increase the number of Independent Directors to enhance the functions of the Board of Directors and strengthen supervisory functions. The Company has implemented the following measures:

(1) The current three Independent Directors are experts in finance, accounting, economics, and their own fields in the industry and perform their supervisory functions effectively.

(2) Every year, we arrange professional director courses offered by external organizations such as the Securities & Futures Institute for all Directors to enhance the operations of the Board of Directors.

(3) The Independent Directors discuss necessary matters and propose recommendations to the Board of Directors in each functional committee to implement corporate governance.

(4) More than half of the members of the Board of Directors are not employees or managers.

Note 5. Supervisor, Neurobit Technologies Co., Ltd.

III. Remuneration Paid During the Most Recent Fiscal Year to Directors, President, and Vice President

(I) Remuneration to Directors and Independent Directors

Unit: NT$ thousands

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received By Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (Note 10)		Compensation from Ventures Other Than Subsidiaries or from the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pension (B)		Director Remuneration (C) (Note 3)		Business Execution Expenses (D) (Note4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pension (F)		Employee Compensation (G) (Note 6)						
		The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company		Companies in the Consolidated Financial Statements (Note 7)		The Company	Companies in the Consolidated Financial Statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman and President	Cheng, Ya-Jen	0	0	0	0	7,000	7,600	245	257	7,245 0.96%	7,857 1.04%	15,206	15,206	0	0	12,350	0	12,350	0	34,801 4.62%	35,413 4.70%	3,600
Vice Chairman and Vice President	Wang, Chung-Shun																					
Director and Vice President	Yang, Fu-An																					
Director	2K Industries Inc. (BVI) Representative: Wang, Po-Wen																					
Director	Datazone Limited Representative: Chu, Hsiu-Yin																					
Director	Chen, Kuang-Chun																					
Director	Huang, Jr-Wen																					
Independent Director	Liu, Shou-Hsiang	1,800	1,800	0	0	0	0	105	105	1,905 0.25%	1,905 0.25%	0	0	0	0	0	0	0	0	1,905 0.25%	1,905 0.25%	0
Independent Director	Cheng, Chia-Jiun																					
Independent Director	Hsu, Cheng-Hung																					

1. Please specify the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the factors, such as their job responsibilities, risks, and time contributed.

   The remuneration of the Independent Directors of the Company shall be processed in accordance with Paragraph 3, Article 3 of the "Regulations Governing the Remuneration of Directors and Members of Functional Committees" approved by the Board of Directors on April 30, 2018. Independent Directors are not eligible for the remuneration for Directors specified in Article 20 of the Company's "Articles of Incorporation". However, the Company shall pay each Independent Director a fixed amount of remuneration each quarter regardless of whether the Company turns a profit. If an Independent Director resigns during the quarter, his or her remuneration shall be calculated proportionally based on the period of services in the quarter.

2. Other than disclosures in the above table, remuneration paid to Directors for providing services (e.g., providing consulting services as a non-employee for the parent company/all companies in consolidated financial statements) in the most recent fiscal year: NT$ 0.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the Consolidated Financial Statements (Note9) H	The Company (Note 8)	The parent company and all investees (Note 9) I
Less than NT$1,000,000	Independent Director: Liu, Shou-Hsiang Cheng, Chia-Jiun Hsu, Cheng-Hung	Independent Director: Liu, Shou-Hsiang Cheng, Chia-Jiun Hsu, Cheng-Hung	Independent Director: Liu, Shou-Hsiang Cheng, Chia-Jiun Hsu, Cheng-Hung	Independent Director: Liu, Shou-Hsiang Cheng, Chia-Jiun Hsu, Cheng-Hung
NT$1,000,000 (incl.)- NT$2,000,000(not incl.)	General Directors: Cheng, Ya-Jen Wang, Chung-Shun Yang, Fu-An 2K INDUSTRIES DATAZONE LIMITED Chen, Kuang-Chun Huang, Jr-Wen	General Directors: Cheng, Ya-Jen Wang, Chung-Shun Yang, Fu-An 2K INDUSTRIES DATAZONE LIMITED Chen, Kuang-Chun Huang, Jr-Wen	General Directors: 2K INDUSTRIES DATAZONE LIMITED Chen, Kuang-Chun Huang, Jr-Wen	General Directors: 2K INDUSTRIES DATAZONE LIMITED Chen, Kuang-Chun Huang, Jr-Wen
NT$2,000,000 (incl.) - NT$3,500,000(not incl.)	—	—	—	—
NT$3,500,000 (incl.) - NT$5,000,000(not incl.)	—	—	—	—
NT$5,000,000 (incl.) - NT$10,000,000(not incl.)	—	—	General Directors: Wang, Chung-Shun Yang, Fu-An	General Directors: Wang, Chung-Shun Yang, Fu-An
NT$10,000,000 (incl.) - NT$15,000,000(not incl.)	—	—	General Directors: Cheng, Ya-Jen	General Directors: Cheng, Ya-Jen
NT$15,000,000(incl.) - NT$30,000,000(not incl.)	—	—	—	—
NT$30,000,000(incl.) - NT$50,000,000(not incl.)	—	—	—	—
NT$50,000,000(incl.) - NT$100,000,000(not incl.)	—	—	—	—
Greater Than or Equal to NT$100,000,000	—	—	—	—
Total	10 persons	10 persons	10 persons	10 persons

Note 1. The names of the Directors must be listed separately (for institutional shareholders, the names of institutional shareholders and representatives should be listed respectively) and the various payment amounts using the summary disclosure method for general Directors and Independent Directors. If a Director serves concurrently as the President or Vice President, fill out this table and Table 3(2) below.

Note 2. Remuneration to Directors in the most recent fiscal year (including the Directors' salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 3. The amount is the proposed remuneration to Directors approved by the Board of Directors for the most recent fiscal year.

Note 4. This refers to the business execution expenses of Directors in the most recent fiscal year (including transportation expenses, special allowance, stipends, dormitory, and car). If housing, cars, and transportation vehicles or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments shall be disclosed. Where a driver is also provided, the compensation paid by the Company to the driver shall be specified in the notes but the amount shall not be included in the remuneration.

Note 5. All payments to Directors who are also employees of the Company (including the position of President, Vice President, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. If housing, cars, and transportation vehicles or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments shall be disclosed. Where a driver is also provided, the compensation paid by the Company to the driver shall be specified in the notes but the amount shall not be included in the remuneration. Furthermore, any compensation recognized in the IFRS 2 "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares, and capital increase by stock subscription, shall be included in the calculation of the remuneration.

Note 6. For Directors concurrently serving as employees (including the President, Vice Presidents, other managers and employees) who receive employee compensation (including shares and cash), the amount of employee compensation that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of compensation cannot be estimated, the amount of compensation in the current fiscal year shall be calculated based on the ratio of the amount of compensation distributed in the previous fiscal year, and this amount shall also be specified in Table 3(3) below.

Note 7. Total pay to Directors from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 8. The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the Director by the Company.

Note 9. The total amount of all the remuneration paid to each Director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each Director shall be disclosed in the range of remuneration.

Note 10. The net income refers to the net income in the parent company only or individual financial report in the most recent fiscal year.

Note 11.

a. The amount of remuneration received from subsidiaries other than investees or the parent company by the Company's Directors shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If a Director of the Company receives remuneration from investees other than subsidiaries or the parent company, the amount of remuneration received by the Director from investees other than subsidiaries or the parent company shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investees".

c. Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by a Director of the Company serving as a director, supervisor or managerial officer of an investee of the Company other than subsidiaries or the parent company.

* A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

(II) Remuneration to the President and Vice President

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance Pay and Pension (B)</th><th colspan="2">Bonuses and Allowances, etc. (C) (Note 3)</th><th colspan="4">Employee Compensation (D) (Note 4)</th><th colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)</th><th rowspan="3">Compensation from Ventures Other Than Subsidiaries or from the Parent Company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Consolidated Financial Statements (Note 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman and President</td><td>Cheng, Ya-Jen</td><td rowspan="6">12,922</td><td rowspan="6">12,922</td><td rowspan="6">203
Note</td><td rowspan="6">203
Note</td><td rowspan="6">9,467</td><td rowspan="6">9,467</td><td rowspan="6">13,100</td><td rowspan="6">0</td><td rowspan="6">13,100</td><td rowspan="6">0</td><td rowspan="6">35,692
4.73%</td><td rowspan="6">35,692
4.73%</td><td rowspan="6">3,600</td></tr>
<tr><td>Vice Chairman and Vice President</td><td>Wang, Chung-Shun</td></tr>
<tr><td>Director and Vice President</td><td>Yang, Fu-An</td></tr>
<tr><td>Kaohsiung Branch President</td><td>Chen, Kuo-Ruey</td></tr>
<tr><td>Vice President, New Energy Division</td><td>Tsai, Fu-Sheng</td></tr>
<tr><td>Vice President, Kaohsiung Branch</td><td>Hsu, Pei-Ching</td></tr>
</table>

Note: All items are recognized as severance pay and pension

* Regardless of titles, remunerations of employees with positions equivalent to the President or Vice President (such as president, CEO, and director) shall be disclosed.

Range of Remuneration

Range of Remuneration Paid to the President and Vice President	Name of the President and Vice President	
	The Company (Note 6)	Parent Company and all Investees (Note 7) E
Less than NT$1,000,000	—	—
NT$1,000,000 (incl.)- NT$2,000,000 (not incl.)	—	—
NT$2,000,000 (incl.) - NT$3,500,000 (not incl.)	Hsu, Pei-Ching Chen, Kuo-Ruey Tsai, Fu-Sheng	Hsu, Pei-Ching Chen, Kuo-Ruey Tsai, Fu-Sheng
NT$3,500,000 (incl.) - NT$5,000,000 (not incl.)	—	—
NT$5,000,000 (incl.) - NT$10,000,000 (not incl.)	Wang, Chung-Shun Yang, Fu-An	Wang, Chung-Shun Yang, Fu-An
NT$10,000,000 (incl.) - NT$15,000,000 (not incl.)	Cheng, Ya-Jen	Cheng, Ya-Jen
NT$15,000,000 (incl.) - NT$30,000,000 (not incl.)	—	—
NT$30,000,000 (incl.) - NT$50,000,000 (not incl.)	—	—
NT$50,000,000 (incl.) - NT$100,000,000 (not incl.)	—	—
Greater Than or Equal to NT$100,000,000	—	—
Total	6 persons	6 persons

Note 1. The names of President and Vice Presidents shall be listed separately and the amounts paid shall be disclosed in a summary. If a Director serves concurrently as the President or Vice President, fill out this table and Table 3(1) above.

Note 2. Salary, additional duty payments, and severance pay received by the President and Vice Presidents in the past year.

Note 3. Bonus, incentive payments, transportation expenses, special allowance, stipends, dormitory, car, and other payments received by the President or Vice President in the past year. If housing, cars, and transportation vehicles or personal expenses are provided, the nature and cost of the assets provided, the rental fees and fuel cost calculated based on the actual amount or fair market value, and other payments shall be disclosed. Where a driver is also provided, the compensation paid by the Company to the driver shall be specified in the notes but the amount shall not be included in the remuneration.

Furthermore, any compensation recognized in the IFRS 2 "Share-Based Payment" section, including issuance of employee stock options, new restricted employee shares, and capital increase by stock subscription, shall be included in the calculation of the remuneration.

Note 4. The amount of employee compensation (including shares and cash) that have been approved by the Board of Directors and distributed to the President and Vice Presidents in the most recent fiscal year. If the amount of remuneration cannot be estimated, the amount of remuneration in the current fiscal year shall be calculated based on the ratio of the amount of remuneration distributed in the previous fiscal year, and this amount shall also be filled in Table 3(3) below.

Note 5. Total pay to the Company's President and Vice Presidents from all companies in the consolidated statements (including the Company) shall be disclosed.

Note 6. The names and remuneration of President and Vice Presidents paid by the Company shall be disclosed in their respective range of remuneration.

Note 7. The total amount of all the remuneration paid to each President and Vice President of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each President and Vice President shall be disclosed in the range of remuneration.

Note 8. The net income refers to the net income in the parent company only or individual financial report in the most recent fiscal year.

Note 9.

a. The amount of remuneration received from subsidiaries other than investees or the parent company by the Company's President and Vice Presidents shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If a President or Vice President of the Company receives remuneration from investees other than subsidiaries or the parent company, the amount of remuneration received by the President or Vice President from investees other than subsidiaries or the parent company shall be combined into Column E of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investees".

Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by the President and Vice President of the Company serving as a director, supervisor or managerial officer of an investee of the Company other than subsidiaries or the parent company.

＊ A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

(III) Employee Compensation Paid to Managerial Officers

December 31, 2021; Unit： NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	President	Cheng, Ya-Jen	0	15,918	15,918	2.11%
	Vice President	Yang, Fu-An				
	Vice President	Wang, Chung-Shun				
	President, Kaohsiung Branch	Chen, Kuo-Ruey				
	Associate Managers	Wang, Ya-Chen				
	Vice President, Kaohsiung Branch	Hsu, Pei-Ching				
	Vice President, New Energy Division	Tsai, Fu-Sheng				
	Corporate Governance Officer	Yao, Wen-Chun				
	Financial Supervisor	Li, Fu-Jung				
	Chief Accounting Officer	Sang, Hsi-Yun				

Note 1. The names and titles of the individuals must be disclosed, but the distribution of profits may be disclosed in a

summary.

Note 2. The amount of employee compensation (including shares and cash) that have been approved by the Board of Directors and distributed to the managerial officers in the most recent fiscal year. If the amount of remuneration cannot be estimated, the amount of remuneration in the current fiscal year shall be calculated based on the ratio of the amount of remuneration distributed in the previous fiscal year. The net income refers to the net income for the most recent fiscal year; for those that have already adopted the IFRS principles, net income refers to the after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 3. The scope of application for the term "managerial officer" shall be pursuant to the FSC's Tai-Cai-Zheng-3 No. 0920001301 Order dated March 27, 2003. Its scope of application shall be as follows:

(1) President and those with equivalent powers
(2) Vice Presidents and those with equivalent powers
(3) Assistant Vice Presidents and those with equivalent powers
(4) Manager of the Finance Dept.
(5) Manager of the Accounting Dept.
(6) Other individuals with the authority for managing company affairs and signatory rights

Note 4. Directors, Presidents, and Vice Presidents who receive employee compensation (including shares and cash) must be listed in Table 3(1) and this table.

(IV) Comparison and Explanation of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only or Individual Financial Statements, Paid by the Company and All Companies in Consolidated Financial Statements during the Past 2 Fiscal Years to the Directors, President, and Vice Presidents, Along with Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure:

1. Analysis of total remuneration, as a percentage of net income stated in the parent company only or individual financial statements, paid by the Company and all companies in the consolidated financial statements to the Directors, President, and Vice Presidents during the past 2 fiscal years

Unit: NT$ thousands

Item / Title	The Company				Companies in the Consolidated Financial Statements			
	2020		2021		2020		2021	
	Total remuneration	Ratio to Net Income (%)	Total remuneration	Ratio to Net Income (%)	Total remuneration	Ratio to Net Income (%)	Total remuneration	Ratio to Net Income (%)
Directors	32,006	4.78%	36,706	4.87%	32,468	4.85%	37,318	4.95%
President and Vice Presidents	32,972	4.93%	35,692	4.73%	32,972	4.93%	35,692	4.73%
Net income	669,314	—	754,082	—	669,314	—	754,082	—

The increase in total compensation of Directors in 2021 compared to 2020 was due to the increase in net income in 2021, and the increase in total compensation of the President and Vice Presidents compared to 2020 was due to the increase in employee compensation.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

   (1) Remuneration

   The remuneration of the Company's Directors is processed in accordance with Article 20 of the Company's Articles of Incorporation, which stipulates that no more than 3% of the annual profit shall be set aside for the remuneration of the Directors. The Company also evaluates the remuneration of the Directors in accordance with the items in the Company's "Regulations Governing the Evaluation of the Board of Directors": They include alignment of the goals and missions of the Company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education, and internal control, which are included in the performance evaluation and factors for determining the distribution of remuneration. The payment standards for transportation expenses are based on the payment standards set forth in the Regulations Governing the Remuneration of Directors and Members of Functional Committees and each member receives transportation expenses of NT$5,000 for each meeting. If a Director is also an employee, remuneration shall also be paid in accordance with the terms in (3) and (4).

   (2) Remuneration of Independent Directors

   Independent Directors of the Company are not eligible for the remuneration for Directors specified in Article 20 of the Company's "Articles of Incorporation". However, the Company shall pay each Independent Director a fixed amount of remuneration each quarter regardless of whether the Company turns a profit in accordance with the "Regulations Governing the Remuneration of Directors and Members of Functional Committees". If an Independent Director resigns during the quarter, his or her remuneration shall be calculated proportionally based on the period of services in the quarter.

   (3) Remuneration of Managerial Officers

   The remuneration paid to the managerial officers of the Company is determined based on the Company's "Managerial Officer Salary and Compensation Management Regulations" and the salary standards of the position in the industry. The Company also considers the scope of duties of the position in the Company, contributions to the attainment of the Company's operating targets, and profitability before proposing a reasonable remuneration, which shall be reviewed and approved by the Remuneration Committee and passed by the

Board of Directors before implementation.

(4) Procedures for determining remuneration, and the correlation with risks and business performance

The Company shall establish procedures for determining the remuneration which shall be assessed based on the Company's "Regulations Governing the Evaluation of the Board of Directors" and the "Managerial Officer Salary and Compensation Management Regulations". In addition to the Company's overall performance, future risks in the industry, and development trends, the Company shall also consider the extent of personal performance and contributions to the Company for providing reasonable remuneration. Related performance evaluation and the reasonableness of salary and remuneration shall be reviewed by the Remuneration Committee and the Board of Directors. They shall review the remuneration system based on actual business operations and related laws to maintain a balance between sustainable management and risk management.

IV. Implementation of Corporate Governance:

(I) Information on the Operations of the Board of Directors

A total of 10 (A) meetings of the Board of Directors was held in 2021 and 2022 as of the publication date of the Annual Report. The attendance of Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (B/A)	Remark
Chairman	Cheng, Ya-Jen	10	0	100%	–
Vice Chairman	Wang, Chung-Shun	10	0	100%	–
Director	Yang, Fu-An	10	0	100%	–
Director	2K Industries Inc. (BVI) Representative: Wang, Po-Wen	10	0	100%	–
Director	Datazone Limited Representative: Chu, Hsiu-YinChu, Hsiu-Yin	10	0	100%	–
Director	Chen, Kuang-Chun	10	0	100%	–
Director	Huang, Jr-Wen	10	0	100%	–
Independent Director	Liu, Shou-Hsiang	10	0	100%	–
Independent Director	Cheng, Chia-Jiun	10	0	100%	–
Independent Director	Hsu, Cheng-Hung	10	0	100%	–

Other matters:

1. With regard to the operations of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions, and the Company's response shall be specified:

   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee and the requirements in Article 14-3 of the Securities and Exchange Act do not apply. Please refer to the Operations of the Audit Committee in the Annual Report for detailed information.

   (2) Any recorded or written Board resolutions to which independent directors have dissenting or qualified opinions to be noted in addition to the above: None.

2. Regarding recusals of directors due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified:

   (1) 5th meeting of the 10th Board of Directors on January 14, 2021

   Contents of Motions: Passed the proposal for the year-end bonus for the Company's managerial officers for 2020 proposed by the Remuneration Committee.

   Directors who recused themselves due to conflict of interest: Cheng, Ya-Jen, Wang, Chung-Shun, Yang, Fu-An.

   Reasons for recusal and participation in voting: According to Article 206 of the Company Act, the Directors Cheng, Ya-Jen, Wang, Chung-Shun, and Yang, Fu-An may not participate in the vote. The other Directors and Independent Director in attendance passed the proposal unanimously.

   (2) 6th meeting of the 10th Board of Directors on March 18, 2021

   Contents of Motions: Passed the proposal for the remuneration of the managerial officers for 2020 proposed by the Remuneration Committee.

   Directors who recused themselves due to conflict of interest: Cheng, Ya-Jen, Wang, Chung-Shun, Yang, Fu-An.

   Reasons for recusal and participation in voting: According to Article 206 of the Company Act, the Directors Cheng, Ya-Jen, Wang, Chung-Shun, and Yang, Fu-An may not participate in the vote. The other Directors and Independent Director in attendance passed the proposal unanimously.

   (3) 6th meeting of the 10th Board of Directors on March 18, 2021

Contents of Motions: Passed the amendment of the "Regulations Governing the Remuneration of Directors and Members of Functional Committees".

Directors who recused themselves due to conflict of interest: Liu, Shou-Hsiang, Cheng, Chia-Jiun, Hsu, Cheng-Hung.

Reasons for recusal and participation in voting: According to Article 206 of the Company Act, the Independent Directors Liu, Shou-Hsiang, Cheng, Chia-Jiun, and Hsu, Cheng-Hung may not participate in the vote. The other Directors in attendance passed the proposal unanimously.

(4) 12th meeting of the 10th Board of Directors on January 13, 2022

Contents of Motions: Passed the proposal for the year-end bonus for the Company's managerial officers for 2021 proposed by the Remuneration Committee.

Directors who recused themselves due to conflict of interest: Cheng, Ya-Jen, Wang, Chung-Shun, Yang, Fu-An.

Reasons for recusal and participation in voting: According to Article 206 of the Company Act, the Directors Cheng, Ya-Jen, Wang, Chung-Shun, and Yang, Fu-An may not participate in the vote. The other Directors and Independent Director in attendance passed the proposal unanimously.

(5) 13th meeting of the 10th Board of Directors on March 18, 2022

Contents of Motions: Passed the proposal for the remuneration of the managerial officers for 2021 proposed by the Remuneration Committee.

Directors who recused themselves due to conflict of interest: Cheng, Ya-Jen, Wang, Chung-Shun, Yang, Fu-An.

Reasons for recusal and participation in voting: According to Article 206 of the Company Act, the Directors Cheng, Ya-Jen, Wang, Chung-Shun, and Yang, Fu-An may not participate in the vote. The other Directors and Independent Director in attendance passed the proposal unanimously.

3. Evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self-evaluation of the Board of Directors:

Evaluation of the Board

Frequency	Period	Scope	Method	Content
1. The Board of Directors shall execute at least one internal performance evaluation each year	2021/1/1~2021/12/31	Performance evaluation of the Board of Directors and individual Directors	1. Self-evaluation of the Board of Directors and self-evaluation of the Directors	Note 1
2. The Board of Directors shall appoint an external professional independent agency or a team of external experts and scholars to conduct an external performance evaluation at least once every three years.	2020/1/1~2020/12/31	Performance evaluation of the Board of Directors	2. Appoint an external professional independent agency or a team of external experts and scholars to conduct an external performance evaluation.	Note 2

Note 1. The evaluation contents include the following items according to the scope of evaluation:

(1) Performance evaluation of the Board of Directors: Including participation in the operation of the company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the Directors, and internal control.

(2) Performance evaluation of individual Directors Including alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.

The evaluation results of the Board of Directors have been reported to the Board of Directors on January 13, 2022 as reference for continuous strengthening of the functions of the Board of Directors and disclosed on the company website for reference by investors.

Note 2. The Company's Board of Directors passed a resolution on January 14, 2021 to amend the "Regulations Governing the Evaluation of the Board of Directors". The performance evaluation of the Board of Directors shall be conducted at least once every three years by an external professional independent agency or a team of external experts and scholars. In December 2020, the Company appointed the Taiwan Institute of Ethical Business and Forensics to conduct the external board performance evaluation for 2020 (January to December 2020). The agency and the executive members are independent as they meet the requirements in the Independence Statement of the Board of Directors Performance Evaluation Report. They used questionnaires and on-site visits to evaluate the Board of Directors' professional functions (board composition and structure, election, and continuing education of Directors), the effectiveness of its decision-making (participation in the Company's operations and improvement of the quality of the decisions of the Board of Directors), the commitment of the Board of Directors to internal control and its supervision, and the attitude of the Board of Directors in regards to corporate social responsibility. Taiwan Institute of Ethical Business and Forensics issued the Board of Directors Performance

Evaluation Report on January 6, 2021. The conclusions, recommendations, and measures to be taken by the Company are as follows:

Item	Recommendations in the Evaluation Report	Measures to be Taken by the Company
Enhance the diversity in the composition of the Board of Directors	1. Board member are encouraged to propose diverse opinions. 2. The Company may consider establishing a Nominating Committee to seek candidates with different professional qualifications, enrich the composition of the Board of Directors, and incorporate different ideas and perspectives into the Board of Directors.	1. The Company plans to appoint an additional Director with legal expertise or a female Director in the 11th Board of Directors. 2. The Company has set up the "Nominating Committee" based on a resolution passed by the Board of Directors on November 4, 2021.
Issue of the Chairman's concurrent role as the President	1. The Company may increase the ratio of the number of Independent Directors at the present stage to meet requirements for supervising business management. 2. In the future, the Company shall evaluate whether it is possible to meet the best-practice principles of not having the Chairman serve concurrently as the President based on the scale of company operations and the principles for corporate governance.	The Company plans to increase the number of Independent Directors in the 11th Board of Directors.
Adjustment of the whistleblowing regulations and establishment of external whistleblowing channels	The Company is advised to consider the following measures: 1. The Company may consider strengthening the independence of the processing unit by designating the Auditing Staff Office or Audit Committee as the processing unit. 2. The Company may consider the feasibility of accepting anonymous reports to encourage internal whistleblowers to report misconduct. 3. The Company may consider appointing an independent external agency to provide a dedicated email address or hotline for whistleblowing.	The Company amended the "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System", which was approved by the Audit Committee and submitted to the Board of Directors for resolution on March 18, 2021. The Company changed the processing unit to the Auditing Staff Office to strengthen its independence.
Creation of a professional talent pool for succession	The Company is advised to first identify and confirm the required rank of each manager, conduct an inventory of the Company's relevant talents, and set up a talent pool. Executives at each level should identify several potential successors and set up different short, medium, and long-term development plans for talents of each level for implementation. We shall regularly review the effectiveness of talent development and adjust the Company's talent development plan accordingly to formulate strategies for preventing talent gaps.	The Company has established succession plans for members of the Board of Directors and important managers.
Intensification of CSR strategies and plans	The Company is advised to consider appointing external consultants to provide the CSR Work Group with more diverse recommendations to support innovative thinking.	The Company has set up the "Sustainable Development Committee" based on a resolution passed by the Board of Directors on March 18, 2021, and appointed KPMG Taiwan as an external consultant to conduct necessary audits or provide consulting services.

Measures taken to strengthen the function of the Board（including establishing the Audit Committee and enhancing information transparency） and results thereof:

(1) Measures taken to strengthen the function of the Board:

The functional committees under the jurisdiction of the Board of Directors, including the Audit Committee and Remuneration Committee, assist the Board of Directors in the performance of their supervisory duties. The members of the Audit Committee and Remuneration Committee consist of the three Independent Directors.

To meet requirements for sustainability and governance in the current international community, the Company's Board of Directors passed a resolution in March 2021 to establish the "Sustainable Development Committee" to take charge of the establishment of sustainability policies, decision making, and supervision of sustainability operations. An "Executive Office" was set up under its jurisdiction.

It promotes and implements operations related to corporate governance, responsible supply chain, green operations, green products, happy workplace, and social engagement based on its duties for ensuring sustainability.

The members of the Committee include the Chairman and the three Independent Directors who report to the Board of Directors on a regular basis.

To meet corporate governance requirements and to strengthen the operations of the Board of Directors, the Company established the "Nominating Committee Charter" in November 2021 and approved the establishment of the "Nominating Committee" to set the qualifications of the Directors and senior managerial officers and the criteria for independence. We also follow the standards to identify, review, and nominate candidates for Directors and managerial officers, set up and develop the organizational structure of the Board and committees, conduct performance evaluations of the Board, committees, Directors and managerial officers, and evaluate the independence of Independent Directors. We establish and regularly review Directors' continuing education programs and succession plans for Directors and senior managerial officers. We also review amendments of the Company's Corporate Governance Best-Practice Principles.

(2) Evaluation of the Implementation Status:

The Company established the "Regulations Governing the Evaluation of the Board of Directors" in accordance with Article 37 of the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". It shall conduct the performance evaluation of the Board of Directors each year. In addition, an external independent professional agency or a team of external experts and scholars shall be appointed to conduct an evaluation at least once every three years. The Company has completed the internal evaluation and an evaluation by an external professional agency in early 2021. Related evaluation results have been published on the Company's website. Refer to the explanation provided in the "Implementation of Corporate Governance" in this Annual Report.

The Company's "Regulations Governing the Evaluation of the Board of Directors" and the results of the performance evaluation of the Board of Directors are disclosed in the corporate governance section on the company website. (https://www.fsp-group.com/tw/CorporateGovernance.html)

(II) Key work items and implementation status of the Audit Committee for the year:

This Company's Audit Committee is composed of the 3 Independent Directors. The Audit Committee is created to assist the Board of Directors in its supervision of the Company's execution of related accounting, auditing, and financial report procedures and the quality and integrity of its financial control.

1. Professional qualifications and experience of the members of the Audit Committee

Title	Criteria / Name	Professional Qualifications and Experience	Remark
Independent Director Convener	Liu, Shou-Hsiang	Extensive experience and expertise in finance, business, and management Associate Professor, Ming Chuan University Research Fellow, Chung-Hua Institution for Economic Research Chairman and President, Ta Hua Investment Trust Independent Director, Hwatai Bank Co., Ltd. Advisory Board Member, Chung-Hua Institution for Economic Research	—
Independent Director	Cheng, Chia-Jiun	Extensive experience and expertise in finance, business, and management President, Digital United Telecom Co., Ltd. Independent Director, Azion Corporation Independent Director, Bizlink Holding Inc.	—
Independent Director	Hsu, Cheng-Hung	Extensive experience and expertise in finance, business, and management President, Unitech Printed Circuit Board Corp. Director, Shanghai Zhanhua Electronic Co., Ltd.	—

2. The main items reviewed by the Audit Committee in 2021 and 2022 as of the publication date of the Annual Report mainly included:

(1) Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.

(2) Evaluation of the effectiveness of the internal control system.

(3) Amendment of procedures for major financial or operational activities such as the acquisition or disposal of assets, extension of monetary loans to others, and endorsements or guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.

(4) Annual audit plan.

(5) Matters involving Directors' personal interests.

(6) Material asset transactions.

(7) Appointment, dismissal, or compensation of the CPAs.

(8) Review of financial reports.

(9) Earnings distribution proposals.

(10) Other material items required by the Company or the competent authority.

3. A total of 9 (A) meetings of the Audit Committee was held in 2021 and 2022 as of the publication date of the Annual Report. The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (B/A)	Remark
Independent Director	Liu, Shou-Hsiang	9	0	100%	–
Independent Director	Cheng, Chia-Jiun	9	0	100%	–
Independent Director	Hsu, Cheng-Hung	9	0	100%	–

Other matters:

1. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, objections of Independent Directors, qualified opinions, important recommendations, resolutions of the Audit Committee, and the Company’s handling of such resolutions shall be specified:

Audit Committee	Content of Motion and Follow-up	Matters referred to in Article 14-5 of the Securities and Exchange Act	Other resolutions not approved by the Audit Committee but passed by two thirds of all Directors
The 5th meeting of the 2nd term 2021.01.14	1. The Company’s audit plan.	✓	
	2. Amendment of the Company's "Corporate Governance Best-Practice Principles".	✓	
	Results of resolution: (January 14, 2021): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		

Audit Committee	Content of Motion and Follow-up	Matters referred to in Article 14-5 of the Securities and Exchange Act	Other resolutions not approved by the Audit Committee but passed by two thirds of all Directors
The 6th meeting of the 2nd term 2021.03.18	1. The Company’s audit plan.	✓	
	2. Proposal for the Company's replacement of the CPAs due to internal adjustment of KPMG Taiwan.	✓	
	3. Proposal for the Company's appointment of the CAP firm for 2021 and its remuneration.	✓	
	4. Proposal for the compensation for employees and Directors for 2020.	✓	
	5. The Company's 2020 Business Report and Financial Statements.	✓	
	6. The Company's 2020 Statement on Internal Control.	✓	
	7. The Company's distribution of earnings for 2020.	✓	
	8. Amendment of the Company's "Articles of Incorporation".	✓	
	9. Amendment of the Company's "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System".	✓	
	Results of resolution: (March 18, 2021): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		
The 7th meeting of the 2nd term 2021.04.29	1. The Company’s audit plan.	✓	
	2. The Company's consolidated financial statements for the first quarter of 2021.	✓	
	Results of resolution: (April 29, 2021): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		
The 9th meeting of the 2nd term 2021.08.05	1. The Company’s audit plan.	✓	
	2. The Company's Consolidated Financial Statements for the first half of 2021.	✓	
	Results of resolution: (August 5, 2021): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		
The 10th meeting of the 2nd term 2021.11.04	1. The Company’s audit plan.	✓	
	2. The Company's consolidated financial statements for the third quarter of 2021.	✓	
	3. The Company's Audit Plan for 2022.	✓	
	Results of resolution: (November 4, 2021): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		
The 11th meeting of the 2nd term 2022.01.13	1. Proposal for the Company's disposal of securities.	✓	
	2. Proposal for the Company's appointment of the CAP firm for 2022 and its remuneration.	✓	
	3. Amendment of certain articles of the Company's "Corporate Social Responsibility Best-Practice Principles".	✓	
	Results of resolution: (January 13, 2022): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in		

Audit Committee	Content of Motion and Follow-up	Matters referred to in Article 14-5 of the Securities and Exchange Act	Other resolutions not approved by the Audit Committee but passed by two thirds of all Directors
	attendance and submitted to the Board of Directors.		
The 12th meeting of the 2nd term 2022.03.18	1. The Company's audit plan.	✓	
	2. Proposal for the compensation for employees and Directors for 2021.	✓	
	3. The Company's 2021 Business Report and Financial Statements.	✓	
	4. The Company's 2021 Statement on Internal Control.	✓	
	5. The Company's distribution of earnings for 2021.	✓	
	6. Amendment of the Company's "Articles of Incorporation".	✓	
	7. Amendment of the Company's "Corporate Governance Best-Practice Principles".	✓	
	8. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets".	✓	
	Results of resolution: (March 18, 2022): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		
The 13th meeting of the 2nd term 2022.04.28	1. The Company's audit plan.	✓	
	2. The Company's consolidated financial statements for the first quarter of 2022.	✓	
	3. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets".	✓	
	Results of resolution: (April 28, 2022): Passed by all members of the Committee in attendance.		
	The Company's handling of the opinions of the Audit Committee: Passed by all members in attendance and submitted to the Board of Directors.		

2. Regarding recusals of independent directors due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor, and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.):

(1) The Chief Internal Auditor shall provide an audit report to the Independent Directors at least once every quarter in the Audit Committee meeting. The Chief Internal Auditor must communicate the results of the audit report and follow-up procedures with the members. The communication between Independent Directors and the Chief Internal Auditor is shown in the table below:

Date	Attendees	Location	Main Points of Communication	Results
2021/01/14 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. Audit report	Passed unanimously by all attendees
2021/03/18 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. 2020 Statement on Internal Control 2. Audit report	Passed unanimously by all attendees
2021/04/29 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. Audit report	Passed unanimously by all attendees
2021/08/05 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. Audit report	Passed unanimously by all attendees
2021/11/04 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. 2022 annual audit plan 2. Audit report	Passed unanimously by all attendees
2022/03/18 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Hsieh, Chieh-Cheng, Chief Auditor	Headquarters 7F Conference Room	1. 2021 Statement on Internal Control 2. Audit report	Passed unanimously by all attendees
2022/04/28 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung	Headquarters 7F Conference Room	1. Audit report	Passed unanimously by all attendees

Date	Attendees	Location	Main Points of Communication	Results
	Hsieh, Chieh-Cheng, Chief Auditor			

(2) The CPA and Independent Directors convene a meeting at least once every year. The CPA files a report on the financial operations and audits on internal control to the Independent Directors. In the event of material irregularities, the Company may convene a meeting whenever necessary.

The communication between Independent Directors and the CPA are shown in the table below:

Date	Attendees	Location	Main Points of Communication	Results
2021/03/18 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Chang, Chun-I, CPA	Headquarters 7F Conference Room	1. Independence 2. Responsibilities of the Auditors in Auditing the Financial Statements 3. Audit scope 4. Audit findings 5. Items of concern to the competent authority 6. Updates of important accounting standards, interpretation letters, securities laws, and tax laws	The CPA discussed and explained issues raised by the attendees
2022/01/13 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Chang, Chun-I, CPA	Headquarters 7F Conference Room	1. Independence 2. Annual audit plans 3. Updates of important accounting standards, interpretation letters, securities laws, and tax laws	The CPA discussed and explained issues raised by the attendees
2022/03/18 Audit Committee	Independent Director Liu, Shou-Hsiang Independent Director Cheng, Chia-Jiun Independent Director Hsu, Cheng-Hung Chang, Chun-I, CPA	Headquarters 7F Conference Room	1. Independence 2. Responsibilities of the Auditors in Auditing the Financial Statements 3. Audit scope 4. Audit findings 5. Material impacts of Statement of Auditing Standard No. 75 6. Updates of important accounting standards, interpretation letters, securities laws, and tax laws	The CPA discussed and explained issues raised by the attendees

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and placed it in the corporate governance section on the website for stakeholders to download and read. The Company's corporate governance strategy complies with laws and the Articles of Associations and it also focuses on the establishment of an effective company governance structure, protection of shareholder interests, strengthening of the roles and powers of the Board of Directors, respecting the rights of stakeholders, and increasing information transparency.	No significant difference.
II. Shareholding structure & shareholders' rights (I) Does the Company establish internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement based on the procedures?	V		(I) The Company has established management regulations for stock transfer agency and implemented procedures accordingly. The Company also appointed a spokesperson and an acting spokesperson and disclosed their contact method on the Company's web page. Shareholders may voice their opinions by telephone or e-mail, and the Company shall process them in accordance with related operating procedures.	No significant difference.
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	V		(II) The Company's major shareholders report the changes in their shareholding to the Company each month in accordance with regulations. We also announce the list of top ten shareholders in our Annual Report and official website every year and report required information in accordance with regulations.	No significant difference.
(III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies?	V		(III) The Company has established the "Procedures for Transactions with Specific Companies, Related Parties, and Companies of the Group" to ensure compliance in transactions with related companies.	No significant difference.
(IV) Has the Company established internal rules	V		(IV) The Company established the "Ethical Corporate Management Best-Practice	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
against insiders trading with undisclosed information?			Principles", "Codes of Ethical Conduct", "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System", and "Operating Procedures for the Prevention of Insider Trading". We also require members to recuse themselves in case of conflicts of interest with their duties, and we set up a whistleblower mailbox to prevent insider trading.	
III. Composition and responsibilities of the Board of Directors (I) Does the board develop and implement a diversity policy for the composition of its members and specific management targets?	V		(I) To strengthen corporate governance and ensure the sound development of the composition and structure of the Board of Directors, the Company specified the following requirements in the "Corporate Governance Best-Practice Principles" it established in 2016: The composition of the Board of Directors shall be determined by taking diversity into consideration. Furthermore, adequate diversity guidelines shall be developed based on the operations, mode of operation, and development requirements of the Board of Directors. The Company shall continue to enhance and amend the diversity policy based on the operations, mode of operation, and development requirements of the Board of Directors. The policy should include, but should not be limited to, the following two categories of standards to ensure that board members have the necessary knowledge, skills, and qualifications for their duties. 1. Basic qualifications and values: Gender, age, nationality, culture, etc. 2. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, industry experience, etc. The Company's current Board of Directors consists of 10 Directors,	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
			including 4 non-executive Directors (40%; including 1 female Director who accounted for 10%), 3 Independent Directors (30%), and 3 Executive Directors (30%). The members have extensive experience and expertise in finance, business, and management. The Company shall also ensure that the number of Directors who are also managers of the Company does not exceed one third of the number of Directors as specified in the management targets. The Company has implemented based on the professional skills and gender equality in the composition of the Board to ensure the diversity of board members in its Corporate Governance Policy. We aim to appoint an additional Director with legal expertise or a female Director in the 11th Board of Directors to meet our target.	
(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(II) The Company has set up the Remuneration Committee and Audit Committee in accordance with laws and has set up 1. the Sustainable Development Committee (established based on the approval of the Board of Directors on March 18, 2021) to take charge of the establishment of sustainability policies, decision making, and supervision of sustainability operations. An "Executive Office" was set up under its jurisdiction to ensure the implementation of sustainable development tasks. 2. The "Nominating Committee Charter" (established on November 4, 2021) is responsible for setting the qualifications of the Directors and senior managerial officers and the criteria for independence. We also follow the standards to identify, review, and nominate candidates for Directors and managerial officers,	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
			set up and develop the organizational structure of the Board and committees, conduct performance evaluations of the Board, committees, Directors and managerial officers, and evaluate the independence of Independent Directors. We establish and regularly review Directors' continuing education programs and succession plans for Directors and senior managerial officers. We also review amendments of the Company's Corporate Governance Best-Practice Principles.	
(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually, and report the results of evaluations to the Board, and use them as a reference for individual directors' remuneration and nomination and renewal?	V		(III) The Company has established a performance evaluation system for the Board of Directors. The Board of Directors passed the "Regulations Governing the Evaluation of the Board of Directors" on August 2, 2018 and amended it on January 14, 2021 to require the appointment of an external independent professional agency or a team of external experts and scholars to conduct an evaluation of the performance of the Board of Directors at least once every three years, which must be completed before the end of the first quarter of the following year. The Company shall conduct a performance evaluation of the previous year in the first quarter every year. The evaluation shall include (1) participation in the operation of the company; (2) improvement of the quality of the Board of Directors' decision making; (3) composition and structure of the Board of Directors; (4) election and continuing education of the Directors; (5) internal control. The results shall be compiled and reported to the Board of Directors. The Company completed internal evaluations in early 2022. The results of related evaluations were presented to the Board of Directors on January 13, 2022. They have been used as the basis for	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
			determining the salary, remuneration, and nomination for continuous appointment of individual Directors and used as reference for continuous improvement of the functions of the Board of Directors. The results of the performance evaluation of the Board of Directors are disclosed in the corporate governance section on the company website. https://www.fsp-group.com/tw/CorporateGovernance.html	
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		(IV) The Company's Audit Committee conducts a regular review of the independence and competence of the CPA every year. In addition to requesting the CPA to provide a "Statement of Independence", the Audit Committee also conducts evaluations in accordance with standards in Note 2. The Company verified that with the exception of expenses for auditing and taxation cases, the CPAs and the Company have no other financial interests or business relations and the family members of the CPA have also not violated requirements for independence. The results of the evaluation for the most recent year were passed by the Audit Committee on January 13, 2022 and the independence evaluation of the CPA was passed in a resolution of the Board of Directors on January 13, 2022.	No significant difference.
IV. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and to perform their functions, assisting directors with compliance, handling work related to meetings of the Board of Directors and the shareholders' meetings, and producing minutes of Board meetings and shareholders' meetings)?	V		The Company appointed the Manager Yao, Wen-Chun to serve as the Corporate Governance Officer to strengthening the functions of the Board of Directors based on the resolution passed by the Board of Directors on January 8, 2019. The Manager Yao, Wen-Chun has accumulated more than three years of work experience in legal affairs in a public company. (I) The main duties for the Corporate Governance Officer are as follows: 1. Assist Independent Directors and general Directors in performing their duties by providing the necessary information and arranging continuing education.	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
			2. Assist in matters related to the proceedings of Board of Directors' meetings and shareholders' meetings as well as legal compliance of resolutions. 3. Maintain relations with investors: Arrange for Directors to interact and communicate with major shareholders, institutional investors, or general shareholders so that investors can obtain sufficient information to evaluate and determine the Company's reasonable market value, and ensure adequate protection of shareholders' interests. 4. Draw up agendas for meetings of the Board of Directors and notify Directors of the agendas seven days before the meeting, convene meetings and provide information about the meetings, send out reminders regarding agendas that require recusal of Directors and complete the minutes of the Board of Directors' meeting within 20 days after the meeting. 5. Handle prior registration for shareholders meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to amendment of regulations and election of Directors. (II) Continuing education of the Corporate Governance Officer: The Company's Corporate Governance Officer completed 12 hours of continuing education in 2021 in accordance with the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers". Refer to Note 3 for details of the continuing education in 2021.	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
V. Has the Company established communication channels and built a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		(I) The Company has always paid close to the issues of concern of stakeholders including employees, customers, investors, and suppliers. To maintain a smooth communication channels and respect and uphold their legal rights and interests, the Company provides an email for communication: cqe@fsp-group.com.tw for stakeholders to provide feedback. The Company compiles the records of communication with stakeholders in the Corporate Social Responsibility Report and submits it to the Board of Directors. (II) Stakeholders can obtain information on the Company on the Market Observation Post System (MOPS) and the "stakeholders section" on the Company's website. Refer to the CSR Report on the Company's website for more information on the CSR issues of concern to stakeholders: https://www.fspgroup.com/tw/CSR.html. (III) The Company has appointed a spokesperson and an acting spokesperson to serve as the Company's communication channel with external entities. The Company has set up the stakeholder communication mailbox and the whistleblower mailbox whistleblower@fsp-group.com.tw to provide stakeholders with smooth communication channels.	No significant difference.
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed Stock Transfer Agency Department of Mega Securities Co., Ltd., a professional stock transfer agency, to process stock transfer affairs of the Company. We also established management regulations for stock transfer agency and implemented procedures accordingly.	No significant difference.
VII. Information disclosure (I) Does the Company have a corporate website to disclose both the Company's financial standings and corporate governance status? (II) Does the Company have	 V V		 (I) The Company has set up an investor service section on the company website to disclose financial, business, and corporate governance information. (II) The Company has set up an English	 No significant difference. No significant

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?			website and assigned designated personnel to take charge of the collection and disclosure of company information. The Company also appointed a spokesperson to answer questions on behalf of the Company. The presentations used for investor conferences are also disclosed on the company website as reference for shareholders and stakeholders.	difference.
(III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report the financial statements of the first three quarters, as well as monthly operation results, before the prescribed time limit?	V		(III) The Company publicly announce and file financial reports and the operation of each month ahead of the required deadline in accordance with the regulations for the publication of financial reports and deadlines for reporting specified in Article 36 of the Securities and Exchange Act.	No significant difference.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		Please refer to the explanation in Note 1.	No significant difference.
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved. The Company was ranked among the top 21% to 35% segment in the 8th "Corporate Governance Evaluation" in 2021. The items in which the Company failed to score are described below: <u>Completed improvements</u> (I) Is financial report passed by the Board of Directors or submitted to the Board of Directors 7 days before the prescribed deadline for publication and published within 1 day after the date of				

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
passage or submission? In 2021, all financial reports of the Company were passed by the Board of Directors or submitted to the Board of Directors 7 days before the prescribed deadline for publication and published within 1 day after the date of passage or submission. (II) Does the company upload the English version of the notification for the shareholders' meeting 30 days prior to the date of the meeting along with the Chinese version? The Company uploaded the meeting notice for the 2021 general shareholders' meeting in English 30 days prior to the shareholders' meeting along with the Chinese version. <u>Items prioritized for future improvement</u> (I) Does the company upload the English version of the meeting agenda and supplementary information for the shareholders' meeting 30 days prior to the date of the meeting along with the Chinese version? The Company has implemented plans to upload the English version of the meeting agenda and supplementary information for the shareholders' meeting 30 days prior to the date of the meeting along with the Chinese version. (II) Does the company upload the English version of the annual report 7 days prior to the shareholders' meeting? The Company has implemented plans to upload the English version of the annual report 7 days prior to the shareholders' meeting. (III) Does the Company upload the English version of the financial report 7 days prior to the shareholders' meeting? The Company has implemented plans to upload the English version of the annual financial report 7 days before the shareholders' meeting.				

Note 1.

1. Employee rights, interests, and wellness:

   (1) As a principle, the Company shall recruit new employees based on the principle of equal employment and hire people with disabilities. The Company shall also comply with the Labor Standards Act and set up work rules to protect and ensure the rights and interests of employees.

   (2) The Company provides a high-quality benefits system, a safe and healthy work environment, and systematic training and development to help employees enjoy a healthy and balanced work life.

   (3) High-quality work environment and employee wellness

      (A) The Company provides a high-quality work environment with an employee café, an indoor parking lot for cars and motorcycles, and an employee gym. We also appoint professional doctors to provide regular onsite services and we have a gallery for art exhibitions.

(B) We have established a health management operation model and we are committed to creating a healthy workplace environment by organizing activities such as routine health examinations, promotion of a tobacco-free environment, health promotion activities, and supply of health education information.

(C) We have appointed health professionals to provide medical consultation services and we organize disease screenings and seminars on healthy life from time to time to maintain the balance of employees' physical and mental health and meet the requirements for health of employees and their family members.

2. Investor relations:

The Company attaches great importance to the opinions of its stakeholders, especially shareholders, institutional shareholders, and foreign investors who are concerned about FSP's operations. The spokesperson responds to all inquiries by phone or email through our website or spokesperson contact window. We also arrange company visits for the spokesperson to explain the operation status and future development direction of the Company to help shareholders, institutional shareholders, and foreign investors understand the Company's ethical corporate management. The management team strives to create better value for shareholders and employees, and focuses on innovative research and development of green energy to increase energy efficiency and improve the environment.

3. Supplier relationship:

The Company has always maintained good relationships with suppliers. We work together to increase the added value and create a stable green supply chain. We comply with the Code of Conduct of the Electronic Industry Citizenship Coalition (EICC) and prohibit the use of conflict minerals to provide products in compliance with ethical standards.

4. Stakeholder rights:

The Company establishes channels for communicating with stakeholders and sets up a stakeholders section for stakeholders to communicate with the Company and offer suggestions to protect their legal rights. We also respond to material corporate social responsibility issues of concern to stakeholders in a proper manner.

5. Directors' continuing education: Shown in Appendix 1.

6. The implementation of the risk management policy and assessment standards:

The Company upholds the principle of prudence and focuses on operations in its main business. We formulate all business strategies based on the premises that all risks must be controlled and tolerable. Internal auditors perform regular audits according to the audit plan to reduce risks in operations. We also purchase related insurance policies such as property insurance and product liability insurance to mitigate risks.

7. Implementation of the customer policy: The Company maintains stable and good relations with customers to generate profits.

8. Purchase of liability insurance for Directors: Shown in Appendix 2.

9. Succession plans for members of the Board of Directors and important managers:

   (1) Succession plans for members of the Board of Directors and implementation:

   The Company has implemented the diversity policy of the Board of Directors in accordance with the "Corporate Governance Best-Practice Principles". The Company currently has 10 Directors (including 3 Independent Directors) with diversified and complementary industry experience and management expertise in finance, business, finance, and accounting or the Company's operations. Three of Directors serve concurrently as senior managers of the Company. The composition of the Company's Board of Directors and the background of its members will continue to be the same in the future. The results of the performance evaluation of the Board of Directors each year shall be used as a reference for the nomination and re-appointment of the Directors.

   The Group currently has several senior management personnel and the Company therefore has a large talent pool to draw from to fill future vacancies of Directors. Independent Directors are required to have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business. There is an abundant supply of such professionals in Taiwan. Therefore, the succession plans for Directors may be achieved by appointing professionals from different fields to implement corporate governance functions.

   With regard to the succession plans for members of the Board of Directors, the Company shall train senior managers by including them in the Board of Directors to familiarize themselves with the operations of the Board and each unit of the Group. We also enhance their experience in the industry with job rotations.

   The Group currently has several senior management personnel and the Company therefore has a large talent pool to draw from and elect future Directors. In addition to diversity, the Directors who are also managers of the Company should not exceed one third of the number of Directors. The Company shall also focus on gender equality and ensure that Directors have the necessary knowledge, skills, and qualifications for their duties.

(2) Succession plans for important managers and implementation:

Employees ranked deputy heads of divisions of the Group are considered important managers. The 15 managers are provided with training for their succession in actual company operations. The management is set up based on the hierarchy of the organization and each department has mid-level managers such as managers and deputy managers. We also have clear job descriptions, and provide training for mid-level managers to act as proxies for senior managers whenever necessary. The Company learns about items that require improvement and personal expectations through regular observation and performance evaluation interviews, which serve as a reference for determining future succession.

The successors of the Group must have excellent professional skills and leadership skills, and must share the Company's values and ideals so that they can lead the Company and generate more profits for shareholders.

In addition, we rotate key personnel in accordance with the Group's investment plans and the turnover status of employees. We aim to cultivate a wide range of talents to complete the talent succession plan in the next 10 years.

The Human Resources Dept. coordinates the establishment of talent development mechanisms. It defined the senior management functions in 2018 and provides training and development for strategic planning, accountability, leadership, and execution. It continues to develop the leadership skills of senior managers every year.

It organizes strategic consensus camps for senior managers (including the President) twice a year. It organizes thematic courses and discussions for future strategic planning. The course topics include systematic thinking, accounting and accountability, vision and core values, vision consensus and strategic planning, business operation simulation, management of changes, KT-method for problem analysis and decision logic, and the strategy map. The Company aims to effectively develop leadership skills and an international perspective to prepare high-quality talents for the long-term development of the Company.

Note 2. CPA independence evaluation criteria

Evaluation Item	Result	Independence of the CPAs
1. Direct or indirect material financial interests between the CPA and the Company	No	Yes
2. Financing or guarantee activities with the Company or its Directors and Supervisors	No	Yes
3. The CPA considers the possibility of losing the Company as a client	No	Yes
4. The CPA has close business relations with the Company	No	Yes
5. The CPA has potential employment relations with the Company	No	Yes
6. The CPA collects fees associated with or contingent on audit cases	No	Yes
7. A member of the audit service team serves as the Company's Director, Supervisor, managerial officer, or other positions with significant influence on the audit work of the Company at present or in the past 2 years	No	Yes
8. The CPA provides non-audit services that may directly affect the audit work	No	Yes
9. The CPA is an advocate or intermediary of the shares or other securities issued by the Company	No	Yes
10. The CPA serves as a defense counsel of the Company or represents the Company in mediating conflicts with third parties	No	Yes
11. The CPA is a family member or relative of a Director, managerial officer, or person holding a position that has a significant impact on the audit work of the Company	No	Yes
12. Another CPA in the same firm that has resigned within the past year serves as the Company's Director, Supervisor, managerial officer, or other positions with significant influence on the audit work of the Company	No	Yes
13. The CPA has accepted valuable gifts or presents from the Company or its Director, Supervisor, or managerial officer	No	Yes
14. The Company requested the CPA to accept inappropriate choices requested by the management or provide inappropriate disclosure in financial statements	No	Yes
15. The Company exerted pressure on the CPA to inappropriately reduce mandatory auditing tasks to reduce audit fees	No	Yes

Note 3. Continuing education of the Corporate Governance Officer

Title	Name	Date	Organizer	Course	Training Hours
Corporate Governance Officer	Yao, Wen-Chun	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
		2021/08/27	Taiwan Investor Relations Institute	Commercial Case Adjudication Act	3 hours
		2021/09/01	Financial Supervisory	13th Taipei Corporate Governance Forum	3 hours

Title	Name	Date	Organizer	Course	Training Hours
			Commission		
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours

Table 1: Directors' continuing education

The continuing education is implemented in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" of Taiwan Stock Exchange Corporation.

Title	Name	Date	Organizer	Course	Training Hours
Director	Cheng, Ya-Jen	2021/ 01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
		2021/ 11/04	Accounting Research and Development Foundation	Corporate Sustainability - Environment, Society, and Governance Practices	6 hours
Director	Wang, Chung-Shun	2021/ 01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Director	Yang, Fu-An	2021/ 01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Representative of Institutional Director	Wang, Po-Wen	2021/ 01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
		2021/ 09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3 hours
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
		2021/ 01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis	3 hours

Title	Name	Date	Organizer	Course	Training Hours
Representative of Institutional Director	Chu, Hsiu-YinChu, Hsiu-Yin			Management	
Representative of Institutional Director	Chu, Hsiu-YinChu, Hsiu-Yin	2021/10/15	Securities & Futures Institute	2021 Seminar on Legal Compliance for Insider Stock Transactions	3 hours
Representative of Institutional Director	Chu, Hsiu-YinChu, Hsiu-Yin	2021/11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Director	Chen, Kuang-Chun	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
Director	Chen, Kuang-Chun	2021/11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Director	Huang, Jr-Wen	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
Director	Huang, Jr-Wen	2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3 hours
Director	Huang, Jr-Wen	2021/10/22	Securities & Futures Institute	2021 Seminar on Legal Compliance for Insider Stock Transactions	3 hours
Director	Huang, Jr-Wen	2021/11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Independent Director	Cheng, Chia-Jiun	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
Independent Director	Cheng, Chia-Jiun	2021/11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Independent Director	Liu, Shou-Hsiang	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours
Independent Director	Liu, Shou-Hsiang	2021/09/01	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	3 hours
Independent Director	Liu, Shou-Hsiang	2021/10/28	Securities & Futures Institute	2021 Seminar on Legal Compliance for Insider Stock Transactions	3 hours
Independent Director	Liu, Shou-Hsiang	2021/11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours
Independent Director	Hsu, Cheng-Hung	2021/01/14	Securities & Futures Institute	How Directors and Supervisors Supervise Company Risk Management and Crisis Management	3 hours

Title	Name	Date	Organizer	Course	Training Hours
		2021/ 11/04	Securities & Futures Institute	The Roles of the Director in Corporate Governance 3.0 and Compliance in Challenges for Management Rights	3 hours

Table 2: Purchase of liability insurance for directors:

The Company has purchased liability insurance for Directors since July 7, 2010. The liability insurance coverage of Directors in 2021 was as follows:

Insured Individuals	Insurance Company	Insured Amount (NT$)	Insured Period (start and expiry)	Date of Board Meeting Report
All Directors	Insurance Company of North America	196,000,000	From: July 7, 2021 To: July 7, 2022	2021/06/11

(IV) Composition and Operations of the Remuneration Committee:

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Professional Qualifications and Experience	Independence Criteria (Note1) 1	2	3	4	5	6	7	8	9	10	Number of Other Public Companies Where the Individual Concurrently Serves as a Remuneration Committee Member	Remark
Independent Director Convener	Liu, Shou-Hsiang	Extensive experience and expertise in finance, business, and management Associate Professor, Ming Chuan University Research Fellow, Chung-Hua Institution for Economic Research Chairman and President, Ta Hua Investment Trust Independent Director, Hwatai Bank Co., Ltd. Advisory Board Member, Chung-Hua Institution for Economic Research	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—
Independent Director	Cheng, Chia-Jiun	Extensive experience and expertise in finance, business, and management President, Digital United Telecom Co., Ltd. Independent Director, Azion Corporation Independent Director, Bizlink Holding Inc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	—
Independent Director	Hsu, Cheng-Hung	Extensive experience and expertise in finance, business, and management President, Unitech Printed Circuit Board Corp. Director, Shanghai Zhanhua Electronic Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—

Note 1. Please check "√" in the corresponding boxes if the Remuneration Committee members meet the following

conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not the manager listed in (1) or the spouse, relative within the second degree of kinship, or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total outstanding shares, who is among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not

apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchange Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.

(10) None of the circumstances in the subparagraphs of Article 30 of the Company Act apply.

2. Operation Status of the Remuneration Committee

(1) There are a total of 3 members in the Remuneration Committee.

(2) The current term of office: June 24 2020 to June 15, 2023.

(3) A total of 5 (A) meetings of the Remuneration Committee was held in 2021 and 2022 as of the publication date of the Annual Report. The attendance of the members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remark
Convener	Liu, Shou-Hsiang	5	0	100%	Independent Director
Committee Member	Cheng, Chia-Jiun	5	0	100%	Independent Director
Committee Member	Hsu, Cheng-Hung	5	0	100%	Independent Director

(4) Regular review of the salary and remuneration:

The purpose of the Company's Remuneration Committee is to professionally and objectively evaluate the remuneration policy of the Company's Directors and managerial officers. It convenes at least two meetings each year and additional meetings whenever necessary. It provides recommendations to the Board of Directors for decision making.

Roles and responsibilities of the Remuneration Committee:

- Regularly review the Remuneration Committee Charter and propose recommendations for amendments.
- Establish and routinely review the annual and long-term performance objectives and policies, systems, standards, and structures of the remuneration of the Directors, Supervisors, and managerial officers.
- Routinely evaluate the effectiveness of Directors and managerial officers in achieving their performance objectives, and develop individual remuneration packages.

- The Remuneration Committee shall perform its duties in accordance with the following principles:
- Ensure that the Company's remuneration standards conform to the law and are sufficient to attract talented personnel.
- The performance evaluation and compensation of Directors and managerial officers should take prevailing industry standards into account and take into consideration the amount of personal time invested, responsibilities, personal target completion, performance in other roles and company compensation for other people in equivalent roles in recent years. The achievement of the Company's short-term and long-term business objectives as well as the Company's conditions are used to evaluate the correlation between personal performance, company business performance and future risks.
- There shall be no incentive for Directors or managerial officers to pursue remuneration by engaging in activities that exceed the risk appetite of the Company.
- The percentage of bonus to be distributed to Directors and senior managerial officers based on their short-term performance and the time for payment of variable remuneration shall be determined by the characteristics of the industry and the nature of the Company's business.
- No member of the Committee may participate in discussions and voting when the Committee decides the member's individual remuneration.

3. The dates, terms of the meetings, contents of motions, and resolutions of the meetings of the Remuneration Committee in 2021 and 2022 as of the publication date of the Annual Report, and the Company’s handling of the opinions of the Remuneration Committee

Date of Meeting	Content of Motion and Follow-up	Resolution Results	The Company's handling of the opinions of the Remuneration Committee
The 3rd meeting of the 4th term 2021.01.14	1. Proposal for the year-end bonus for the Company's managerial officers for 2020. 2. Amendment of the "Regulations Governing the Evaluation of the Board of Directors".	Passed unanimously by all members of the Committee in attendance	Submitted to the Board of Directors and passed by all Directors in attendance.
The 4th meeting of the 4th term 2021.03.18	1. Proposal for the remuneration of the managerial officers for 2020. 2. Proposal for the remuneration for Directors for 2020. 3. Amendment of the "Regulations Governing the Remuneration of Directors and Members of Functional Committees".	Passed unanimously by all members of the Committee in attendance implemented in accordance with the resolution, and reported to the competent authority before the deadline in accordance with regulations.	Submitted to the Board of Directors and passed by all Directors in attendance.
The 5th meeting of the 4th term 2022.01.13	1. Proposal for the year-end bonus for the Company's managerial officers for 2021.	Passed unanimously by all members of the Committee in attendance	Submitted to the Board of Directors and passed by all Directors in attendance.
The 6th meeting of the 4th term 2022.03.18	1. Proposal for the remuneration of the managerial officers for 2021. 2. Proposal for the remuneration for Directors for 2021.	Passed unanimously by all members of the Committee in attendance implemented in accordance with the resolution, and reported to the competent authority before the deadline in accordance with regulations.	Submitted to the Board of Directors and passed by all Directors in attendance.
The 7th meeting of the 5th term 2022.04.28	1. Amendment of the "Self-Evaluation or Peer Evaluation o the Board of Directors".	Passed unanimously by all members of the Committee in attendance	Submitted to the Board of Directors and passed by all Directors in attendance.

Other matters:

1. If the Board of Directors refuses to adopt or amend a recommendation from the Remuneration Committee, the date of the meeting, session, contents of the motions, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the circumstances and cause for the difference if the remuneration passed by the Board of Directors exceeds the recommended amount by the Remuneration Committee) shall be specified: None.

2. If there were resolutions by the Remuneration Committee to which members have dissenting or qualified opinions, and for which there is a record or declaration in writing, the date of the meeting, session, contents of the motions, all members' opinions, and the response to members' opinions shall be specified: None.

(V) Information on Members of the Sustainable Development Committee and Operations:

The Committee aims to help the Board of Directors promote corporate social responsibility and improve corporate governance to ensure sustainable development. The Company's Board of Directors passed a resolution on March 18 2021 to establish the "Sustainable Development Committee" as the decision-making and supervisory unit for FSP's sustainable development tasks.

Members of the Sustainable Development Committee are appointed by the Board of Directors and shall consist of at least three board members. At least half of the members must be Independent Directors. The duties of the Committee shall include the following items:

I. Establish strategies and targets for corporate social responsibility and sustainable development, and formulate related management strategies and specific implementation plans.

II. Promotion and fulfillment of ethical corporate management and risk management tasks.

III. Implementation status of sustainable development and follow-up, review, and amendment of the effectiveness.

IV. Other matters to be conducted by the Committee based on resolutions of the Board of Directors.

1. Information on the implementation of sustainable development

(1) There are a total of 4 members (including 3 Independent Directors) in the Sustainable Development Committee.

(2) The current term of office: March 18, 2021 - June 15, 2023.

(3) A total of 1 (A) meeting of the Sustainable Development Committee was held in 2021 and 2022 as of the publication date of the Annual Report. The attendance of the members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A)	Remark
Convener	Cheng, Ya-Jen	1	0	100%	Director
Committee Member	Liu, Shou-Hsiang	1	0	100%	Independent Director
Committee Member	Cheng, Chia-Jiun	1	0	100%	Independent Director
Committee Member	Hsu, Cheng-Hung	1	0	100%	Independent Director

2. Key points in the discussions in the meeting of the Sustainable Development Committee in the most recent fiscal year (2021 and up to the publication date of the Annual Report)

Date of Meeting	Key points of discussions in meetings	Resolution Results	The Company's handling of the opinions of the Sustainable Development Committee
The 1st meeting of the 1st term 2022.01.10	1. Submitted the amendment of certain articles of the Company's "Corporate Social Responsibility Best-Practice Principles". 2. Submitted the work report of the functional units of the Sustainable Development Committee.	Report and discussion in the board meeting.	Submitted to the Board of Directors and passed by all Directors in attendance.

(VI) Information on Members of the Nominating Committee and Operations:

To meet corporate governance requirements and to strengthen the operations of the Board of Directors, the Company established the "Nominating Committee Charter" on November 4, 2021 and approved the establishment of the "Nominating Committee" to set the qualifications of the Directors and senior managerial officers and the criteria for independence. We also follow the standards to identify, review, and nominate candidates for Directors and managerial officers, set up and develop the organizational structure of the Board and committees, conduct performance evaluations of the Board, committees, Directors and managerial officers, and evaluate the independence of Independent Directors. We establish and regularly review Directors' continuing education programs and succession plans for Directors and senior managerial officers. We also review amendments of the Company's Corporate Governance Best-Practice Principles.

According to the "Nominating Committee Charter", the Nominating Committee shall convene at least two meetings each year. A total of 4 meetings was convened in 2021 and up to the publication date of the Annual Report.

1. Information on the Operations of the Nominating Committee

    (1) There are a total of 4 members (including 3 Independent Directors) in the Nominating Committee.

    (2) The current term of office: November 4, 2021 - June 15, 2023.

    (3) A total of 4 (A) meetings of the Nominating Committee was held in 2021 and 2022 as of the publication date of the Annual Report. The attendance of the members was as follows:

Title	Name	Professional Qualifications and Experience	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remark
Convener	Cheng, Chia-Jiun	Extensive experience and expertise in finance, business, and management President, Digital United Telecom Co., Ltd. Independent Director, Azion Corporation Independent Director, Bizlink Holding Inc. None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	4	0	100%	Independent Director
Committee Member	Liu, Shou-Hsiang	Extensive experience and expertise in finance, business, and management Associate Professor, Ming Chuan University Research Fellow, Chung-Hua Institution for Economic Research Chairman and President, Ta Hua Investment Trust Independent Director, Hwatai Bank Co., Ltd. Advisory Board Member, Chung-Hua Institution for Economic Research None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	4	0	100%	Independent Director
Committee Member	Hsu, Cheng-Hung	Extensive experience and expertise in finance, business, and management President, Unitech Printed Circuit Board Corp. Director, Shanghai Zhanhua Electronic Co., Ltd. None of the circumstances in the subparagraphs of Article 30 of the Company Act apply	4	0	100%	Independent Director
Committee Member	Cheng, Ya-Jen	Extensive experience and expertise in finance, business, and management and business administration skills Chairman, FSP Technology Inc.	4	0	100%	Director

2. Key points in the discussions in the meeting of the Nominating Committee in the most recent fiscal year (2021 and up to the publication date of the Annual Report)

Date of Meeting	Key points of discussions in meetings	Resolution Results	The Company's handling of the opinions of the Nominating Committee
The 1st meeting of the 1st term 2021.11.04	1. Elected the convener of the Nominating Committee and the chair of the meeting.	Passed unanimously by all members of the Committee in attendance, who elected the Independent Director Cheng, Chia-Jiun to serve as the convener of the 1st-term Nominating Committee and the chair of the meeting.	The chair of the Nominating Committee Report reported to the Board of Directors.
The 2nd meeting of the 1st term 2022.01.10	1. Amendment of certain articles of the Company's "Corporate Social Responsibility Best-Practice Principles".	Passed unanimously by all members of the Committee in attendance.	Submitted to the Board of Directors and passed by all Directors in attendance.
The 3rd meeting of the 1st term 2022.03.18	1. Amendment of certain articles of the Company's "Corporate Governance Best-Practice Principles".	Passed unanimously by all members of the Committee in attendance.	Submitted to the Board of Directors and passed by all Directors in attendance.
The 4rd meeting of the 1st term 2022.04.28	2. Amendment of "Self-Evaluation or Peer Evaluation of the Board of Directors".	Passed unanimously by all members of the Committee in attendance.	Submitted to the Remuneration Committee and the Board of Directors and passed by all Directors in attendance.

(V) Implementation status of sustainable development, deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof

Implementation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the company set up a governance structure for sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development, and have management appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?	V		(I) The Company's Board of Directors passed a resolution on March 18 2021 to establish the "Sustainable Development Committee" as the decision-making and supervisory unit for the Company's sustainable development tasks. The Chairman serves as the chair and an Executive Office was set up under its jurisdiction to jointly review the Company's core business capabilities with level 1 managers of the Company and establish medium and long-term sustainable development plans. (II) The Sustainable Development Committee convenes at least two meetings each year. The Executive Office includes six functional groups which are responsible for corporate governance, responsible supply chain, green operations, green products, happy workplace, and social engagement, respectively (refer to Note 1). It is responsible for planning and formulating strategies and work guidelines, preparing budgets for each organization and sustainable development, implementing annual plans, and tracking the effectiveness of the implementation to ensure that sustainable development strategies are fully implemented in the Company's operations. (III) The Board of Directors receives reports from the functional groups (including the ESG report) and the functional groups must propose strategies to the Board of Directors, which must evaluate the likelihood of success of these strategies. It must also constantly review the progress of the strategies and ensure that functional groups make adjustments	No significant difference.

Implementation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			whenever necessary.	
II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish relevant risk management policies or strategies?	V		(I) The information disclosed herein covers the sustainable development performance of the Company in its major sites of operations from January to December 2021. The boundaries of risk assessment consist mainly of the Company's sites of operations in Taiwan and Mainland China. (II) The Sustainable Development Committee analyzes and communicates with internal and external stakeholders based on the materiality principle for the sustainable development report. It also evaluates critical ESG issues by reviewing domestic and international research reports, literature, and integrated assessments of different departments, and formulates effective, measurable, and supervisory risk policies and specific action plans to reduce the impact of related risks. It formulates risk management policies or strategies based on the assessed risk. They are divided into four categories including economic, financial, operational, and environmental safety. All risk items and major domestic and international events are managed by the relevant unit managers. They also discuss and review issues in monthly management meetings and propose countermeasures to reduce the impact of the risks on the Company. (Refer to Other Significant Risks and Countermeasures on page 318 of the Annual Report)	No significant difference.

Implementation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
III. Environmental issues (I) Has the Company established environmental management systems based on its industry's characteristics?	V		(I) The Company has implemented and passed the ISO 14001 environmental management system in our major factories of operations to fulfill our environmental responsibility and improve our performance in environmental protection. We set environmental safety and health objectives and management plans with the system every year, and use the "PDCA cycle" to ensure the implementation of environmental safety and health management. ISO14001:2015 Certification organization: TUV Validity period: 2019/11/1~2022/10/31 Certification date: 2019/09/25 Certification number: 01 104 822 018638	No significant difference.
(II) Does the company endeavor to utilize energy more efficiently and use renewable materials that have low impact on the environment?	V		(II) The Company is committed to the development of energy-saving and high-efficiency products and technologies. We actively promote various energy reduction measures to reduce the energy consumption of the Company and products. We also expand the use of renewable energy to optimize energy use efficiency. (Please refer to Appendix 2 for environmental project management policies, targets, and performance.) All raw materials used by the Company comply with EU RoHS, REACH, and halogen-free regulations.	No significant difference.
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		(III) The Company's Sustainable Development Committee is the top organization responsible for climate change management. The Corporate Governance and Risk Management Groups assess the risks and opportunities of climate change for the Company. Detailed description of climate change risks and opportunities has been disclosed	No significant difference.

Implementation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			in the Company's CSR Report. (Refer to Note 2 for risk assessment, identification, and countermeasures regarding climate change)	
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and formulate policies on greenhouse gas reduction, water reduction, or waste management?	V		(IV) The Company continues to promote economic development for environmental sustainability based on overall environmental management for environmental protection, pollution prevention, and green production as well as fulfillment of corporate social responsibility. We are also committed to "low-carbon, low-waste, and low-pollution" development actions with the aim of creating more value for the environment and products and attaining balance in operations and environmental sustainability. Greenhouse gas management In terms of greenhouse gas emissions management, the Company has obtained third-party assurance statements for all factories in accordance with ISO 14064-1 Greenhouse Gas Emissions Management System Regulations. Energy management Most of the energy required for the Company's operations is purchased electricity. To ensure energy efficiency, we have adopted major energy saving measures such as the gradual replacement of high-efficiency lighting equipment and energy recovery in old factory buildings. Water resource management The Company does not consume any water resources in the production process, and our main water consumption consists mainly of employees' domestic water consumption, which is supplied by the government. To ensure the reduction of water resources, we encourage employees to conserve	No significant difference.

Implementation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Description	Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			water and we have set up rainwater recycling facilities in the R&D Building.Waste management The Company is part of the electronics and information industry that produces low pollution. Our targets for waste management consist mainly of reduction of total waste and recycling of waste. Please refer to Appendix 1 and Appendix 2 for information on the environmental project management policies, targets, and performance.	
IV. Social Issues (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company abides by labor regulations and established the employee policy and related management regulations in accordance with the Code of Conduct of the Responsible Business Alliance (RBA), "Universal Declaration of Human Rights", and other international labor and human rights standards. We also implement an equal employment opportunity system. The Company has established the Human Rights Policy and procedures and disclosed them in the CSR section on the Company's website https://www.fsp-group.com.tw/tw/HumanRightsPolicy.html.	No significant difference.
(II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits) and appropriately employee compensation based on operating performance or results?	V		(II) The Company abides by the Labor Standards Act and related laws and regulations for setting up salary and benefit measures for employees, and provides competitive benefits to motivate employees. We also implement regular performance evaluations and distribute performance bonuses to share earnings with employees. To retain talented employees, the Company has created an employee stock ownership trust and makes fixed monthly contributions to the Company's incentive fund as rewards for	No significant difference.

Implementation Item	Yes	No	Description	Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			employees. Refer to page 137 and the human resources section on the Company's website for more informationhttps://www.fsp-group.com/tw/HumanResource.html. Each year, the Company adjusts salaries in accordance with changes in market salary, economic trends, and individual performance to ensure that the overall compensation remains competitive. In 2021, the average annual salary adjustment for both management and non-management roles of the Company in Taiwan was approximately 4%.	
(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?	V		(III) The Company continued its effort and obtained the ISO 45001 Occupational Safety and Health Management System certification. Certification date: 2019/10/10 Validity period: 2019/10/25~2022/10/24 Of the 7 accidents that occurred in 2021 in the Company, 4 accidents were traffic accidents during the commute and no work-related fatalities occurred. We therefore organize traffic safety training and safe driving education from time to time with the aim of effectively reducing employee absence caused by traffic accidents. Refer to page 139 of the Annual Report for protective measures for the work environment and the personal safety of employees. Refer to page 140 of the Annual Report for more information on the Company's occupational safety training and occupational safety inspections.	No significant difference.
(IV) Has the Company established effective career development and training plans for its employees?	V		(IV) The Company has formulated comprehensive training programs for talent cultivation. We aim to use training programs to help employees understand the internal operations of the Company and enhance the necessary knowledge, skills, and	No significant difference.

<table>
<tr><th rowspan="2">Implementation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>professional know-how. The Company has a comprehensive employee training program that encourages autonomous learning and self-improvement by employees.
1. Pre-job training program
We help new employees understand the Company's culture, management rules, and regulations, and familiarize them with their job duties through mentoring and instructions by managers or senior employees to enhance work performance.
2. The on-the-job training program contains training courses planned based on the Company's operation strategies, annual plans, and core competencies. We also use team courses to build consensus and achieve organizational goals and improve the professional know-how of employees.
3. Special training program
The Company plans training for the necessary skills and knowledge for employees' roles based on the core competence requirements to improve employees' professional competencies.
4. Management skill training program
We encourage autonomous learning by managers to ensure that managers have both soft and hard powers.
5. Training courses in 2021:
<table>
<tr><th>Number of Participants</th><th>Number of Hours</th><th>Total Participation Hours</th></tr>
<tr><td>537</td><td>292</td><td>3,609</td></tr>
</table>
</td><td></td></tr>
<tr><td>(V) Does the Company comply with relevant regulations and international standards regarding issues such as customer health and</td><td>V</td><td></td><td>(V) We provide warranty service for all our products, and consumers can report problems on the official website or through a distributor. The</td><td>No significant difference.</td></tr>
</table>

Implementation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Description	Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer or customer protection policies and complaint procedures?			Company responds to customer complaints and feedback correctly and promptly and provide total solutions. The Company has followed relevant laws, regulations, and international norms for the marketing and labeling of products and services.	
(VI) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety and health, or labor rights? If so, describe the results.	V		(VI) The Company requires suppliers to comply with the RBA Code of Conduct under the "General Rules for Compliance Statements" in the procurement contracts with supplier in accordance with the "Supplier Management Regulations". It covers the requirements and expectations for suppliers regarding environmental safety and health risks, prohibition of child labor, labor management, basic labor rights for a hazard-free work environment, ethical standards, and ethical corporate management based on the screening criteria for environmental protection, human rights, safety, health, and sustainable development. The Company set up the Supplier Audit Team in the "Responsible Supply Chain" Team in its sustainable development roadmap. It carefully selects, audits, and supports suppliers to implement sustainability requirements in daily management of the supply chain on the basis of cooperation. The Company's suppliers in 2021 must comply with the following requirements. <table><tr><td>Supplier evaluation</td><td>Supplier Code of Conduct, ISO 9001 Quality Management System certification, ISO 45001 Occupational Safety and Health Management System certification., ISO 14001 Environmental Management certification.</td></tr></table>	No significant difference.

Implementation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Description	Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
			Supplier audit: The Company has set up an audit team to follow up on improvements for suppliers' discrepancies, jointly improve quality and technologies, enhance environmental protection and health performance, and introduce automation to improve output.	
V. Does the company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	V		(I) The framework for the preparation of the Company's CSR report is based on the Core Options in the 2016 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (GRI Guidelines). It also complies with the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and the United Nations Sustainable Development Goals (SDGs) for collecting information on issues of concern to stakeholders through multiple channels. The Executive Office of the Sustainable Development Committee and the Work Groups conduct assessments and compile data for the Report. (II) The Company has set up the Corporate Social Responsibility section on its website and discloses information on corporate social responsibility in the Annual Report. (III) The Company has also voluntarily published the Corporate Social Responsibility Report each year since 2014 and disclosed it on the Company's website and the Market Observation Post System for stakeholders. (IV) Although the Company's CSR Report has not yet been certified by a third-party accreditation body, the information on the quality of the data cited in the Report can be found in Appendix 3. (V) As the competent authority has changed the title of the "Rules Governing the Preparation and	No significant difference.

Implementation Item	Implementation Status			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
			Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" to the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies", the Company shall use the title "Sustainability Report" when preparing the 2021 Report in 2022.	

VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies," describe the implementation and any deviations from such principles:
The Company has established the "Sustainable Development Best-Practice Principles". Refer to the explanation in the "Implementation Status of Sustainable Development" in the Annual Report for information on related operations. There is no significant difference between the implementation and the "Sustainable Development Best-Practice Principles" established by the Company.

VII. Other important information to facilitate a better understanding of the company's sustainable development practices:

(I) Social engagement

1. The Company organizes charity events for environmental protection. In addition to mobilizing employees, we also invite family members to join us and give back to the society with our gratitude for "giving back to the society". The Company sponsors employees' purchase of environmentally friendly detergents every quarter so that they can support environmental protection at an affordable price.
2. We have organized several charity sales, charity gifts, and charity donations to encourage employees to take real actions to support charitable causes.
   (1) When the inventory of the blood bank ran low, FSP invited a blood donation vehicle to set up operations at the factory and encouraged blood donations from our employees and partner companies. The Company donated NT$500 for every 250cc bag of blood donated. We collected 108 bags and donated NT$54,000.
   (2) When the COVID-19 level 3 alert began, the Company continuously purchased fruits and vegetables from small organic farms every month so that employees do not have to take risks when making purchases in crowds. We also share healthy ingredients with employees to create a win-win for both production and sales.
   (3) The Company invited colleagues to buy charity coffee from the [Heart for Africa TAIWAN] association in Changhua County to support relief measures for droughts, famines, and education in Africa. We purchased coffee beans totaling NT$88,000.
3. On Family Charity Day, the Company provided employees and family members with coupons and invited charity organizations to set up booths. We also invited a charity organization for the Power Angel performance and organized massage services provided by the visually impaired so that employees and their families could participate in the activities and support the charity organizations.
4. We continued to make donations and donated NT$1,000,000 to the Sharestart Educational Foundation. The Company continued its sponsorship with an additional NT$500,000 for the eighth class for students from underprivileged families in Hsing Fu Junior High School so that their continued education will not be affected by the financial conditions of their families. We also donated NT$340,000 to St. Francis Xavier Home for Girls, Halfway House, and Home for Children and Juvenile, and Yuli Catholic Church in Hualien as funding for taking care of children and juvenile.
5. The Company spares no effort in supporting art and cultural organizations. The FSP Gallery hosts exhibitions on different themes each quarter and provided a sponsorship of NT$1,030,000 for the Big Bowl of Tea in Taipei performance by [Taipei Quyituan] and the Wandering Heroes performance by

[Contemporary Legend Theatre]. We also invited employees to enjoy the immersive theater experience.

6. Industry-academia collaboration

   The Group and the Department of Electrical Engineering of National Ilan University joined hands to enhance R&D technology development capabilities. We officially launched a three-year industry-academia collaboration program on September 1, 2021 titled "Next-Generation Key Technology Development for Efficient Green Energy". The Group plans to invest more than NT$10 million in three years and work in collaboration with the Higher Education SPROUT Project of the Ministry of Education to help students understand the current development and the problems of the industry during their studies, and assist companies in developing key technologies for next-generation green energy. Students can get a job as soon as they graduate to facilitate seamless connection between their studies and work. FSP Group provides students of the Department of Electrical Engineering of National Ilan University with "R&D Rookie Scholarship" so that students with excellent performance can concentrate and place all their efforts on academic research and technological innovation. The Company and the University work together to cultivate professional in power and electronics so that participating graduate students and university students can use the academic theories and practical skills they learned to maximize the benefits of industry-academia collaboration.

(II) Environmental sustainability

The Company continues to promote economic development for environmental sustainability based on overall environmental management for environmental protection, pollution prevention, and green production
as well as fulfillment of corporate social responsibility. We are also committed to "low-carbon, low-waste, and low-pollution" development actions
with the aim of creating more value for the environment and products and attaining balance in operations and environmental sustainability. The Company has implemented and passed the ISO 14001 environmental management system in our major factories of operations to fulfill our environmental responsibility and improve our performance in environmental protection. We set environmental safety and health objectives and management plans with the environmental management system every year, and use the "PDCA cycle" to ensure the implementation of environmental safety and health management.

After evaluating the potential environmental impact in the production process based on environmental protection laws, we identified "climate change & greenhouse gas inventory", "energy management", "water resources", and "waste management" as core tasks for continuous improvement.
Please refer to Appendix 1 and Appendix 2 for information on the environmental project management policies, targets, and performance.

Note 1

Board of Directors

Sustainable Development Committee

Executive Office

1. Corporate Governance
   - Establish strategies and action plans to enhance corporate governance
   - Improve board functions
   - Enhance internal control
   - Enhance identification and risk management of material issues
   - Improve information security management
   - Enhance customer relations

2. Responsible Supply
   - Establish strategies and action plans for sustainable supply chain management
   - Implement supplier ESG risk management
   - Promote supply chain ESG capabilities
   - Promote sustainability initiatives for the supply chain

3. Green Operations
   - Establish strategies and action plans for environmental and energy and resource management
   - Improve green production
   - Promote carbon management and use of renewable energy
   - Enhance recycling and reuse
   - Enhance climate change adaptation

4. Green Products
   - Establish strategies and action plans for sustainable products and services
   - Develop innovative solutions and business models
   - Promote low-carbon technologies, products, and services
   - Develop recyclable innovative designs and applications

5. Happy Workplace
   - Establish strategies and action plans for employee development and care
   - Enhance mechanisms for talent cultivation and retention
   - Enhance employee care and human rights management
   - Strengthen two-way communication
   - Create a healthy workplace

6. Social Engagement
   - Establish strategies and action plans for social engagement
   - Encourage employees to become volunteers
   - Develop social care promotion mechanisms
   - Promote initiatives for social engagement
   - Enhance external stakeholder consultation mechanisms

Note 2 Climate change evaluation and response measures:

The deterioration of the global environment has caused climate change. We must pay more attention to energy use as we continue to consume the Earth's resources. In terms of the impact of climate change on the electronics industry from the perspective of disaster response, risk analysis and extreme events are the key issues.

Identification of climate change management risks and opportunities

FSP's corporate vision is to "become a leader in providing global green energy solutions and make contributions in individual lives", and integrate the values of sustainability and environmental protection. The impact of climate change on the global ecology and human survival has increased in recent years. Companies that rely on global trade must face the impact of climate change. In response, FSP's ESG management team has created plans and set medium and long-term goals based on the concept of sustainability. We actively promote carbon reduction and other management measures to mitigate climate change and improve the Company's adaptability.

Medium to long-term goals

Step 1 Climate change response strategies

We continue to include the potential impacts of climate change into our overall plans for operations through our ESG Work Group. We predict the probability of risks and their impact, and develop response and crisis management mechanisms.

Step 2 Climate change risk assessment and identification

We identified the 16 risk factors below for risk assessment based on the Task Force on the guidelines provided by the Task Force on Climate-Related Financial Disclosures (TCFD) in discussions with the CSR Work Group.

a.	Carbon economy (carbon tax, carbon emission trading, etc.)	i.	High temperature or heat wave
b.	Energy tax	j.	Haze
c.	Mandatory filing for carbon emissions	k.	Winter storms
d.	Voluntary emission reduction agreements	l.	Droughts
e.	Control and trading of total carbon emissions	m.	Business reputation (brand recognition)
f.	Product efficiency regulations and standards	n.	Changes in consumer behavior
g.	Typhoons or heavy rain	o.	Supply chain management
h.	Earthquakes or tsunamis	p.	Political and financial issues

Step 3 Identification of climate change management risks and response measures

As we adapt to climate change, we must also think about our competitiveness and grasp business opportunities. The identified risks and opportunities of climate change are specified on the following page:

Risk Type	Factor	Risks		Opportunities		Description of Response Measures
		Description	Level	Description	Level	
Regulatory requirements	Carbon economy (carbon tax, carbon emission trading, etc.)	Increased operating costs	High-low	Facilitate the development of the green energy industry and enhance companies' energy conservation technologies	Medium	We search for feasible regulations through regulation identification in the management system. We organize training on regulation and revise internal standards to reduce the possibility of violations.
	Energy tax		Medium		Low	
	Mandatory filing for carbon emissions		Medium-low	Accelerate companies' reduction of carbon emissions and obtain carbon credits	Low	Communicate and propose recommendations for government policy requirements to make the system fair and reasonable.
	Voluntary emission reduction agreements	Increased cost of equipment investment	Medium-low		Low	Organize annual greenhouse gas inventories to meet reduction targets of the organization.
	Control and trading of total carbon emissions	Limited production capacity	Low-high	Slow down expansion in the industry to improve the health of the industry	Low	Pay attention to the changes in domestic and international laws and regulations after the Paris Climate Accords and evaluate internal response measures.
	Product efficiency regulations and standards	Inefficient products fail meet customer requirements and affect business opportunities	High-low	Increase the demand for efficient energy-saving products	Low	Evaluate feasible technologies and materials for product design and reduce energy consumption of products.
Extreme weather	Typhoons or heavy rain	Probability and severity of natural disasters that affect production and operations	Low	Maintain production competitiveness and increase customer confidence	Medium	Set up emergency response procedures to reduce loss of personnel and property. Use commercial insurance policies to reduce losses in the event of natural disasters.
	Earthquakes or tsunamis		Medium		Medium	
	High temperature or heat wave		Low	Increase the protection of production sites	Low	
	Haze		Low		Low	
	Winter storms		Low		Low	
	Droughts		Low		Low	Conserve water, improve the reuse of rainwater and wastewater, and establish emergency response measures for water resources.
Economic activities	Business reputation (brand recognition)	Poor image will lead to a decline in sales and stock prices	Medium-low	Provide high-performance products and active carbon management to meet customer requirements and increase brand value	Medium	Economic activities

Risk Type	Factor	Risks		Opportunities		Description of Response Measures
		Description	Level	Description	Level	
	Changes in consumer behavior	Reduced demand for energy-saving products	Medium-low	Increase the demand and support for environmentally friendly products in the market	Medium	
	Supply chain management	Poor mitigation and adaptation affect operating costs	Medium-high	Slow down expansion in the industry to improve the health of the industry	Medium	Increase renewable energy usage ratio.
	Political and financial issues	Changes in the political or economic environment affect profitability	Medium	Pay attention to the development of climate change and climate justice movements in the region, and implement early responses and adjustments in operations to reduce the impact on business	Low	

Table 1 Results of the inventory of greenhouse gas emissions

Item	2020	2021	Description
Scope 1 Direct energy (tons CO2e)	1,154.81	1,371.42	Annual greenhouse gas emissions of each organization have been verified by a third party based on the greenhouse gas inventory standards (ISO 14064-1).
Scope 2 Indirect energy (tons CO2e)	15,647.22	16,739.25	
Scope 1 and Scope 2 Direct and indirect greenhouse gas emissions (tons CO2e)	16,802.03	18,110.67	
Scope 3 Business travel	—	11.57	
Global water consumption (million liters)	194.60	194.02	
Waste (tons)	226.70	262.12	

Table 2 Environmental project management policies, targets, and performance

Management Item	Management Policy	Management Target	Target Achievement Status	Results
Hazardous substances	1. Execution and compliance with IECQ QC 080000 Quality Management System. 2. Rigorous compliance with customer requirements and regulatory requirements. 3. Uphold HSF production process and implement continuous improvements.	Reduce the use of hazardous substances	We used the Green Product Management (GPM) platform to manage hazardous substances. In 2021, 5,918 new parts were recognized, putting the total number of recognized parts at 52,165. We have identified and managed 52 hazardous substances.	Achieved
GHG emissions	FSP is committed to its greenhouse gas inventory, reduction, and control to help the Company to monitor actual greenhouse gas emissions. We also use the results of the inventory for additional voluntary greenhouse gas reduction projects.	We set 2010 as the baseline year for greenhouse gas emissions 1. We aim to reduce emissions by 4% from the baseline year each year 2. Reduce total GHG emissions by 50% by 2025	1. The total greenhouse gas emissions in 2021 fell by an average of 38% compared to the baseline year. 2. The Company obtained the ISO 14064-1 Certification Statement.	Achieved
Energy	Improve energy management efficiency and prioritize the purchase of energy-efficient equipment before equipment replacement to meet regulatory requirements.	1. Achieve 50% reduction in total electricity consumption by 2025 2. Set a target of 1% average energy savings for each year compared to the baseline year starting from 2019 to meet greenhouse gas emission management targets	6.89% increase	-
Water resources	Implement water management measures, prioritize water-saving equipment when evaluating equipment replacement, reduce water waste, and increase employee awareness with training.	Reduce total water consumption by 1% compared to the previous year	0.32% decrease	-
Waste	Incorporate product cycle requirements to reduce the amount of waste and improve environmental performance and select qualified vendors for outsourced waste disposal based on the location of the factory. Manage and maintain records of waste production, sorting and collection, recycling and transportation in accordance with the environmental management system.	Total waste was reduced by 1% compared to the previous year	15.62% induction	-

Appendix 3 Data quality information for the Corporate Social Responsibility Report

Item	Verification / certification / audit
Financial data (information from the Financial Report)	KPMG
ISO 9001 Quality Management, ISO 13485 Medical Device Quality Systems, ISO 17025 Laboratory Quality Accreditation	TÜV Rheinland, SGS Taiwan
ISO 14001 Environmental Management System	
ISO 45001 Occupational Safety and Health Management System	
ISO 14064-1 Greenhouse Gas Inventory	
IECQ QC 080000 Hazardous Substance Process Management	

(VI) Implementation of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and senior management towards implementation of such policy?	V		(I) The Company established the "Ethical Corporate Management Best-Practice Principles" on January 28, 2016 to establish an ethical-based policy. The Principles were revised based on the approval of the Board of Directors on March 19, 2020. The Company established a plan to prevent unethical conduct in accordance with the Company's core value of integrity. We encourage and require members of the Company, including the Board of Directors and management, to actively implement the policy of ethical corporate management. Please refer to the corporate governance section on the company website to view the Company's Ethical Corporate Management Best-Practice Principles.	No significant difference.
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risks of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct accordingly and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		(II) The Company has established the "Code of Ethical Conduct" and the "Ethical Corporate Management Best-Practice Principles" to provide a code of conduct for the Company's personnel responsible for important businesses. Internal auditors conduct regular audits to strengthen the implementation of the ethical corporate management policy. The Company has set up related regulations for different compliance requirements including Operating Procedures for the Prevention of Insider Trading, Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System, Personal Information Management Regulations, and information security management to take preventive measures for ethical corporate management.	No significant difference.
(III) Does the Company define the operating procedures,	V		(III) The Company has established sound business management framework to	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs effectively and perform regular reviews and amendments?			create a corporate culture of ethical management and improve development. We also established the "Ethical Corporate Management Best-Practice Principles" to provide guidance for all behavior. To implement the "Ethical Corporate Management Best-Practice Principles" and "Codes of Ethical Conduct", the Company established "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System" to set up internal and external reporting channels and the reward and penalty system. The Company shall continue to pay attention to the development of ethical corporate management regulations in Taiwan and foreign countries. The Company also encourages Directors, managerial officers, and employees to propose recommendations, which will be used to review and improve the ethical corporate management policies and measures and thus achieve more effective ethical corporate management.	
II. Fulfillment of ethical corporate management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts?	V		(I) The Company has set up evaluation mechanisms for customers and suppliers. When entering into contracts with others, the Company shall include in the contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may terminate or rescind the contracts at any time.	No significant difference.
(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors that reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of	V		(II) The Company promotes ethical corporate management under the direct supervision of the Chairman. Meetings are convened by the Corporate Governance Officer and the President Office provides services on a part-time basis. The results are reported to the Board of Directors at least once a year. Implementation status in 2021: No reports occurred.	No significant difference

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
Directors while overseeing such operations?				
(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		(III) Article 10 of the Company's "Rules of Procedure for Board of Directors' Meetings" specify the requirements for the recusal of Directors due to conflict of interest. If a Director or a corporate entity that the Director represents is considered an interested party in the agenda, a full disclosure is required during the current meeting session. The Director shall recuse himself/herself from all discussions and voting if it is in conflict against the Company's interests. Under such circumstances, the Director shall not exercise voting rights on behalf of other Directors. Article 17 of the "Corporate Governance Best-Practice Principles" expressly prohibits the transfer of interest between the Company and related parties or shareholders. The Company also established the "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System" to provide whistleblowers with reporting channels and protect the identity of whistleblowers. Reporting mailbox: https://www.fsp-group. com/tw/Whistleblower.html.	No significant difference
(IV) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit devise audit plans based on the results of unethical conduct risk assessments and audit the systems accordingly to prevent unethical conduct, or hire external CPAs to perform the audits?	V		(IV) The Company has established an effective accounting system and internal control system. Internal auditors conduct various audits based on the annual audit plan and report the results of the audit and subsequent improvements to the Board of Directors and management to ensure the effectiveness of ethical corporate management. The Company also conducts annual self-assessments on internal controls of the Company. The Company's departments and subsidiaries are required to review the design of the internal control system and the effectiveness of its implementation.	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management	V		(V) The Company plans corporate culture training to incorporate the corporate culture of integrity into the Company's operations. We also organize supplier conferences to promote the concept of ethical corporate management.	No significant difference.
III. Operation of the whistle-blowing system				
(I) Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party for the follow-up?	V		(I) The Company established the "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System" to establish reporting channels and systems for the Company, implement the "Ethical Corporate Management Best-Practice Principles" and "Code of Ethical Conduct" established by the Company, and protect the legal rights of whistleblowers and counterparties. Reports are processed in a confidential manner and verified by the Audit Office to protect whistleblowers. The identity of whistleblowers are the contents of reports are always kept confidential.	No significant difference.
(II) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(II) The Company established the "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System" to provide legitimate reporting channels and maintain the confidentiality of the identity of whistleblowers and contents of reports. When the processing unit finds material misconduct or likelihood of material impairment to the Company, it shall immediately prepare a report and notify the Independent Directors in written format. Documentation of case acceptance, investigation processes, and investigation results shall be retained in written format and digital files for at least five years. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained for two years after the conclusion of the litigation.	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
(III) Does the Company provide proper whistleblower protection?	V		(III) The Company established the "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System" to take appropriate confidentiality measures and protect whistleblowers from improper treatment.	No significant difference.
IV. Strengthening information disclosure (I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company has uploaded the "Ethical Corporate Management Best-Practice Principles" to the Company's website and the MOPS. It also disclosed the information on the implementation of ethical corporate management in the Annual Report for reference by related personnel.	No significant difference.
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: None.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies): 1. The Company's Ethical Corporate Management Best-Practice Principles were revised on March 19, 2020 and passed by the Board of Directors. 2. The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/TPEx listing rules, and other laws or regulations on business activities as the basic premises for its ethical corporate management. 3. The Company's "Rules of Procedure for Board of Directors' Meetings" specify the requirements for the recusal of Directors due to conflict of interest. If a Director or a corporate entity that the Director represents is considered an interested party in the agenda, a full disclosure is required during the current meeting session. The Director shall recuse himself/herself from all discussions and voting if it is in conflict against the Company's interests. Under such circumstances, the Director shall not exercise voting rights on behalf of other Directors. 4. The Company established the "Operating Procedures for the Prevention of Insider Trading" which state that Directors, managerial officers, and employees may not disclose internal material information to others, may not inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, or disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.				

(VII) Corporate Governance Guidelines and Regulations and the Inquiry Method:

Please refer to the MOPS (http://mops.twse.com.tw) or the Company's website (https://www.fsp-group.com.tw) for more information.

(VIII) Other Important Information Regarding Corporate Governance:

1. The Board appointed a Corporate Governance Officer on January 8, 2019 to implement corporate governance, protect the interests of the shareholders, and strengthen the functions of the Board.

2. The Company has set up a dedicated section on the official website to explain the corporate governance status and provide corporate governance regulations for download and reference.

(IX) Status of Internal Control System

1. Statement on Internal Control

FSP Technology Inc.
Statement on Internal Control

Date: March 18, 2022

The Company hereby states the results of the self-evaluation of the internal control system for 2021 as follows:

I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has innate limitations. No matter how robust and effective the internal control system is, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.

IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.

V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, are effective and can reasonably assure the achievement of the foregoing goals.

VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Board of Directors on March 18, 2022, and out of the ten directors in attendance, none had dissenting opinions of it and all approved the content expressed in this statement.

FSP Technology Inc.

Chairman and President: Cheng, Ya-Jen

2. If a CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, the CPA Audit Report Shall Be Disclosed: None.

(X) For Penalties Imposed Upon the Company and Its Employees in Accordance with the Law or Penalties Imposed by the Company Upon Its Employees for the Violation of the Internal Control System Policy During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report, if the Result of Such Penalties May Have a Significant Impact on the Shareholders' Equity or the Price of Securities, the Contents of the Penalties, Principal Deficiencies, and Improvements Shall Be Specified: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report:

1. Important resolutions from the 2021 general shareholders' meeting and implementation status:

(1) Acknowledgment of the Company's 2020 Business Report and Financial Statements.

(2) Acknowledgment of the Company's distribution of earnings for 2020.

Implementation status: The ex-dividend date was set as July 5, 2021 and the distribution date was set as July 19, 2021.

The Company distributed cash dividends of $3 per share.

(3) Passed the amendment of the Company's "Articles of Incorporation".

Implementation status: Announced on the Company's website on July 20, 2021 and processed in accordance with the amended procedures.

2. Major Resolutions of the Board Meetings:

Board of Directors	Major Resolutions
The 5th meeting of the 10th term 2021.01.14	1. Acknowledgment of the proposal for the year-end bonus for the Company's managerial officers for 2020. 2. Passed the Company's Business Plan for 2021. 3. Passed the amendment of the Company's "Corporate Governance Best-Practice Principles". 4. Passed the amendment of the "Regulations Governing the Evaluation of the Board of Directors". 5. Passed the proposal for the renewal of the Company's comprehensive credit limit in banks.
The 6th meeting of the 10th term 2021.03.18	1. Passed the proposal for the Company's replacement of the CPAs due to internal adjustment of KPMG Taiwan. 2. Passed the proposal for the Company's appointment of the CAP firm for 2021 and its remuneration. 3. Passed the proposal for the compensation for employees and Directors for 2020. 4. Passed the Company's 2020 Business Report and Financial Statements. 5. Passed the proposal for the remuneration of the managerial officers for 2020. 6. Passed the Company's 2020 Statement on Internal Control. 7. Passed the Company's distribution of earnings for 2020. 8. Passed the amendment of the Company's "Articles of Incorporation". 9. Passed the amendment of the "Regulations Governing the Remuneration of Directors and Members of Functional Committees". 10. Passed the amendment of the Company's "Regulations Governing the Operating Procedures of Whistleblower Channels and Protection System". 11. Passed the proposal for the creation of the Company's "Sustainable Development Committee" 12. Passed the date, location, and meeting agenda for the Company's 2021 general shareholders' meeting. 13. Passed the proposal for shareholders' proposal rights for the 2021 general shareholders' meeting.
The 7th meeting of the 10th term	1. Passed the Company's consolidated financial statements for the first quarter of 2021.

Board of Directors	Major Resolutions
2021.04.29	
The 8th meeting of the 10th term 2021.06.11	1. Passed the date and location for the Company's 2021 general shareholders' meeting. 2. Passed the proposal for the application (renewal) of the Company's comprehensive credit limit in banks.
The 9th meeting of the 10th term 2021.07.12	1. Passed the proposal for changing the location for the Company's 2021 general shareholders' meeting.
The 10th meeting of the 10th term 2021.08.05	1. Passed the Company's Consolidated Financial Statements for the first half of 2021.
The 11th meeting of the 10th term 2021.11.04	1. Passed the proposal for the creation of the Company's "Nominating Committee" 2. Passed the Company's consolidated financial statements for the third quarter of 2021. 3. Passed the Company's Audit Plan for 2022.
The 12th meeting of the 10th term 2022.01.13	1. Acknowledgment of the proposal for the year-end bonus for the Company's managerial officers for 2021. 2. Passed the Company's Business Plan for 2022. 3. Passed the proposal for the Company's disposal of securities. 4. Passed the amendment of certain articles of the Company's "Corporate Social Responsibility Best-Practice Principles". 5. Passed the proposal for the Company's appointment of the CAP firm for 2022 and its remuneration.
The 13th meeting of the 10th term 2022.03.18	1. Passed the proposal for the compensation for employees and Directors for 2021. 2. Passed the Company's 2021 Business Report and Financial Statements. 3. Passed the proposal for the remuneration of the managerial officers for 2021. 4. Passed the Company's 2021 Statement on Internal Control. 5. Passed the Company's distribution of earnings for 2021. 6. Passed the amendment of the Company's "Articles of Incorporation". 7. Passed the amendment of the Company's "Corporate Governance Best-Practice Principles". 8. Passed the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". 9. Passed the date, location, and meeting agenda for the Company's 2022 general shareholders' meeting. 10. Passed the proposal for shareholders' proposal rights for the 2022 general shareholders' meeting.
The 14th meeting of the 10th term 2022.04.28	1. Passed the Company's consolidated financial statements for the first quarter of 2022. 2. Passed the Company's amendments for the Procedures of Acquisition or Disposal of Assets. 3. Passed the Company's amendments for the Performance Evaluation Method of Board of Directors. 4. Passed the Company's dismissal of the Company's Manager.

(XII) Any Dissenting Opinion Expressed by a Director with Respect to a Major Resolution Passed by the Board of Directors During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report, Where Said Dissenting Opinion Has Been Recorded or Prepared as a Written Declaration, and Its Main Content: None.

(XIII) A Summary of Resignations and Dismissals of the Company's Chairman, President, Chief Accounting Officer, Financial Supervisor, Chief Internal Auditor, Corporate Governance Officer, or Research and Development Officer During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: Not Applicable.

(XIV) Intellectual Property Management

2021 Intellectual Property Management Plan

The Company has developed an intellectual property strategy that connects operational objectives to R&D resources to strengthen our leader in the industry and preserve hard-earned technological advancements. We have established a business model that creates value for the Company with intellectual property rights, which protects the Company's freedom of operations and strengthens its competitive advantage. It can also be used to help the Company generate profits.

1. Project Management

   The Company focused on the growth in the number of patents and gradually developed its patent strategy in 2014 to focus on the quality of patents. We have progressed to the ultimate goal of using patents to create value so that we can create value and generate profits with patents.

   To build a solid intellectual property portfolio, the Company has established the "Intellectual Property Management System" to ensure the quality of implementation and execution of operations. We also established the "Patent Incentive Management System" to continuously encourage employees to file applications for invention patents. We have incorporated the "patent management system" and "database search system" to manage patent applications and review patents in different countries. In interactions with external entities, we maintain close communication and technical exchange with local and foreign competent authorities of patents in major markets. We help patent examiners understand the Company's technologies to enhance examination efficiency and obtain high-quality patent protection.

2. Trademark management

   The Company's trademark management strategy consists mainly of the expansion and protection of trademarks. We regularly review overseas markets and evidence of trademark use based on the product line and market expansion. We also established a trademark monitoring mechanism and dispute handling mechanism to protect the Company's trademark rights.

3. Possible intellectual property risks and response measures

   If the Company's products infringe upon the intellectual property rights of others or if the Company's intellectual property rights are infringed by others and results in an infringement lawsuit, it may prevent the Company from producing specific products, weaken the Company's market competitiveness, and reduce the Company's revenue. Measures taken by the Company in response include: (1) supplier intellectual property rights assurance; (2) case search and risk aversion; (3) research on specific issues; (4) inventory of own intellectual property rights and insight on products of competitors; (5) standardization of response to lawsuits.

Implementation Status

1. The Company has formulated plans to report intellectual property matters to the Board of Directors on a regular basis. The most recent reporting date was November 4, 2021 (11th meeting of the 10th Board of Directors).
2. The Company has actively implemented the Intellectual Property Management Plan since 2012. The main implementation results in recent years are as follows:
   - Establishment of trademark management mechanisms in 2018
   - Enhancement of the Company's Intellectual Property Management Plan in 2019.
   - Establishment of the Intellectual Property Management Regulations in 2020.
   - Plans for passing the Taiwan Intellectual Property Management System (TIPS) certification in 2022.

3. The current list of intellectual properties and results are as follows:
   - Patents: As of the end of 2021, the Company has obtained more than 560 patents worldwide, including 13 patents in Taiwan and foreign countries in 2021.
   - Trademarks: As of the end of 2021, the Company has obtained 94 trademarks. The Company's major brands and other trademarks have been registered in more than 20 countries/regions across the world, including Asia, the Americas, Europe, and other major regions for product sales.

V. Information on CPA Professional Fees:

Unit: NT$ thousands

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees (Note)	Total	Remark
KPMG Taiwan	Chang, Chun-I	2021	4,850	570.88	5,420.88	—
	Chao, Min-Ju					

Note: The services provided in exchange for non-audit fees included services for human resources, subsidiary annual fee and statutory fees, business tax certification fees based on the direct deduction method, and transfer pricing service fee.

(I) When the CPA firm is changed and the audit fees paid for the fiscal year of such fees are lower than those for the previous fiscal year, the amounts of audit fees before and after the change and the reasons thereof shall be disclosed: None.

(II) Where the audit fees paid for the year are at least 10% less than those paid for the previous year, the reduced amount, proportion, and reason of the reduction shall be disclosed: None.

VI. Information on Replacement of CPAs:

(I) Former CPAs

<table>
<tr><td>Date of Replacement</td><td colspan="4">Passed by the Board of Directors on March 18, 2021</td></tr>
<tr><td>Replacement Reasons and Explanations</td><td colspan="4">The Company replaced the CPAs Kuan, Chun-Hsiu and Chao, Min-Ju with the CPAs Chang, Chun-I and Chao, Min-Ju due to internal adjustment of KPMG Taiwan.</td></tr>
<tr><td rowspan="3">Termination by the Company or the CPAs</td><td colspan="2">Party / Condition</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="2">Termination by the Company</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Termination by the CPAs</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Deviation form the Issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">ˇ</td></tr>
<tr><td colspan="4">Description</td></tr>
<tr><td>Additional Disclosures (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)</td><td colspan="4">N/A</td></tr>
</table>

(II) Successive CPAs: N/A.

(III) Former CPAs' Reply to Disclosures under Items 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

VII. If the Company's Chairman, President, or Financial or Accounting Managerial Officer has worked for the CPA firm or its affiliate in the most recent year, their names, titles, and period of service in the CPA firm or its affiliate shall be disclosed: None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%

(I) Change in Equity Interests by Directors, Managerial Officers, and Major Shareholders

Title	Name	2021		Current year as of April 11	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Director and Chairman	Cheng, Ya-Jen	—	—	—	—
Director and Vice Chairman	Wang, Chung-Shun	—	—	—	—
Director and Vice President	Yang, Fu-An	—	—	—	—
Director	2K Industries Inc. (BVI) Representative: Wang, Po-Wen	—	—	—	—
Director	Datazone Limited Representative: Chu, Hsiu-Yin	—	—	—	—
Director	Chen, Kuang-Chun	—	—	(18,000)	—
Director	Huang, Jr-Wen	—	—	—	—
Independent Director	Liu, Shou-Hsiang	—	—	—	—
Independent Director	Cheng, Chia-Jiun	—	—	—	—
Independent Director	Hsu, Cheng-Hung	—	—	—	—
President, Kaohsiung Branch	Chen, Kuo-Ruey	—	—	—	—
Associate Managers	Wang, Ya-Chen	—	—	—	—
Vice President, Kaohsiung Branch	Hsu, Pei-Ching	(10,000)	—	—	—
Vice President	Tsai, Fu-Sheng	—	—	—	—
Corporate Governance Officer	Yao, Wen-Chun	—	—	—	—
Financial Supervisor	Li, Fu-Jung	—	—	—	—
Chief Accounting Officer	Sang, Hsi-Yun	—	—	—	—

(II) Where the counterparty of stock transfer is a related party, the name of the counterparty, relationship between the counterparty and the Company, Directors, managerial officers, and shareholders with shareholding percentage exceeding 10%, and the shares obtained or pledged shall be disclosed: None.

(III) Where the counterparty of stock pledge is a related party, the name of the counterparty, relationship between the counterparty and the Company, Directors, managerial officers, and shareholders with shareholding percentage exceeding 10%, and the shares obtained or pledged shall be disclosed: None.

IX. Relationship among the Company's 10 Largest Shareholders who are Related to, Spouse of, or a Relative Within the Second Degree of Kinship of Another:

Baseline date: April 11, 2022; Unit: shares

Name (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship. (Note 3)		Remark
	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)	Title (or Name)	Relationship	
Chuan Han Investment Co., Ltd.	15,091,766	8.06%	—	—	—	—	Cheng, Ya-Jen Wang, Chung-Shun Yang, Fu-An	Chairman Director Director	
Cheng, Ya-Jen	12,167,477	6.50%	1,019,992	0.54%	—	—	Chuan Han Investment Co., Ltd.	Chairman	
Yang, Fu-An	11,792,834	6.30%	249,022	0.13%	—	—	Chuan Han Investment Co., Ltd.	Director	
Wang, Chung-Shun	11,605,794	6.20%	618,892	0.33%	—	—	Chuan Han Investment Co., Ltd.	Director	
Wang Kuang Tung Investment Co., Ltd.	6,551,886	3.50%	—	—	—	—	—	—	
Hsiang Tsan Investment Co., Ltd.	5,200,276	2.78%	—	—	—	—	Cheng, Ya-Jen	Supervisor	
2K Industries Inc. (BVI)	5,193,162	2.77%	—	—	—	—	—	—	
Pai Chuang Investment Co., Ltd.	4,800,000	2.56%	—	—	—	—	Yang, Fu-An	Supervisor	
Pi-Cheng Investment Co., Ltd.	3,143,880	1.68%	—	—	—	—	—	—	
Chen, Kuang-Chun	2,989,913	1.60%	—	—	—	—	—	—	

Note 1: All top ten shareholders must be listed. For institutional shareholders, their names and the name of their representatives must be listed separately.

Note 2: The shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others. The shareholding ratio is rounded to the second decimal place.

Note 3: Relationships between the aforementioned shareholders, including institutional and natural-person shareholders must be disclosed based on the financial reporting standards used by the issuer.

X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Shares; %

Investee business (Note 1)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	Shareholding	Shares	Shareholding	Shares	Shareholding
FSP International Inc. (BVI)	32,202,500	100%	—	—	32,202,500	100%
FSP Group Inc.	50,000	100%	—	—	50,000	100%
Amacrox Technology Co., Ltd. (BVI)	1,109,355	100%	—	—	1,109,355	100%
3Y Power Technology (Taiwan) Inc.	16,309,484	65.87%	—	—	16,309,484	65.87%
Harmony Trading (HK) Ltd.	10,000	100%	—	—	10,000	100%
FSP Technology USA Inc.	100,000	100%	—	—	100,000	100%
FSP Turkey Dis Tic.Ltd.Sti.	6,673,000	91.41%	—	—	6,673,000	91.41%
Shenzhen HuiLi Electronics Co., Ltd.	—	—	(註 2)	100%	(Note 2)	100%
FSP Technology Inc. (BVI)	—	—	2,100,000	100%	2,100,000	100%
Proteck Electronics (Samoa) Corp.	—	—	1,100,000	100%	1,100,000	100%
Power Electronics Co., Ltd. (BVI)	—	—	7,000,000	100%	7,000,000	100%
Famous Holding Ltd.	—	—	27,000,000	100%	27,000,000	100%
FSP International (HK) Ltd.	—	—	4,770,000	100%	4,770,000	100%
Jiangsu FSP Power Technology R&D Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Dongguan Protek Electronics Corp.	—	—	(Note 2)	100%	(Note 2)	100%
Zhonghan Electronics Shenzhen Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Wuxi SPI Technology Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Wuxi Zhonghan Technology Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Haohan Electronic Technology (Ji'an) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Shenzhen Zhong Han Science & Tech. Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Amacrox GmbH	—	—	25,000	100%	25,000	100%
Proteck Power North America Inc.	—	—	1,000	100%	1,000	100%
FSP Group USA Corp.	—	—	247,500	45%	247,500	45%
3Y Power Technology, Inc.	—	—	600,000	65.87%	600,000	65.87%
Luckyield Co,. Ltd	—	—	150,000	65.87%	150,000	65.87%
Wuxi Xiangyuan Electronics Co., Ltd.	—	—	(Note 2)	65.87%	(註 2)	65.87%

Note 1: Long-term investment calculated by equity method as of December 31, 2021.

Note 2: The company is a limited liability company which has not issued stocks.

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Capital formation

May 8, 2022 Unit: NT$ thousands / thousand shares

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1993/04	10	500	5,000	500	5,000	Approved for establishment	None	-
1994/11	10	1,000	10,000	1,000	10,000	NT$5,000 thousand, issuance of shares for cash capital increase	None	-
1997/09	10	3,800	38,000	3,800	38,000	NT$28,000 thousand, issuance of shares for cash capital increase	None	-
1998/12	10	18,800	188,000	18,800	188,000	NT$150,000 thousand, issuance of shares for cash capital increase	None	-
1999/07	10	50,000	500,000	32,500	325,000	NT$113,500 thousand, issuance of shares for cash capital increase NT$23,500 thousand, capital increase from earnings	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 63092 Letter dated July 16, 1999
2000/09	10	50,000	500,000	42,000	420,000	NT$30,000 thousand, issuance of shares for cash capital increase NT$65,000 thousand, capital increase from earnings	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 59465 Letter dated July 10, 2000
2001/09	10	90,000	900,000	60,000	600,000	NT$49,000 thousand, issuance of shares for cash capital increase NT$121,800 thousand, capital increase from earnings NT$5,000 thousand, capital increase from employee bonus NT$4,200 thousand, capital increase from capital surplus	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 144523 Letter dated July 12, 2001
2002/08	10	90,000	900,000	70,000	700,000	NT$30,000 thousand, capital increase from earnings NT$10,000 thousand, capital increase from employee bonus NT$60,000 thousand, capital increase from capital surplus	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 0910140251 Letter dated July 18, 2002
2003/06	10	90,000	900,000	79,723	797,230	NT$87,500 thousand, capital increase from earnings NT$9,730 thousand, capital increase from employee bonus	None	Approved in accordance with Jing-Shou-Shang No. 092201185800 Letter dated June 17, 2003

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2003/09	10	90,000	900,000	86,114	861,140	NT$63,910 thousand, issuance of shares for cash capital increase	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 0920133066 Letter dated July 17, 2003
2004/07	10	130,000	1,300,000	100,531	1,005,311	NT$129,171 thousand, capital increase from earnings NT$15,000 thousand, capital increase from employee bonus	None	Approved in accordance with Tai-Cai-Zheng-(1) No. 0930126571 Letter dated June 15, 2004
2005/08	10	223,000	2,230,000	127,323	1,273,239	NT$243,828 thousand, capital increase from earnings NT$24,100 thousand, capital increase from employee bonus	None	Approved in accordance with Jin-Guan-Zheng-(1) No. 0940125202 Letter dated June 23, 2005
2006/05	10	223,000	2,230,000	128,247	1,282,476	Converted overseas convertible corporate bonds into common stocks totaling NT$9,237 thousand	None	Approved in accordance with Tai-Zheng-Shang No. 0950010579 Letter dated May 22, 2006
2006/07	10	223,000	2,230,000	128,415	1,284,155	Converted overseas convertible corporate bonds into common stocks totaling NT$1,679 thousand	None	Approved in accordance with Tai-Zheng-Shang No. 0950019886 Letter dated July 28, 2006
2006/08	10	223,000	2,230,000	146,270	1,462,704	NT$160,519 thousand, capital increase from earnings NT$18,030 thousand, capital increase from employee bonus	None	Approved in accordance with Jin-Guan-Zheng-(1) No. 0950126385 Letter dated June 26, 2006
2007/01	10	223,000	2,230,000	150,761	1,507,613	Converted overseas convertible corporate bonds into common stocks totaling NT$44,909 thousand	None	Approved in accordance with Tai-Zheng-Shang No. 09600026581 Letter dated January 30, 2007
2007/04	10	223,000	2,230,000	151,047	1,510,480	Converted overseas convertible corporate bonds into common stocks totaling NT$2,867 thousand	None	Approved in accordance with Tai-Zheng-Shang No. 09600026581 Letter dated January 30, 2007
2007/08	10	223,000	2,230,000	174,002	1,740,020	NT$188,810 thousand, capital increase from earnings NT$40,730 thousand, capital increase from employee bonus	None	Approved in accordance with Jing-Shou-Shang No. 09601184890 Letter dated August 1, 2007
2007/09	10	223,000	2,230,000	190,002	1,900,020	NT$160,000 thousand, issuance of shares for cash capital increase	None	Approved in accordance with Tai-Zheng-Shang No. 0960042822 Letter dated August 20, 2007
2007/12	10	223,000	2,230,000	197,002	1,970,020	NT$70,000 thousand, merger-related issuance of shares for capital increase	None	Approved in accordance with Jing-Shou-Shang No. 09601308080 Letter dated December 21, 2007
2008/07	10	360,000	3,600,000	218,915	2,189,157	NT$197,002 thousand, capital increase from earnings NT$22,135 thousand,	None	Approved in accordance with Jing-Shou-Shang No. 09701187690 Letter dated July 30, 2008

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						capital increase from employee bonus		
2008/12	10	360,000	3,600,000	212,688	2,126,887	Canceled treasury stock totaling NT$62,270 thousand	None	Approved in accordance with Jing-Shou-Shang No. 09701315750 Letter dated December 16, 2008
2009/08	10	360,000	3,600,000	218,253	2,182,529	NT$53,172 thousand, capital increase from earnings NT$2,470 thousand, capital increase from employee bonus	None	Approved in accordance with Jing-Shou-Shang No. 09801178080 Letter dated August 10, 2009
2010/04	10	360,000	3,600,000	218,719	2,187,189	NT$4,660 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 09901076370 Letter dated April 27, 2010
2010/05	10	360,000	3,600,000	219,557	2,195,569	NT$8,380 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 09901104550 Letter dated May 19, 2010
2010/08	10	360,000	3,600,000	224,481	2,244,812	NT$43,911 thousand, capital increase from earnings NT$3,940 thousand, capital increase from employee stock subscription NT$1,392 thousand, capital increase from employee bonus	None	Approved in accordance with Jing-Shou-Shang No. 09901180000 Letter dated August 12, 2010
2010/11	10	360,000	3,600,000	224,552	2,245,522	NT$710 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 09901264340 Letter dated November 25, 2010
2011/04	10	360,000	3,600,000	224,909	2,249,092	NT$3,570 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10001076390 Letter dated April 18, 2011
2011/05	10	360,000	3,600,000	225,629	2,256,292	NT$7,200 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10001104830 Letter dated May 20, 2011
2011/08	10	360,000	3,600,000	228,644	2,286,438	NT$24,256 thousand, capital increase from earnings NT$5,890 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10001188760 Letter dated August 16, 2011
2011/11	10	360,000	3,600,000	228,752	2,287,518	NT$1,080 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10001268520 Letter dated November 24, 2011
2012/04	10	360,000	3,600,000	228,762	2,287,618	NT$100 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10101067390 Letter dated April 19, 2012
2012/05	10	360,000	3,600,000	229,275	2,292,748	NT$5,130 thousand, capital increase from employee	None	Approved in accordance with Jing-Shou-Shang No.

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
						stock subscription		10101089840 Letter dated May18, 2012
2012/09	10	360,000	3,600,000	229,353	2,293,528	NT$780 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10101195800 Letter dated September 19, 2012
2012/11	10	360,000	3,600,000	229,584	2,295,838	NT$2,310 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10101243280 Letter dated November 23, 2012
2013/03	10	360,000	3,600,000	229,877	2,298,768	NT$2,930 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10201038880 Letter dated March 4, 2013
2013/05	10	360,000	3,600,000	230,761	2,307,608	NT$8,840 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10201100240 Letter dated May 31, 2013
2013/09	10	360,000	3,600,000	230,940	2,309,398	NT$1,790 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10201180990 Letter dated September 3, 2013
2013/12	10	360,000	3,600,000	231,723	2,317,228	NT$7,830 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10201246480 Letter dated December 4, 2013
2014/02	10	360,000	3,600,000	234,466	2,344,658	NT$27,430 thousand, capital increase from employee stock subscription	None	Approved in accordance with Jing-Shou-Shang No. 10301033320 Letter dated February 26, 2014
2015/09	10	360,000	3,600,000	192,262	1,922,620	NT$422,038 thousand, issuance of shares for cash capital decrease	None	Approved in accordance with Jing-Shou-Shang No. 10401183830 Letter dated September 1, 2015
2020/07	10	360,000	3,600,000	187,262	1,872,620	Canceled treasury stock totaling NT$50,000 thousand	None	Approved in accordance with Jing-Shou-Shang No. 10901119980 Letter dated July 2, 2020

May 8, 2022; Unit: shares

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Registered common shares	187,261,950	172,738,050	360,000,000	Stocks of listed companies

(II) Structure

April 11, 2022

Item \ Structure	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	4	55	14,410	87	14,556
Shares Held	0	4,762,283	46,695,890	114,123,624	21,680,153	187,261,950
Shareholding	0%	2. 54%	24.94%	60.94%	11.58%	100.00%

(III) Shareholding Distribution Status

NT$10 per share; April 11, 2022

Range of Shares	Number of Shareholders	Shares Held	Shareholding
1~999	3,400	998,629	0.53%
1,000~5,000	7,007	14,756,569	7.88%
5,001~10,000	1,064	8,329,896	4.45%
10,001~15,000	307	3,883,870	2.07%
15,001~20,000	218	3,972,432	2.12%
20,001~30,000	168	4,255,968	2.27%
30,001~40,000	90	3,199,596	1.71%
40,001~50,000	65	2,990,626	1.60%
50,001~100,000	103	7,719,186	4.12%
100,001~200,000	47	6,226,919	3.33%
200,001~400,000	33	9,515,917	5.08%
400,001~600,000	12	5,663,638	3.02%
600,001~800,000	12	8,152,859	4.35%
800,001~1,000,000	4	3,720,045	1.99%
Over 1,000,001	26	103,875,800	55.48%
Total	12,556	187,261,950	100.00%

(IV) List of Major Shareholders

April 11, 2022

Shareholding / Name of Major Shareholders	Shares Held	Shareholding
Chuan Han Investment Co., Ltd.	15,091,766	8.06%
Cheng, Ya-Jen	12,167,477	6.50%
Yang, Fu-An	11,792,834	6.30%
Wang, Chung-Shun	11,605,794	6.20%
Wang Kuang Tung Investment Co., Ltd.	6,551,886	3.50%
Hsiang Tsan Investment Co., Ltd.	5,200,276	2.78%
2K Industries Inc. (BVI)	5,193,162	2.77%
Pai Chuang Investment Co., Ltd.	4,800,000	2.56%
Pi-Cheng Investment Co., Ltd.	3,143,880	1.68%
Chen, Kuang-Chun	2,989,913	1.60%

Note: The shareholding ratio is rounded to the second decimal place.

(V) Share Price for the Past 2 Fiscal Years, with Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information

<table>
<tr><th colspan="3">Year / Item</th><th>2020</th><th>2021</th><th>March 31, 2022 (Note 8)</th></tr>
<tr><td rowspan="3">Market Price Per Share (Note 1)</td><td colspan="2">Highest</td><td>44</td><td>57.9</td><td>45.2</td></tr>
<tr><td colspan="2">Lowest</td><td>14.5</td><td>36.7</td><td>42</td></tr>
<tr><td colspan="2">Average</td><td>27.58</td><td>43.59</td><td>43.66</td></tr>
<tr><td rowspan="2">Net Worth per Share (Note 2)</td><td colspan="2">Before distribution</td><td>59.73</td><td>70.54</td><td>69.87</td></tr>
<tr><td colspan="2">After distribution</td><td>56.73</td><td>67.24</td><td>—</td></tr>
<tr><td rowspan="2">Earnings per Share</td><td colspan="2">Weighted average number of shares</td><td>188,632 thousand shares</td><td>187,262 thousand shares</td><td>187,262 thousand shares</td></tr>
<tr><td colspan="2">Earnings per Share (Note 3)</td><td>3.55</td><td>4.03</td><td>0.71</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash (Note 9)</td><td>3</td><td>3.3</td><td>—</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Stock dividends appropriated from earnings</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Stock dividends appropriated from capital surplus</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends (Note 4)</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price-to-earnings ratio (Note 5)</td><td>7.77</td><td>10.82</td><td>—</td></tr>
<tr><td colspan="2">Price-to-dividend ratio (Note 6)</td><td>9.19</td><td>13.21</td><td>—</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 7)</td><td>0.1088</td><td>0.0757</td><td>—</td></tr>
</table>

＊ If retained earnings or capital surplus were used for capital increase and distribution of shares, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price of common shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved by the Board of Directors or a resolution in the shareholders' meeting in the subsequent fiscal year.

Note 3: If retroactive adjustments are required due to stock dividends, the Company shall list the earnings per share before and after the adjustment.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the Company shall separately disclose the accumulated unpaid out dividend up to that year.

Note 5: Price-to-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year/Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

Note 8: The net worth per share and earnings per share up to the quarter nearest to the date of publication of the Annual Report that has been audited by the CPAs shall be filled in; the remaining fields shall be filled with the annual data up to the date of publication of the Annual Report.

Note 9: Cash dividends determined in the resolution of the meeting of the Board of Directors dated March 18, 2022.

(I) Dividend Policy and Its Implementation

1. Dividend Policy established in the Articles of Incorporation

The Company’s Dividend Policy is based on the Company’s capital budgeting, plans for future capital demand, financial structure, and earnings. The Board of Directors shall formulate the earnings distribution proposal which shall be passed in a resolution of the shareholders' meeting.

As the Company is in a stable growth phase and the industry continues to centralize, the Company seeks to continue to expand its scale in order to achieve sustainable operations and stable growth. The Company's Dividend Policy is that when it has no accumulated losses for the previous period, the Company will distribute dividends to shareholders at a rate of not less than 50% of the Company's annual net income after tax. The distribution may be made in the form of stock dividends or cash dividends and the distribution of cash dividends shall be no less than 30% of the shareholders' bonus. Where the Company has no distributable earnings in the current year or has distributable earnings that are far lower than the earnings distributed by the Company in the previous year or where the Company makes a decision based on its finances, business, and operations, it may distribute all or parts of the surplus reserve in accordance with laws or regulations of the competent authority.

2. Distribution of dividends proposed in the shareholders' meeting

The Board of Directors resolved on March 18, 2022 to distribute the earnings for 2021 as follows:

Unit: NT$

Item	Amount	Subtotal
Opening undistributed earnings	1,791,414,490	
Plus: Disposal of equity instruments in other comprehensive income measured at fair value through profit and loss	658,164,599	
Changes in the current period of remeasurements of defined benefit plans	5,533,703	
Current net income	754,082,423	
Total distributable income for this period		3,209,195,215
Appropriation of 10% as statutory surplus reserve	141,778,073	
Shareholder bonus (distributed entirely in cash)	617,964,435	
Total distributable amount		759,742,508
Ending undistributed earnings		2,449,452,707

The shareholders' dividends and bonuses from the 2021 earnings distribution amounted to NT617,964,435 and it was approved by the Board of Directors on March 18, 2022. The Company proposes to distribute cash dividends of NT$3.3 per share to shareholders based on the list of shareholders on the baseline date for dividend distribution. The Board of Directors of the Company has authorized the Chairman of the Board to determine the ex-dividend date, distribution date, and other related matters. If the Company's shares in external circulation are subsequently changed due to the issuance of new shares for conversion of stock options, repurchase of the Company's shares, or the transfer and cancellation of treasury stock, which affect on the shareholder dividend ratio, the Chairman is authorized to process such adjustments.

3. Explanation of any expected material changes to the dividend policy: None.

(II) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting
The general shareholders' meeting this year did not propose stock dividends and the Company did not publish its financial forecast for 2022. Therefore, there is no need to disclose the annual forecast information.

(III) Remuneration of Employees and Directors

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:
   Article 20 of the Articles of Incorporation: In case the Company makes a profit in the current year (profits refer to the income before tax and before the distribution of remuneration to employees and Directors), no less than 6% shall be allocated as the employees' remuneration and no more than 3% as the Directors' remuneration. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the surplus profit first for making up the losses.
   The remuneration in the preceding paragraph to the employees may be distributed in stock or cash. The recipients of employee stock dividends or cash dividends include the employees of the companies controlled by or subordinate to the Company that meet certain criteria. The Board of Directors is authorized to determine the method of distribution. The director remuneration shall be distributed in cash.
   The procedures in the two preceding paragraphs must be approved by the Board of Directors and reported to the shareholders' meeting.
2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
   If the shareholders meeting subsequently resolves to recognize a difference in the employee or director remunerations, the difference shall be processed as a change in accounting estimate and recorded as profit or loss in the following year.
3. Proposed distribution of remuneration approved by the Board of Directors:
   (1) Distribute employee remuneration totaling NT$65,000,000 and director remuneration totaling NT$7,000,000. All remuneration shall be distributed in cash. The Company has budgeted expenses totaling NT$72,000,000 and there is no difference from the expense amount recognized in 2021.
   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: N/A.
   (3) Calculated earnings per share after the proposed distribution of employee and

director remunerations. N/A.

4. Discrepancies, if any, between actual distribution of employee and Director remunerations (including the number of shares distributed, amount and stock price) in the previous year (2020) and the recognized employee and director remunerations and disclosure of the differences, reasons and responses:
   (1) The actual distribution of employee and director remunerations for 2020 was as follows:
       The Company distributed employee remuneration totaling NT$50,000,000 and director remuneration totaling NT$5,600,000. All remuneration were distributed in cash.
   (2) Discrepancies, if any, between the aforementioned amount and the recognized employee and director remunerations and disclosure of the differences, reasons and responses:
   The Board of Directors resolved to distribute employee, director, and supervisor remunerations totaling NT$55,600,000 and there is no difference from the expense amount recognized in 2020.

(IV) Share Repurchases: None.

II. Corporate Bonds: None.

III. Preferred Shares: None.

IV. Global Depository Shares: None.

V. Employee Stock Options: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Implementation of the Company's Capital Allocation Plans: None.

Chapter 5 Operational Highlights

I. Business Activities

(I) Scope of Business

1. Main Businesses

Manufacturing, processing, and trading of power supply.

Trading of the aforementioned products.

Quotation, tender submission, and distribution services for the aforementioned products of domestic and foreign companies.

Import and export business of the aforementioned products.

2. Weight of lines of business:

Unit: NT$ thousands; %

Item \ Year	2021 Net Operating Revenue	Weight of lines of business
Power Supply	11,243,728	67.53%
Adapter	3,207,687	19.27%
Open Frame	1,249,747	7.50%
Inverter	69,806	0.42%
Kaohsiung Branch	301,852	1.81%
Others	577,432	3.47%
Net sales	16,650,252	100.00%

Note: Consolidated information

3. The Company's current products: Power Supply.
4. New products under development:
   - Compact 750/850/1KW ATX.
   - Efficient Titanium 850/1KW ATX power supply.
   - Development of power supply to support the ATX 12Vo platform developed by Intel and meet new energy efficiency requirements.
   - Research on GaN materials and introduction into Titanium 1.3/1.6KW products.
   - High-wattage SFX 1KW power supply for MP in 2022/Q3.
   - Development of new PD Dock 100W products.
   - Continuous development of products in the PD series to meet new specifications for USB PD 3.1 (28/36/48V).
   - Continuous development of products with wide temperature adaptation for telecom applications.
   - Development of high-wattage (>800W) Flex products to support systems with high-performance graphic cards.
   - CRPS 2700W high-power density devices.
   - Development of integrated CRPS back board to meet high-mix low-volume demand for Open Rack.
   - Development of redundant products for small-scale edge computing demand.
   - Iterative design for 150W @ 2" x 4" series.

- 100W and 150W power supply for industrial applications
- PoE 550W power supply for telecom applications.
- PoE 950W power supply for telecom applications.
- 1000W power supply for industrial applications.
- 45W C14 Desk Top Adapter products.
- 60W C14 Desk Top Adapter products.
- 90W C14 Desk Top Adapter products.
- 260W Open Frame products.
- 700W ATX PC Power.
- 900W ATX PC Power.
- IP67 600W/2000W On Board/off Board Charger.
- Compact/light 1800W On Board/Off Board Charger.
- 350W IP67 CANbus charger with metal shell.
- UDS automobile communication software development.
- 3300W On Board Charger for cooling module.
- 3KW mobile energy storage.
- Stationary energy storage system.
- Lithium iron phosphate battery modules.

(II) Overview of the Industry

1. Current Status and Development of the Industry

The power supply is an indispensable part of all electronic products. Products can be classified as either linear or switching power supplies based on the principle of operations. They are divided into AC to DC, DC to DC, DC to AC, and AC to AC based on the characteristics of the current. The continued growth of the electronics and tech industries has led to the rapid growth of power supply products. In terms of power supply products, Taiwanese manufacturers have superior technical resources, excellent global management capabilities, and the capacity for ramping up mass production. They have occupied an irreplaceable position in the global supply chain, and Taiwan has become the largest producer of power supplies in the world.

The environmental issues regarding carbon emission reduction specified in the 2015 Paris Agreement will continue to encourage manufacturers to produce products with more pollution-free materials and higher energy efficiency. The requirement of energy efficiency is to reduce energy consumption in systems and improve conversion efficiency in power supplies. Due to the wide use of power supplies, the market has grown steadily but slowly in recent years.

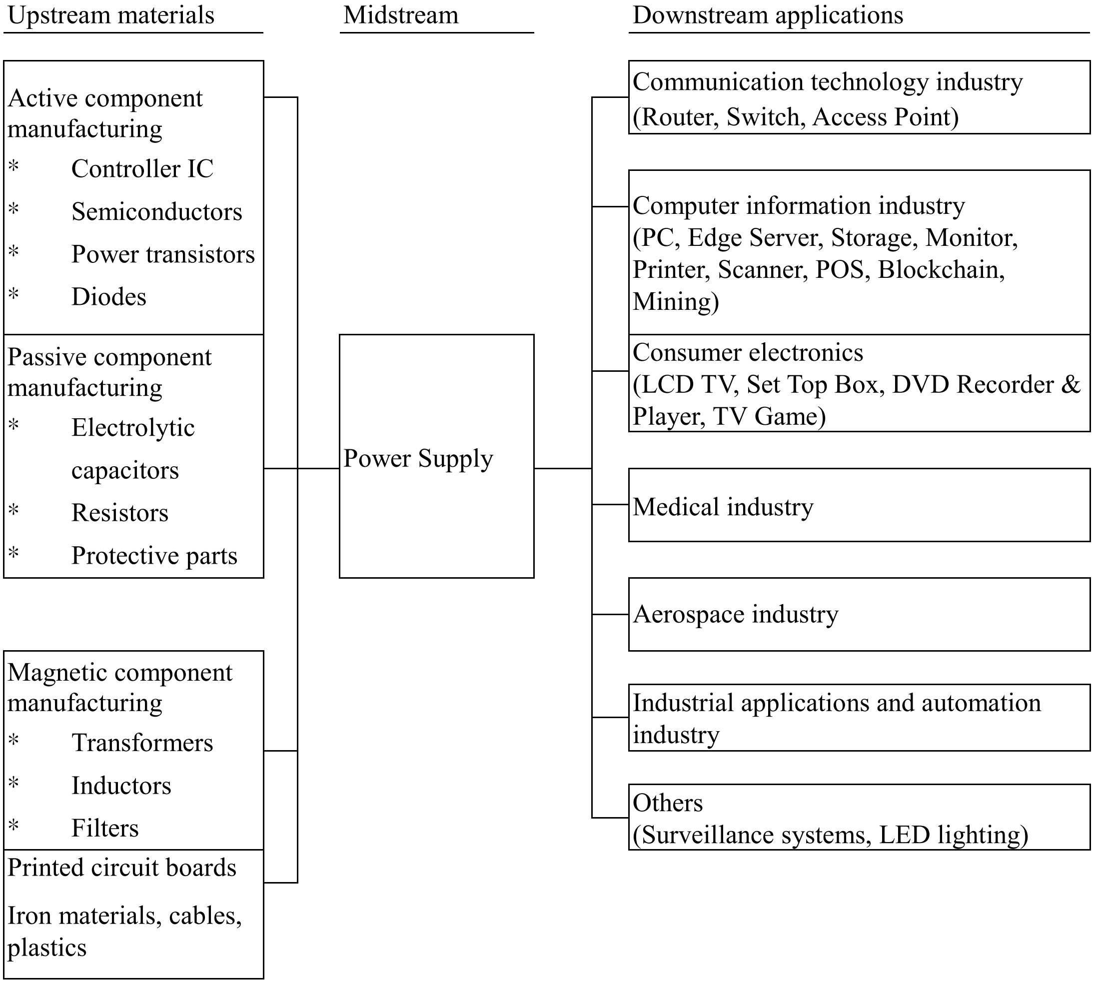
The COVID-19 pandemic in 2020 has changed the way people live and industrial development. The demand for working from home, remote learning, telemedicine, online shopping, and real-time monitoring has increased the demand for smart home devices. In 2020, the annual shipments for PC (desktop + notebook) totaled 297 million units, and the annual growth rate of the shipments was 11%. In 2021, the overall PC market followed the developments in 2020, and the demand for PCs and notebook computers will continue to be high as people continue to work from home and use remote learning before the pandemic is effectively controlled.

Cloud gaming and efficient computing computers will drive market growth in the next few years. The compound annual growth rate (CAGR) for CPUs and GPUs from 2019 to 2025 will be 29%, which drive the demand for unbranded servers including edge computing and the development of high-wattage and high-efficiency power supplies. FSP is fully committed to CRPS applications for server power supplies. We provide a comprehensive range of power supply products to resolve the demand for power supply of unbranded server producers.

Blockchain technology has advanced and applications are booming. Virtual currencies have led to increased demand for high-efficiency and high-wattage power supplies as well as demand for various types of x86-based Ethereum mining machines. According to the MIC market research report, 10% of the world's GDP will be stored in blockchain by 2027.

However, the shortage of materials in the electronic components market due to the strong demand for automotive electronics, the inability to deliver materials due to restrictions imposed in response to the pandemic, and the shift to buying spot products and rising transportation costs have caused sales to fall short of expectations, and the shortage is expected to continue.

2. Correlation between Upstream, Midstream, and Downstream of the Industry:



3. Product Development Trends and Competition:

(1) Product Development

Power products are used in a wide range of applications. They are used in information, communication, office equipment, smart manufacturing, home appliances, smart lighting, electric vehicles, e-sports, and other related electronic products, as well as in defense, aviation & space, medical, laboratory, and block chain applications. However, because the structure and electronic design of different electronic products are different, the requirements for power supply are also different. FSP has accumulated years of experience in developing a wide range of power supply products, and has developed product design and production standards based on customer specifications. We also develop environmentally friendly, energy-efficient, standardized, miniaturized, low-noise, modular, digital, and low-cost products to meet the requirements in energy efficiency regulations of different countries.

(2) Competition

The technology of power supply products has matured. The slow growth of the PC industry in the past few years, rapid rise of tablet PCs, and the pressure from price competition have reduced the product growth and profitability of switching power supplies. Currently, Taiwan's power supply manufacturers are mainly engaged in the production of power supplies for consumer electronics. As the growth of switching power supplies for PCs and LCD TVs slows, the competitive markets have shifted to AIoT, 5G, and edge computing applications. Other areas for potential development include high value-added but slightly smaller niche markets such as gaming applications, professional gamers, servers, workstations, IA products, Internet applications, and 5G network devices with better prospects for growth. The Company merged Protek in 2007 and moved into the niche medical power market. In 2012, we established the New Energy Division to focus on the multi-kilowatt-hour and high-capacity energy storage market. In 2015, we invested in inverter manufacturers to develop integrated products and services such as UPS, disaster-proof energy storage applications and solar energy. However, as new energy sources gradually replace fossil fuels, we continue to develop next-generation charging products and services with the aim of using green energy products and services to drive future growth.

The technology and industry of power supply products have matured. Taiwan is known as a major producer of power supplies and the competition is fierce. Although COVID-19 has boosted demand for PCs, it has also caused continuous lockdowns in different countries and caused many companies to cut capital expenditures for IT. The competition in the industry has intensified as power supply manufacturers do their best to compete for orders in an environment with lower demand but more competitors. Fortunately, FSP has been fully committed to the PC industry for years and benefits from the growth in demand for working from home and remote learning. We continue to develop power supplies for commercial computers, education computers, and gaming computers, and we have also made achievements in IPC. With the rapid development of 5G, AIoT, and edge computing, FSP has created a comprehensive product line that meets customers' product development needs. We have become one of the few companies in the power supply industry that can provide a full range of products. The Group's brand Protek specializes in niche medical power and 3Y Power specializes in telecom applications. We have integrated the resources of the FSP Group with the aim of developing a new blue ocean strategy with innovative products and high-quality services in an environment of intense competition.

(III) Overview Technologies and R&D Work

The key to the design of power supply products lies in the rapid development of power supplies that are compatible with the systems. We have the advantage of an experienced R&D team and have established a safety laboratory, electromagnetic interference (EMI) measurement room, noise measurement room, and air pressure and flow measurement equipment in our R&D environment to speed up product development and verification. We have modularized and even integrated some of our circuit designs to speed up product design. We also plan to introduce the next-generation PLM system and 3D layout system to shorten our product development and design time by approximately 2 weeks. This allows us to quickly provide our customers with product samples and computer-aided 3D designs, which are beneficial for collaborative design with our customers. The

Company's safety laboratory has obtained safety laboratory evaluation certification from UL, TUV, Nemko, and CSA. We can conduct product certification directly in the factory to shorten the time required for the launch of products.

Since 1998, we have closely collaborated with Intel and AMD, the industry leaders for setting standards, to develop standard power supplies for ATX specifications. In 2001, we launched power factor correction (PFC) products for the European market; in 2002, we developed environmentally friendly power supplies; in 2003, we began development on power supplies for IPC and LCD TV; in 2006, we launched 1,000W high-end models for professional gamers; in 2007, we launched a variety of high-efficiency (80PLUS, 85PLUS) energy-saving products; in 2008, we added Redundant and medical power supplies; in 2009, we added DC to DC module power supplies for telecommunication and ultra-thin Adapter series; in 2010, we added energy-saving, high-efficiency, and long-lasting power supply for LED lighting; in 2011, we launched a full series of power supply for LED lighting. We have a high penetration rate of commercial lighting in Japan, which has increased FSP's brand effectiveness in the country. We have worked hard on mobile power supply for many years and we have achieved great results in 2012. In 2013, we launched digital power supplies and DALI power supplies and modules for LED lighting; in 2014, we became the first company in the industry to launch the 80 PLUS Titanium efficiency 400W ATX computer power supply, and we launched the complete CRPS Redundant power supply series; in 2015, we launched the next-generation industrial adapters that comply with DOE VI to create more efficient products with lower standby power consumption; in 2016, we successively launched the latest products that comply with the next-generation "Hazard-Based Safety Engineering (HBSE) requirements based on the latest telecom technology application and safety standard UL/IEC 62368-1; in 2018, we completed the deployment of more than 80% of 62368-compliant power supply products and establish the newest high-end redundant CRPS product platform to transform the Company into a mid-range and high-end power supply provider. In 2019, we collaborated with Intel to launch a series of Next Unit of Computing (NUC) products for high-end applications, which have received wide acclaim in the PC market. With the development of 5G, AIoT and edge computing industries in 2020, we completed the development of 2000W Titanium CRPS products, charger products for smart transportation, and 420W PoE system power products for telecom customers.

In 2021, we created the U3 series, the industry's most compact 90-180W external power supply for notebook computers, and the 2400W Platinum CRPS. We started mass production of DC power supply for 5G switches and high-stability customized power supply for gambling. Our compact, high-performance, digital, and mobile products have received wide acclaim from customers.

1. Research & development personnel and their academic records and experience

Academic background distribution \ Year	2021		May 8, 2022	
	Number of people	Ratio (%)	Number of people	Ratio (%)
PhD	3	0.86%	3	0.87%
Master's	63	18.10%	61	17.73%
Bachelor's	261	75.01%	258	75%
High school	21	6.03%	22	6.4%
Total	348	100%	344	100%

Note: Consolidated information

2. R&D expenses invested in the past five fiscal years

Unit: NT$ thousands

Item	2017	2018	2019	2020	2021	Q1 of 2022
R&D expenses	466,052	480,097	451,480	451,578	455,887	118,358
Ratio of R&D expenses to net revenue	3.23%	3.31%	3.17%	3.05%	2.74%	3.18%

Note: Consolidated information

3. Successfully developed technologies or products

Main R&D results in the past five fiscal years

Year	R&D results
2017	• Completed the compact high-voltage 350W TFX and increased our competitiveness in compact systems and integrated devices. • Completed the development of the power supply to support the existing products that meet requirements for the Intel (Kaby Lake S & Coffee Lake S With Kaby Lake PCH) platform. • Developed the 350W ATX bronze and passed Intel PSDG NDA v1.41 certification test. It also met the most rigorous new energy consumption regulations for CEC phase 2 in 2021. • Completed the fourth-generation 150W 12/19/24/48/54V to 270W 12/19/24/48/54V product line. • Completed the first-generation 330W products. • Completed the 45W USB PD (Type C) products. • Completed the wall-mount fixed adapter (12V/18W, 24W, 30W, 36W, 40W; 19V/40W & 45W). • Completed the NO-Y CAP. fixed adapter (12V/18W and 24W). • Completed the fourth-generation models for the 30W to 65W/12/19V series. • 320W fixed-current products for next-generation lighting adjustment standards. • Second-generation 120W and 200W high-current product series for CC + CV standards. • 40W for DALI standard products. • Completed ATX 300W to 700W power supply models, used mainly for industrial or tower case applications, that comply with IEC 62368 requirements and Intel's next-generation CPU specifications with 80 Plus Bronze efficiency. • Completed ATX 300W to 500W direct cable connection and cable management power supply models, used mainly for industrial or tower case applications, that comply with IEC 62368 requirements with 80 Plus Gold efficiency. • Completed FLEX 350W to 460W Industrial Application Single Power Series power supply that comply with IEC 62368 requirements and IEEE802.3at PoE Power Supply Standards. • Completed the FLEX 500W Industrial Application Single Power Series power supply models with 80 Plus Gold efficiency. • Completed the FLEX 850W Industrial Application Single Power Series power supply models with 80 Plus Platinum efficiency and PMBus functions. • Completed the CRPS 1200W and 1600W models for high-end work stations with 80 Plus Platinum efficiency and PMBus functions. • Completed 400W and 500W redundant power supply models with a width of 106mm used for standard industrial cabinet applications with 80 Plus Gold 1U efficiency. • Completed FLEX 150W to 250W direct cable connection and cable management power supply, used mainly for industrial applications, that comply with IEC 62368 requirements with 80 Plus Bronze efficiency. • Completed home-use medical-grade 15W DOE Level VI wall-mount adapters. • Completed home-use medical-grade 30W DOE Level VI wall-mount adapters. • Completed home-use medical-grade 65W DOE Level VI wall-mount adapters. • Completed medical-grade 500W 4" x 7" Open Frame products. • Completed medical-grade 500W ATX high-efficiency products. • Completed 3" x 5" 150W Open Frame standard products. • Completed 200W PoE Open Frame dual-output standard products. • Completed 360W U enclosed standard products. • Completed the next-generation 1 to 4 1400W micro inverter elfin series. • Launched the HySpirit series (Hybrid PV inverter) dual-use grid-connection/off-grid solar energy storage system with rack-mounted lithium iron phosphate battery cabinets. • Completed the new ESS system platform with 750VA BATT MATE. • Launched EssenSolar 5KW off-grid solar energy storage inverter that meet UL American standards.

Year	R&D results
	• Launched UPS and NanoFit with integrated offline UPS and surge protection extension cord functions.
2018	• Completed the compact high-wattage TFX and increased our competitiveness in compact systems and integrated devices. • Completed the development of the power supply to support the Intel (Coffee Lake) platform. • Completed the development of product series that meet the latest energy consumption regulations for 2019 CEC to target developed countries in Europe and Americas. • Completed the fourth-generation 150W 12/19/24/48/54V and the first-generation 330W 19/24V product line. • Completed the 45W and 100W USB PD (Type C) products. • Completed the wall-mount fixed adapter (12V/18W, 24W, 30W, 36W, 40W; 19V/40W, 45W). • Completed the NO-Y CAP. fixed adapter (12W, 18W, and 24W). • Completed the fourth-generation models for the 30W to 65W/12/19V series. • Second-generation 320W DALI light adjustment series. • 10-50W low-voltage input CC power supply. • 60-180W fixed-voltage light strip power supply. • 80, 150, and 200W DALI outdoor power supply. • Introduction of IEC/EN 62368 safety regulations for all Flex/ATX products. • Modularized Flex/ATX products with enhanced flexibility for product applications. • Flex/ATX high-wattage models. • Introduction of IEC/EN 62368 safety regulations for all CPRS F products. • Medical-grade 400W and 500W ATX high-efficiency products. • Medical-grade 30W DOE Level VI wall-mount adapters. • Medical grade 250W DOE Level VI adapters. • Medical-grade 500W 4" x 7" Open Frame products. • Medical-grade 650W 4" x 8" Open Frame products. • Open Frame 65W 2" x 4" standard products. • Open Frame 150W 2" x 4" standard products. • Open Frame 200W 3"x 5" standard products. • Launched outdoor UPS with 5G base station requirements in response to IoT-NB schedule. • Developed energy storage applications such as medical AGV and robotic arms. • American standard 600VA to 1.5kVA online interactive UPS. • Off-grid solar energy storage inverter with capacity for battery-free operation FSP302PV-230CFS-24 & FSP502PV-230CFS-4.
2019	• Completed the fourth-generation 150W 12/19/24/54V and the first-generation 230W 54V product line. • Completed the 45W compact USB PD (Type C) products. • Completed the wall-mount fixed adapter (12V/18W, 24W, 30W, 36W, 40W; 19V/40W, 45W). • Completed the NO-Y CAP. fixed adapter (12V/18W and 24W). • Completed the fourth-generation models for the 30W to 65W/12V and 19V series. • Completed the 24V Peak models. • New PS2/MINI/1U/2U Redundant models that meet IEC/EN 62368 safety regulations. • CRPS 2.0 series. 25 models including 550W to 2000W AC, LVDC, HVDC, and reversed fan. • Medical-grade 30W DOE Level VI Desk Top Adapters. • 2"x 4" 80W standard products. • 3"x 5" 65W standard products. • 3"x 5" 350W standard products. • PoE 250W.

Year	R&D results
	• Launched outdoor UPS with 5G base station requirements in response to IoT-NB schedule. • Developed energy storage applications such as medical AGV and robotic arms. • American standard 600VA to 1.5kVA online interactive UPS. • Off-grid solar energy storage inverter with capacity for battery-free operation FSP302PV-230CFS-24 & FSP502PV-230CFS-48. • 42V/2A (7S-12S) products. • 42V/4A (7S-16S) products. • 42V/6A (7S-16S) products. • Safety regulation application for hazardous voltage in excess of 42.4V (EN61558). • Onboard Charger 500W(IP67).
2020	• Completed the TFX 250W/300W models (Gold). • Completed the Flex 200W/300W models (Bronze). • High-wattage Twins Pro series ATX Redundant power supply to provide operators of unbranded servers or workstations with more comprehensive solutions. • Completed the 230W models. • Completed the 330W models. • Completed the wall-mount fixed adapter (12V/30W-40W). • Completed slim models below 90W. • Completed the first 54V model for the wide temperature adaptation series. • Completed the new model for 1U/2U/SFX that meet IEC/EN 62368 safety regulations. • CRPS 2000 and 2400W 80 Plus platinum models. • Completed the Felx series products with 12V & 53V output developed for the PoE market. • Completed CRPS modularized back panel and housing to meet the high-mix low-volume demand for edge computing. • Completed the development of 1U redundant entry-level products for small-scale edge computing demand. • 18W Wall Mount Adapter products. • 30W C14 Desk Top Adapter products. • 120W C14 & C8 Desk Top Adapter products. • 150W C14 & C8 Desk Top Adapter products. • 100W @ 2”x 4” Class-I Open Frame products. • 500W @ 4.21” x 7.09” Class-II Open Frame products. • 80W @ 2”x4”, FSP080-P24 products. • 250W @ 2”x4”, FSP250-H24-A12. • PoE 200W, FSP200-2H35-A54H. • PoE 420W, FSP420-2F47-A54H. • PoE 550W, FSP550-2F67-A54H. • Continuous development of third-generation off-grid inverters to integrate UPS functions and provide more comprehensive protection in electricity use. • Development of 5kW Split-Phase off-grid inverters to support low voltage and support 220Vac appliances without the use of traditional isolation transformers. • Launched the new iFP series online interactive model with a power range of 400VA to 2KVA, touch LCD panel, and USB communication functions. • Developed rack-mount online interactive UPS. • Launched high-end on-line UPS with an output power factor (PF) = 1. • 600W/1200W On Board/off Board Charger. • 1800W 30V/60A;60V/30A on Board/off Board. • Completed the development of hazardous voltage models rated for more than 300W 12-16S. • Introduced IATF 16949 Production Part Approval Process (PPAP) into related departments. • 700W aluminum-cast high-end water, dust, and shock-proof product study.
2021	• Increased ATX power density.

Year	R&D results
	• Continuous development of highly automated products to reduce the cost of labor and increase production capacity. • Development of power supply to support the 12Vo platform developed by Intel: SFX 650/750W. • Conducted research and assessment of new component materials and plan the introduction of suitable products. • High-wattage SFX power supply with multiple output rated for 750W/850W. • GaN USB PD 65W products. • 90W/120/135/150W/180W U3 series compact models. • 50/65W products with wide temperature adaptation. • Development of 300W 5V, 12V, and 24V power supply for industrial computer products with touch screens or motors. • CRPS 2400W and 3000W high-power density devices. • Completed CRPS modularized back panel and entry-level housing to meet the high-mix low-volume demand for edge computing: FC210E. • 80W and 150W @2" x 4" power supply for telecom applications. • 30W, 50W, and 75W power supply for industrial applications. • 250W @ 2" x 4" series. • 260W @ 3" x 5" series. • 450W @ 3" x 5" series. • 120W IP54. • 250W ATX. • 500W Class II substrate medical application power supply. • 600/700W ATX. • 600W/1100W 50.4V-58.8V On Board/Off Board Charger. • 1800W 60V/30V On Board Charger. • 300W CANBUS Charger. • 700W aluminum-cast high-end water, dust, and shock-proof product development. • AMR application charger development (1100W).

(IV) Long-term and Short-term Business Development Plans

1. Short-term Development Plans

Marketing Strategy

(1) Due to the impact of the COVID-19 pandemic, exhibitions in various countries have been suspended or switched to online exhibitions, and business visits have also been restricted. As different countries adopt different inspection and quarantine policies, the Internet has become the most important means of communication and marketing to the outside world. FSP has updated the official website in recent years and added micro websites dedicated to industrial applications. We adopted a responsive web design with large images with summarized information in text. We have launched micro websites with diverse application contents for 5G power solutions, smart life applications, battery charger applications, uninterruptible power supply (UPS) applications, Internet of Things (IoT) applications, energy storage, and management applications for potential customers around the world to learn more about our products and contact us. The marketing team also actively plans digital marketing with videos and launched the FSP Global YouTube Channel to publish videos on company image and product application. It also

promotes the digital contents on official social platforms such as FSP Technology Inc. LinkedIn and FSP Global Facebook pages. In 2021, we placed them on Digi-Key, a professional e-commerce platform, to establish new communication channels with customers, increase product exposure, and maintain customer relations.

(2) FSP has been committed to the development of the PC DIY industry for years under its own brand. The retail team has invested in regional media for a long time to operate its own brand. It works with famous KOLs in different countries to promote FSP brand and e-sports products. A total of 130 posts by KOLs across the world have been featured on YouTube channels, with over 6,800,000 cumulative views in 2021. According to Google Search Console data, the total number of FSP exposures in 2021 has increased by 4.5 times compared to 2020.

- Our retail website ranking increased to the to 100,000 and the number of social media followers soared.
- The Global and Indonesia IG accounts were both created last year. The number of followers of the Indonesia IG account rose from 0 to 2,200 while the number of followers of the Global IG increased from 0 to 5,000.
- The number of followers of the FSP Europe IG account rose from 2,000 to over 12,000.
- The number of Twitter followers in Japan increased from 2,000 to 13,700.

The result was a 21% growth rate in own brand performance in 2021 compared to 2020. Products with Gold efficiency accounted for 33.5% (exceeding the target of 25%).

Production Policy

(1) Improve the production and sales process and production line setup, and add automatic production equipment to enhance production capacity and efficiency.

(2) Expand production facilities and production lines in accordance with the growth of operation.

(3) Disperse the production sites and plan to build a new factory in Taiwan, which was inaugurated in 2021.

Product Development Strategy

We continue to increase output power, improve efficiency, and develop more standard products for existing products such as PC power, LCD TV PSU, monitor PSU, adapters, open Frame, and industrial PSU, and redundant products based on the development trends for terminal products, and develop more applications. Examples: They include industrial UPS, industrial, home-use, medical-use, telecommunications, solar inverter, and e-Bike/e-Motor chargers. We also focus on products for IoT, 5G/edge computing applications, digital communications, industrial charging applications, wireless charging, battery backup systems, and energy storage subsystems In addition to the general electric vehicle market, we also started a partnership for developing environmentally friendly compressors for new charging applications of electric vehicles in 2021. The project is expected to generate revenue in the following year.

Financial Plans

(1) We outline our short-term financial plans based on medium and long-term capital requirements and the principle of secure and healthy development.
(2) We build trust and mutual interests with banks to monitor the financial market and improve financial performance.

2. Long-term Development Plans

Marketing Strategy

(1) We shall establish a global management and division of labor system, particularly in regards to strengthening the establishment of sales offices in developing countries as the main expansion strategies for existing products, including the search for CKD/SKD partners in South America/India. We shall also strengthen the establishment of sales networks in third-world regions such as ASEAN, Middle East, and South Africa to leverage the demand in emerging markets and establish a solid international marketing network for long-term development.
(2) We shall increase the types and share of products shipped to emerging markets such as key DVR, telecommunication, data center, and 5G applications in Mainland China. In the Indian market, we will strengthen our promotion of industrial applications and continue to develop and improve the quality of products in R&D units to increase our market share, sales and profits.
(3) We shall reorganize our marketing resources in China, restructure the organization, and increase our support to customers in China with AE/FAE and local R&D personnel. We shall reorganize the marketing organization for the Chinese market and strengthen management. We shall also continue to increase R&D resources and create a core strategy with China as an individual market. We aim to provide integrated technical services in the 5G network industry on the basis of existing industrial, medical, computer, cloud, and surveillance markets.
(4) We shall continue to strengthen and intensify brand awareness. For both retail and industrial brands, we will build strong foundations for the brand and strong sales channels with more strategic partnerships, such as participation in the Intel & AMD forums and activities and connecting with mainstream media and marketing channels in each region.
(5) Establishment of online marketing and other sales channels.

Production Policy

(1) Enhance communication with upstream/downstream businesses and government research institutions to ensure the stable supply of key components and materials while using production, sales and purchase collaboration projects to integrate cross-departmental functions and improve both operational efficiency and customer satisfaction.
(2) Enhance the functions and efficiency of R&D departments and establish a knowledge management platform for communication between different departments.
(3) Recruit high-level technical and R&D personnel, and actively participate in major seminars at home and abroad. Continue to improve production quality, technical capability, yield, and cost reduction.
(4) Continue to disperse the production sites. Due to the growing trade conflict between the U.S. and China, we will disperse production sites which are mostly in China to other regions to reduce tariff pressure. In 2021, we opened a new manufacturing factory in Taoyuan, Taiwan, and continued to optimize our factory in Kaohsiung, Taiwan.

Product Development Strategy

FSP has developed advanced AC to DC power supply technologies. We will focus on the aforementioned short to medium-term product development to satisfy the need for more applications, and develop more comprehensive LED lighting driver & medical PSU. For long-term plans, we will gradually create comprehensive DC to DC, AC to AC (UPS) & DC to AC (inverter) product lines. They include high-voltage three-phase conversion power supplies, DC to DC modules for communication systems, power supplies for industrial applications for battery charging, and sub-systems for energy storage power supplies for new energy needs. We will also begin to build subsystems for power conversion products, which are now planned and developed by the Group's R&D and marketing units. In addition to the sub-systems for power supply, we also focus on the industrial design of our products, particularly with regard to power supply products for the consumer market. We shall also strengthen the integration technology for the parts that require firmware and communication. In addition to focusing on our core competencies in power conversion, we will also increase the versatility and applications of our future products.

Financial Plans

The Company uses its own capital and bank loans to meet its financial needs. Where necessary, the Company adopts more diverse fundraising tools for medium and long-term capitalization to meet its capital needs and strengthen its long-term development.

II. Analysis of Market and Production and Marketing Situation

(I) Market Analysis

1. Sales Territory of Main Products

The consolidated product sales for each region in the past two years are shown in the table below:

Unit: NT$ thousands; %

Region \ Year		2020		2021	
		Amount	%	Amount	%
Domestic Sales		2,868,035	19.38%	3,543,739	21.28%
Foreign Sales	Asia	7,728,629	52.23%	8,363,395	50.23%
	America	1,651,949	11.16%	2,174,313	13.06%
	Europe	2,534,140	17.13%	2,537,478	15.24%
	Others	13,707	0.10%	31,327	0.19%
	Subtotal	11,928,425	80.62%	13,106,513	78.72%
Total		14,796,460	100.00%	16,650,252	100.00%

Note: Consolidated information

2. Market Share

According to Canalys' statistics, the global sales volume of desktop computers in 2021 was approximately 64.4 million units. The Company shipped more than 4.1 million power supply units for desktop computers in 2021, and its estimated global market share was approximately 6.4%.

3. Supply and Demand in the Market and Possible Future Growth

According to Canalys' statistics, desktop computers will grow at a CAGR of 4.3% from 2020 to 2025, with demand for 76.1 million units in 2025. Shipments of notebook computers totaled 236 million units in 2020, with a CAGR of 4.0% by 2025. We remain optimistic about future market conditions.

4. Competitive Niches

Establishment of Capable R&D Teams for Individual Product Categories

The power supply is a mature product, but there are compatibility issues with systems in different applications. Due to cost consideration, a lower number of components used offers significant advantages, and we must also consider product reliability and stability. Therefore, we need advanced product design and R&D capabilities to improve our competitiveness and our R&D organization has created a technology development center to focus on new technology development. We also assigned R&D personnel to focus on new product design for products in different applications such as PC power, open frame, adapters, retail and industrial PC power, redundant power, medical applications, chargers, and other products. Each team has capable and experienced engineers. We have R&D centers in Taoyuan, Taipei, and Kaohsiung in Taiwan. We also set up R&D departments in Shanghai, Wuhan, Shenzhen, and Wuxi. As of today, FSP Group has more than 300 R&D personnel, and the main R&D personnel have more than 10 years of experience. Due to the growth of our businesses in recent years, we have recruited experienced engineers to join our R&D team, and we have built a new R&D building next to the head office. Our strong R&D capabilities remain our strongest niche.

Market segmentation

The global PC industry is divided into two major markets — branded PC and assemblies (clones). The detailed specifications and standardization of computer components have significantly lowered the threshold for self-assembly, allowing branded PCs and clones to meet customer needs in different markets. Both markets are our target markets. With the development of the gaming industry in recent years, many assembly companies in the clone market have transformed themselves into Gaming SIs to provide high-quality gaming computers to consumers. These PC clone assembly companies are mostly FSP customers and they accelerate FSP's development in the gaming market to meet market demand.

Global operation and management model

PC manufacturers have developed the global logistics business model with information systems to respond quickly to changes in market demand and reduce operating costs in an environment of cut-throat price competition. They exchange information instantly, completely, and accurately with production sites in China, distribution centers, or business locations in different countries (Germany, Russia, USA, UK, China, India, etc.). In response to inventory control implemented by downstream PC manufacturers, we also developed the BTO production mode for flexible production and fast delivery. We also set up warehouses in Europe and the United States to meet customers' requirements for delivery time, and gradually aim to win orders from international customers to increase the proportion of export sales and reduce operational risks.

Stable sources of components

The Company actively maintains good relations with upstream suppliers to strengthen control over the supply of key components.

Professional talents and laboratories for electromagnetic compatibility and safety tests

The increase in safety requirements and the rise of environmental awareness have made electromagnetic compatibility and safety certification essential tests for all electronic and information products marketed in different countries. For this reason, the Company has set up a product certification department and became the first to set up a safety test center and a simple indoor 3m EMC laboratory. Our experienced engineers are familiar with regulatory requirements and they conduct tests during product development. It effectively reduces the time and cost of product certification and helps the Company grasp market opportunities and expand businesses.

5. Favorable and unfavorable factors for future development and response measures

Favorable Factors

(1) The use of key technologies is the key to maintaining a competitive edge in high-tech industries. The Company is fully committed to technology development and product function innovation as we seek to stabilize technology sources. Our R&D organization fosters both technology development and product development. We also use the development of new technologies to effectively reduce the cost of production and increase product competitiveness.

(2) The design of all power supplies of the Company meets UL, CSA, VDE, TUV, DEMKO, NEMKO, SEMKO, FINKO, CCC, and CE safety standards, as well as US FCC and European CE requirements. We passed ISO 9001 and ISO 14001 certification in 2001 and obtained ISO 13485 Medical Device Quality Systems certification in 2016. In 2021, we hired a consultant to FSP to provide guidance on ISO 16949 Quality Management System for automotive applications to become a professional power supply manufacturer in compliance with international standards.

(3) The Company's production volume has reached economies of scale and meet increasingly stringent product regulations (e.g., environmental protection and energy efficiency) around the world. We have superior cost-sharing and we have created entry barriers in items (1) and (2) above.

(4) We maintain close communication with the industry leaders for setting standards (Intel and AMD) to gain first-hand information on changes in specifications.

(5) We use the JIT model and ERP information management system. Our Product Life Management (PLM) system was also launched to reduce the operating time from R&D to production and cost of errors.

(6) To strengthen the control of marketing channels, we have set up offices in Germany, UK, France, USA, Russia, and Shanghai, Beijing, and Shenzhen, China. In recent years, we also set up offices in Japan, Korea, India, Brazil, Finland to leverage proximity marketing, provide services, and monitor channels. In addition to expanding our marketing channels, we have also implemented a customer relationship management (CRM) system to effectively manage customer relations and enhance services.

(7) The Company uses FSP®, ®, 全漢®, and 全汉® logos as the main trademarks in manufacturing, corporate identity, sales, promotions, marketing, and advertising of power supply products or services. We have accumulated a reputation over the years that has received the recognition and trust of consumers and customers. In the future, we will work hard to become a famous trademark and a well-known trademark in Greater China.

Unfavorable Factors

(1) Price war with competitors.

(2) The computer information hardware industry has plateaued.

(3) Due to the impact of the pandemic, component suppliers have rushed to support the Internet of Vehicles (IoV) applications, resulting in higher demand of preliminary parts in the short to medium term than what could be supplied.

(4) Severe shortages of parts and components due to the pandemic resulted in longer delivery schedules.

(5) Rising transportation costs and delivery time are difficult to control.

Response

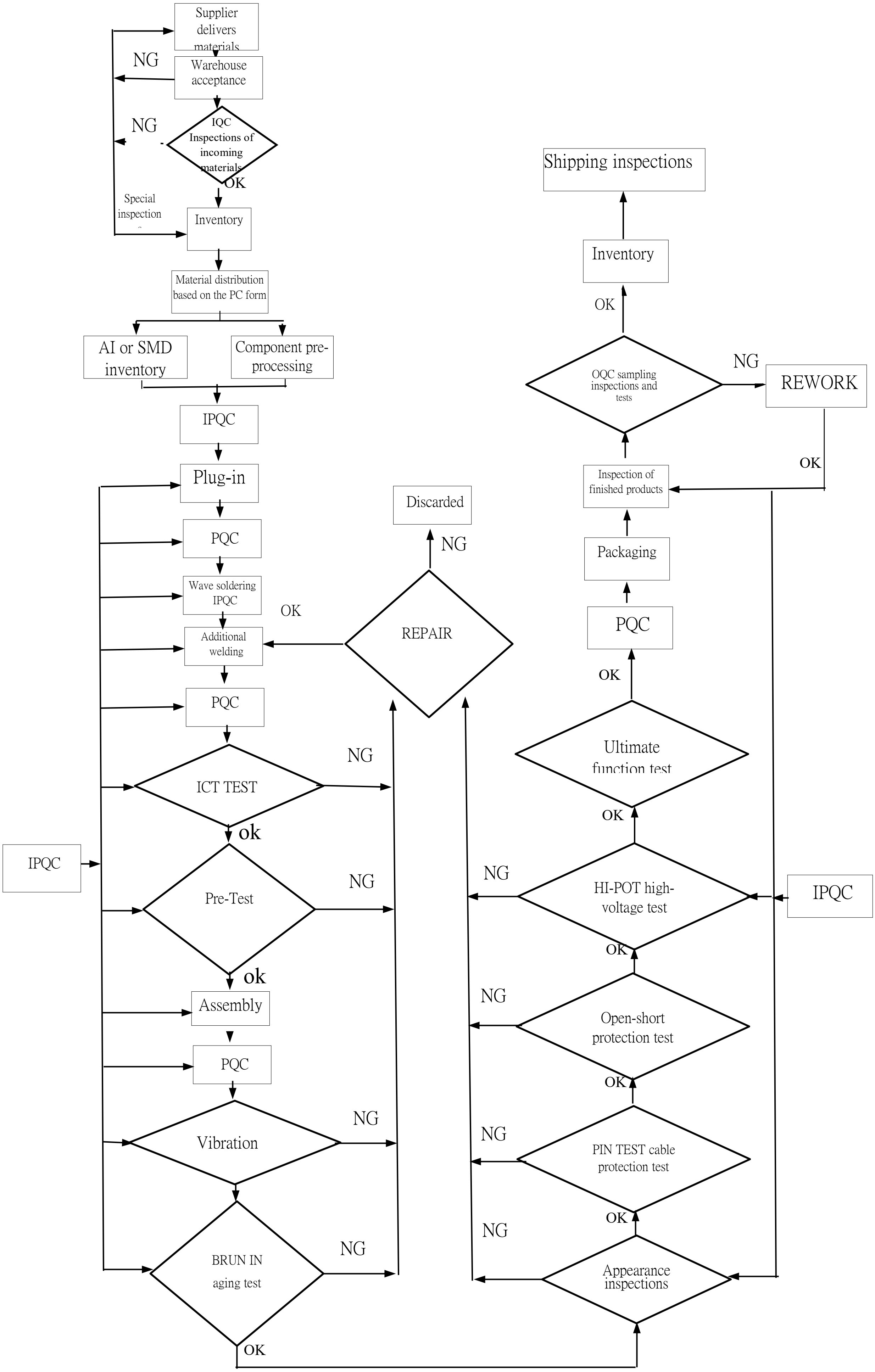
Expand overseas distribution to quickly grasp customer needs and market trends, and to serve customers in close proximity. Cooperate with upstream and downstream companies and work together to enhance the effectiveness of global logistics services. Reduce costs and improve R&D capabilities and market share to increase the market entry barriers for competitors.

(II) Usage and Manufacturing Processes for Main Products

1. Usage of Main Products

Main Products	Main Functions	Main Applications
PC Power Supply	It provides a stable operating voltage source for electronic products and is an indispensable component.	Desktop Computer
OPEN FRAME		It is used for IA network communication products, industrial computers, LED lighting, etc.
ADAPTER		Notebook computers, IA network communication products, LCD monitors, printers, scanners, etc.
Display/ LED TV Power Supply		LCD monitors, LCD TVs, etc.
IPC/Medical Power Supply		Healthcare equipment, data storage systems, POS, gaming devices, AI/Edge servers, etc.

2. Production process



(III) Supply Situation for Major Raw Materials in 2021

Main Products	Main Material	Main Suppliers in 2021	Supply Situation
Power Supply	Transformers	Fatek Automation, Yihong	Normal
	Capacitors	Skytex International, Wu aWoo International, Tairung, Faratronic	Normal
	Semiconductors	Yosun Industrial, Lumax International, WT Microelectronics, Avnet Asia (Singapore), World Peace Industrial Hongwei Electronics	Normal
	Cables	E Ink Holdings, Carol Wiring Harness, Jet Data System	Normal
	Cooling fins	Yongqi, Hua Jie	Normal

(IV) List of major suppliers and clients

1. Suppliers and clients accounting for 10% or more of the total purchase (sales) amount and ratio in any of the most recent 2 years: List of Major Suppliers in Most Recent 2 Years

Unit: NT$ thousands

Item	2020				2021				Q1 of 2022 (Note 2)			
	Name	Amount	Proportion to Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year (%)	Relationship with the Issuer
1	None (Note 1)	-	-	-	None (Note 1)	-	-	-	None (Note 1)	-	-	-
	Others	10,794,824	100%	-	Others	11,903,940	100%	-	Others	2,025,036	100%	-
	Net purchase	10,794,824	100%	-	Net purchase	11,903,940	100%	-	Net purchase	2,025,036	100%	-

Note 1: There were no suppliers who accounted for more than 10% of the total purchases in any of the last two years or 2022 Q1.

Note 2: If there is any financial data of companies whose stocks are traded on TWSE or TPEx for the most recent period audited and certified by the CPA before the date of publication of the annual report, it shall also be disclosed.

2. Suppliers and clients accounting for 10% or more of the total purchase (sales) amount and ratio in any of the most recent 2 years: List of Major Clients in Most Recent 2 Years

Unit: NT$ thousands

Item	2020				2021				Q1 of 2022 (Note 2)			
	Name	Amount	Proportion to Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Sales for the Year (%)	Relationship with the Issuer
1	None (Note 1)	-	-	-	None (Note 1)	-	-	-	None (Note 1)	-	-	-
	Others	14,796,460	100%	-	Others	16,650,252	100%	-	Others	3,717,016	100%	-
	Net sales	14,796,460	100%	-	Net sales	16,650,252	100%	-	Net sales	3,717,016	100%	-

Note 1: There were no customers who accounted for more than 10% of the total sales in any of the last two years or 2022 Q1.

Note 2: If there is any financial data of companies whose stocks are traded on TWSE or TPEx for the most recent period audited and certified by the CPA before the date of publication of the annual report, it shall also be disclosed.

(V) Production Volume and Value for Most Recent 2 Years

Unit: thousand units/NT$ thousands

Main Products		2020 Production Capacity	2020 Production Volume	2020 Production Value	2021 Production Capacity	2021 Production Volume	2021 Production Value
Power Supply	250W (inclusive) or below	－	2,479	1,080,111	－	2,587	1,242,373
	More than 250W	－	6,835	6,615,699	－	6,526	6,994,877
	Others (Note 1)	－	552	248,813	－	545	246,447
Others (Note 2)		－	19,171	3,563,562	－	20,021	3,868,015
Total		－	29,037	11,508,185	－	29,679	12,351,712

Note 1: Power supplies — other products were power supply products from Kaohsiung Branch.
Note 2: Other products include inverters, adapters, and open frame, etc. Due to the wide variety of units with quantities measured, their production quantities are not shown.

(VI) Sales Volume and Value for Most Recent 2 Years

Unit: thousand units/NT$ thousands

Main Products		2020 Domestic Sales Volume	2020 Domestic Sales Value	2020 Foreign Sales Volume	2020 Foreign Sales Value	2021 Domestic Sales Volume	2021 Domestic Sales Value	2021 Foreign Sales Volume	2021 Foreign Sales Value
Power Supply	250W (inclusive) or below	165	144,520	2,756	1,275,803	134	123,342	2,300	1,354,032
	More than 250W	354	711,215	6,938	7,234,660	678	1,514,080	5,420	7,563,185
	Others (Note)	9	3,986	304	303,052	14	6,530	295	288,482
Others		1,726	652,369	81,022	4,470,855	2,389	870,581	99,854	4,930,020
Total		2,254	1,512,090	91,020	13,284,370	3,215	2,514,533	107,869	14,135,719

Note: Power supplies — other products were power supply products from Kaohsiung Branch.

III. Information on Employees for the Two Most Recent Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2020	2021	Current fiscal year as of May 8, 2022
Number of Employees	Management personnel	367	376	378
	General employees	1,135	1,124	1,118
	Production line employees	4,976	4,666	4,692
	Total	6,478	6,166	6,188
Average Age		36.85	41.03	41.15
Average Service Year		6.72	7.05	7.21
Academic Background Distribution (%)	PhD	0.05%	0.06%	0.06%
	Master's	1.81%	1.93%	1.91%
	Bachelor's	14.59%	14.63%	14.66%
	High school	16.92%	18.93%	18.67%
	Below high school	66.63%	64.45%	64.70%

Note: Consolidated information

IV. Disbursements for Environmental Protection

List the losses suffered by the Company due to pollution of the environment in the most recent two years up to the publication date of this annual report (including compensation and results of environmental protection audits that violated environmental protection laws and regulations; specify the date of the penalty, penalty number, violated articles in regulations, contents of violation, and the contents of penalties), and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, the reason for the inability to provide a reasonable estimation shall be explained: None

V. Labor Relations

(I) Labor-management agreements and implementation

1. Employee benefits

(1) Benefits and subsidies: Childbirth subsidies, wedding and funeral subsidies, hospitalization subsidies, major emergency subsidies, and birthday gift are provided to take care of employees.

(2) Education subsidies: We organize seminars on exercise and health to encourage employees to take care of their physical and mental health. We also provide them with subsidies for on-the-job training and independent learning to encourage employees to always learn.

(3) Culture and fitness activities: We provide fitness equipment and club activities to promote healthier lifestyles for employees.

(4) Comprehensive insurance: We have a comprehensive labor insurance/health insurance system, paid group insurance for all employees and family members,

and overseas travel insurance for employees on business trips or overseas assignments.

(5) The Company established the Employee Welfare Committee dedicated to promoting employee benefits.

(6) Employee shareholding trust: To retain talented employees, the Company has created an employee stock ownership trust and makes fixed monthly contributions to the Company's incentive fund as rewards for employees.

2. Continuing education and training for employees

Learning drives growth and we value talent development and the self-growth of our employees at FSP. We plan diverse training programs for different roles, rank systems, and practical needs to strengthen employees' professional knowledge and skills and to satisfy the needs of employees in different countries and regions. We start from strengthening employees' skills and core competencies and improve their management and leadership skills to enhance performance. Training courses include: We provide pre-job/on-the-job training, basic general knowledge training, training for core functions, management functions and professional functions, an on-the-job training system, and group training programs for new employees. We are committed to creating a free and diverse learning environment that allows employees to create their own learning plans. We encourage them to learn actively to pursue their goals and make a commitment to personal career development. They must learn more in work and life and continuously improve and enhance their skills.

3. Retirement system and implementation status

The Company complied with the implementation of the Labor Pension Act and surveyed employees in 2005 on their intent for choosing the new system or the old system. For those who chose the old system, we contribute 2% of the total monthly salary to the pension fund and deposit it in a special account at the Bank of Taiwan in accordance with the Labor Standards Act. For those who chose the new system or those who joined the Company after July 1, 2005, the Company contributes 6% of the monthly wages of these employees to their pension accounts set up by the Bureau of Labor Insurance. All other matters shall be handled in accordance with laws and regulations.

Pension payment: The pension for employees who meet the retirement requirements for whom the Labor Standards Act applies shall be paid in accordance with Article 55 of the Labor Standards Act; those for whom the Labor Pension Act applies may collect payment from their personal labor pension account set up by the Bureau of Labor Insurance.。

4. Labor-management agreements

The Company provides leave and several benefits to take good care of the employees. The employees are thus loyal to the Company. Any problem between the labor and management can be fully expressed and communicated in the quarterly labor-management meetings. We maintain a spirit of teamwork and cooperation and a harmonious relationship between employees and management.

5. Measures for preserving employees' rights and interests

   Talents are always crucial to business success and sustainability. FSP has always aimed to provide good labor conditions and work environment so that employees can be all they can be, make the most use of their skills, and become important partners for the Company's stable growth while maintaining balanced development of their work and quality of life.

6. Protective measures for the work environment and the personal safety of employees

   The Company has set up the Labor Safety Dept. and an Occupational Safety Committee in accordance with regulations. We have launched and obtained ISO 45001 certification and adopted the PDCA management cycle for the implementation of different projects. We also follow the Occupational Safety and Health Act and the Enforcement Rules, the Occupational Safety and Health Equipment/Facilities Rules, Labor Inspection Act and the Enforcement Rules, Regulation Governing Occupational Safety and Health, Guidelines for Strengthening Occupational Safety and Health Management, Labor Standards Act and the Enforcement Rules, Safety and Health Facilities Standards, and related regulations on work safety inspections to implement continuous improvements.

   When the Company hires new employees, we provide pre-employment labor safety and health training, regularly organize safety and health training courses, implement fire safety inspections, organize fire drills and exercises, and implement workplace environment monitoring. We also arrange labor health promotion activities, such as blood donations, flu vaccination, workplace health certification, and physician consultation services, etc. We provide regular health examinations for employee in accordance with the law.

   The Company attaches importance to environmental safety and health management and continuous improvements, and has established committees as required by law. We hold quarterly occupational safety and health meetings to discuss safety and health issues, including safety and health programs, training programs, contractor management, hazard prevention management, and health promotion. Representatives elected by workers account for at least one third of all members in accordance with regulations to provide a channel for managers to communicate safety and health issues with employees.

   In terms of occupational accident management, the Company has always aimed to achieve "zero accident". The mechanisms for handling occupational accidents and traffic accidents require mandatory reports, comprehensive investigations,

and improvements to avoid the recurrence of the same hazards.
We produce training materials from time to time and disseminate them to all employees by e-mail to enhance employees' safety and health awareness.
Occupational injury statistics

Item \ Year	2020	2021
Number of occupational injuries	11 (including traffic accidents)	7 (including traffic accidents)
Total number of employees	659	657
Disabling frequency rate	8.34	5.37
Occupational injury category	9 non-occupational injuries (traffic accidents) 2 non-occupational injuries (other)	4 non-occupational injuries (traffic accidents) 3 non-occupational injuries (other)
Work-related fatalities	0	0

Description: The disabling frequency rate in 2021 was 5.37. Although it was an improvement from 8.34 in 2020, there were 7 cases of occupational accidents in 2021 and 3 people were injured. We have not yet achieved our goal of "zero accident".
This Company thoroughly reviewed the improvement measures and immediately enhanced employees' safe awareness and defensive driving. We strengthened workplace safety and reduced occupational accidents. We also encouraged managers to care about the physical and mental health of employees, and promote employee health and safety.

Occupational safety training and occupational safety inspections in 2021

Year	Number of trainees	Training man-hours
2021	127	444

2021 occupational safety audits and inspections

Occupational safety audit	Monthly
Occupational safety inspections	Monthly
Occupational safety discrepancies	Monthly 13 total discrepancies (improvements completed in 2021)

(II) List the losses suffered by the Company due to labor-management disputes in the most recent two years up to the publication date of this annual report (including results of labor inspections that violate regulations in the Labor Standards Act; specify the date of the penalty, penalty number, violated articles in regulations, contents of violation, and the contents of penalties), and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures. If the amount cannot be reasonably estimated, the reason for the inability to provide a reasonable estimation shall be explained:

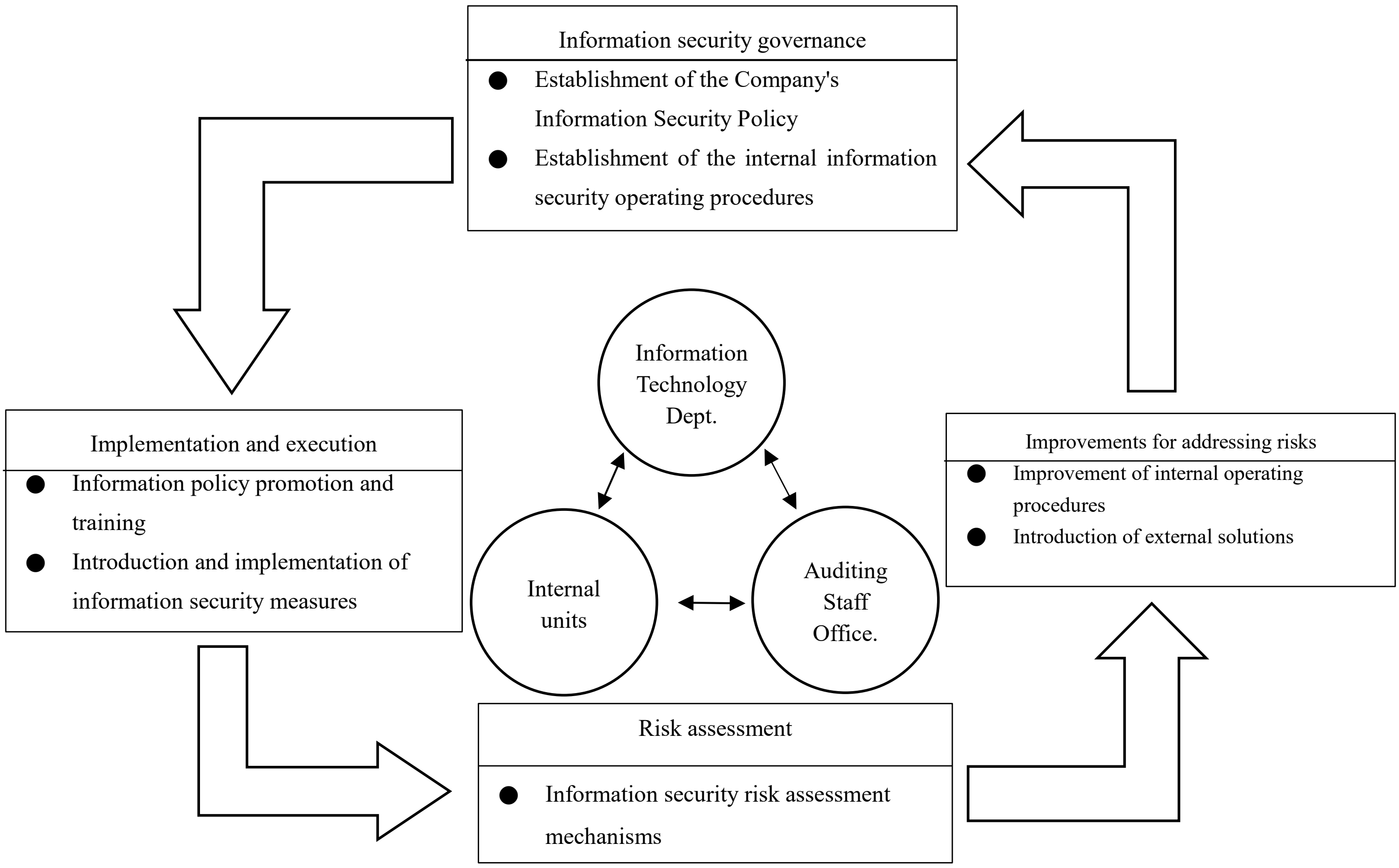
Date of penalty	2021/11/02	2021/12/17
Penalty number	Fu-Lao-Jian No. 1100270599	Fu-Lao-Jiu No. 1100323411
Violated articles in regulations	Paragraph 1, Article 23 of the Labor Standards Act	Paragraph 1, Article 33 of the Employment Service Act
Contents of violation	Except as otherwise agreed to by the parties to a labor contract or when wages are paid in advance on a monthly basis, wages shall be paid on a regular basis at least twice a month; the details of wage computation must also be provided. This shall also apply to wages computed on the basis of piece by piece work.	In the event of layoff, the employer shall report the layoff at least ten days prior to the layoff.
Contents of penalties	Failure to pay overtime pay on a monthly basis	Failure to report the layoff at least ten days in advance
Response measures	The Company requested employees to report and apply for overtime pay on schedule and complete payment on a specified date.	Report layoffs at least ten days in advance

VI. Information security management:

The Company has established information security policies and management programs to ensure the confidentiality, security, and availability of corporate information.

(I) Information Security Risk Management Structure

- The Company's Information Technology Dept. is responsible for information security, the planning, implementation, and promotion of information security management, and promotion of information security awareness.
- The Auditing Staff Office of the Company is the audit unit for responsible for information security monitoring. If the audit reveals any deficiencies, it immediately requests the inspected unit to propose improvement plans and submit them to the Board of Directors. It also regularly tracks the effectiveness of the improvements to reduce internal information security risks.
- Our organization operation model is based on the PDCA (Plan-Do-Check-Act) cycle management to ensure that we achieve our reliability targets and continue to improve.



Information Security Policy:

The Company has established the Information Security Policy in January 2021 as the highest guiding principles for information security management to ensure the normal operations of all information systems, confidentiality of important information systems, safe operations of information and network systems for sustainability.

Information Security Commitments:

Comply with the Information Security Policy, set up information security systems, and implementation of information security management.

Strengthen training, raise awareness of information security, and ensure sustainable development.

Information security management measures:

Information security management measures		
Category	Description	Related Operations
Access control	Control measures for personnel account privileges, system access control, and data transmission channels	1. Account management and audit 2. Internal/external system access control measures
Protection against threats	Internal and external measures to protect against potential vulnerabilities, threats, and viruses	1. Measures for server/computer vulnerability, threats, virus detection, and update 2. Internal/external information security device setup and management
System availability	System availability and backup support measures	1. System/network availability monitoring and notification mechanisms 2. Anomaly handling and regular disaster recovery exercises 3. Information backup copy measures and off-site backup copy mechanisms 4. Information backup measures and off-site backup mechanisms

Resources invested for information security management:

The Company's Information Technology Dept. organizes regular information security training for employees and send emails to enhance their information security awareness.

To improve information security management, the Company has appointed a consultant to provide guidance and we also plan to obtain ISO 27001 certification.

Implementation status in 2021:

The Company reviewed the implementation of the Information Security Policy by each unit in 2021 and found no incidents that jeopardized the Company's information security during the year.

In 2021, the Company conducted one off-site backup exercise and enhanced employees' responses and awareness of information security risks.

To strengthen employees' awareness of information security, the Company plans to increase the number of information security courses in 2022 and include them as mandatory courses for all employees to strengthen their information security awareness.

(II) List the losses, suffered by the Company due to critical information security incidents, potential impact, and response measures in the most recent two years up to the publication date of this annual report. If the amount cannot be reasonably estimated, the reason for the inability to provide a reasonable estimation shall be explained: None.

VII. Important Contracts:

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Construction contract	Ligao Construction Co., Ltd.	2019/10~2021/2	FSP Taoyuan 3rd Factory Construction Project	-

Chapter 6 Financial Information

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Parent Company Only Condensed Balance Sheets - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)					Financial Information as of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		6,177,400	5,774,860	6,183,356	6,963,595	7,658,353	N/A
Property, Plant, and Equipment		802,589	885,413	859,633	901,411	966,351	
Intangible Assets		118,674	116,931	115,684	114,860	117,968	
Other Assets		5,369,461	5,242,079	5,889,926	8,155,000	9,802,008	
Total Assets		12,468,124	12,019,283	13,048,599	16,134,866	18,544,680	
Current Liabilities	Before distribution	4,236,028	3,956,622	4,142,437	4,735,805	5,033,681	
	After distribution	4,524,421	4,196,949	4,430,830	5,297,591	5,651,645	
Non-current Liabilities		74,577	68,613	121,466	214,245	302,038	
Total Liabilities	Before distribution	4,310,605	4,025,235	4,263,903	4,950,050	5,335,719	
	After distribution	4,598,998	4,265,562	4,552,296	5,511,836	5,953,684	
Equity Attributable to Owners of the Parent		8,157,519	7,994,048	8,784,696	11,184,816	13,208,961	
Capital Stock		1,922,620	1,922,620	1,922,620	1,872,620	1,872,620	
Capital Surplus		1,150,259	1,131,801	1,131,801	1,011,016	1,011,016	
Retained Earnings	Before distribution	2,550,879	2,504,159	2,647,725	3,386,744	4,242,739	
	After distribution	2,262,486	2,263,832	2,455,464	2,824,959	3,624,775	
Other Equity		2,533,761	2,435,468	3,082,550	4,914,436	6,082,586	
Treasury Stock		-	-	-	-	-	
Non-controlling Interests		-	-	-	-	-	
Total Equity	Before distribution	8,157,519	7,994,048	8,784,696	11,184,816	13,208,961	
	After distribution	7,869,126	7,753,721	8,496,303	10,623,030	12,590,996	

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.

Note 2: There is no parent company only financial information audited by the CPAs for 2022 as of March 31.

(II) Consolidated Condensed Balance Sheets - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)					Financial Information as of March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		9,465,002	9,134,736	9,901,548	10,746,907	11,832,195	11,132,206
Property, Plant, and Equipment		1,445,820	1,602,933	1,458,838	1,523,809	1,544,427	1,550,223
Intangible Assets		222,947	221,193	223,416	221,038	223,496	224,325
Other Assets		2,829,852	2,801,918	4,164,565	5,956,725	7,577,424	7,223,309
Total Assets		13,963,621	13,760,780	15,748,367	18,448,479	21,177,542	20,130,063
Current Liabilities	Before distribution	5,470,202	5,418,694	6,073,860	6,412,365	6,904,113	6,013,869
	After distribution	5,758,595	5,659,021	6,372,815	6,991,052	7,540,669	-
Non-current Liabilities		76,672	81,229	584,840	543,454	725,953	676,018
Total Liabilities	Before distribution	5,546,874	5,499,923	6,658,700	6,955,819	7,630,066	6,689,887
	After distribution	5,835,267	5,740,250	6,957,656	7,534,506	8,266,622	-
Equity Attributable to Owners of the Parent		8,157,519	7,994,048	8,784,696	11,184,816	13,208,961	13,083,567
Capital Stock		1,922,620	1,922,620	1,922,620	1,872,620	1,872,620	1,872,620
Capital Surplus		1,150,259	1,131,801	1,131,801	1,011,016	1,011,016	1,011,016
Retained Earnings	Before distribution	2,550,879	2,504,159	2,647,725	3,386,744	4,242,739	4,470,100
	After distribution	2,262,486	2,263,832	2,455,464	2,824,959	3.624.775	-
Other Equity		2,533,761	2,435,468	3,082,550	4,914,436	6,082,586	5,729,831
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		259,228	266,809	304,971	307,844	338,515	356,609
Total Equity	Before distribution	8,416,747	8,260,857	9,089,667	11,492,660	13,547,476	13,440,176
	After distribution	8,128,354	8,020,530	8,790,711	10,913,973	12,910,920	-

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.

Note 2: The financial information for 2022 as of March 31 has been audited by the CPAs.

(III) Parent Company Only Condensed Statements of Comprehensive Income - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)					Financial Information as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating Revenue	10,868,019	10,665,589	10,222,162	10,873,018	12,319,833	N/A
Gross Profit	1,001,859	1,158,193	1,241,550	1,540,785	1,825,198	
Operating Income	(209,445)	(13,487)	156,814	382,372	525,526	
Non-operating Income and Expenses	546,629	77,211	14,617	362,994	348,939	
Income before Tax	337,184	63,724	171,431	745,366	874,465	
Income from Continuing Operations	314,545	77,585	135,390	669,314	754,082	
Loss from Discontinued Operations	-	-	-	-	-	
Net Income (Loss)	314,545	77,585	135,390	669,314	754,082	
Other Comprehensive Income (Net Value After Tax)	11,973	89,523	956,652	2,115,422	1,831,849	
Total Comprehensive Income	326,518	167,108	1,092,042	2,784,736	2,585,931	
Net Income Attributable to Shareholders of the Parent	314,545	77,585	135,390	669,314	754,082	
Net Income Attributable to Non-controlling Interests	-	-	-	-	-	
Comprehensive Income Attributable to Owners of the Parent	326,518	167,108	1,092,042	2,784,736	2,585,931	
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	
Earnings per Share	1.64	0.40	0.7	3.55	4.03	

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.

Note 2: There is no parent company only financial information audited by the CPAs for 2022 as of March 31.

(IV) Consolidated Condensed Statements of Comprehensive Income - International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)					Financial Information as of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating Revenue	14,416,022	14,522,062	14,259,326	14,796,460	16,650,252	3,717,016
Gross Profit	1,510,383	1,456,027	1,524,973	2,063,548	2,424,205	559,689
Operating Income	(204,337)	(246,117)	(31,559)	462,337	671,909	134,944
Non-operating Income and Expenses	557,866	331,530	225,348	471,707	288,691	53,831
Income (Loss) Before Tax	353,529	85,413	193,789	934,044	960,600	188,775
Income (Loss) from Continuing Operations	320,713	91,671	144,124	692,075	801,279	149,554
Loss from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	320,713	91,671	144,124	692,075	801,279	149,554
Other Comprehensive Income (Net Value After Tax)	8,712	93,116	967,986	2,106,097	1,829,860	(256,854)
Total Comprehensive Income	329,425	184,787	1,112,110	2,798,172	2,631,139	(107,300)
Net Income Attributable to Shareholders of the Parent	314,545	77,585	135,390	669,314	754,082	132,968
Net Income Attributable to Non-controlling Interests	6,168	14,086	8,734	22,761	47,197	16,586
Comprehensive Income Attributable to Owners of the Parent	326,518	167,108	1,092,042	2,784,736	2,585,931	(125,394)
Comprehensive Income Attributable to Non-controlling Interests	2,907	17,679	20,068	13,436	45,208	18,094
Earnings per Share	1.64	0.40	0.70	3.55	4.03	0.71

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.

Note 2: The financial information for 2022 as of March 31 has been audited by the CPAs.

(V) Name of CPAs report and Audit Opinions for the Last Five Years

Year	Name of CPA Firm	Name of CPA	Opinions
2017	KPMG Taiwan	Kuan, Chun-Hsiu, Lu, Li-Li	Unmodified opinion and other supplementary matters
2018	KPMG Taiwan	Kuan, Chun-Hsiu, Lu, Li-Li	Unmodified opinion and other supplementary matters
2019	KPMG Taiwan	Kuan, Chun-Hsiu, Chao, Min-Ju	Unmodified opinion and other supplementary matters
2020	KPMG Taiwan	Kuan, Chun-Hsiu, Chao, Min-Ju	Unmodified opinion and other supplementary matters
2021	KPMG Taiwan	Chang, Chun-I, Chao, Min-Ju	Unmodified opinion and other supplementary matters

II. Financial Analyses for the Past Five Fiscal Years

(I) Parent Company Only Financial Analysis - International Financial Reporting Standards

Analysis Item (Note 3)	Year (Note 1)	2017	2018	2019	2020	2021	Financial Information as of March 31, 2022 (Note 2)
		Financial Analyses for the Past Five Fiscal Years					
Financial Structure (%)	Debt ratio	34.57	33.49	32.68	30.68	28.77	N/A
	Ratio of long-term capital to property, plant, and equipment	1,025.69	910.61	1,036.05	1,264.58	1,398.15	
Solvency (%)	Current ratio	145.83	145.95	149.27	147.04	152.14	
	Quick ratio	114.94	115.60	119.21	112.38	108.97	
	Interest coverage ratio	2,263.98	749.62	120.61	332.27	227.14	
Operating ability	Accounts receivable turnover rate (times)	3.08	3.68	3.42	3.64	3.89	
	Average days for cash receipts	118	99.21	106.79	100.29	93.78	
	Inventory turnover rate (times)	7.03	7.63	7.40	6.50	5.53	
	Accounts payable turnover rate (times)	2.78	2.94	2.75	2.59	2.77	
	Average days for sale of goods	51.91	47.81	49.34	56.15	65.97	
	Property, plant, and equipment turnover rate (times)	13.54	12.05	11.72	12.35	13.19	
	Total assets turnover rate (times)	0.87	0.89	0.82	0.75	0.71	
Profitability	Return on total assets (%)	2.49	0.63	1.09	4.60	4.33	
	Return on equity (%)	3.86	0.96	1.61	6.70	6.18	
	Ratio of income before tax to paid-in capital (%)	17.54	3.31	8.92	39.80	46.70	
	Net profit margin (%)	2.89	0.73	1.32	6.16	6.12	
	Earnings Per Share (NT$)	1.64	0.4	0.70	3.55	4.03	
Cash Flow	Cash flow ratio (%)	(1.79)	(6.47)	6.83	9.68	(4.62)	
	Cash flow adequacy ratio (%)	35.86	2.95	(5.68)	19.84	5.71	
	Cash reinvestment ratio (%)	(6.17)	(9.40)	0.72	2.62	(11.10)	
Leverage	Operating leverage	0.83	(3.11)	1.41	1.24	1.15	
	Financial leverage	1	0.99	1.01	1.01	0.99	

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.
Note 2: There is no parent company only financial information audited by the CPAs for 2022 as of March 31.

Explanation for changes in financial ratios up to 20% in the past two years:

Interest coverage ratio: Although the net income before tax was higher in the current year than in the previous year, the increase in interest expenses was higher than the increase in net income before tax.

Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Caused by negative net cash inflow from operating activities this year.

(II) Consolidated Financial Analysis - International Financial Reporting Standards

Analysis Item (Note 3)	Year (Note 1)	2017	2018	2019	2020	2021	Financial Information as of March 31, 2022 (Note 2)
		Financial Analyses for the Past Five Fiscal Years					
Financial Structure (%)	Debt ratio	39.72	39.97	42.28	37.70	36.03	33.23
	Ratio of long-term capital to property, plant, and equipment	587.45	520.43	663.17	789.87	924.19	910.59
Solvency (%)	Current ratio	173.03	168.58	163.02	167.60	171.38	185.11
	Quick ratio	132.72	128.67	127.99	125.81	119.10	130.73
	Interest coverage ratio	100.03	19.15	11.64	71.07	85.66	37.98
Operating ability	Accounts receivable turnover rate (times)	3.48	3.48	3.29	3.41	3.68	3.30
	Average days for cash receipts	104.88	104.88	110.90	107.03	99.06	110.60
	Inventory turnover rate (times)	5.76	6.03	5.98	5.34	4.56	3.69
	Accounts payable turnover rate (times)	2.88	3.13	2.88	2.66	2.84	2.68
	Average days for sale of goods	63.36	60.53	61.06	68.35	80.13	98.84
	Property, plant, and equipment turnover rate (times)	9.97	9.06	9.31	9.92	10.85	9.61
	Total assets turnover rate (times)	1.03	1.06	0.97	0.87	0.84	0.72
Profitability	Return on total assets (%)	2.27	0.69	1.08	4.11	4.00	0.74
	Return on equity (%)	3.82	1.10	1.66	6.72	6.40	1.11
	Ratio of income before tax to paid-in capital (%)	18.39	4.44	10.08	49.88	51.30	10.08
	Net profit margin (%)	2.22	0.63	1.01	4.68	4.81	4.02
	Earnings Per Share (NT$)	1.64	0.40	0.70	3.55	4.03	0.71
Cash Flow	Cash flow ratio (%)	(5.01)	(4.59)	6.38	6.58	0.45	2.43
	Cash flow adequacy ratio (%)	28.57	4.56	0.02	13.59	7.55	16.07
	Cash reinvestment ratio (%)	(8.14)	(7.85)	2.15	1.76	(6.4)	1.71
Leverage	Operating leverage	0.74	0.33	(9.67)	1.70	1.51	1.68
	Financial leverage	0.98	0.98	0.63	1.03	0.98	1.04

Note 1: The financial information for the past five fiscal years has been audited by the CPAs.
Note 2: The financial information for 2022 as of March 31 has been audited by the CPAs.

Explanation for changes in financial ratios up to 20% in the past two years:

Interest coverage ratio: The net income before tax was higher in the current year than in the previous year and the interest expenses were lower than that in the previous year.

Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Caused by low net cash inflow from operating activities this year compared to the same period last year.

Note 3: The calculation formula for the items of financial analysis is stated below:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
   (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/Average inventories.
   (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
   (5) Average days for sale of goods = 365/Inventory turnover rate.
   (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
   (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
   (1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.
   (2) Return on equity = Income after tax/Average total equity.
   (3) Net profit margin = Income after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued. (Note 4)
5. Cash Flow
   (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
   (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income. (Note 6)
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 4: Special attention must be paid to the following items when using the aforementioned calculation formula for the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock trading when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, the capital ratio shall be adjusted retrospectively and the replenishment period issues does not need to be considered.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend of the current year (whether it is distributed) should be deducted from net income after tax or added to net loss. If the

preferred shares are non-cumulative in nature, where net income after tax is available, preferred share dividends should be deducted from it. No adjustment is required if the Company incurs a loss after tax.

Note 5: Special attention must be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure shall refer to the annual capital investment cash outflow.
3. If the inventory increase is calculated only if the closing is greater than that at the opening and the inventory decreased at the end of the year, it should be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross profit for property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall divide the operating costs and expenses as fixed or changeable based on the nature. If such costs are subject to estimates or subjective judgments, the issuer shall ensure that the methods of deriving those costs are rational and consistent.

Note 7: For company shares with no face value or with face value per share not equaling NT$10, the aforementioned calculation for paid-in capital ratio should be changed to calculation for the equity ratio attributable to owners of parent in the balance sheet instead.

III. Audit Committee Report for the Most Recent Fiscal Year's Financial Statement

FSP Technology Inc.
Audit Committee's Review Report

The Company's 2021 Parent Company Only Financial Statements and Consolidated Financial Statements have been audited by Chang, Chun-I, CPA, and Chao, Min-Ju, CPA of KPMG Taiwan, and have been submitted, along with the 2021 Business Report and Earnings Distribution Proposal to the Audit Committee for review. The Audit Committee found them to be compliant with the Company Act and related regulations. It therefore prepares this Review Report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and filed for approval for your review.

Sincerely,

FSP Technology Inc.

2022 shareholders' meeting

Convener of the Audit Committee: Liu, Shou-Hsiang

March 18, 2022

IV. Financial Statements for the Most Recent Fiscal Year

Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Opinions

We have audited the Parent Company Only Financial Statements of FSP Technology Inc. (the "Company"), which comprise the Parent Company Only Balance Sheets as of December 31, 2021 and 2020, and the Parent Company Only Statements of Comprehensive Income, the Parent Company Only Statements of Changes in Equity, the Parent Company Only Statements of Cash Flows, and Notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies) from January 1 to December 31, 2021 and 2020.

In our opinion, based on our audit results and the audit reports prepared by other independent auditors (please refer to Other Matters section), the accompanying Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the periods from January 1 to December 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled other ethical responsibilities in accordance with the Code. Based on our audit results and the reports of other independent auditors, 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 the audit of the Parent Company Only Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, revenue recognition is the key audit matter that should be communicated in the audit report.

Please refer to Note IV(XV) for the accounting policy of revenue recognition and Note VI((XXI) for the related disclosure of revenue.

Description of key audit matter:

The Sales revenue of the Company is a key indicator for investors and management to evaluate financial or business performance. As a listed company, there is a high inherent risk of misrepresentation for the Company. In addition, the timing of revenue recognition and transfer of control over goods is critical to the presentation of financial statements. Therefore, we have identified revenue recognition as a key audit matter in the audit of the Consolidated Financial Statements.

Audit procedure to address the matter:

We performed the following audit procedure in respect of the above key audit matter:

- Tested the effectiveness of the design and implementation of the internal control mechanism in relation to revenue recognition.
- Conducted trend analysis for the top ten customers, including comparison of customer lists and sales revenue between the current period and the most recent period as well as the same period last year, in order to assess whether there is any significant irregularity, and to identify and analyze the reasons for any material changes.
- Performed random sample checking on the sales transactions of the year to evaluate the authenticity of these transactions, the correctness of the recognized amount of sales revenue and the reasonableness of the timing of recording.
- Reviewed samples of sales transactions for a specified period before and after the end of the year to assess whether the timing of revenue recognition is appropriate.

Other Matters

We did not audit the financial statements of certain investee companies under long-term investment using the equity method for the years ended December 31, 2021 and 2020. Those financial statements were audited by other independent auditors. Our opinion expressed herein, insofar as it relates to the amounts included in the Parent Company Only Financial Statements relative to these investee companies was based solely on the reports of other independent auditors. Total investment amount in these investee companies amounted to NT$663,717 thousand and NT$610,088 thousand, accounting for 3.58% and 3.78% of the total assets as of December 31, 2021 and 2020, respectively. Total recognized gains on these investments amounted to NT$88,389 thousand and NT$50,138 thousand, representing 10.11% and 6.73% of the total income before taxes for the years ended December 31, 2021 and 2020.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company Only Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain internal controls which are necessary for the preparation of the Parent Company Only Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements, including the disclosures, and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investee companies under the equity method to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the key audit matters in the audit of the Company's Parent Company Only Financial Statements for the year ended December 31, 2021. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
The engagement partners on the audit resulting in this independent auditors' report are Chang, Chun-I and Chao, Min-Ju.

KPMG
Taipei, Taiwan (Republic of China)
March 18, 2022

Notice to Readers

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

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

FSP Technology Inc.
Parent Company Only Balance Sheets
December 31, 2021 and 2020

Unit: NT$ thousands

	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
11xx	**Current Assets:**				
1100	Cash and cash equivalents (Note VI(I))	$ 1,683,746	9	1,961,278	12
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	316,390	2	277,620	2
1136	Financial assets at amortized cost - current (Note VI(IV))	10,800	-	-	-
1150	Notes receivable, net (Note VI(V) and (XXI))	2,682	-	426	-
1170	Accounts receivable, net (Note VI(V) and (XXI))	2,359,536	13	2,233,285	14
1180	Accounts receivable - related parties, net (Notes VI(V) and (XXI), and VII)	985,345	5	749,248	5
1200	Other receivables (Note VI(VI))	16,480	-	19,966	-
1210	Other receivables - related parties (Notes VI(VI) and VII)	40,968	-	49,665	-
130x	Inventories (Note VI(VII))	2,162,501	12	1,627,409	10
1410	Prepayments (Note VII)	65,083	-	29,057	-
1470	Other current assets	14,822	-	15,641	-
	Total current assets	7,658,353	41	6,963,595	43
15xx	**Non-current Assets:**				
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(III) and (XIX))	6,736,644	37	5,246,682	33
1550	Investments recognized through the equity method (Note VI(VIII) and (IX))	2,944,275	16	2,787,840	17
1600	Property, plant and equipment (Notes VI(X), (XIII), and (XIV), VIII and IX)	966,351	5	901,411	6
1755	Right-of-use assets (Notes VI(XI) and (XV), and VII)	49,919	-	56,710	-
1780	Intangible assets (Note VI(XII))	117,968	1	114,860	1
1840	Deferred income tax assets (Note VI(XVIII))	67,326	-	56,606	-
1900	Other non-current assets (Notes VI(X), VIII and IX)	3,844	-	7,162	-
	Total non-current assets	10,886,327	59	9,171,271	57
1xxx	**Total assets**	$ 18,544,680	100	16,134,866	100

	Liabilities and Equity	2021.12.31 Amount	%	2020.12.31 Amount	%
21xx	**Current Liabilities:**				
2150	Notes payable	$ 14,445	-	15,001	-
2170	Accounts payable	3,417,288	19	3,460,547	21
2180	Accounts payable - related parties (Note VII)	330,210	2	323,444	2
2200	Other payables (Note VI(XVII) and (XXII))	825,993	5	609,379	4
2220	Other payables - related parties (Note VII)	47,611	-	41,852	-
2230	Current income tax liabilities	111,599	1	57,628	1
2250	Provisions for liabilities - current (Note VI(XVI))	146,223	1	157,190	1
2280	Lease liabilities - current (Notes VI(XV) and VII)	3,040	-	6,264	-
2300	Other current liabilities (Notes VI(XIV) and (XXI), and VII)	64,258	-	53,892	-
2320	Current portion of long-term debt (Notes VI(X) and (XIV), and VIII)	73,014	-	10,608	-
	Total current liabilities	5,033,681	28	4,735,805	29
25xx	**Non-current Liabilities:**				
2540	Long-term borrowings (Notes VI(X) and (XIV), and VIII)	199,334	1	97,845	1
2570	Deferred income tax liabilities (Note VI(XVIII))	2,919	-	2,039	-
2580	Lease liabilities - non-current (Notes VI(XV) and VII)	49,239	-	52,619	-
2640	Net defined benefit liabilities - non-current (Note VI(XVII))	44,234	-	57,218	1
2670	Other non-current liabilities - others (Notes VI(XIV) and VII)	6,312	-	4,524	-
	Total non-current liabilities	302,038	1	214,245	2
2xxx	**Total liabilities**	5,335,719	29	4,950,050	31
31xx	**Equity (Note VI(III), (VIII), (XVII), (XVIII) and (XIX)):**				
3100	Capital Stock	1,872,620	10	1,872,620	12
3200	Capital surplus	1,011,016	5	1,011,016	6
3300	Retained earnings:				
3310	Legal reserve	1,033,544	6	940,416	6
3350	Unappropriated earnings	3,209,195	17	2,446,328	15
	Total retained earnings	4,242,739	23	3,386,744	21
34xx	Other Equity:				
3410	Exchange differences on translation of financial statements of foreign operations	(117,703)	(1)	(89,678)	(1)
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6,200,289	34	5,004,114	31
	Total other equity	6,082,586	33	4,914,436	30
3xxx	**Total equity**	13,208,961	71	11,184,816	69
2-3xxx	**Total liabilities and equity**	$ 18,544,680	100	16,134,866	100

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

		2021		2020	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Notes VI(XXI) and VII)**	$ 12,319,833	100	10,873,018	100
5000	**Operating costs (Notes VI(VII), (X), (XI), (XII), (XVI), and (XVII), VII and XII)**	10,483,687	85	9,306,280	86
5910	Add: Unrealized sales gains (losses)	(10,948)	-	(25,953)	-
5900	**Gross profit**	1,825,198	15	1,540,785	14
6000	**Operating expenses (Notes VI(V), (X), (XI), (XII), (XV), (XVII), and (XXII), VII and XII):**				
6100	Selling and marketing expenses	445,124	4	385,878	4
6200	General and administrative expenses	487,276	4	417,538	4
6300	Research and development expenses	363,444	3	350,383	3
6450	Expected credit loss	3,828	-	4,614	-
	Total operating expenses	1,299,672	11	1,158,413	11
6900	**Net operating income**	525,526	4	382,372	3
7000	**Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (XV) and (XXIII), and VII):**				
7100	Interest income	2,375	-	7,358	-
7010	Other income	148,325	1	123,787	1
7020	Other gains and losses	(512)	-	(50,588)	-
7050	Finance costs	(3,867)	-	(2,250)	-
7070	Share of profits (losses) of subsidiaries, associates and joint ventures under equity method	202,618	2	284,687	3
	Total non-operating income and expenses	348,939	3	362,994	4
7900	**Income before income tax from continuing operations**	874,465	7	745,366	7
7950	**Less: Income tax expense (Note VI(XVIII))**	120,383	1	76,052	1
8200	**Net Income**	754,082	6	669,314	6
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss (Note VI(XVII), (XVIII) and (XIX))**				
8311	Gains (losses) on re-measurements of defined benefit plans	6,610	-	(7,821)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,854,340	15	2,044,026	19
8330	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	246	-	50,817	1
8349	Less: Income tax related to components that will not be reclassified to profit or loss	1,322	-	(1,564)	-
	Total items that will not be reclassified to profit or loss	1,859,874	15	2,088,586	20
8360	**Items that may be reclassified subsequently to profit or loss (Note VI(VIII) and (XIX))**				
8361	Exchange differences on translation of financial statements of foreign operations	(27,216)	-	28,236	-
8380	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	(809)	-	(1,400)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(28,025)	-	26,836	-
8300	**Other Comprehensive Income**	1,831,849	15	2,115,422	20
8500	**Total Comprehensive Income**	**$ 2,585,931**	**21**	**2,784,736**	**26**
	Earnings per share (unit: NT$) (Note VI(XX))				
9750	Basic earnings per share	**$**	**4.03**		**3.55**
9850	Diluted earnings per share	**$**	**3.99**		**3.52**

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen   Managerial Officer: Cheng, Ya-Jen   Chief Accounting Officer: Sang, Hsi-Yun

FSP Technology Inc.

Parent Company Only Statements of Changes in Equity

January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

			Retained earnings			Other equity items				
	Capital stock - common shares	Capital surplus	Legal reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Treasury shares	Total Equity
Balance as of January 1 2020	$ 1,922,620	1,131,801	902,027	1,745,698	2,647,725	(116,514)	3,199,064	3,082,550	-	8,784,696
Appropriation and distribution of earnings:										
Legal reserve	-	-	38,389	(38,389)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(192,262)	(192,262)	-	-	-	-	(192,262)
Changes in other capital surplus:										
Cash dividends appropriated from capital surplus	-	(96,131)	-	-	-	-	-	-	-	(96,131)
Net Income	-	-	-	669,314	669,314	-	-	-	-	669,314
Other Comprehensive Income	-	-	-	(6,241)	(6,241)	26,836	2,094,827	2,121,663	-	2,115,422
Total Comprehensive Income	-	-	-	663,073	663,073	26,836	2,094,827	2,121,663	-	2,784,736
Purchase of treasury shares	-	-	-	-	-	-	-	-	(101,003)	(101,003)
Retirement of treasury shares	(50,000)	(29,434)	-	(21,569)	(21,569)	-	-	-	101,003	-
Changes in ownership interests in subsidiaries	-	4,780	-	-	-	-	-	-	-	4,780
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	289,777	289,777	-	(289,777)	(289,777)	-	-
Balance as of December 31, 2020	1,872,620	1,011,016	940,416	2,446,328	3,386,744	(89,678)	5,004,114	4,914,436	-	11,184,816
Appropriation and distribution of earnings:										
Legal reserve	-	-	93,128	(93,128)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	-	(561,786)
Net Income	-	-	-	754,082	754,082	-	-	-	-	754,082
Other Comprehensive Income	-	-	-	5,534	5,534	(28,025)	1,854,340	1,826,315	-	1,831,849
Total Comprehensive Income	-	-	-	759,616	759,616	(28,025)	1,854,340	1,826,315	-	2,585,931
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	658,165	658,165	-	(658,165)	(658,165)	-	-
Balance as of December 31, 2021	**$ 1,872,620**	**1,011,016**	**1,033,544**	**3,209,195**	**4,242,739**	**(117,703)**	**6,200,289**	**6,082,586**	**-**	**13,208,961**

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.

Parent Company Only Statements of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 874,465	745,366
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	62,893	62,770
Amortization expenses	2,576	1,260
Expected credit loss	3,828	4,614
Interest expenses	3,867	2,250
Interest income	(2,375)	(7,358)
Dividend income	(122,933)	(107,452)
Share of profits of subsidiaries, associates and joint ventures	(202,618)	(284,687)
Loss on disposal of property, plant, and equipment	656	58
Unrealized sales gains (losses)	10,948	25,953
Unrealized foreign currency exchange gain	20,737	(13,831)
Gains on lease modifications	(80)	-
Gains on bargain purchase	(2,523)	-
Total adjustments for profit or loss	(225,024)	(316,423)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(38,770)	(123,224)
Notes receivable	(2,256)	2,221
Accounts receivable	(89,006)	118,596
Accounts receivable - related parties	(236,097)	(84,784)
Other receivables	4,035	1,616
Other receivables - related parties	8,697	10,275
Inventories	(535,092)	(391,394)
Prepayments	(35,691)	8,421
Other current assets	819	(2,948)
Total changes in operating assets	(923,361)	(461,221)
Changes in operating liabilities:		
Notes payable	(556)	619
Accounts payable	(101,854)	409,473
Accounts payable - related parties	2,907	(22,799)
Other payables	219,472	145,274
Other payables - related parties	5,747	3,789
Provisions for liabilities	(10,967)	11,853
Other current liabilities	8,235	4,282
Net defined benefit liabilities	(6,374)	(8,942)
Other non-current liabilities	3,919	2,994
Total changes in operating liabilities	120,529	546,543
Total changes in operating assets and liabilities	(802,832)	85,322
Total adjustments	(1,027,856)	(231,101)
Cash provided by operations	(153,391)	514,265
Interest received	2,441	8,317
Interest paid	(3,867)	(1,873)
Income tax paid	(77,574)	(62,339)
Net cash provided by operating activities	(232,391)	458,370
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(296,047)	(118,419)
Disposal of financial assets at fair value through other comprehensive income	660,425	216,963
Acquisition of financial assets at amortized cost	(10,959)	-
Acquisition of investments accounted for using the equity method	(22,640)	-
Acquisition of property, plant, and equipment	(124,320)	(103,155)
Disposal of property, plant and equipment	7	-
Decrease (increase) in refundable deposits	1,503	(300)
Acquisition of intangible assets	(5,684)	(436)
Increase in prepayments for equipment	-	(335)
Dividends received	155,552	127,840
Net cash flows from investing activities	357,837	122,158
Cash flows from financing activities:		
Proceeds from long-term loans	181,989	108,076
Repayments of long-term loans	(18,094)	-
Repayment of the principal of lease liabilities	(5,087)	(6,469)
Cash dividends paid	(561,786)	(288,393)
Purchase cost of treasury shares	-	(101,003)
Net cash flows used in financing activities	(402,978)	(287,789)
Net increase (decrease) in cash and cash equivalents	(277,532)	292,739
Cash and cash equivalents at the beginning of the year	1,961,278	1,668,539
Cash and cash equivalents at the end of the year	$ 1,683,746	1,961,278

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc.
Notes to Parent Company Only Financial Statements
2021 and 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

FSP Technology Inc. (the "Company") was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company is primarily engaged in the manufacturing, processing and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Parent Company Only Financial Statements were authorized for issue by the Board of Directors on March 18, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

The Company has initially adopted the following new amendments to IFRS since January 1, 2021, and there was no significant impact on the Parent Company Only Financial Statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Company has adopted the following new amendments, which do not have a significant impact on the Parent Company Only Financial Statements, since April 1, 2021.

- Amendment to IFRS 16 "COVID-19 Related Rent Concessions beyond 30 June 2021"

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

The Company assesses that the adoption of the following new amendments effective from January 1, 2022 will not have a significant impact on the Parent Company Only Financial Statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(III) IFRSs issued by the International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the IASB, but not yet endorsed by the FSC:

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 "Classification of liabilities as current or non-current"	The amendments are intended to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain maturity dates should be classified as current (or to be due within one year) or non-current on the balance sheets. The amendments also clarify the classification requirements for debts that companies may settle by conversion into equity.	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	Amendments to IAS 1 mainly include: · Requiring companies to disclose their material accounting policies rather than their significant accounting policies; · Accounting policy information in relation to insignificant transactions, other matters or conditions shall be deemed as immaterial and the Group is not required to disclose such information; and · Not all accounting policy information relating to significant transactions, other matters or conditions is considered material for the financial statements of a company.	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	The amendments introduce a new definition of accounting estimates, clarifying that accounting estimates are monetary amounts in the financial statements that are subject to the uncertainty of measurement. The amendments also clarify the relationship between accounting policies and accounting estimates by stating that companies are required to establish accounting estimates for the purposes of the accounting policies they apply.	January 1, 2023

The Company is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Company completes the evaluation.

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

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

IV. Summary of Significant Accounting Policies

The significant accounting policies adopted in the Parent Company Only Financial Statements are summarized as follows. The following accounting policies have been applied consistently to all periods presented in the Parent Company Only Financial Statements.

(I) Compliance declaration

The Company's accompanying Parent Company Only Financial Statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(II) Preparation basis

1. Measurement basis

The Parent Company Only Financial Statements have been prepared on a historical cost basis except for the following items:

(1) Financial assets measured at fair value through profit or loss;

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

(3) Defined benefit liability, which are measured based on pension fund assets plus unrecognized service costs in the previous period and unrecognized actuarial losses, less unrecognized actuarial gains, the present value of defined benefit obligations and effect of the asset ceiling as mentioned in Note IV(XVII).

2. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The Parent Company Only Financial Statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(III) Foreign currencies

1. Foreign currency transactions

   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on that date.

   Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency based on the exchange rates at the date when the fair value is determined, whereas non-monetary items denominated in foreign currencies measured at historical costs are translated using the exchange rates at the dates of the transactions. The resulting exchange differences are generally recognized in profit or loss, except for the equity instruments designated to be measured at fair value through other comprehensive income, whose exchange differences are recognized in other comprehensive income.

2. Foreign operations

   The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the period and the resulting exchange differences are recognized in other comprehensive income.

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

Assets are classified as current assets when one of the following criteria is met, and all other assets are classified as non-current assets:

1. It is expected to be realized, or intended to be sold or consumed in the normal operating cycle.
2. Assets held mainly for trading purpose.
3. Assets that are expected to be realized within twelve months after the balance sheet date.
4. Cash or cash equivalents, excluding restricted cash or cash equivalents that are reserved for exchange, debt repayment or under other restrictions for more than twelve months after the balance sheet date.

Liabilities are classified as current liabilities when one of the following criteria is met, and all other liabilities are classified as non-current liabilities:

1. It is expected to be settled in the normal operating cycle.
2. Assets held mainly for trading purpose.

3. Liabilities that are expected to be settled upon maturity within twelve months after the balance sheet date.
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(V) Cash and cash equivalents

Cash consists of cash on hand, checking account deposits and saving account deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. Time deposits that meet the criteria and are held for the purpose of fulfilling short-term cash commitment rather than other purposes are classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

(VI) Financial instruments

Accounts receivables are initially recognized when they are incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets (excluding accounts receivable without a significant financing component) and financial liabilities that are not measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of these financial assets or financial liabilities. Accounts receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

The Company applies trade date accounting to all regular way purchases or sales of financial assets that are classified in the same way.

At initial recognition, financial assets are classified into the following categories: Financial assets at amortized cost, investments in equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss. When the Company changes its business model for managing financial assets, all affected financial assets are reclassified on the first day of the next reporting period.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost if all of the following conditions are met and the financial assets are not designated as measured at fair value through profit or loss:

- Financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, using initial recognized amount plus or minus cumulative amortization calculated by adopting the effective interest method and taking into account the adjustment of allowance for impairment loss as well. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

At initial recognition of investments in equity instruments that are not held for trading, the Company may make an irrevocable election to present subsequent changes in fair value of the investments in other comprehensive income. This election is made on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized in profit or loss unless the dividend clearly represents the recovery of part of the investment cost. Other net gains or losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

Dividend income from equity investments is recognized on the date that the Company is eligible to receive the dividends (usually the ex-dividend date).

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

Financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. At initial recognition, the Company may irrevocably designate a financial asset, which meets the criteria to be measured at amortized cost or at fair value through other comprehensive income, to the category measured at fair value through profit or loss if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including related dividend and interest income, are recognized in profit or loss.

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit loss on financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits.

The Group measures loss allowance for notes and accounts receivable at the amount equal to lifetime expected credit loss. Taking into account reasonable and supportable information available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience, credit assessment, as well as forward-looking information, the Company measures the impairment of financial assets at amortized cost according to 12-month expected credit loss when the credit risk of the financial assets has not increased significantly since initial recognition. If there has been a significant increase in credit risk since initial recognition, the impairment is measured based on lifetime expected credit loss.

Lifetime expected credit loss refers to the expected credit loss resulting from all possible default events over the expected life of the financial instrument.

12-Month expected credit loss refers to the expected credit loss resulting from default events of the financial instrument that are likely to occur within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating expected credit loss is the maximum contractual period over which the Company is exposed to credit risk.

Expected credit loss is the probability-weighted estimate of credit loss over the expected life of financial instruments. Credit loss is measured at the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contracts and the cash flows that the Company expects to receive). Expected credit loss is discounted at the effective interest rate of the financial assets.

Loss allowance for financial assets at amortized cost is deducted from the carrying amount of the assets. The amount of provision or reversal of loss allowance is recognized in profit or loss.

The carrying amount of the financial assets is written off when the Company has no reasonable expectation of recovering the entire or part of the financial assets. The Company individually makes the assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects there will be no significant reversal on the write-off amount. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for collecting overdue amount.

(5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the financial asset in which almost all of the risks and returns associated with the ownership of the financial asset are transferred to other companies or in which the Company neither transfers nor retains nearly all of the risks and returns of ownership and it does not hold control on the financial asset.

When the Company enters into transactions of financial asset transfer, if all or almost all of the risks and returns associated with the ownership of the transferred asset is retained, the transferred asset continues to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount of consideration received, less the direct issuing cost.

(2) Treasury shares

When the Group buys back its shares recognized as equity, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from equity. Shares bought back are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to offset).

When the treasury shares are retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the shareholding. The carrying value of treasury shares in excess of the sum of the par value and premium on stock should first be offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value should be credited to capital surplus from the same class of treasury share transactions.

(3) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition is also recognized in profit or loss.

(4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or canceled, or has expired. The Group also derecognizes a financial liability when its terms are amended and the cash flows of the amended liability are substantially different, in which case a new financial liability based on the amended terms is recognized at fair value.

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

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle on a net basis or to liquidate asset for settling the liabilities simultaneously.

(VII) Inventories

The cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition ready for sale. The variable manufacturing expenses are allocated based on the actual production volume. Fixed manufacturing expenses are allocated to finished goods and work in process based on the normal capacity of the production equipment. Unallocated fixed manufacturing expenses resulting from lower production capacity or idle equipment shall be recognized as cost of goods sold in the period in which they are incurred. If actual production volume is higher than the normal production capacity, the difference is recognized as a reduction of cost of goods sold. The monthly weighted-average method is adopted for the calculation of the costs.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is recognized in cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold for the period.

(VIII) Investments in associates

An associate is an entity in which the Company has significant influence, but not control over their financial and operating policies. The Company is deemed to have significant influence when it holds 20% to 50% of the voting rights of the investee company.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are recognized initially at cost. Subsequent adjustments are based on the changes in the Company's share of net assets. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated investors' interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part of interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss or retained earnings on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss or retained earnings when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss or retained earnings.

(IX) Investments in subsidiaries

When preparing the Parent Company Only Financial Statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income recognized in the Parent Company Only Financial Statements are in line with profit or loss and other comprehensive income attributable to owners of the Parent in the consolidated financial statements. In addition, shareholder's equity in the Parent Company Only Financial Statements is in line with the equity attributable to the shareholders of the parent in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(X) Property, Plant, and Equipment

1. Recognition and measurement

   Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

   If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

   Any gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

   Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

   Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss using the straight-line method over the estimated useful lives of each component of property, plant and equipment.

   Land is not depreciated.

   The estimated useful lives for the current and comparative periods are as follows:

Housing and Construction	2~50 years
Buildings and Building Improvements	5~10 years
Machinery	1~19 years
Transportation Equipment	4~11 years
Other Equipment	1~26 years

   The Company reviews depreciation methods, useful lives and residual values on each reporting date and makes appropriate adjustments when necessary.

(XI) Leases - Lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company periodically assesses whether the right-of-use asset is impaired and recognizes any impairment loss that has occurred. The right-of-use asset is adjusted when the remeasurement of the lease liabilities takes place.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date. If the interest rate implied by the lease is easy to determine, it would be used as the discount rate. If the implied interest rate is not easy to determine, the Company's incremental borrowing rate is applied. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1. Fixed payments, including in-substance fixed payments;
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
3. Amounts expected to be payable under residual value guarantees; and
4. The exercise price of a purchase option or payments of penalties for exercising the option to terminate the lease, if the lessee is reasonably certain to exercise that option.

The interests of lease liabilities are subsequently calculated using the effective interest method and lease liabilities are remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate;
2. There is a change in the estimate of the amount expected to be payable under a residual value guarantee;

3. There is a change in the assessment on the purchase option of the underlying asset;
4. There is a change in the lease term assessment resulting from a change in the estimate regarding whether the extension or termination option will be exercised;
5. There is any modification in lease subject, scope of the lease or other clauses.

When the lease liability is remeasured under the above-mentioned circumstances other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss.

When the lease liability is remeasured due to lease modification that decreases the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between the carrying amount of the right-of-use asset and the remeasurement amount of lease liability in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the Balance Sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases of buildings and construction, machinery and equipment, and transportation equipment leases and for leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company applies the practical expedient to the rent concessions that meet all of the following criteria without assessing if they are lease modification.

1. Rent concession is a direct consequence of the COVID-19 pandemic;
2. As a result of the change in lease payments, revised consideration for the lease is almost the same as, or less than, the consideration for the lease prior to the change;
3. Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
4. There is no change in substance to the other terms and conditions of the lease.

With the application of practical expedient, the amount of changes in lease payments arising from rent concessions is recognized in profit or loss for the reporting period.

(XII) Intangible assets

1. Recognition and measurement

   Goodwill of the Company occurred in the business combination prior to the date of IFRS adoption. Upon conversion to IFRS endorsed by the FSC, the Company elected to restate only those business combinations that occurred after January 1, 2012 (inclusive). For acquisitions made before January 1, 2012, the amount of goodwill was recognized in accordance with the Regulations Governing the

Preparation of Financial Reports by Securities Issuers issued by the FSC on January 10, 2009, and Accounting Standards and related interpretations (hereinafter referred to as "previously generally accepted accounting principles") issued by the Accounting Research and Development Foundation of the Republic of China.

Company's other separately acquired intangible assets with finite useful lives, including software and patents, are carried at cost less accumulated amortization and accumulated impairment losses.

2. Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of the asset less the estimated residual value, and is recognized in profit or loss using the straight-line method over the estimated useful life of the intangible asset when it becomes available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software cost	1~5 years
Patent	91 months

The Company reviews the amortization method, useful life and residual value of the intangible assets on each reporting date and makes appropriate adjustments when necessary.

(XIII) Impairment of non-financial assets

The Company assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (excluding inventories, deferred income tax assets, employee benefit related assets) may be impaired. If any such indication exists, then the recoverable amount of the asset is estimated. Goodwill is tested for impairment on an annual basis.

For the purpose of impairment testing, assets are divided into the smallest group of identifiable assets that generates cash inflows largely independent of the cash inflows from other individual asset or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(XIV) Provisions for liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for maintenance is recognized when the underlying products or services are sold. The provision is estimated based on historical maintenance rates and maintenance cost per unit.

(XV) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. Transfer of control of the product occurs when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products are shipped to the specific location, the risks of obsolescence and loss are transferred to the customer, and either the customer accepts the products according to the sales contract with the acceptance provisions being invalid or the Company has objective evidence that all criteria for acceptance have been satisfied.

(XVI) Government grant

When the Company can receive the government grant relating to the operating activities, such grant with no conditions attached is recognized as non-operating income. The Company recognizes the grant relating to assets as deferred income at fair value when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. The above deferred income is recognized as non-operating income over the estimated useful lives of the related assets on a systematic basis. If the government grant is used to compensate the Company's expenses or losses, such government grant is recognized in profit or loss over the period necessary to match it with the related expenses, for which it is intended to compensate, on a systematic basis.

(XVII) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution pension plans are expensed during the period in which employees render services.

2. Defined benefit plans

   The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

   The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation result may be beneficial to the Company, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, the minimum contribution requirements are considered.

   The remeasurements of the net defined benefit liability comprise actuarial gains and losses, return on plan assets (excluding interest), and any changes in the effect of the asset ceiling (excluding interest). The remeasurements of the net defined benefit liability are recognized in other comprehensive income and reflected in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) is calculated based on the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

   When the plan is revised or reduced, the amount of changes in benefits related to the past service costs or reduced benefits or losses is recognized in profit or loss. When the settlement occurs, the Company shall recognize the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

   Short-term employee benefit obligations are expensed during the period in which employees render services. If the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees and the obligation can be estimated reliably, the amount of payments is recognized as a liability.

(XVIII) Income Tax

Income taxes comprise current taxes and deferred income taxes. Current and deferred income taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current income taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received based on tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for the following temporary differences:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred income taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset when the following criteria are met:

1. The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:
   (1) The same taxable entity; or
   (2) Different taxable entities which intend to settle current income tax assets and income tax liabilities on a net basis, or to realize the assets and settle the

liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered or significant amounts of deferred income tax liabilities are expected to be settled.

(XIX) Business combinations

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Company recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

On an transaction-by-transaction basis, the Company measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

(XX) Earnings per Share

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the Parent Company Only Financial Statements. Basic EPS of the Company is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares include estimates of employee compensation.

(XXI) Segment Information

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the Parent Company Only Financial Statements.

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

The preparation of the Parent Company Only Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

The Parent Company Only Financial Statements involve material judgment as to whether the Company has substantive control over the investee, FSP Group USA Corp. and it has a material impact on the amounts recognized in the Parent Company Only Financial Statements. The related information is as follows:

In the Parent Company Only Financial Statements, there is no accounting policy that involves significant estimates and assumptions, and the information on accounting policies does not have a material impact on the amounts recognized in the Parent Company Only Financial Statements.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on hand	$ 1,458	1,014
Cash equivalents - Repurchase agreements	-	114,435
Deposits in saving accounts	940,156	623,782
Deposits in checking accounts	2,021	2,969
Time deposits	740,111	1,219,078
	$ 1,683,746	**1,961,278**

Please refer to Note VI(XXIV) for the disclosure of interest rate risk of the Company's financial assets and liabilities.

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

	2021.12.31	2020.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Beneficiary certificates	$ 232,758	210,388
Private equity funds	12,000	-
Foreign unlisted stocks	71,632	67,232
Total	**$ 316,390**	**277,620**

The Company recognized dividend income of NT$420 thousand and NT$0 in 2021 and 2020 respectively from the above financial assets at fair value through profit or loss.

Please refer to Note VI(XXIII) for the amounts recognized in profit or loss arising from remeasurement at fair value.

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

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

		2021.12.31	2020.12.31
Equity instruments at fair value through other comprehensive income			
Domestic listed stock - Voltronic Power Technology Corp.	$	6,213,715	5,040,921
Domestic listed stock - JESS-LINK Products Co., Ltd.		351,144	109,200
Domestic listed stock - WT Microelectronics Co., Ltd.		48,950	48,550
Domestic listed stock - Taiwan Cement Corp.		2,400	-
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.		6,150	-
Foreign listed stocks		18,118	19,344
Domestic unlisted stocks		96,167	28,667
Total	$	6,736,644	5,246,682

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

   The Company holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, so these investments have been designated to be measured at fair value through other comprehensive income.

   The Company recognized dividend income of NT$122,513 thousand and NT$107,452 thousand in 2021 and 2020 respectively from the above investments in equity instruments designated as measured at fair value through other comprehensive income.

   In order to meet the needs of funding plan, the Company divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income in 2021 and 2020 and the fair value at the time of disposal was NT$660,425 thousand and NT$216,963 thousand with disposal gains of NT$658,165 thousand and NT$215,901 thousand, respectively.

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

(IV) Financial assets at amortized cost

	2021.12.31	2020.12.31
Corporate bond - Novaland Group (NVL)	$ 10,800	-
Less: Allowance for impairment loss	-	-
Total	$ 10,800	-

The Company assesses that the asset is held to maturity to receive contractual cash flows. The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Company purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT$10,959 thousand with a coupon rate of 10.00%.
2. Please refer to Note VI(XXIV) for the information of credit risk.

(V) Notes receivable and accounts receivable

	2021.12.31	2020.12.31
Notes receivable	$ 2,682	426
Accounts receivable	2,392,342	2,263,095
Accounts receivable - related parties	985,345	749,248
Less: Allowance for impairment loss	(32,806)	(29,810)
	$ 3,347,563	2,982,959

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

The Company applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information, including macro economy and related industry information, is taken into consideration as well.

Analysis of expected credit loss on notes receivable and accounts receivable of the Company was as follows:

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted-average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	$ 3,007,546	0.35	10,532
Past due within 30 days	109,271	14.41	15,748
Past due 31-60 days	2,464	40.57	1,000
Past due 61-90 days	2,717	72.80	1,978
Past due 91-120 days	78	82.48	64
Past due over 121 days	2,412	100.00	2,412
	$ 3,124,488		31,734

The carrying amount of the above notes and accounts receivable did not include the account receivable due from subsidiaries and a specific customer, amounting to NT$250,520 thousand and NT$5,361 thousand, respectively. The above-mentioned accounts receivable was not overdue.

Due to poor recovery of the account receivable due from this customer, the Company has specifically recorded an allowance for loss of NT$1,072 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted-average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	$ 2,755,699	0.20	5,385
Past due within 30 days	18,100	12.38	2,241
Past due 31-60 days	6,053	37.90	2,294
Past due 61-90 days	4,068	73.31	2,982
Past due 91-120 days	823	82.27	677
Past due over 121 days	12,272	100.00	12,272
	$ 2,797,015		25,851

The carrying amount of the above notes and accounts receivable did not include the account receivable due from subsidiaries and a specific customer, amounting to NT$195,961 thousand and NT$19,793 thousand, respectively. The above-mentioned accounts receivable was not overdue.

Due to poor recovery of the account receivable due from this customer, the Company has specifically recorded an allowance for loss of NT$3,959 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

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

		2021	2020
Beginning balance	$	29,810	29,149
Impairment losses recognized		3,828	4,614
Write-off		(832)	(3,953)
Ending balance	$	32,806	29,810

(VI) Other receivables

		2021.12.31	2020.12.31
Other receivables	$	16,480	19,966
Other receivables - related parties		40,968	49,665
Less: Allowance for impairment loss		-	-
	$	57,448	69,631

As of December 31, 2021 and 2020, there were no overdue for all other receivables (including related parties).

(VII) Inventories

		2021.12.31	2020.12.31
Finished goods	$	1,039,194	851,759
Work in process		491,915	371,510
Raw materials		631,392	404,140
	$	2,162,501	1,627,409

Breakdown of cost of goods sold:

		2021	2020
Inventories sold	$	10,347,849	9,293,633
Inventory valuation loss (reversal gain)		14,795	(32,975)
Unallocated manufacturing expense		87,786	9,768
Loss on inventory obsolescence		33,086	35,856
Loss (gain) on inventory counts		171	(2)
	$	10,483,687	9,306,280

As of December 31, 2021 and 2020, the Company did not pledge any inventories as collateral.

(VIII) Investments Accounted for Using the Equity Method

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

		2021.12.31	2020.12.31
Subsidiary	$	2,917,328	2,762,521
Associate invested through subsidiary		26,947	25,319
	$	2,944,275	2,787,840

1. Subsidiary

   Please refer to the consolidated financial statements for the year ended December 31, 2021.

2. Associate invested through subsidiary

   The financial information of insignificant associates that are invested through subsidiary and the Company adopts the equity method for recognition is summarized below. The amount is included in the Parent Company Only Financial Statements.

		2021.12.31	2020.12.31
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	$	26,947	25,319

		2021	2020
Attributable to the Company:			
Income from Continuing Operations	$	3,284	3,049
Other comprehensive income		(809)	(1,400)
Total comprehensive income	$	2,475	1,649

3. Collateral

   As of December 31, 2021 and 2020, the Company did not pledge any investments accounted for under the equity method as collateral.

(IX) Business combinations

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

For the seven-month period from the acquisition date to December 31, 2021, the revenue and net profit contributed by FSP Turkey amounted to NT$49,700 thousand and NT$4,951 thousand, respectively. If the acquisition had occurred on January 1, 2021, management estimates that the Company's net income in 2021 would have reached NT$755,328 thousand. When estimating these amounts, management has assumed that the fair value adjustments on the date of acquisition had been the same and the acquisition had occurred on January 1, 2021.

The fair values of the major categories of consideration transferred at the date of acquisition were as follows:

Cash	**$**	**22,640**

As of May 31, 2021, the fair value of identifiable assets and liabilities was as follows:

Cash and cash equivalents	$	26,472
Net notes receivable		494
Net accounts receivable		11,899
Inventories		16,528
Prepayments		6,172
Other current assets		309
Property, Plant, and Equipment		736
Other Non-Current Assets		2
Accounts payable		(8,796)
Other payables		(19,665)
Other current liabilities		(6,624)
	$	**27,527**

Gains on bargain purchase arising from acquisition:

Transfer Price	$	22,640
Add: Non-controlling interests (measured by non-controlling interest's proportionate share of identifiable net assets)		2,364
Less: The fair value of identifiable net assets		(27,527)
Gains on bargain purchase (recognized in other income)	**$**	**(2,523)**

(X) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Construction in progress and equipment under installation	Total
Cost or deemed cost:								
Balance as of January 1, 2021	$ 264,211	686,117	3,725	209,814	1,908	222,081	76,595	1,464,451
Addition	-	53,120	351	20,533	1,585	21,917	24,156	121,662
Disposal and obsolescence	-	(2,295)	-	(1,274)	-	(774)	-	(4,343)
Reclassification (Note 1)	-	72,691	-	-	-	1,665	(72,876)	1,480
Balance as of December 31, 2021	$ 264,211	809,633	4,076	229,073	3,493	244,889	27,875	1,583,250
Balance as of January 1, 2020	$ 264,211	683,924	3,143	195,184	1,908	217,391	1,305	1,367,066
Addition	-	2,193	582	15,027	-	4,706	75,308	97,816
Disposal and obsolescence	-	-	-	(415)	-	(16)	-	(431)
Reclassification	-	-	-	18	-	-	(18)	-
Balance as of December 31, 2020	$ 264,211	686,117	3,725	209,814	1,908	222,081	76,595	1,464,451
Depreciation and impairment loss:								
Balance as of January 1, 2021	$ -	204,109	1,127	168,907	1,908	186,989	-	563,040
Recognition in current period	-	26,807	447	11,974	159	18,152	-	57,539
Disposal and obsolescence	-	(1,790)	-	(1,169)	-	(721)	-	(3,680)
Balance as of December 31, 2021	$ -	229,126	1,574	179,712	2,067	204,420	-	616,899
Balance as of January 1, 2020	$ -	178,736	702	158,473	1,908	167,614	-	507,433
Recognition in current period	-	25,373	425	10,801	-	19,381	-	55,980
Disposal and obsolescence	-	-	-	(367)	-	(6)	-	(373)
Balance as of December 31, 2020	$ -	204,109	1,127	168,907	1,908	186,989	-	563,040
Carrying amounts:								
Balance as of December 31, 2021	$ 264,211	580,507	2,502	49,361	1,426	40,469	27,875	966,351
Balance as of December 31, 2020	$ 264,211	482,008	2,598	40,907	-	35,092	76,595	901,411

Note 1. For the year ended December 31, 2021, the amount transferred from equipment prepayment was NT$1,480 thousand.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of December 31, 2021 and 2020.

(XI) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction, transportation equipment and office equipment leased by the Company were as follows:

	Land	Housing and Construction	Transportation Equipment	Office Equipment	Total
Costs of right-of-use assets:					
Balance as of January 1, 2021	$ 11,375	56,877	1,452	-	69,704
Addition	-	-	716	-	716
Reduction (contract expired and early termination of contract)	-	(10,496)	(661)	-	(11,157)
Balance as of December 31, 2021	$ 11,375	46,381	1,507	-	59,263
Balance as of January 1, 2020	$ 11,572	56,877	1,559	229	70,237
Addition	-	-	394	-	394
Reduction (contract modification and contract expired)	(197)	-	(501)	(229)	(927)
Balance as of December 31, 2020	$ 11,375	56,877	1,452	-	69,704
Depreciation of right-of-use assets:					
Balance as of January 1, 2021	$ 1,098	11,067	829	-	12,994
Depreciation in current period	544	4,188	622	-	5,354
Reduction (contract expired and early termination of contract)	-	(8,343)	(661)	-	(9,004)
Balance as of December 31, 2021	$ 1,642	6,912	790	-	9,344
Balance as of January 1, 2020	$ 554	5,533	676	171	6,934
Depreciation in current period	544	5,534	654	58	6,790
Reduction (contract modification and contract expired)	-	-	(501)	(229)	(730)
Balance as of December 31, 2020	$ 1,098	11,067	829	-	12,994
Carrying amounts:					
Balance as of December 31, 2021	$ 9,733	39,469	717	-	49,919
Balance as of December 31, 2020	$ 10,277	45,810	623	-	56,710

(XII) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets for the years ended December 31, 2021 and 2020 were as follows:

	Goodwill	Software cost	Patent	Total
Costs:				
Balance as of January 1, 2021	$ 114,411	5,821	15,863	136,095
Addition in current period	-	5,684	-	5,684
Reduction in current period	-	(4,437)	-	(4,437)

	Goodwill	Software cost	Patent	Total
Balance as of December 31, 2021	$ 114,411	7,068	15,863	137,342
Balance as of January 1, 2020	$ 114,411	5,585	15,863	135,859
Addition in current period	-	436	-	436
Reduction in current period	-	(200)	-	(200)
Balance as of December 31, 2020	$ 114,411	5,821	15,863	136,095
Amortization and impairment loss:				
Balance as of January 1, 2021	$ -	5,372	15,863	21,235
Amortization for the period	-	2,576	-	2,576
Reduction in current period	-	(4,437)	-	(4,437)
Balance as of December 31, 2021	$ -	3,511	15,863	19,374
Balance as of January 1, 2020	$ -	4,312	15,863	20,175
Amortization for the period	-	1,260	-	1,260
Reduction in current period	-	(200)	-	(200)
Balance as of December 31, 2020	$ -	5,372	15,863	21,235
Carrying amounts:				
Balance as of December 31, 2021	$ 114,411	3,557	-	117,968
Balance as of December 31, 2020	$ 114,411	449	-	114,860

1. Amortization expenses

   The amortization of intangible assets was included in the following items of the Statements of Comprehensive Income for the years ended December 31, 2021 and 2020:

	2021	2020
Operating costs	$ 348	290
Operating expenses	2,228	970

2. Impairment test for goodwill

   (1) In accordance with IAS 36, goodwill acquired through a business combination should be tested for impairment at least annually. Goodwill is tested for impairment by allocating goodwill to the cash-generating unit that is expected to benefit from the synergy of consolidation. Goodwill arising from the business combination is fully attributed to the Company's Kaohsiung Branch. Therefore, the impairment of goodwill is assessed by calculating the value in use and the carrying amount of net assets of the Company's Kaohsiung Branch to determine whether an impairment loss should be recorded.

(2) The recoverable amount of the cash-generating unit is based on its value in use. Value in use is determined by discounting the future cash flows arising from the continuing use of the unit. The calculation of the value in use (including goodwill) is based on the following key assumptions:

A. The cash flow projections were based on historical figures, actual operating results and 5-year business plan. Cash flows beyond 5 years have been projected with zero growth rate.

B. The Company estimated the pre-tax discount rate based on the weighted-average cost of capital, which was 9.10% and 9.44% for the years ended December 31, 2021 and 2020, respectively.

(3) According to the asset impairment test conducted in 2021 and 2020, no impairment losses were recognized as the recoverable amount of cash-generating unit was higher than the carrying amount.

(XIII) Short-term loans

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

	2021.12.31	2020.12.31
Secured bank borrowings	$ -	-
Unused facility	$ 678,500	808,750
Interest rate range	-	0.98

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

(XIV) Long-term loans

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

	2021.12.31	2020.12.31
Secured bank borrowings	$ 272,348	108,453
Less: current portion of long-term debt	73,014	10,608
Total	$ 199,334	97,845
Unused facility	$ -	259,930
Interest rate range	1.58	1.58

1. Collateral for bank borrowings

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

2. Government-subsidized loan with preferential interest rate

In August 2020, the Company obtained a NT$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses". Drawdown period was until

December 31, 2021 and multiple drawdowns were allowed. For the periods from January 1, 2021 to December 31, 2021 and from August 3, 2020 to December 31, 2020, the amount of actual utilization was NT$185,580 thousand and NT$111,070 thousand respectively. Based on market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT$3,591 thousand and NT$2,994 thousand respectively, which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities.

(XV) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2021.12.31	2020.12.31
Current	$ 3,040	6,264
Non-current	49,239	52,619
Total	$ 52,279	58,883

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expense on lease liabilities	$ 980	1,096
Variable lease payments not included in the measurement of lease liabilities	$ 149	419
Expenses of short-term leases	$ 438	1,139
Rent concession arising from the COVID-19 pandemic (recognized in other income)	$ -	66

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

	2021	2020
Total cash outflow in operating activities	$ 1,567	2,654
Total cash outflow in financing activities	5,087	6,469
Total cash flows on lease	$ 6,654	9,123

1. Lease of land, buildings and construction

   The Company leases land, buildings and construction as factories, office premises, staff quarters and warehouses with lease terms ranging from 3 to 10 years for factories and 1 to 3 years for office premises and warehouses. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Company in 2021 were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	$ 149	1

2. Other leases

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

The lease terms of some of Company's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered as short-term leases or leases of low-value assets and the Company elected to apply exemption and did not recognize related right-of-use assets and lease liabilities.

(XVI) Provisions for liabilities

	2021	2020
Balance at January 1	$ 157,190	145,337
Addition of provision during the year	116,273	88,886
Amount utilized during the year	(127,240)	(77,033)
Balance at December 31	$ 146,223	157,190

The provision of the Company is mainly for sales-related maintenance obligation. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

(XVII) Employee benefits

1. Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets was as follows:

	2021.12.31	2020.12.31
Present value of defined benefit obligation	$ 198,693	201,796
Fair value of plan assets	(154,459)	(144,578)
Net defined benefit liabilities	$ 44,234	57,218

The Company makes contribution of defined benefit plan to the labor pension reserve account at Bank of Taiwan. Under the Labor Standards Act, pension benefit of each eligible employee is calculated based on the number of units accrued from service years and the average monthly salaries of the last 6 months prior to retirement.

(1) Composition of plan assets

The pension fund contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum returns per year shall not be lower than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, the balance of the labor pension reserve account at Bank of Taiwan was NT$153,741 thousand. For information on the labor pension fund assets, including yield of the fund and the asset portfolio, please refer to the website of the Bureau of Labor Funds.

(2) Changes in present value of the defined benefit obligations

Changes in present value of the defined benefit obligations in 2021 and 2020 were as follows:

	2021	2020
Defined benefit obligations at January 1	$ 201,796	193,824
Service costs and interest in the year	3,405	2,569
Remeasurement on the net defined benefit liabilities (assets)		
- Actuarial loss arising from experience adjustments	2,911	3,003
- Actuarial loss arising from changes in demographic assumption	420	294
- Actuarial loss (gain) arising from changes in financial assumption	(7,793)	8,967
Benefits paid by the plan	(2,046)	(5,694)
Effect of plan curtailment	-	(1,167)
Defined benefit obligations at December 31	**$ 198,693**	**201,796**

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Fair value of plan assets on January 1	$	(144,578)	(135,485)
Interest income		(426)	(997)
Remeasurement on the net defined benefit assets - Return on plan assets (excluding interests)		(2,148)	(4,443)
Amount contributed to the plan		(9,353)	(8,818)
Benefits paid by the plan		2,046	5,165
Fair value of plan assets on December 31	**$**	**(154,459)**	**(144,578)**

(4) Expenses recognized in profit or loss

Details of expenses (gains) recognized in profit or loss for the years ended December 31, 2021 and 2020:

		2021	2020
Service benefit for the period	$	2,812	(20)
Net interest expense of net defined benefit liabilities		167	425
	$	**2,979**	**405**
Operating costs	$	280	-
Selling and marketing expenses		394	-
General and administrative expenses		1,025	405
Research and development expenses		1,280	-
	$	**2,979**	**405**

(5) Actuarial assumptions

The major assumptions of the actuarial valuation to calculate the present value of the defined benefit obligation at the end of reporting period were as follows:

	2021.12.31	2020.12.31
Discount rate	0.70%	0.30%
Future salary increases	2.00%	2.00%

The Company estimates to make contribution of NT$3,711 thousand to the defined benefit plan in the year following December 31, 2021.

The weighted-average duration of the defined benefit plan is 9 years.

(6) Sensitivity analysis

The impact of a change in assumptions on the present value of the defined benefit obligation as of December 31, 2021 and 2020 is summarized below:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2021		
Discount rate (change by 0.25%)	(4,673)	4,864
Future salary adjustment rate (change by 0.25%)	4,739	(4,576)
December 31, 2020		
Discount rate (change by 0.25%)	(5,040)	5,246
Future salary adjustment rate (change by 0.25%)	5,087	(4,912)

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. In practical terms, many assumptions are interrelated and changing one individual assumption may trigger the changes in other assumptions. The method used to conduct the sensitivity analysis is consistent with the calculation of the net pension liabilities recognized in the balance sheets.

The method and assumptions used to conduct the sensitivity analysis are the same as those in the previous year.

2. Defined contribution plans

Per Company's defined contribution plan, the Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, in relation to the defined contribution plan, the Company recognized pension expenses of NT$26,702 thousand and NT$26,950 thousand, respectively, which had been contributed to the Bureau of Labor Insurance.

3. Short-term employee benefits

For the years ended December 31, 2021 and 2020, the Company contributed NT$11,430 thousand and NT$0 respectively to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

As of December 31, 2021 and 2020, the Company had accrued unused leave bonuses of NT$22,213 thousand and NT$20,433 thousand, respectively, which were recorded under other payables.

(XVIII) Income Tax

1. Income tax expense

Details of income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Income tax expense (benefit) for the period		
Income tax expense incurred	$ 125,927	81,479
Adjustment for prior year	5,618	(3,816)
	131,545	77,663
Deferred income tax benefit		
Origination and reversal of temporary differences	$ (11,162)	(1,611)
Income tax expense	**$ 120,383**	**76,052**

Details of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Items that will not be reclassified to profit or loss:		
Gains (losses) on re-measurements of defined benefit plans	**$ 1,322**	**(1,564)**

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the Parent Company Only Statements of Comprehensive Income was as follows:

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2021	2020
Income before Tax	$ 874,465	745,366
Income tax using the Company's statutory tax rate	$ 174,893	149,073
Invest gain on long-term investment under the equity method	(40,524)	(56,937)
Cash dividend income	(24,586)	(21,490)
Non-deductible expenses	7,540	9,716
Gains on securities transactions	131,633	43,180
Gains on exemption from securities transaction tax	(133,335)	(44,229)
Adjustments in respect of prior years	5,618	(3,816)
Tax on undistributed earnings (5%)	10,428	4,645
Tax incentives	(12,006)	(4,460)
Basic income tax amount	722	-
Others	-	370
Total	$ 120,383	76,052

2. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2021 and 2020 were as follows:

	Unrealized valuation gains
Deferred income tax liabilities:	
January 1, 2021	$ (2,039)
Debit income statement	(880)
December 31, 2021	$ (2,919)
January 1, 2020	$ (443)
Debit income statement	(1,596)
December 31, 2020	$ (2,039)

	Allowance for inventory valuation loss	Pension provision	Unrealized foreign exchange gain or loss	Others	Total
Deferred income tax assets:					
January 1, 2021	$ 13,202	8,159	22,828	12,417	56,606
(Debit)/Credit income statement	2,959	(1,275)	7,949	2,409	12,042
Debit other comprehensive income	-	(1,322)	-	-	(1,322)
December 31, 2021	$ 16,161	5,562	30,777	14,826	67,326
January 1, 2020	$ 19,797	8,277	17,325	6,436	51,835
(Debit)/Credit income statement	(6,595)	(1,682)	5,503	5,981	3,207
Credit other comprehensive income	-	1,564	-	-	1,564
December 31, 2020	$ 13,202	8,159	22,828	12,417	56,606

3. Income tax assessment

   The tax returns for the years up to 2019 filed by the Company have been approved by the tax authority.

(XIX) Capital and other equity

1. Common stock issuance

   As of December 31, 2021 and 2020, the Company's authorized common stock was NT$3,600,000 thousand with the par value of NT$10 per share. 187,262 thousand shares were issued.

   The changes in outstanding shares of common stock in 2021 and 2020 were as follows:

Unit: Thousands of shares

	2021	2020
Balance at January 1	187,262	192,262
Retirement of treasury shares	-	(5,000)
Balance at December 31	**187,262**	**187,262**

2. Capital surplus

The Company's capital surplus was as follows:

	2021.12.31	2020.12.31
Paid-in capital in excess of par value	$ 1,006,236	1,006,236
Adjustments arising from changes in percentage of ownership in subsidiaries	4,780	4,780
	$ 1,011,016	**1,011,016**

   Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, can be transferred to common stock as stock dividends or distributed by cash based on the original shareholding percentage. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in each year shall not exceed 10% of paid-in capital.

3. Retained earnings

   The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting tax and accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, along with the unappropriated earnings from the previous years, can be distributed as dividends to stockholders after the shareholders' meeting approves the distribution plan submitted by the Board of

Directors.

As per the dividend policy set forth in the Company's Articles of Incorporation, the Company's dividend policy is based on the assessment of the Company's future capital budget, planning of future capital requirements, financial structure and earnings, etc. The Board of Directors shall prepare a proposal for the distribution of earnings, which shall be approved by the shareholders' meeting. As the Company is in a stable growth stage in its business life cycle, under the trend of concentration in the industry, in order to continue to expand its scale for sustainable operation and stable growth, the residual dividend policy is adopted. Future earnings will be distributed in the form of stock dividends or cash dividends as appropriate depending on the Company's operating performance, and cash dividends distributed shall not be lower than 5% of the total dividend distribution.

(1) Legal reserve

If the Company has no accumulated deficit, it may, subject to a resolution approved by the shareholders' meeting, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(2) Special reserve

Pursuant to the Ruling issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from other stockholders' equity shall be set aside from current and prior year earnings. If it is the deduction amount of other shareholders' equity accumulated in the previous period, the special reserve of the same amount shall not be distributed from the undistributed earnings of the previous period. When the amount of the deduction of shareholders' equity is reversed subsequently, the reversed amount can be included in the distributable earnings.

(3) Earning distribution

On July 20, 2021 and June 16, 2020, the Company's shareholders' meeting resolved on the distribution of earnings for the years ended December 31, 2020 and 2019, and the amount of dividends distributed to shareholders was as follows:

	2020	2019
Cash dividend distributed to the shareholders of common stock	$ 561,786	192,262

In addition, on June 16, 2020, the shareholders' meeting of the Company resolved to distribute the capital surplus of NT$96,131 thousand in cash, at NT$0.5 per share.

On March 18, 2022, the shareholders' meeting resolved on the distribution of earnings for the year ended December 31, 2021, and the amount of dividends distributed to shareholders was as follows:

	2021
Cash dividend distributed to the shareholders of common stock	**$ 617,964**

Information related to earning distribution approved and resolved by the Company's Board of Directors and shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

4. Treasury stock

As resolved by the Board of Directors on March 19, 2020, the Company planed to purchase 5,000 thousand shares of its common stock from March 20, 2020 to May 19, 2020 in order to maintain the Company's credit and shareholders' right at the price range between NT$15 to NT$25 per share. The Company purchased back 5,000 thousand shares of common stock from March 23, 2020 to May 5, 2020 at the average price of NT$20.20 per share with total amount of NT$101,003 thousand. The Company's Board of Directors resolved that June 25, 2020 was the capital reduction effective date and related statutory registration has been completed.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

5. Other equity items (net after tax)

		Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2021	$	(89,678)	5,004,114	4,914,436
Exchange differences on translation of financial statements of foreign operations		(27,216)	-	(27,216)
Share of other comprehensive income (losses) of associates and joint ventures under equity method		(809)	-	(809)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		-	1,854,340	1,854,340
Disposal of equity instruments at fair value through other comprehensive income		-	(658,165)	(658,165)
Balance as of December 31, 2021	$	(117,703)	6,200,289	6,082,586
Balance as of January 1, 2020	$	(116,514)	3,199,064	3,082,550
Exchange differences on translation of financial statements of foreign operations		28,236	-	28,236
Share of other comprehensive income (losses) of associates and joint ventures under equity method		(1,400)	-	(1,400)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		-	2,044,026	2,044,026
Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method		-	50,801	50,801
Disposal of equity instruments at fair value through other comprehensive income		-	(289,777)	(289,777)
Balance as of December 31, 2020	$	(89,678)	5,004,114	4,914,436

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(XX) Earnings per Share

Unit: Thousands of shares

	2021	2020
Basic earnings per share:		
Net income attributable to the ordinary shareholders of the Company	$ 754,082	669,314
Weight-average number of ordinary shares outstanding	187,262	188,632
Basic earnings per share (Unit: In New Taiwan Dollars)	$ 4.03	3.55
Diluted earnings per share:		
Net income attributable to the ordinary shareholders of the Company	$ 754,082	669,314
Weight-average number of ordinary shares outstanding	187,262	188,632
Employee compensation	1,627	1,373
Weight-average number of ordinary shares outstanding	188,889	190,005
Diluted earnings per share (Unit: In New Taiwan Dollars)	$ 3.99	3.52

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

	2021	2020
Primary geographical markets:		
Taiwan	$ 3,082,102	2,321,157
China	3,181,832	3,207,349
U.S.A.	1,535,740	1,305,495
Germany	2,161,664	1,924,441
Other countries	2,358,495	2,114,576
	$ 12,319,833	10,873,018
Major product/service line:		
Sales of power supply	$ 12,319,833	10,873,018

2. Contract balance

	2021.12.31	2020.12.31	2020.1.1
Notes and accounts receivable (including related parties)	$ 3,380,369	3,012,769	3,021,417
Less: Loss allowances	(32,806)	(29,810)	(29,149)
Total	$ 3,347,563	2,982,959	2,992,268
Contract liabilities (recognized in other current liabilities)	$ 41,625	33,487	34,952

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was NT$9,217 thousand and NT$8,665 thousand, respectively.

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXII) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to NT$65,000 thousand and NT$50,000 thousand, respectively, and the remuneration for Directors of NT$7,000 thousand and NT$5,600 thousand, respectively. The said amounts, which were recognized as operating expenses in 2021 and 2020, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and Directors, multiplied by the distribution percentage specified in the Company's Articles of Incorporation. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Parent Company Only Financial Statements for the years ended December 31, 2021 and 2020. Information related to remuneration to employees and Directors resolved by the Board of Directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(XXIII) Non-operating income and expenses

1. Interest income

	2021	2020
Bank deposits	$ 2,375	7,358

2. Other income

	2021	2020
Gains on bargain purchase	$ 2,523	-
Dividend income	122,933	107,452
Other income		
Government grant	1,006	310
Rent concessions reclassified to revenue	-	66
Income of management fee / service fee	6,733	7,099
Others	15,130	8,860
	$ 148,325	123,787

3. Other gains and losses

	2021	2020
Foreign currency exchange loss	$ (12,846)	(63,754)
Gain on financial assets measured at fair value through profit or loss	12,910	13,224
Loss on disposal of property, plant and equipment	(656)	(58)
Gains on lease modifications	80	-
	$ (512)	(50,588)

4. Finance costs

	2021	2020
Interest expense:		
Bank borrowings	$ 2,626	1,091
Lease liabilities	980	1,096
Others	261	63
	$ 3,867	2,250

(XXIV) Financial instruments

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

(2) Concentration of credit risk

As of December 31, 2021 and 2020, top three customers accounted for 31% of the Company's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. Above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using 12-month expected credit loss.

2. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the Company's operations and mitigate the impact of cash flow fluctuations. The management of the Company supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Long-term loans	$ 272,348	280,391	37,791	38,953	77,529	126,118	-
Notes payable	14,445	14,445	14,445	-	-	-	-
Accounts payable	3,417,288	3,417,288	3,417,288	-	-	-	-
Accounts payable - related parties	330,210	330,210	330,210	-	-	-	-
Other payables	825,993	825,993	825,993	-	-	-	-
Other payables - related parties	47,611	47,611	47,611	-	-	-	-
Lease liabilities	52,279	60,556	1,989	1,943	3,706	10,406	42,512
	$ 4,960,174	4,976,494	4,675,327	40,896	81,235	136,524	42,512
December 31, 2020							
Non-derivative financial liabilities							
Long-term loans	$ 108,453	112,956	360	11,909	28,332	72,355	-
Notes payable	15,001	15,001	15,001	-	-	-	-
Accounts payable	3,460,547	3,460,547	3,460,547	-	-	-	-
Accounts payable - related parties	323,444	323,444	323,444	-	-	-	-
Other payables	609,379	609,379	609,379	-	-	-	-
Other payables - related parties	41,852	41,852	41,852	-	-	-	-
Lease liabilities	58,883	68,136	3,640	3,607	4,530	10,385	45,974
	$ 4,617,559	4,631,315	4,454,223	15,516	32,862	82,740	45,974

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

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

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

	2021.12.31			2020.12.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Financial assets						
Monetary items						
RMB	$ 148,772	4.344	646,266	142,837	4.377	625,198
USD	142,279	27.680	3,938,283	144,879	28.480	4,126,154
Non-monetary items						
USD	2,534	28.268	71,632	2,361	28.476	67,232
USD	1,080	27.680	29,894	963	28.480	27,426
HKD	5,104	3.549	18,118	5,271	3.670	19,344
Financial liabilities						
Monetary items						
RMB	104,427	4.344	453,631	114,545	4.377	501,363
USD	119,810	27.680	3,316,341	117,193	28.480	3,337,657
HKD	12,417	3.549	44,068	12,263	3.673	45,042

(2) Sensitivity analysis

The Company's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, non-current financial assets measured at fair value through other comprehensive income, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of December 31, 2021 and 2020, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, and Hong Kong Dollar with all other factors remaining unchanged, net income would have increased or decreased by NT$30,820 thousand and NT$34,692 thousand respectively in 2021 and 2020. The analysis of the two periods was conducted on the same basis.

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

The information regarding foreign exchange gain or loss (including realized and unrealized) on monetary items translated into the functional currencies is as follows:

	2021		2020	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	$ (12,846)	-	(63,754)	-

4. Market risk

   If the prices of equity securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

	2021		2020	
Security price at the reporting date	**Other comprehensive income (pre-tax)**	**Pre-tax income**	**Other comprehensive income (pre-tax)**	**Pre-tax income**
Increase by 5%	**$ 332,024**	**-**	**260,901**	**-**
Decrease by 5%	**$ (332,024)**	**-**	**(260,901)**	**-**

   Please refer to Note VI(IV) "Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions"for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

   The Company's demand deposits and time deposits are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

   (1) Category of financial instruments and their fair value

   Company's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 232,758	232,758	-	-	232,758
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Subtotal	316,390	232,758	-	83,632	316,390
Financial assets at fair value through other comprehensive income					
Domestic listed stock	$ 6,622,359	6,622,359	-	-	6,622,359
Foreign listed stock	18,118	18,118	-	-	18,118
Non-publicly quoted equity instruments measured at fair value	96,167	-	-	96,167	96,167
Subtotal	6,736,644	6,640,477	-	96,167	6,736,644
Financial assets at amortized cost					
Corporate bond	10,800	-	-	-	-
Cash and cash equivalents	1,683,746	-	-	-	-
Notes receivable and accounts receivable	3,347,563	-	-	-	-
Other receivables	57,448	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	3,284	-	-	-	-
Subtotal	5,102,941	-	-	-	-
Total	$ 12,155,975	6,873,235	-	179,799	7,053,034
Financial liabilities measured at amortized cost					
Bank borrowings	$ 272,348	-	-	-	-
Notes payable and accounts payable	3,761,943	-	-	-	-
Other payables	873,604	-	-	-	-
Lease liabilities	52,279	-	-	-	-
Total	$ 4,960,174	-	-	-	-

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2020.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 210,388	210,388	-	-	210,388
Non-publicly quoted equity instruments measured at fair value	67,232	-	-	67,232	67,232
Subtotal	277,620	210,388	-	67,232	277,620
Financial assets at fair value through other comprehensive income					
Domestic listed stock	$ 5,198,671	5,198,671	-	-	5,198,671
Foreign listed stock	19,344	19,344	-	-	19,344
Non-publicly quoted equity instruments measured at fair value	28,667	-	-	28,667	28,667
Subtotal	5,246,682	5,218,015	-	28,667	5,246,682
Financial assets at amortized cost					
Cash and cash equivalents	1,961,278	-	-	-	-
Notes receivable and accounts receivable	2,982,959	-	-	-	-
Other receivables	69,631	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	4,787	-	-	-	-
Subtotal	5,018,755	-	-	-	-
Total	**$ 10,543,057**	**5,428,403**	**-**	**95,899**	**5,524,302**
Financial liabilities measured at amortized cost					
Bank borrowings	$ 108,453	-	-	-	-
Notes payable and accounts payable	3,798,992	-	-	-	-
Other payables	651,231	-	-	-	-
Lease liabilities	58,883	-	-	-	-
Total	**$ 4,617,559**	**-**	**-**	**-**	**-**

(2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market.

A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Company, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined with reference to quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by referencing to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the Balance Sheets date.

The fair value of financial instruments held by the Company that are not publicly quoted equity instruments with no active market is estimated using the market comparable company method. The key assumptions of the market comparable company method are based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies. This estimate of the equity securities has been adjusted for the effect of lack of market liquidity.

(3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds and financial assets measured at fair value through other comprehensive income.

The Company's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because they are independent of each other.

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

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	· Net worth multiple (2.59 and 1.94 for the years ended December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value
		· Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	· Net asset value	· The higher the net assets value, the higher the fair value
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	· Net worth multiple (2.40-5.42 and 6.81 for the years ended December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value
		· P/E ratio multiple (29.67 for the year ended December 31, 2021)	
		· Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the discount for lack of market liquidity, the lower the fair value

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

The Company's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,363	(4,363)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,234	(3,234)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	475	(475)
December 31, 2020						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	3,362	(3,362)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,433	(1,433)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

(XXV) Financial risk management

1. Overview

   The Company is exposed to the following risks arising from financial instruments:

   (1) Credit risk

   (2) Liquidity risk

   (3) Market risk

   In this Note, the Company has disclosed the information on exposure to the aforementioned risks, and the Company's objectives, policies and procedures to measure and manage these risks.

2. Risk management framework

   The Board of Directors is responsible for developing and overseeing the Company's risk management framework.

   The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, to monitor the risk and to manage the exposure within the risk limits. Risk management policies and systems are reviewed on a regular basis to reflect the changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures so that all employees understand their roles and responsibilities.

3. Credit risk

   Credit risk refers to the risk of financial loss to the Company resulting from the failure of a customer or counterparty of a financial instrument to meet their contractual obligations, and arises primarily from the Company's accounts receivable and security investment.

   (1) Accounts receivable and other receivables

   The Company's customers are concentrated in a wide range of power supply-related industries. To mitigate the credit risk of accounts receivable, the Company continuously evaluates the financial position of customers and purchases insurance for the accounts receivable of customers in high-risk areas or with special characteristics to reduce the Company's accounts receivable risk. The Company regularly evaluates the possibility of receivables collection and makes provision for bad debts accordingly; overall, management is able to effectively manage the risk of accounts receivable.

The Company has established the credit policy under which it is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms and conditions. Purchasing limits are established for each individual customer and limits are reviewed periodically. Customers who do not meet the requirement of credit rating can only trade with the Company on an prepayment basis.

(2) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the financial department of the Company. Since the counterparties of transactions and obligations of the Company are banks with good credit standing, and financial institutions, corporate and government with investment grade and above, default risk is limited and hence there is no significant credit risk.

(3) Guarantee

It is the policy of the Company to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, the Company did not provide any guarantee.

4. Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in settling its financial liabilities by delivering cash or other financial assets and fails to fulfill its related obligations. The Company manages its liquidity by ensuring that the Company has sufficient liquidity to meet its liabilities as they fall due under normal and stressful circumstances without incurring unacceptable losses or damaging the Company's reputation.

The Company ensures that it has sufficient cash to meet all contractual obligations. In addition, the Company had unused facilities in the amount of NT$678,500 thousand and NT$1,068,680 thousand as of December 31, 2021 and 2020, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable level, while optimizing the return of investment.

(1) Foreign exchange risk

The Company is exposed to foreign exchange risk on sales, procurement and loans that are denominated in a currency other than the functional currencies of the Company. Company's functional currencies mainly include New Taiwan Dollar. The currencies used in these transactions are mainly New Taiwan Dollar, Hong Kong Dollar, US Dollar and Renminbi.

There is no significant difference or significant change in the receivables and payables of the Company, so the Company currently adopts natural hedge as the main exchange rate hedging policy to mitigate the risk.

(2) Interest rate risk

The Company's financial assets exposed to the risk of fair value change arising from interest rate changes are bank deposits, but the impact of changes in interest rates on the fair value of the related financial assets is not significant.

(3) Other market price risk

Company's current financial assets at fair value through profit or loss and non-current financial assets at fair value through other comprehensive income mainly consist of investment in domestic funds, private equity funds, listed stocks, foreign listed stocks and foreign unlisted stocks. Because they are measured at fair value, the Company is exposed to the risk of changes in the market price of equity securities. In order to manage market risk, the Company selects investment targets carefully and controls its position in order to mitigate the market risk.

(XXVI) Capital management

It is the policy of the Board of Directors to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the development of future operations. Capital consists of the Company's share capital, capital surplus, retained earnings, other equity. The Board of Directors is responsible for controlling the debt-to-equity ratio and the level of common stock dividends.

As of December 31, 2021 and 2020, debt-to-equity ratio was as follows:

	2021.12.31	2020.12.31
Total Liabilities	$ 5,335,719	4,950,050
Less: cash and cash equivalents	(1,683,746)	(1,961,278)
Net liability	$ 3,651,973	2,988,772
Equity	$ 13,208,961	11,184,816
Debt-to-equity ratio	27.65%	26.72%

As of December 31, 2021, there was no material change in the Company's capital management.

(XXVII) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities in 2021 and 2020 was as follows:

	2021.1.1	Cash flows from:	Non-cash changes: Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2021.12.31
Long-term loans	$ 108,453	163,895	-	-	-	-	-	272,348
Lease liabilities	58,883	(5,087)	716	(2,233)	-	-	-	52,279
Total liabilities from financing activities	$ 167,336	158,808	716	(2,233)	-	-	-	324,627

	2020.1.1	Cash flows from:	Non-cash changes: Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2020.12.31
Long-term loans	$ -	108,076	-	-	-	-	377	108,453
Lease liabilities	65,155	(6,469)	394	(197)	-	-	-	58,883
Total liabilities from financing activities	$ 65,155	101,607	394	(197)	-	-	377	167,336

VII. Related Party Transactions

(I) Related party name and relationship

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

Related Party	Relationship with the Company
FSP Group USA Corp.	Associate of the Company
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. (“Amacrox”)	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Voltronic Power Technology Corp.	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange	Substantive related party
FSP International Inc. (BVI)	Subsidiary of the Company
FSP Group Inc.	Subsidiary of the Company
Amacrox Technology Co., Ltd. (BVI)	Subsidiary of the Company
Power Electronics Co., Ltd. (BVI)	Subsidiary of the Company
FSP Technology Inc. (BVI)	Subsidiary of the Company
Harmony Trading (HK) Ltd.	Subsidiary of the Company
FSP Technology USA Inc.	Subsidiary of the Company
FSP Turkey Dis Tic.Ltd.Sti.	Subsidiary of the Company
FSP International (HK) Ltd.	Subsidiary of the Company

Related Party	Relationship with the Company
Proteck Electronics (Samoa) Corp.	Subsidiary of the Company
Luckyield Co., Ltd.	Subsidiary of the Company
Famous Holding Ltd.	Subsidiary of the Company
Amacrox GmbH	Subsidiary of the Company
Proteck Power North America, Inc.	Subsidiary of the Company
3Y Power Technology Inc.	Subsidiary of the Company
3Y Power Technology (TAIWAN) Inc. ("3Y Power")	Subsidiary of the Company
FSP-C R&D Center ("FSP Jiangsu")	Subsidiary of the Company
Shenzhen Huili Electronic Co., Ltd. ("Huili")	Subsidiary of the Company
Dongguan Protek Electronics Corp.	Subsidiary of the Company
Zhonghan Electronics Shenzhen Co., Ltd.	Subsidiary of the Company
WUXI SPI Technology Co., Ltd. ("WUXI SPI")	Subsidiary of the Company
Wuxi Zhonghan Technology Co., Ltd.	Subsidiary of the Company
Haohan Electronic Technology (Ji'an) Co., Ltd.	Subsidiary of the Company
Shenzhen Zhong Han Science & Tech. Co., Ltd.	Subsidiary of the Company
Wuxi Xiangyuan Electronics Co., Ltd.	Subsidiary of the Company
Li, Hung-Neng	Director of the Company

(II) Significant related party transactions

1. Operating revenue

   Significant sales amount to related parties was as follows:

	2021	2020
Subsidiary	$ 584,271	463,680
Associate	57,170	67,381
Other related party	2,133,125	1,818,841
	$ 2,774,566	2,349,902

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

2. Purchases

The amounts of goods purchased from related parties, raw materials purchased by related parties on behalf of the Company and processing of products were as follows:

	2021	2020
Subsidiary	$ 1,935,359	1,920,517
Other related party	210,723	180,020
	$ 2,146,082	2,100,537

The Company did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers except that the payment term for some subsidiaries was 5 days after the monthly settlement.

3. Receivables from related parties

The details of the receivables and prepayment of the Company arising from sales transactions and business needs were as follows:

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts receivable	Subsidiary	$ 250,520	195,961
Accounts receivable	Associate	15,710	32,561
Accounts receivable	Other related party	719,115	520,726
		985,345	749,248
Other receivables	Subsidiary		
	Famous Holding Ltd.	8,307	8,312
	FSP Jiangsu	258	10,028
	Others	10,756	7,468
Other receivables	Associate	680	447
Other receivables	Other related party		
	FSP Power Solution GmbH	7,297	11,960
	Others	13,670	11,450
		40,968	49,665
		$ 1,026,313	798,913

As of December 31, 2021 and 2020, loss allowance for the above accounts receivable was recognized based on the expected credit loss rate. As of December 31, 2021 and 2020, there was no loss allowance recognized for other receivables.

4. Payable and prepayment to related parties

   Accounts payable and prepayment arising from purchases of goods and raw materials and processing of products:

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts payable	Subsidiary	$ 240,186	243,440
Accounts payable	Other related party	90,024	80,004
		330,210	323,444
Other payables	Subsidiary	14,829	13,382
		$ 345,039	**336,826**
Prepayments	WUXI SPI	**$ 7,383**	**-**

5. Service from related party

   The Company entered into a billing management service contract with 3Y Power, a subsidiary of the Company, to provide management guidance on the establishment of related departments, application systems and professional information services to 3Y Power at an annual cost of US$240 thousand. The Company also provides machinery and equipment services to 3Y Power.

   The breakdown of the above income from the provision of management and equipment services to 3Y Power is as follows:

	2021	2020
Income from management service	$ 6,733	7,099
Income from machinery and equipment service	616	648
	$ 7,349	**7,747**

   The details of technical service fees, labor costs and commissions paid by the Company to the related parties are as follows:

	2021	2020
Subsidiary		
FSP Technology USA Inc.	$ 4,966	7,071
Others	2,174	1,507
Associate		
FSP Group USA Corp.	8,933	10,515
Other related party		
Amacrox	8,496	6,830
Sparkle Power Inc.	4,665	5,360
Others	5,855	3,628
	$ 35,089	**34,911**

The Company recognized the following payables to related parties and advance receipts (recorded as other current liabilities and other non-current liabilities) as a result of the above transactions:

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Other payables	Subsidiary	$ 25,601	18,331
Other payables	Associate	574	658
Other payables	Other related party	6,607	9,481
		32,782	28,470
Other current liabilities	Subsidiary		
	3Y Power	620	620
Other non-current liabilities	Subsidiary		
	3Y Power	2,014	2,630
		$ 35,416	**31,720**

6. Leases

In 2020, the Company leased an office building from the Director of the Company and entered into a three-year lease agreement with reference to the rental rate of offices in the neighboring areas, with a total contract amount of NT$2,800 thousand. The interest expense recognized in the year ended December 31, 2020 was NT$260 thousand and the balance of lease liabilities as of December 31, 2020 was NT$14,386 thousand.

(III) Compensation for key management personnel

Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 57,163	52,776
Post-employment benefits	596	527
	$ 57,759	**53,303**

VIII. Pledged Assets

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

Assets	Pledged to secure	2021.12.31	2020.12.31
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	$ 100	100
Land	Long-term and short-term loan facilities	161,077	161,077
Housing and Construction	Short-term loan facilities	186,447	96,509
Total		$ 347,624	257,686

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of December 31, 2021 and 2020, the guarantee facilities extended by banks for customs and excise duties were NT$200,000 thousand, and utilized facilities were NT$60,000 thousand and NT10,000 thousand, respectively.

(II) The Company purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the Company in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US$2,268,402.22, should be borne jointly by the Company, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September

27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court on November 18,2011.

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

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

(III) The Company believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, the Company filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. The Company first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and the Company did not agree with the rejection. On January 16, 2019, the Company filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019, and the Company is still waiting for the final decision of the Supreme Court before enforcing the decision.

(IV) As of December 31, 2021 and 2020, the Company had entered into purchase agreements for property, plant and equipment amounting to NT$47,218 thousand and NT$168,935 thousand, respectively, and had paid NT$26,798 thousand and NT$76,452 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as well as other non-current assets.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

XII. Others

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

By function / By nature	2021			2020		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	62,610	709,559	772,169	56,164	647,300	703,464
Insurance expense	6,103	50,158	56,261	5,430	46,362	51,792
Pension expense	2,264	27,417	29,681	2,092	25,263	27,355
Remuneration Paid to Directors	-	9,150	9,150	-	7,390	7,390
Other employee benefit expense	3,802	24,756	28,558	3,166	24,302	27,468
Depreciation expenses	5,417	57,476	62,893	4,606	58,164	62,770
Amortization expenses	348	2,228	2,576	290	970	1,260

Information regarding the number of employee and employee benefit expenses as of December 31, 2021 and 2020 is as follows:

	2021	2020
Number of Employees	762	759
Directors not in concurrent employment	7	7
Average employee benefits expense	$ 1,174	1,077
Average employee salary expense	$ 1,023	935
Average adjustment of employee salary	9.41%	
Supervisor's remuneration	$ -	-

The Company's compensation policy, including Directors, Supervisors, managers and employees, is as follows:

(I) Remuneration Paid to Directors

According to the Article 20 of the Company's Articles of Incorporation, if there is any profit in the year, no more than 3% shall be allocated as the Director's remuneration. The payment standard of transportation fee is in accordance with the regulations on the payment of remuneration for Directors and functional members, and the transportation fee is NT$5 thousand per person each time. If Director is also an employee, remuneration shall be paid in accordance with the provision of (3).

(II) Remuneration of Independent Directors

The Company's independent directors do not participate in the distribution of Directors' remuneration under Article 20 of the Company's Articles of Incorporation. However, the Company is required to pay each independent director a fixed quarterly compensation regardless of profit or loss. If an Independent Director resigns during the quarter, his or her remuneration shall be calculated proportionally based on the period of services in the quarter.

(III) Remuneration of Managerial Officers

The remuneration of the Company's managers is based on the Company's "Manager Salary and Remuneration Management Regulations", taking into account the salary level of the position in the market, the scope of roles and responsibilities of the position in the Company and the contribution to the Company's business goals. The remuneration of the managers is reviewed by the Remuneration Committee and implemented after the approval by the Board of Directors. When determining reasonable remuneration, the Company considers its overall operating performance, future business risks, development trends of the industry, individual performance achievement and contribution to the Company's financial results. Manager's performance and reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors, who will also revise the remuneration policy if deemed appropriate according to the actual operating conditions and relevant laws and regulations.

(IV) Remuneration of Employees

Employee salaries are determined in accordance with the Company's "Salary Management Guidelines" and with reference to average salary in the market and organizational structure. Employee salaries are adjusted in a timely manner according to market salary trends and government regulations. According to the Article 20 of the Company's Articles of Incorporation, the Company should allocate a minimum of 6% of annual profit, if any, to employee remuneration. But if there is any accumulated deficit, the Company's profit should be reserved to cover the deficit in the first place. Remuneration of employees can be paid in stock or cash, and the distribution of stock or cash to employees may include subsidiary’s employees who meet certain criteria. The Board of Directors is authorized to determine the method of distribution. To retain talented employees, the Company has created an employee stock ownership trust and makes fixed monthly contributions to the Company's incentive fund as rewards for employees.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions is disclosed as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
The Company	Stock:							
	Mekong Resort Development Construction Co., Ltd.	—	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	
	Beneficiary certificates:							
	Fuh Hwa Ruei Neng Fund I	—	〃	5,000,000	55,589	-	55,589	
	Fuh Hwa Ruei Neng Fund I	—	〃	4,000,000	45,058	-	45,058	
	Fuh Hwa Guardian Fund	—	〃	3,504,199	64,647	-	64,647	
	Fuh Hwa Ruei Hua Fund	—	〃	1,961,169	21,182	-	21,182	
	Fuh Hwa Jhih Neng Fund I	—	〃	3,000,000	31,918	-	31,918	
	Taiwan ESG	—	〃	400,000	14,364	-	14,364	
	Private equity fund:							
	Mesh Cooperative Ventures Fund	—	〃	12,000,000	12,000	2.46	12,000	
					316,390		316,390	
The Company	Stock:							
	Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	4,021,822	6,213,715	4.60	6,213,715	
	JESS-LINK Products Co., Ltd.	—	〃	8,492,000	351,144	6.96	351,144	
	WT Microelectronics Co., Ltd.	—	〃	1,000,000	48,950	0.74	48,950	
	Taiwan Cement Corp.	—	〃	50,000	2,400	-	2,400	
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	〃	10,000	6,150	-	6,150	
	TOT BIOPHARM International Co., Ltd.	—	〃	1,195,200	18,118	0.19	18,118	
	Eastern Union Interactive Corp.			880,000	58,667	4.43	58,667	
	Guoyu Global Co., Ltd.	—	〃	500,000	5,000	16.67	5,000	
	Taiwan Truewin Technology Co., Ltd.	—	〃	500,000	32,500	2.85	32,500	
					6,736,644		6,736,644	
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	〃	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	—	〃	-	26,494	3.54	26,494	
					6,763,138		6,763,138	
The Company	Bond:							
	Novaland Group (NYL)	—	Financial assets at amortized cost	9,000	10,800	-	10,800	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300,000 thousand or 20% of the paid-in capital:

Unit: Shares

Company Name	Type and Name of Securities	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Cost	Gains (Losses) on Disposal	Shares	Amount
The Company	Stock: Voltronic Power Technology Corp.	Financial assets at fair value through other comprehensive income			4,500,822	5,040,921	-	-	479,000	660,425	2,260	658,165	4,021,822	6,213,715 (Note)

Note: The ending balance includes unrealized gain or loss on financial assets.

5. Acquisition of real estate at costs which exceed NT$300,000 thousand or 20% of the paid-in capital: None.

6. Disposal of real estate at prices which exceed NT$300,000 thousand or 20% of the

paid-in capital: None.

7. Total purchases from and sales to related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(497,301)	(4.04)	Note 1			176,243	5.21	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(586,236)	(4.76)	Note 1			147,782	4.37	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(589,751)	(4.79)	Note 1			305,772	9.05	
The Company	Fortron/ Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(418,581)	(3.40)	Note 1			75,109	2.22	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(328,551)	(2.67)	Note 1			138,416	4.09	
The Company	FSP Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(131,045)	(1.06)	Note 1			56,617	1.67	
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	939,867	10.80	Note 4		Note 4	(104,088) (Note 3)	(2.77)	
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	433,479	4.98	Note 4		Note 4	(42,251) (Note 3)	(1.12)	
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	237,150	2.72	Note 4		Note 4	(17,971) (Note 3)	(0.48)	
The Company	Voltronic	The Company is the Director of this company	Purchases	210,723	2.42	Note 5			(90,024)	(2.39)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	260,047	2.99	Note 1			(81,547)	(2.17)	
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(315,435)	(17.16)	Note 1			80,601	12.03	
3Y Power	Huili	Affiliate	Purchases	247,178	17.99	Note 4		Note 4	(22,094)	(3.82)	

Note 1. The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2. Including purchases of products, purchases of raw materials and processing.

Note 3. Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4. The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5. The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

8. Receivables from related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	176,243	2.98	-		126,119	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	305,772	2.71	-		122,751	-
The Company	FSP North America	Substantive related party of the Company	147,782	4.85	-		34,022	-
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	138,416	2.20	-		109,459	-
Huili	The Company	100% owned investment via indirect shareholding	104,088	9.19	-		104,088	-

Note: As of March 4, 2022.

9. Derivative instruments transactions: None.

(II) Information on Invested Companies:

Investment information in 2021 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period (Note)	Investment gain (loss) recognized for the period (Note)	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount			
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,199,388	108,773	108,773	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	372	(110)	(110)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	60,168	850	850	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	663,717	134,172	88,389	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,788	(86)	(86)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	1,853	276	276	Subsidiary
	FSP Turkey Dis Tic.Ltd.Sti.	Turkey	Business development and product technical service	22,640	-	6,673,000	91.41	16,989	4,951	4,526	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	121,029	3,791	-	Sub-subsidiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	217,707	437	-	Sub-subsidiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,358,711	58,092	-	Sub-subsidiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	16,069	(7,993)	-	Sub-subsidiary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	72,009	58,126	-	Sub-subsidiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,871	332	-	Sub-subsidiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	26,947	7,299	3,284	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	14,778	(2,469)	-	Sub-subsidiary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	220,428	37,349	-	Sub-subsidiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	3,768	26	-	Sub-subsidiary

Note: The investment gain or loss recognized by the company is based on the financial statements of the investees audited by the CPA of the parent company in Taiwan and accounted for under the equity method, except for the financial statements of 3Y Power, 3Y Power Technology Inc. and Luckyied Co. which are audited by other CPA.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(III) Information on investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period (Note 3)	Carrying amount of investment at the end of the period (Note 3)	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	145,090	(II), 1	176,873	-	-	176,873	(6,735)	100.00	(6,735)	334,217	197,299
Zhonghan	Processing of power supply	224,107 (Note 2)	(II), 1	104,342	-	-	104,342	465	100.00	465	210,110	75,044
WUXI SPI	Processing of power supply	722,364 (Note 2)	(II), 1	508,326	-	-	508,326	(46,442)	100.00	(46,442)	124,058	-
WUXI Zhonghan	Manufacturing and trading of power supply	416,099	(II), 1	380,595	-	-	380,595	104,499	100.00	104,499	1,240,577	-
Zhong Han	Manufacturing and trading of power supply	130,320	(II), 1	20,196	-	-	20,196	86,745	100.00	86,745	747,135	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (Note 2)	(II), 1	13,380	-	-	13,380	3,791	100.00	3,791	122,715	-
Protek Dongguan	Processing of power supply	39,391	(II), 1	38,038	-	-	38,038	(7,988)	100.00	(7,988)	15,892	-
Hao Han	Transformer processing	163,673 (Note 2)	(II), 1	-	-	-	-	58,126	100.00	58,126	72,009	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,122	(II), 2	-	-	-	-	26	65.87	17	3,768	-

Note 1. Method of investment can be divided into the following 3 categories:

(I) Direct investment in mainland China.

(II) Indirect investment in mainland China through a holding company established in other countries

1. Through FSP International Inc. to invest in mainland China.

2. Through 3Y Power to invest in mainland China.

(III) Others.

Note 2. This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3. The investment profits and losses and the carrying amount of the investment at the end of the period recognized by the company are based on the financial statements of the investee company audited by the CPA of Taiwan's parent company, except for WUXI 3Y, whose financial statements are audited by other CAP in Taiwan.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK$12,500 thousand and US$35,640 thousand)	1,486,767 (Note 2) (HK$12,500 thousand and US$52,110 thousand)	7,925,377 (Note 1)

Note 1. 60% of net worth.

Note 2. For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to the mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD: 1:28.0088, CNY/TWD: 1:4.3413, HKD/TWD: 1:3.6031). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period is based on the exchange rates on December 31 2021 (USD/TWD: 1:27.6800, CNY/TWD: 1:4.3440, HKD/TWD: 1:3.5490).

3. Significant transactions with the investee company in mainland China:
   For the direct or indirect significant transactions between the Group and its investee companies in mainland China in 2021, please refer to the description of "Information on Significant Transactions".

(IV) Information on Major Shareholders:

Shareholding / Name of Major Shareholders	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.	15,091,766	8.05%
Cheng, Ya-Jen	12,167,477	6.49%
Yang, Fu-An	11,792,834	6.29%
Wang, Tsung-Shun	11,605,794	6.19%

1. The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares in accordance with the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to Market Observation Post System website.
3. The percentage of shareholding is calculated by rounding to two decimal places.

XIV. Segment Information

Please refer to the consolidated financial statements for the year ended December 31, 2021.

V. Consolidated Financial Statements for the Most Recent Fiscal Year, Audited by CPAs

Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Opinions

We have audited the Consolidated Financial Statements of FSP Technology Inc. and its subsidiaries (the “Group”), which comprise the Consolidated Balance Sheets as of December 31, 2021 and 2020, and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to December 31, 2021 and 2020.

In our opinion, based on our audit results and the audit reports prepared by other independent auditors (please refer to Other Matters section), the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the periods from January 1 to December 31, 2021 and 2020, 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”), and interpretations from International Financial Reporting Interpretations Committee (“IFRIC”) and Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the “Code”), and we have fulfilled other ethical responsibilities in accordance with the Code. Based on our audit results and the reports of other independent auditors, 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 the audit of the Consolidated Financial Statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, revenue recognition is the key audit matter that should be communicated in the audit report.

Please refer to Note IV(XVI) for the accounting policy of revenue recognition and Note VI((XXII) for the related disclosure of revenue.

Description of key audit matter:

The Sales revenue of the Group is a key indicator for investors and management to evaluate financial or business performance. As a listed company, there is a high inherent risk of misrepresentation for the Group. In addition, the timing of revenue recognition and transfer of control over goods is critical to the presentation of financial statements. Therefore, we have identified revenue recognition as a key audit matter in the audit of the Consolidated Financial Statements.

Audit procedure to address the matter:

We performed the following audit procedure in respect of the above key audit matter:

- Tested the effectiveness of the design and implementation of the internal control mechanism in relation to revenue recognition.
- Conducted trend analysis for the top ten customers, including comparison of customer lists and sales revenue between the current period and the most recent period as well as the same period last year, in order to assess whether there is any significant irregularity, and to identify and analyze the reasons for any material changes.
- Performed random sample checking on the sales transactions of the year to evaluate the authenticity of these transactions, the correctness of the recognized amount of sales revenue and the reasonableness of the timing of recording.
- Reviewed samples of sales transactions for a specified period before and after the end of the year to assess whether the timing of revenue recognition is appropriate.

Other Matters

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent auditors. Our opinion expressed herein, insofar as it relates to the amounts included in the Consolidated Financial Statements relative to these consolidated subsidiaries was based solely on the reports of other independent auditors. Total assets of these consolidated subsidiaries amounted to NT$1,723,959 thousand and NT$1,489,303 thousand, accounting for 8.14% and 8.07% of the total consolidated assets as of December 31, 2021 and 2020, respectively. Total operating revenue of these consolidated subsidiaries amounted to NT$1,605,629 thousand and NT$1,534,865 thousand, representing 9.64% and 10.37% of the total consolidated operating revenue for the years ended December 31, 2021 and 2020.

FSP Technology Inc. has prepared its parent-company-only financial statements for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with the section of Other Matters in the audit report.

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 conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors’ report are Chang, Chun-I and Chao, Min-Ju.

KPMG
Taipei, Taiwan (Republic of China)
March 18, 2022

<u>*Notice to Readers*</u>

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

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

FSP Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT$ thousands

Code	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
11xx	**Current Assets:**				
1100	Cash and cash equivalents (Note VI(I))	$ 2,794,253	13	3,051,117	17
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	516,074	3	565,732	3
1136	Financial assets at amortized cost - current (Note VI(IV))	10,800	-	-	-
1150	Notes receivable, net (Note VI(V) and (XXII))	62,112	-	85,453	-
1170	Accounts receivable, net (Note VI(V) and (XXII))	3,864,730	19	3,606,974	20
1180	Accounts receivable - related parties, net (Notes VI(V) and (XXII), and VII)	801,748	4	616,753	3
1200	Other receivables (Note VI(VI) & VII)	73,406	-	65,054	-
1220	Current income tax assets	5,779	-	5,574	-
130x	Inventories (Note VI(VII))	3,590,546	17	2,655,331	15
1410	Prepayments	77,899	-	70,938	-
1470	Other current assets	34,848	-	23,981	-
	Total current assets	11,832,195	56	10,746,907	58
15xx	**Non-current Assets:**				
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(III) and (XX))	6,763,138	32	5,273,176	29
1550	Investments Recognized Through the Equity Method (Note VI(IX))	26,947	-	25,319	-
1600	Property, plant and equipment (Notes VI(XI), (XIII), (XIV) and (XV), VIII and IX)	1,544,427	8	1,523,809	9
1755	Right-of-use assets (Notes VI(XII) and (XVI), and VII)	635,433	3	513,420	3
1780	Intangible assets (Note VI(XI) and (XIII))	223,496	1	221,038	1
1840	Deferred income tax assets (Note VI(XIX))	82,240	-	72,381	-
1900	Other non-current assets (Notes VI(XI) and (XVIII), VIII and IX)	69,666	-	72,429	-
	Total non-current assets	9,345,347	44	7,701,572	42
1xxx	**Total assets**	**$ 21,177,542**	**100**	**18,448,479**	**100**

Code	Liabilities and Equity	2021.12.31 Amount	%	2020.12.31 Amount	%
21xx	**Current Liabilities:**				
2100	Short-term borrowings (Notes VI(XI) and (XIV), and VIII)	$ 16,315	-	32,162	-
2150	Notes payable	14,445	-	15,001	-
2170	Accounts payable	4,986,689	24	4,842,867	27
2180	Accounts payable - related parties (Note VII)	90,024	-	80,004	-
2200	Other payables (Notes VI(XVIII) and (XXIII), and VII)	1,151,339	5	948,782	5
2230	Current income tax liabilities	167,169	1	104,500	1
2250	Provisions for liabilities - current (Note VI(XVII))	146,223	1	157,190	1
2280	Lease liabilities - current (Notes VI(XVI) and VII)	166,758	1	151,461	1
2300	Other current liabilities (Note VI(XV) & (XXII))	92,137	1	67,839	-
2320	Current portion of long-term debt (Notes VI(XI) and (XV), and VIII)	73,014	-	12,559	-
	Total current liabilities	6,904,113	33	6,412,365	35
25xx	**Non-current Liabilities:**				
2540	Long-term borrowings (Notes VI(XI) and (XV), and VIII)	199,334	1	110,684	1
2570	Deferred income tax liabilities (Note VI(XIX))	2,919	-	2,039	-
2580	Lease liabilities - non-current (Notes VI(XVI) and VII)	474,996	2	371,116	2
2640	Net defined benefit liabilities (Note VI(XVIII))	44,234	-	57,218	-
2645	Guarantee deposits received	500	-	503	-
2670	Other non-current liabilities (Note VI(XV))	3,970	-	1,894	-
	Total non-current liabilities	725,953	3	543,454	3
2xxx	**Total liabilities**	7,630,066	36	6,955,819	38
31xx	**Equity Attributable to Owners of the Parent (Note VI(III), (IX), (X), (XVIII), (XIX) & (XX))**				
3100	Capital Stock	1,872,620	9	1,872,620	10
3200	Capital surplus	1,011,016	5	1,011,016	5
3300	Retained earnings:				
3310	Legal reserve	1,033,544	5	940,416	5
3350	Unappropriated earnings	3,209,195	15	2,446,328	13
	Total retained earnings	4,242,739	20	3,386,744	18
34xx	Other Equity:				
3410	Exchange differences on translation of financial statements of foreign operations	(117,703)	(1)	(89,678)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6,200,289	29	5,004,114	27
	Total other equity	6,082,586	28	4,914,436	27
	Total equity attributable to shareholders of the parent	13,208,961	62	11,184,816	60
36xx	**Non-controlling Interests**	338,515	2	307,844	2
3xxx	**Total equity**	13,547,476	64	11,492,660	62
2-3xxx	**Total liabilities and equity**	**$ 21,177,542**	**100**	**18,448,479**	**100**

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

		2021 Amount	2021 %	2020 Amount	2020 %
4000	**Operating revenue (Notes VI(XXII) and VII)**	$ 16,650,252	100	14,796,460	100
5000	**Operating costs (Notes VI(VII), (XI), (XII), (XIII), (XVI), (XVII) and (XVIII), VII and XII)**	14,225,200	85	12,730,131	86
5920	Add: Unrealized sales gains (losses)	(847)	-	(2,781)	-
5900	**Gross profit**	2,424,205	15	2,063,548	14
6000	**Operating expenses (Notes VI(V), (VI), (XI), (XII), (XIII), (XVI), (XVIII) and (XXIII), VII and XII):**				
6100	Selling and marketing expenses	620,915	4	531,862	4
6200	General and administrative expenses	676,460	4	609,160	4
6300	Research and development expenses	455,887	3	451,578	3
6450	Expected credit impairment losses (gains)	(966)	-	8,611	-
	Total operating expenses	1,752,296	11	1,601,211	11
6900	**Net operating income**	671,909	4	462,337	3
7000	**Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (X), (XVI) and (XXIV), and VII):**				
7100	Interest income	23,348	-	23,883	-
7010	Other income	198,340	1	208,551	1
7020	Other gains and losses	75,065	1	249,554	2
7050	Finance costs	(11,346)	-	(13,330)	-
7060	Share of profits (losses) of associates and joint ventures under equity method	3,284	-	3,049	-
	Total non-operating income and expenses	288,691	2	471,707	3
7900	**Income before income tax from continuing operations**	960,600	6	934,044	6
7950	**Less: Income tax expense (Note VI(XIX))**	159,321	1	241,969	1
8200	**Net Income**	801,279	5	692,075	5
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss (Note VI(XVIII), (XIX) and (XX))**				
8311	Gains (losses) on re-measurements of defined benefit plans	7,076	-	(7,791)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,854,340	11	2,088,968	14
8349	Less: Income tax related to items that will not be reclassified subsequently	1,415	-	(1,558)	-
	Total items that will not be reclassified to profit or loss	1,860,001	11	2,082,735	14
8360	**Items that may be reclassified subsequently to profit or loss (Note VI(IX) and (XX))**				
8361	Exchange differences on translation of financial statements of foreign operations	(29,332)	-	24,762	-
8370	Share of other comprehensive income (losses) of associates and joint ventures under equity method	(809)	-	(1,400)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(30,141)	-	23,362	-
8300	**Other Comprehensive Income**	1,829,860	11	2,106,097	14
8500	**Total Comprehensive Income**	$ 2,631,139	16	2,798,172	19
	Net income (losses) attributable to:				
8610	Shareholders of the parent	$ 754,082	5	669,314	5
8620	Non-controlling Interests	47,197	-	22,761	-
		$ 801,279	5	692,075	5
	Total comprehensive income (losses) attributable to:				
8710	Shareholders of the parent	$ 2,585,931	16	2,784,736	19
8720	Non-controlling Interests	45,208	-	13,436	-
		$ 2,631,139	16	2,798,172	19
	Earnings per share (unit: NT$) (Note VI(XXI))				
9750	Basic earnings per share	$	4.03		3.55
9850	Diluted earnings per share	$	3.99		3.52

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen Managerial Officer: Cheng, Ya-Jen Chief Accounting Officer: Sang, Hsi-Yun

FSP Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

	Equity Attributable to Owners of the Parent											
			Retained earnings			Other equity items						
	Capital stock - common shares	Capital surplus	Legal reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Treasury shares	Total equity attributable to shareholders of the parent	Non-controlling Interests	Total Equity
Balance as of January 1 2020	$ 1,922,620	1,131,801	902,027	1,745,698	2,647,725	(116,514)	3,199,064	3,082,550	-	8,784,696	304,971	9,089,667
Appropriation and distribution of earnings:												
Legal reserve	-	-	38,389	(38,389)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(192,262)	(192,262)	-	-	-	-	(192,262)	(10,563)	(202,825)
Changes in other capital surplus:												
Cash dividends appropriated from capital surplus	-	(96,131)	-	-	-	-	-	-	-	(96,131)	-	(96,131)
Net Income	-	-	-	669,314	669,314	-	-	-	-	669,314	22,761	692,075
Other Comprehensive Income	-	-	-	(6,241)	(6,241)	26,836	2,094,827	2,121,663	-	2,115,422	(9,325)	2,106,097
Total Comprehensive Income	-	-	-	663,073	663,073	26,836	2,094,827	2,121,663	-	2,784,736	13,436	2,798,172
Purchase of treasury shares	-	-	-	-	-	-	-	-	(101,003)	(101,003)	-	(101,003)
Retirement of treasury shares	(50,000)	(29,434)	-	(21,569)	(21,569)	-	-	-	101,003	-	-	-
Changes in ownership interests in subsidiaries	-	4,780	-	-	-	-	-	-	-	4,780	-	4,780
Disposal of investment in equity instruments at fair value through other comprehensive income	-	-	-	289,777	289,777	-	(289,777)	(289,777)	-	-	-	-
Balance as of December 31, 2020	1,872,620	1,011,016	940,416	2,446,328	3,386,744	(89,678)	5,004,114	4,914,436	-	11,184,816	307,844	11,492,660
Appropriation and distribution of earnings:												
Legal reserve	-	-	93,128	(93,128)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	-	(561,786)	-	(561,786)
Net Income	-	-	-	754,082	754,082	-	-	-	-	754,082	47,197	801,279
Other Comprehensive Income	-	-	-	5,534	5,534	(28,025)	1,854,340	1,826,315	-	1,831,849	(1,989)	1,829,860
Total Comprehensive Income	-	-	-	759,616	759,616	(28,025)	1,854,340	1,826,315	-	2,585,931	45,208	2,631,139
Distribution of cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(16,901)	(16,901)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,364	2,364
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	658,165	658,165	-	(658,165)	(658,165)	-	-	-	-
Balance as of December 31, 2021	**$ 1,872,620**	**1,011,016**	**1,033,544**	**3,209,195**	**4,242,739**	**(117,703)**	**6,200,289**	**6,082,586**	**-**	**13,208,961**	**338,515**	**13,547,476**

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to December 31, 2021 and 2020

Unit: NT$ thousands

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 960,600	934,044
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	339,849	316,857
Amortization expenses	4,732	3,891
Expected credit impairment losses (gains)	(966)	8,611
Interest expenses	11,346	13,330
Interest income	(23,348)	(23,883)
Dividend income	(122,933)	(107,452)
Share of profits (losses) of associates and joint ventures under equity method	(3,284)	(3,049)
Loss on disposal of property, plant, and equipment	530	2,495
Gains on disposal of non-current assets held for sale	(72,399)	(326,059)
Unrealized sales gains (losses)	847	2,781
Gains on lease modifications	(97)	(18)
Rent concessions reclassified to revenue	-	(14,763)
Gains on bargain purchase	(2,523)	-
Total adjustments for profit or loss	131,754	(127,259)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	49,658	(174,486)
Notes receivable	23,835	(3,842)
Accounts receivable	(249,685)	146,410
Accounts receivable - related parties	(184,995)	(89,674)
Other receivables	(3,530)	(18,435)
Inventories	(918,687)	(542,332)
Prepayments	(789)	(4,542)
Other current assets	(10,558)	655
Other Non-Current Assets	(3,222)	6,762
Total changes in operating assets	(1,297,973)	(679,484)
Changes in operating liabilities:		
Notes payable	(556)	619
Accounts payable	135,026	312,715
Accounts payable - related parties	10,020	(7,656)
Other payables	185,539	172,211
Provisions for liabilities	(10,967)	11,853
Other current liabilities	16,159	5,183
Net defined benefit liabilities	(6,374)	(8,942)
Other non-current liabilities	3,591	2,994
Total changes in operating liabilities	332,438	488,977
Total changes in operating assets and liabilities	(965,535)	(190,507)
Total adjustments	(833,781)	(317,766)
Cash flows generated by operating activities	126,819	616,278
Interest received	23,320	25,001
Interest paid	(11,335)	(13,690)
Income tax paid	(107,486)	(205,594)
Net cash flows generated from operating activities	31,318	421,995
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(296,047)	(118,419)
Disposal of financial assets at fair value through other comprehensive income	660,425	301,443
Acquisition of financial assets at amortized cost	(10,959)	-
Acquisition of subsidiaries (deducting cash obtained)	3,832	-
Disposal of non-current assets held for sale	87,067	291,414
Acquisition of property, plant, and equipment	(214,977)	(224,212)
Disposal of property, plant and equipment	450	973
Acquisition of intangible assets	(7,190)	(1,513)
Decrease (increase) in refundable deposits	2,464	(13,108)
Increase in prepayments for equipment	(3,475)	(2,153)
Dividends received	122,933	107,452
Increase in restricted deposits	-	(18,821)
Net cash flows from investing activities	344,523	323,056
Cash flows from financing activities:		
Decrease in short-term loans	(15,847)	(73,461)
Proceeds from long-term loans	181,989	108,076
Repayments of long-term loans	(32,884)	(1,923)
Repayment of the principal of lease liabilities	(162,242)	(134,460)
Cash dividends paid	(561,786)	(288,393)
Purchase cost of treasury shares	-	(101,003)
Cash dividends paid to non-controlling interests	(16,901)	(10,563)
Net cash flows used in financing activities	(607,671)	(501,727)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(25,034)	23,864
Net increase (decrease) in cash and cash equivalents	(256,864)	267,188
Cash and cash equivalents at the beginning of the year	3,051,117	2,783,929
Cash and cash equivalents at the end of the year	**$ 2,794,253**	**3,051,117**

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen **Managerial Officer: Cheng, Ya-Jen** **Chief Accounting Officer: Sang, Hsi-Yun**

FSP Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

2021 and 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

FSP Technology Inc. (the "Company") was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company and its subsidiaries (the "Group") are primarily engaged in the manufacturing, processing and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

These Consolidated Financial Statements were authorized for issue by the Board of Directors on March 18, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

The Group has initially adopted the following new amendments to IFRS since January 1, 2021, and there was no significant impact on its Consolidated Financial Statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group has adopted the following new amendments, which do not have a significant impact on the Consolidated Financial Statements, since April 1, 2021.

- Amendment to IFRS 16 "COVID-19 Related Rent Concessions beyond 30 June 2021"

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

The Group assesses that the adoption of the following new amendments effective from January 1, 2022 will not have a significant impact on the Consolidated Financial Statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(III) IFRSs issued by the International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but not yet endorsed by the FSC:

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 "Classification of liabilities as current or non-current"	The amendments are intended to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain maturity dates should be classified as current (or to be due within one year) or non-current on the balance sheets. The amendments also clarify the classification requirements for debts that companies may settle by conversion into equity.	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	Amendments to IAS 1 mainly include: · Requiring companies to disclose their material accounting policies rather than their significant accounting policies; · Accounting policy information in relation to insignificant transactions, other matters or conditions shall be deemed as immaterial and the Group is not required to disclose such information; and · Not all accounting policy information relating to significant transactions, other matters or conditions is considered material for the financial statements of a company.	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	The amendments introduce a new definition of accounting estimates, clarifying that accounting estimates are monetary amounts in the financial statements that are subject to the uncertainty of measurement. The amendments also clarify the relationship between accounting policies and accounting estimates by stating that companies are required to establish accounting estimates for the purposes of the accounting policies they apply.	January 1, 2023

The Group is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Group completes the evaluation.

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

IV. Summary of Significant Accounting Policies

The significant accounting policies adopted in the Consolidated Financial Statements are summarized as follows. The following accounting policies have been applied consistently to all periods presented in the Consolidated Financial Statements.

(I) Compliance declaration

The Group's accompanying Consolidated Financial Statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), and interpretations from International Financial Reporting Interpretations Committee (“IFRIC”) and Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (collectively as “IFRSs”).

(II) Preparation basis

1. Measurement basis

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following items:

(1) Financial assets measured at fair value through profit or loss;

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

(3) Defined benefit liability (assets), which are measured based on pension fund assets plus unrecognized service costs in the previous period and unrecognized actuarial losses, less unrecognized actuarial gains, the present value of defined benefit obligations and effect of the asset ceiling as mentioned in Note IV(XVIII).

2. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(III) Basis of consolidation

1. Principles of preparation of the Consolidated Financial Statements

The entities in the Consolidated Financial Statements include the Company and its subsidiaries.

The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Profit or loss attributable to the non-controlling interests of the subsidiaries is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the Group loses control over a subsidiary, the Group derecognizes the assets and liabilities of the subsidiary, as well as any carrying amount of non-controlling interests at the date of loss of control. In addition, the Group recognizes the fair value of the retained investment in the former subsidiary at the date of loss of control, and also recognizes the resulting difference in profit or loss as income or loss attributable to the Company.

All inter-company transactions, balances and resulting unrealized income and loss are eliminated on consolidation.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements are as follows:

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership		Description
			2021.12.31	2020.12.31	
The Company	FSP International Inc. (BVI)	Investment holdings	100.00%	100.00%	
〃	FSP Group Inc.	Engaged in safety certification	100.00%	100.00%	
〃	Amacrox Technology Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	
〃	3Y Power Technology (TAIWAN) Inc. (“3Y Power”)	Trading and manufacturing of power supplies and related electronic products	65.87%	65.87%	
〃	Harmony Trading (HK) Ltd.	Trading of power supplies and related electronic products	100.00%	100.00%	
〃	FSP Technology USA Inc.	Business development and product technical service	100.00%	100.00%	
〃	FSP Turkey Dis Tic. Ltd. Sti.(“FSP Turkey”)	Business development and product technical service	91.41%	- %	Note 3
FSP International Inc. (BVI)	Shenzhen Huili Electronic Co., Ltd. (“Huili”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	
〃	FSP Technology Inc. (BVI)	Investment holdings	100.00%	100.00%	
〃	Proteck Electronics (Samoa) Corp.	Investment	100.00%	100.00%	

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

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership 2021.12.31	Percentage of Ownership 2020.12.31	Description
		holdings			
〃	Power Electronics Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	
〃	Famous Holding Ltd.	Investment holdings	100.00%	100.00%	
〃	FSP International (HK) Ltd.	Investment holdings	100.00%	100.00%	
FSP Technology Inc. (BVI)	FSP-C R&D Center ("FSP Jiangsu")	Research & development and design of various energy saving technology	100.00%	100.00%	
Protek Electronics (Samoa) Corp.	Protek Electronics (China) Corp. ("Protek Dongguan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	
Power Electronics Co., Ltd. (BVI)	Zhonghan Electronics (Shenzhen) Co., Ltd. ("Zhonghan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	
Famous Holding Ltd.	WUXI SPI Technology Co., Ltd. ("WUXI SPI")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	Note 2
〃	WUXI Zhonghan Technology Co., Ltd. ("WUXI Zhonghan")	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	
FSP International (HK) Ltd.	Hao Han Electronic Technology (Jian) Co., Ltd. ("Hao Han")	Trading and manufacturing of electronic components	100.00%	100.00%	
WUXI Zhonghan	Shenzhen Zhonghan Technology Co., Ltd. ("Zhonghan Tech.")	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Trading of power supplies and related electronic products	100.00%	100.00%	
〃	Proteck Power North America, Inc.	Trading of power supplies and related electronic products	100.00%	100.00%	
3Y Power	3Y Power Technology (USA) Inc.("3Y Power USA")	Trading of power supplies and related electronic products	100.00%	100.00%	
〃	Luckyield Co., Ltd.	Investment holdings	100.00%	100.00%	
Luckyield Co., Ltd.	WUXI 3Y Technology Co., Ltd. ("WUXI 3Y")	Design, manufacturing and trading of power supplies	100.00%	100.00%	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership		Description
			2021.12.31	2020.12.31	

Note 1. The Company invested in WUXI 3Y through Luckyield Co., Ltd., and the shareholding percentage as of December 31, 2021 and 2020 was 65.87%.

Note 2. Famous Holding Ltd. invested additional capital of RMB25,000 thousand and RMB10,405 thousand in WUXI SPI in June 2020 and November 2020, respectively.

Note 3. The Company acquired a 91.41% stake in FSP Turkey for NT$22,640 thousand (US$800 thousand) on May 31, 2021 and it became a subsidiary of the Company since then.

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

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency based on the exchange rates at the date when the fair value is determined, whereas non-monetary items denominated in foreign currencies measured at historical costs are translated using the exchange rates at the dates of the transactions. The resulting exchange differences are generally recognized in profit or loss, except for the equity instruments designated to be measured at fair value through other comprehensive income, whose exchange differences are recognized in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the period and the resulting exchange differences are recognized in other comprehensive income.

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

Assets are classified as current assets when one of the following criteria is met, and all other assets are classified as non-current assets:

1. Assets that are expected to be realized, or intended to be sold or consumed within the normal operating cycle.

2. Assets held mainly for trading purpose.

3. Assets that are expected to be realized within twelve months after the balance sheet date.

4. Cash or cash equivalents, excluding restricted cash or cash equivalents that are reserved for exchange, debt repayment or under other restrictions for more than twelve months after the balance sheet date.

Liabilities are classified as current liabilities when one of the following criteria is met, and all other liabilities are classified as non-current liabilities:

1. Liabilities that are expected to be settled within the normal operating cycle.
2. Assets held mainly for trading purpose.
3. Liabilities that are expected to be settled upon maturity within twelve months after the balance sheet date.
4. The Group is unable to extend the repayment date unconditionally for at least twelve months after the balance sheet date.

(VI) Cash and cash equivalents

Cash consists of cash on hand, checking account deposits and saving account deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of changes in value. Time deposits that meet the criteria and are held for the purpose of fulfilling short-term cash commitment rather than other purposes are classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents in the Consolidated Statements of Cash Flows.

(VII) Financial instruments

Accounts receivables are initially recognized when they are incurred. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instruments. Financial assets (excluding accounts receivable without a significant financing component) and financial liabilities that are not measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of these financial assets or financial liabilities. Accounts receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

   The Group applies trade date accounting to all regular way purchases or sales of financial assets that are classified in the same way.

   At initial recognition, financial assets are classified into the following categories: Financial assets at amortized cost, investments in equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss. When the Group changes its business model for managing financial assets, all affected financial assets are reclassified on the first day of the next reporting period.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost if all of the following conditions are met and the financial assets are not designated as measured at fair value through profit or loss:

- Financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, using initial recognized amount plus or minus cumulative amortization calculated by adopting the effective interest method and taking into account the adjustment of allowance for impairment loss as well. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

At initial recognition of investments in equity instruments that are not held for trading, the Group may make an irrevocable election to present subsequent changes in fair value of the investments in other comprehensive income. This election is made on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized in profit or loss unless the dividend clearly represents the recovery of part of the investment cost. Other net gains or losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

Dividend income from equity investments is recognized on the date that the Group is eligible to receive the dividends (usually the ex-dividend date).

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

Financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. At initial recognition, the Group may irrevocably designate a financial asset, which meets the criteria to be measured at amortized cost or at fair value through other comprehensive income, to the category measured at fair value through profit or loss if doing so eliminates or significantly reduces the accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including related dividend and interest income, are recognized in profit or loss.

(4) Impairment of financial assets

The Group recognizes loss allowance for expected credit loss on financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits.

The Group measures loss allowance for notes and accounts receivable at the amount equal to lifetime expected credit loss. Taking into account reasonable and supportable information available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, credit assessment, as well as forward-looking information, the Group measures the impairment of financial assets at amortized cost according to 12-month expected credit loss when the credit risk of the financial assets has not increased significantly since initial recognition. If there has been a significant increase in credit risk since initial recognition, the impairment is measured based on lifetime expected credit loss.

Lifetime expected credit loss refers to the expected credit loss resulting from all possible default events over the expected life of the financial instrument.

12-Month expected credit loss refers to the expected credit loss resulting from default events of the financial instrument that are likely to occur within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating expected credit loss is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit loss is the probability-weighted estimate of credit loss over the expected life of financial instruments. Credit loss is measured at the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive). Expected credit loss is discounted at the effective interest rate of the financial assets.

Loss allowance for financial assets at amortized cost is deducted from the carrying amount of the assets. The amount of provision or reversal of loss allowance is recognized in profit or loss.

The carrying amount of the financial assets is written off when the Group has no reasonable expectation of recovering the entire or part of the financial assets. The Group individually makes the assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects there will be no significant reversal on the write-off amount. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for collecting overdue amount.

(5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset in which almost all of the risks and returns associated with the ownership of the financial asset are transferred to other companies or in which the Group neither transfers nor retains nearly all of the risks and returns of ownership and it does not hold control on the financial asset.

When the Group enters into transactions of financial asset transfer, if all or almost all of the risks and returns associated with the ownership of the transferred asset is retained, the transferred asset continues to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the amount of consideration received, less the direct issuing cost.

(2) Treasury shares

When the Group buys back its shares recognized as equity, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from equity. Shares bought back are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to offset).

When the treasury shares are retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the shareholding. The carrying value of treasury shares in excess of the sum of the par value and premium on stock should first be offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value should be credited to capital surplus from the same class of treasury share transactions.

(3) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition is also recognized in profit or loss.

(4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are amended and the cash flows of the amended liability are substantially different, in which case a new financial liability based on the amended terms is recognized at fair value.

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

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle on a net basis or to liquidate asset for settling the liabilities simultaneously.

(VIII) Inventories

The cost of inventories comprises all costs incurred in bringing the inventories to their present location and condition ready for sale. The variable manufacturing expenses are allocated based on the actual production volume. Fixed manufacturing expenses are allocated to finished goods and work in process based on the normal capacity of the production equipment. Unallocated fixed manufacturing expenses resulting from lower production capacity or idle equipment shall be recognized as cost of goods sold in the period in which they are incurred. If actual production volume is higher than the normal production capacity, the difference is recognized as a reduction of cost of goods sold. The monthly weighted-average method is adopted for the calculation of the costs.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is recognized in cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold for the period.

(IX) Non-current assets held for sale

When the Board of Directors resolves to sell part of the property, plant and equipment and right-of-use assets, the Group begins to apply the accounting policies related to non-current assets held for sale.

Non-current assets that are highly probable to be recovered primarily through a sale transaction, rather than through continuing use, are classified as non-current assets held for sale. Before the initial classification of the non-current assets held for sale, the carrying amount of the assets is measured in accordance with the Group's applicable accounting policies. Afterwards, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Nevertheless, the reversal gains are not recognized in excess of any cumulative impairment loss.

Property, plant and equipment, and right-of-use assets are no longer amortized or depreciated when they are classified as held for sale.

(X) Investments in associates

An associate is an entity in which the Group has significant influence, but not control over their financial and operating policies. The Group is deemed to have significant influence when it holds 20% to 50% of the voting rights of the investee company.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are recognized initially at cost. Subsequent adjustments are based on the changes in the Group's share of net assets. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

Unrealized gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated investors’ interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part of interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss or retained earnings on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss or retained earnings when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss or retained earnings.

(XI) Property, Plant, and Equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss using the straight-line method over the estimated useful lives of each component of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Housing and Construction	1~50 years
Buildings and Building Improvements	5~15 years
Machinery	1~24 years
Transportation Equipment	4~19 years
Other Equipment	1~26 years
Leasehold Improvements	3~11 years

The Group reviews depreciation methods, useful lives and residual values on each reporting date and makes appropriate adjustments when necessary.

(XII) Leases - Lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group periodically assesses whether the right-of-use asset is impaired and recognizes any impairment loss that has occurred. The right-of-use asset is adjusted when the remeasurement of the lease liabilities takes place.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date. If the interest rate implied by the lease is easy to determine, it would be used as the discount rate. If the implied interest rate is not easy to determine, the Group's incremental borrowing rate is applied. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1. Fixed payments, including in-substance fixed payments;
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
3. Amounts expected to be payable under residual value guarantees; and
4. The exercise price of a purchase option or payments of penalties for exercising the option to terminate the lease, if the lessee is reasonably certain to exercise that option.

The interests of lease liabilities are subsequently calculated using the effective interest method and lease liabilities are remeasured when:

1. There is a change in future lease payments arising from the change in an index or rate;
2. There is a change in the estimate of the amount expected to be payable under a residual value guarantee;
3. There is a change in the assessment on the purchase option of the underlying asset;
4. There is a change in the lease term assessment resulting from a change in the estimate regarding whether the extension or termination option will be exercised;
5. There is any modification in lease subject, scope of the lease or other clauses.

When the lease liability is remeasured under the above-mentioned circumstances other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss.

When the lease liability is remeasured due to lease modification that decreases the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between the carrying amount of the right-of-use asset and the remeasurement amount of lease liability in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the Consolidated Balance Sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases of buildings and construction, machinery and equipment, and transportation equipment leases and for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group applies the practical expedient to the rent concessions that meet all of the following criteria without assessing if they are lease modification.

1. Rent concession is a direct consequence of the COVID-19 pandemic;
2. As a result of the change in lease payments, revised consideration for the lease is almost the same as, or less than, the consideration for the lease prior to the change;
3. Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
4. There is no change in substance to the other terms and conditions of the lease.

With the application of practical expedient, the amount of changes in lease payments arising from rent concessions is recognized in profit or loss for the reporting period.

(XIII) Intangible assets

1. Recognition and measurement

Goodwill of the Group occurred in the business combination prior to the date of IFRS adoption. Upon conversion to IFRS endorsed by the FSC, the Group elected to restate only those business combinations that occurred after January 1, 2012 (inclusive). For acquisitions made before January 1, 2012, the amount of goodwill was recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on January 10, 2009, and Accounting Standards and related interpretations (hereinafter referred to as "previously generally accepted accounting principles") issued by the Accounting Research and Development Foundation of the Republic of China.

Group's other separately acquired intangible assets with finite useful lives, including software and patents, are carried at cost less accumulated amortization and accumulated impairment losses.

2. Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of the asset less the estimated residual value, and is recognized in profit or loss using the straight-line method over the estimated useful life of the intangible asset when it becomes available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software cost	1~5 years
Patent	91 months

The Group reviews the amortization method, useful life and residual value of the intangible assets on each reporting date and makes appropriate adjustments when necessary.

(XIV) Impairment of non-financial assets

The Group assesses on each reporting date whether there is any indication that the carrying amount of non-financial assets (excluding inventories, deferred income tax assets, employee benefit related assets) may be impaired. If any such indication exists, then the recoverable amount of the asset is estimated. Goodwill is tested for impairment on an annual basis.

For the purpose of impairment testing, assets are divided into the smallest group of identifiable assets that generates cash inflows largely independent of the cash inflows from other individual asset or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(XV) Provisions for liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for maintenance is recognized when the underlying products or services are sold. The provision is estimated based on historical maintenance rates and maintenance cost per unit.

(XVI) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. Transfer of control of the product occurs when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products are shipped to the specific location, the risks of obsolescence and loss are transferred to the customer, and either the customer accepts the products according to the sales contract with the acceptance provisions being invalid or the Group has objective evidence that all criteria for acceptance have been satisfied.

(XVII) Government grant

When the Group can receive the government grant relating to the operating activities, such grant with no conditions attached is recognized as non-operating income. The Group recognizes the grant relating to assets as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. The above deferred income is recognized as non-operating income over the estimated useful lives of the related assets on a systematic basis. If the government grant is used to compensate the Group's expenses or losses, such government grant is recognized in profit or loss over the period necessary to match it with the related expenses, for which it is intended to compensate, on a systematic basis.

(XVIII) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution pension plans are expensed during the period in which employees render services.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation result may be beneficial to the Group, the recognized assets shall be limited to the present value of any economic benefits available in the form of refunding the contribution from the plan or reducing the future contribution to the plan. When calculating the present value of economic benefits, the minimum contribution requirements are considered.

The remeasurements of the net defined benefit liability comprise actuarial gains and losses, return on plan assets (excluding interest), and any changes in the effect of the asset ceiling (excluding interest). The remeasurements of the net defined benefit liability are recognized in other comprehensive income and reflected in retained earnings. The net interest expense (income) of the net defined benefit liabilities (assets) is calculated based on the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is revised or reduced, the amount of changes in benefits related to the past service costs or reduced benefits or losses is recognized in profit or loss. When the settlement occurs, the Group shall recognize the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

Short-term employee benefit obligations are expensed during the period in which employees render services. If the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees and the obligation can be estimated reliably, the amount of payments is recognized as a liability.

(XIX) Income Tax

Income taxes comprise current taxes and deferred income taxes. Current and deferred income taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current income taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received based on tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are not recognized for the following temporary differences:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred income taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset when the following criteria are met:

1. The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:
   (1) The same taxable entity; or
   (2) Different taxable entities which intend to settle current income tax assets and income tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered or significant amounts of deferred income tax liabilities are expected to be settled.

(XX) Business combinations

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

On an transaction-by-transaction basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

(XXI) Earnings per Share

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the Consolidated Financial Statements. Basic EPS of the Group is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares include estimates of employee compensation.

(XXII) Segment Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's key operation decision maker, who determine the allocation of resources to the segment and assesses its performance.

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

The preparation of the Consolidated Financial Statements in conformity with IFRS endorsed by the Financial Supervisory Commission requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

The Consolidated Financial Statements involve material judgment as to whether the Group has substantive control over the investee, FSP Group USA Corp. and it has a material impact on the amounts recognized in the Consolidated Financial Statements. The related information is as follows:

The Group holds 45% of the shares of FSP Group USA Corp., and the remaining 55% of the shares are held by the other three shareholders. In the past years, these three shareholders attended each shareholders' meeting and hence the Group did not have more than half of the voting rights. These three shareholders may jointly exercise the right of consent at the shareholders' meeting due to the same position. In addition, the Group did not assume the position of director, so it was determined that the Group only has significant influence over FSP Group USA Corp.

In the Consolidated Financial Statements, there is no accounting policy that involves significant estimates and assumptions, and the information on accounting policies does not have a material impact on the amounts recognized in the Consolidated Financial Statements.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	2021.12.31	2020.12.31
Cash on hand	$ 10,346	7,111
Cash equivalents		
Money market funds	21,651	21,763
Repurchase agreements	-	114,435
Deposits in saving accounts and checking accounts	1,772,124	1,368,659
Time deposits	990,132	1,539,149
	$ 2,794,253	3,051,117

Please refer to Note VI(XXV) for the disclosure of interest rate risk of the Group's financial assets and liabilities.

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

	2021.12.31	2020.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Beneficiary certificates	$ 232,758	210,388
Private equity funds	12,000	-
Foreign unlisted stocks	71,632	67,232
Structured deposits	199,684	288,112
Total	$ 516,074	565,732

As of December 31, 2021 and 2020, the Group held structured deposits and expected yields ranged from 1.40% to 3.30% with maturity from January 2022 to March 2022, and 1.65% to 4.25% with maturity from January 2021 to February 2021, respectively.

The Group recognized dividend income of NT$420 thousand and NT$0 in 2021 and 2020 respectively from the above financial assets at fair value through profit or loss.

Please refer to Note VI(XXIV) for the amounts recognized in profit or loss arising from remeasurement at fair value.

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

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

	2021.12.31	2020.12.31
Equity instruments at fair value through other comprehensive income		
Domestic listed stock - Voltronic Power Technology Corp.	$ 6,213,715	5,040,921
Domestic listed stock - JESS-LINK Products Co., Ltd.	351,144	109,200
Domestic listed stock - WT Microelectronics Co., Ltd.	48,950	48,550
Domestic listed stock - Taiwan Cement Corp.	2,400	-
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.	6,150	-
Foreign listed stocks	18,118	19,344
Foreign unlisted stocks	26,494	26,494
Domestic unlisted stocks	96,167	28,667
Total	$ 6,763,138	5,273,176

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

   The Group holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, so these investments have been designated to be measured at fair value through other comprehensive income.

   The Group recognized dividend income of NT$122,513 thousand and NT$107,452 thousand in 2021 and 2020 respectively from the above investments in equity instruments designated as measured at fair value through other comprehensive income.

   In order to meet the needs of funding plan, the Group divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income in 2021 and 2020 and the fair value at the time of disposal was NT$660,425 thousand and NT$216,963 thousand with disposal gains of NT$658,165 thousand and NT$215,901 thousand, respectively. The Group also divested the shares of FSP-Powerland Technology Inc. in July 2020 and the fair value at the time of disposal was NT$84,480 thousand with disposal gains of NT$73,876 thousand.

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

(IV) Financial assets at amortized cost

	2021.12.31	2020.12.31
Corporate bond - Novaland Group (NVL)	$ 10,800	-
Less: Allowance for impairment loss	-	-
Total	$ 10,800	-

The Group assesses that the asset is held to maturity to receive contractual cash flows.

The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Group purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT$10,959 thousand with a coupon rate of 10.00%.
2. Please refer to Note VI(XXV) for the information of credit risk.

(V) Notes receivable and accounts receivable

	2021.12.31	2020.12.31
Notes receivable	$ 62,112	85,453
Accounts receivable	3,904,501	3,649,003
Accounts receivable - related parties	801,748	616,753
Less: Allowance for impairment loss	(39,771)	(42,029)
	$ 4,728,590	4,309,180

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

The Group applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information, including macro economy and related industry information, is taken into consideration as well.

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

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted-average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	$ 3,511,925	0~0.35	10,532
Past due within 30 days	109,271	14.41	15,748
Past due 31-60 days	2,464	40.57	1,000
Past due 61-90 days	2,717	72.80	1,978
Past due 91-120 days	78	82.48	64
Past due over 121 days	2,412	100.00	2,412
	$ 3,628,867		31,734

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT$5,361 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT$1,072 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 3,135,248	0~0.20	5,385
Past due within 30 days	18,100	12.38	2,241
Past due 31-60 days	6,053	37.90	2,294
Past due 61-90 days	4,068	73.31	2,982
Past due 91-120 days	823	82.27	677
Past due over 121 days	12,272	100.00	12,272
	$ 3,176,564		**25,851**

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT$19,793 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT$3,959 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

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

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 939,699	0.04	366
Past due within 30 days	21,821	0.04	8
Past due 31-60 days	5,407	0.04	2
Past due 61-90 days	2,497	0.04	1
Past due 91-120 days	-	0.04	-
Past due over 121 days	13	0.04	-
	$ 969,437		**377**

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 997,880	0.58	5,759
Past due within 30 days	39,604	0.58	229
Past due 31-60 days	21,725	0.58	125
Past due 61-90 days	1,756	0.58	10
Past due 91-120 days	-	0.58	-
Past due over 121 days	6,542	0.58	38
	$ 1,067,507		6,161

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

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	**Weighted-average expected credit loss rate (%)**	**Allowance for expected credit loss**
Not Past Due	$ 139,257	-	-
Past due within 30 days	17,666	-	-
Past due 31-60 days	1,185	-	-
	$ 158,108		-

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

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted-average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	$ 63,485	-	-
Past due within 30 days	11,455	-	-
Past due 31-60 days	5,809	-	-
Past due 61-90 days	538	-	-
	$ 81,287		-

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT$6,058 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

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

	2021	2020
Beginning balance	$ 42,029	37,515
Acquired through business combination	1,073	-
Impairment losses recognized	3,828	8,611
Write-off	(6,613)	(3,953)
Effect of exchange rate changes	(546)	(144)
Ending balance	$ 39,771	42,029

(VI) Other receivables

	2021.12.31	2020.12.31
Other receivables	$ 73,866	70,402
Less: Loss allowances	(460)	(5,348)
	$ 73,406	65,054

Changes in loss allowance for other receivables:

	2021	2020
Beginning balance	$ 5,348	5,629
Reversal of impairment loss	(4,794)	-
Effect of exchange rate changes	(94)	(281)
Ending balance	$ 460	5,348

(VII) Inventories

	2021.12.31	2020.12.31
Finished goods	$ 1,844,900	1,465,495
Work in process	712,743	582,371
Raw materials	1,032,903	607,465
	$ 3,590,546	2,655,331

Breakdown of cost of goods sold:

	2021	2020
Inventories sold	$ 14,070,012	12,689,669
Inventory valuation loss (reversal gain)	9,910	(21,110)
Loss (gain) on inventory counts	171	(2)
Unallocated manufacturing expense	87,495	12,515
Loss on inventory obsolescence	57,613	49,312
Income from sales of scraps	(1)	(253)
	$ 14,225,200	12,730,131

As of December 31, 2021 and 2020, the Group did not pledge any inventories as collateral.

(VIII) Non-current assets held for sale

In line with the land acquisition reserve plan of Wuxi Xinwu District Land Reserve Center, on June 28, 2019, the Board of Directors of the Group resolved to sell the right-of-use assets - land, buildings and construction of its subsidiary, WUXI Zhonghan. In August 2019, the Group entered into a sale contract with Wuxi Xinwu District Land Reserve Center for NT$421,714 thousand for the above-mentioned right-of-use, buildings and construction. In accordance with the contract, the first installment of NT$130,300 thousand was received in September 2019, and the second installment of NT$161,114 thousand was received in June 2020. The transfer registration was completed and disposal gain of NT$326,059 thousand was recognized. The final payment of NT$130,300 thousand has been received in November 2020.

To cooperate with the Jian National High-tech Industrial Development Zone Management Committee of Jian County in Jiangxi Province for its Land Acquisition and Reserve plan, the Group's Board of Directors resolved on August 7, 2021 to sell the right-of-use assets - land, buildings and construction of its subsidiary, Hao Han. In August 2021, the Group signed a sales contract with Asap Electronics (Jiangxi) Co., Ltd., and the disposal amount of above-mentioned right-of-use, buildings and construction was NT$87,067 thousand. In accordance with the contract, the first installment of NT$34,827 thousand was received in August 2021. The transfer registration was completed in December 2021 and disposal gain of NT$72,399 thousand was recognized. The final payment of NT$52,240 thousand was also received in December 2021.

(IX) Investments Accounted for Using the Equity Method

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

		2021.12.31	2020.12.31
Associate	$	26,947	25,319

1. Associate

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

		2021.12.31	2020.12.31
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	$	26,947	25,319

		2021	2020
Attributable to the Group:			
Income from Continuing Operations	$	3,284	3,049
Other comprehensive income		(809)	(1,400)
Total comprehensive income	$	2,475	1,649

2. Collateral

As of December 31, 2021 and 2020, the Group did not pledge any investments accounted for under the equity method as collateral.

(X) Acquisition of subsidiaries and non-controlling interests

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

For the seven-month period from the acquisition date to December 31, 2021, the revenue and net profit contributed by FSP Turkey amounted to NT$49,700 thousand and NT$4,951 thousand, respectively. If the acquisition had occurred on January 1, 2021, management estimates that the Group's revenue in 2021 would have reached NT$16,694,312 thousand with a net income of NT$802,525 thousand. When estimating these amounts, management has assumed that the fair value adjustments on the date of acquisition had been the same and the acquisition had occurred on January 1, 2021.

The fair values of the major categories of consideration transferred at the date of acquisition were as follows:

Cash	$	22,640

As of May 31, 2021, the fair value of identifiable assets and liabilities was as follows:

Cash and cash equivalents	$ 26,472
Net notes receivable	494
Net accounts receivable	11,899
Inventories	16,528
Prepayments	6,172
Other current assets	309
Property, Plant, and Equipment	736
Other Non-Current Assets	2
Accounts payable	(8,796)
Other payables	(19,665)
Other current liabilities	(6,624)
	$ 27,527

Gains on bargain purchase arising from acquisition:

Transfer Price	$ 22,640
Add: Non-controlling interests (measured by non-controlling interest's proportionate share of identifiable net assets)	2,364
Less: The fair value of identifiable net assets	(27,527)
Gains on bargain purchase (recognized in other income)	$ (2,523)

(XI) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Cost or deemed cost:									
Balance as of January 1, 2021	$ 310,476	1,098,471	27,416	1,110,067	16,812	435,223	66,062	78,707	3,143,234
Acquired through business combinations (Note VI (X))	-	-	-	222	-	533	-	-	755
Addition	-	56,261	351	80,919	3,460	40,487	6,684	24,157	212,319
Disposal and obsolescence	-	(2,295)	-	(7,804)	(1,111)	(5,872)	-	-	(17,082)
Reclassification (Note 1)	-	5,685	-	2,279	-	5,513	2,112	(74,989)	(59,400)
Effect of exchange rate changes	-	(2,383)	(178)	(8,596)	(130)	(1,582)	(651)	-	(13,520)
Balance as of December 31, 2021	$ 310,476	1,155,739	27,589	1,177,087	19,031	474,302	74,207	27,875	3,266,306
Balance as of January 1, 2020	$ 310,476	1,090,077	24,402	1,006,278	16,638	419,807	59,361	3,417	2,930,456
Addition	-	3,000	2,670	110,093	-	19,679	8,747	75,308	219,497
Disposal and obsolescence	-	(233)	(85)	(28,661)	-	(6,544)	(3,517)	-	(39,040)
Reclassification (Note 1)	-	103	-	7,905	-	961	273	(18)	9,224
Effect of exchange rate changes	-	5,524	429	14,452	174	1,320	1,198	-	23,097
Balance as of December 31, 2020	$ 310,476	1,098,471	27,416	1,110,067	16,812	435,223	66,062	78,707	3,143,234
Depreciation and impairment loss:									
Balance as of January 1, 2021	$ -	479,797	5,371	751,234	13,354	348,326	21,343	-	1,619,425
Acquired through business combinations (Note VI (X))	-	-	-	-	-	19	-	-	19
Recognition in current period	-	46,470	2,044	86,989	952	37,011	8,368	-	181,834
Disposal and obsolescence	-	(1,790)	-	(7,395)	(1,102)	(5,815)	-	-	(16,102)
Reclassification (Note 1)	-	(53,634)	-	-	-	-	-	-	(53,634)

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Effect of exchange rate changes	-	(1,781)	(28)	(6,482)	(119)	(877)	(376)	-	(9,663)
Balance as of December 31, 2021	$ -	469,062	7,387	824,346	13,085	378,664	29,335	-	1,721,879
Balance as of January 1, 2020	$ -	428,775	3,418	692,475	12,325	319,147	15,478	-	1,471,618
Recognition in current period	-	47,077	1,871	77,459	904	35,591	6,799	-	169,701
Disposal and obsolescence	-	(168)	(16)	(27,580)	-	(6,371)	(1,437)	-	(35,572)
Reclassification (Note 1)	-	-	-	84	-	(912)	93	-	(735)
Effect of exchange rate changes	-	4,113	98	8,796	125	871	410	-	14,413
Balance as of December 31, 2020	$ -	479,797	5,371	751,234	13,354	348,326	21,343	-	1,619,425
Carrying amounts:									
Balance as of December 31, 2021	$ 310,476	686,677	20,202	352,741	5,946	95,638	44,872	27,875	1,544,427
Balance as of December 31, 2020	$ 310,476	618,674	22,045	358,833	3,458	86,897	44,719	78,707	1,523,809

Note 1. For the years ended December 31, 2021 and 2020, the amount transferred from equipment prepayment was NT$7,606 thousand and NT$9,959 thousand, respectively.

Note 2. For the year ended December 31, 2021, the cost and accumulated depreciation transferred to non-current assets held for sale were NT$67,006 thousand and NT$53,634 thousand, respectively.

Note 3. For the year ended December 31, 2020, the cost and accumulated depreciation transferred to intangible assets were NT$735 thousand and NT$735 thousand, respectively.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of December 31, 2021 and 2020.

(XII) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction, transportation equipment and office equipment leased by the Group were as follows:

	Land	Housing and Construction	Transportation Equipment	Office Equipment	Total
Costs of right-of-use assets:					
Balance as of January 1, 2021	$ 29,112	783,629	3,404	-	816,145
Addition	-	299,435	716	-	300,151
Reduction (contract expired and early termination of contract)	-	(13,797)	(661)	-	(14,458)
Reclassification to non-current assets held for sale	(1,435)	-	-	-	(1,435)
Effect of exchange rate changes	(131)	(22,607)	(8)	-	(22,746)
Balance as of December 31, 2021	$ 27,546	1,046,660	3,451	-	1,077,657
Balance as of January 1, 2020	$ 29,018	769,019	3,104	229	801,370
Addition	-	12,727	784	-	13,511
Reduction (contract modification, contract expired and early termination of contract)	(197)	(6,593)	(501)	(229)	(7,520)
Effect of exchange rate changes	291	8,476	17	-	8,784
Balance as of December 31, 2020	$ 29,112	783,629	3,404	-	816,145
Depreciation of right-of-use assets:					
Balance as of January 1,	$ 2,154	299,010	1,561	-	302,725

		Land	Housing and Construction	Transportation Equipment	Office Equipment	Total
2021						
Depreciation in current period		1,055	155,932	1,028	-	158,015
Reduction (contract expired and early termination of contract)		-	(9,837)	(661)	-	(10,498)
Reclassification to non-current assets held for sale		(139)	-	-	-	(139)
Effect of exchange rate changes		(8)	(7,860)	(11)	-	(7,879)
Balance as of December 31, 2021	$	3,062	437,245	1,917	-	442,224
Balance as of January 1, 2020	$	1,073	150,443	1,005	171	152,692
Depreciation in current period		1,066	144,983	1,049	58	147,156
Reduction (contract expired and early termination of contract)		-	(2,553)	(501)	(229)	(3,283)
Effect of exchange rate changes		15	6,137	8	-	6,160
Balance as of December 31, 2020	$	2,154	299,010	1,561	-	302,725
Carrying amounts:						
Balance as of December 31, 2021	$	24,484	609,415	1,534	-	635,433
Balance as of December 31, 2020	$	26,958	484,619	1,843	-	513,420

(XIII) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets for the years ended December 31, 2021 and 2020 were as follows:

		Goodwill	Software cost	Patent	Total
Costs:					
Balance as of January 1, 2021	$	218,672	12,851	15,863	247,386
Addition in current period		-	7,190	-	7,190
Reduction in current period		-	(4,437)	-	(4,437)
Effect of exchange rate changes		-	(1)	-	(1)
Balance as of December 31, 2021	$	218,672	15,603	15,863	250,138
Balance as of January 1, 2020	$	218,672	10,801	15,863	245,336
Addition in current period		-	1,513	-	1,513
Reduction in current period		-	(200)	-	(200)
Reclassification (Note)		-	735	-	735
Effect of exchange rate changes		-	2	-	2
Balance as of December 31, 2020	$	218,672	12,851	15,863	247,386

		Goodwill	Software cost	Patent	Total
Amortization and impairment loss:					
Balance as of January 1, 2021	$	-	10,485	15,863	26,348
Amortization for the period		-	4,732	-	4,732
Reduction in current period		-	(4,437)	-	(4,437)
Effect of exchange rate changes		-	(1)	-	(1)
Balance as of December 31, 2021	$	-	10,779	15,863	26,642
Balance as of January 1, 2020	$	-	6,057	15,863	21,920
Amortization for the period		-	3,891	-	3,891
Reduction in current period		-	(200)	-	(200)
Reclassification (Note)		-	735	-	735
Effect of exchange rate changes		-	2	-	2
Balance as of December 31, 2020	$	-	10,485	15,863	26,348
Carrying amounts:					
Balance as of December 31, 2021	$	218,672	4,824	-	223,496
Balance as of December 31, 2020	$	218,672	2,366	-	221,038

Note: Transferred from property, plant and equipment.

1. Amortization expenses

   The amortization of intangible assets was included in the following items of the Statements of Comprehensive Income for the years ended December 31, 2021 and 2020:

		2021	2020
Operating costs	$	378	355
Operating expenses		4,354	3,536

2. Impairment test for goodwill

   (1) For the purpose of impairment test, goodwill is allocated to the Group's operating units, which are the smallest levels used by the Group to monitor goodwill for internal management purposes and shall not be larger than the operating departments of the Group. Allocation of the carrying amount of goodwill as of December 31, 2021 and 2020 was as follows:

		2021.12.31	2020.12.31
FSP Technology Inc., Kaohsiung Branch	$	114,411	114,411
3Y Power		104,261	104,261
	$	218,672	218,672

(2) The recoverable amount of the cash-generating unit is based on its value in use. Value in use is determined by discounting the future cash flows arising from the continuing use of the unit. The calculation of the value in use (including goodwill) is based on the following key assumptions:

A. The cash flow projections were based on historical figures, actual operating results and 5-year business plan. Cash flows beyond 5 years have been projected with zero growth rate.

B. The Group estimated the pre-tax discount rate based on the weighted-average cost of capital, which was 9.10% and 9.44% for the years ended December 31, 2021 and 2020, respectively.

(3) According to the asset impairment test conducted in 2021 and 2020, no impairment losses were recognized as the recoverable amount of cash-generating unit was higher than the carrying amount.

(XIV) Short-term loans

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

	2021.12.31	2020.12.31
Credit loans	$ 16,315	32,162
Unused facility	$ 803,882	927,046
Interest rate range	1.00~2.26	0.98~4.32

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

(XV) Long-term loans

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

	2021.12.31	2020.12.31
Secured bank borrowings	$ 272,348	123,243
Less: current portion of long-term debt	73,014	12,559
Total	$ 199,334	110,684
Unused facility	$ 20,000	259,930
Interest rate range	1.41~1.58	1.41~1.58

1. Collateral for bank borrowings

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

2. Government-subsidized loan with preferential interest rate

   In August 2020, the Group obtained a NT$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses". Drawdown period was until December 31, 2021 and multiple drawdowns were allowed. For the periods from January 1, 2021 to December 31, 2021 and from August 3, 2020 to December 31, 2020, the amount of actual utilization was NT$185,580 thousand and NT$111,070 thousand respectively. Based on market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT$3,591 thousand and NT$2,994 thousand respectively, which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities.

(XVI) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2021.12.31	**2020.12.31**
Current	$ 166,758	151,461
Non-current	474,996	371,116
Total	**$ 641,754**	**522,577**

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

The amounts recognized in profit or loss were as follows:

	2021	**2020**
Interest expense on lease liabilities	**$ 7,933**	**10,041**
Variable lease payments not included in the measurement of lease liabilities	**$ 1,675**	**1,208**
Expenses of short-term leases	**$ 10,821**	**5,938**
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	**$ 102**	**63**
Rent concession arising from the COVID-19 pandemic (recognized in other income)	**$ -**	**14,763**

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

	2021	**2020**
Total cash outflow in operating activities	$ 20,531	17,250
Total cash outflow in financing activities	162,242	134,460
Total cash flows on lease	**$ 182,773**	**151,710**

1. Lease of land, buildings and construction

The Group leases land, buildings and construction as factories, office premises, staff quarters and warehouses with lease terms ranging from 1 to 10 years. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Group in 2021 were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	$ 1,675	17

2. Other leases

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

The lease terms of some of Group's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered as short-term leases or leases of low-value assets and the Group elected to apply exemption and did not recognize related right-of-use assets and lease liabilities.

(XVII) Provisions for liabilities

	2021	2020
Balance at January 1	$ 157,190	145,337
Addition of provision during the year	116,273	88,886
Amount utilized during the year	(127,240)	(77,033)
Balance at December 31	$ 146,223	157,190

The provision of the Group is mainly for sales-related maintenance obligation. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

(XVIII) Employee benefits

1. Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets was as follows:

		2021.12.31	2020.12.31
Present value of defined benefit obligation	$	214,365	218,482
Fair value of plan assets		(176,113)	(165,115)
Net defined benefit liabilities	$	38,252	53,367
Recorded under other non-current assets	$	5,982	3,851
Recorded under net defined benefit liabilities	$	44,234	57,218

The Group makes contribution of defined benefit plan to the labor pension reserve account at Bank of Taiwan. Under the Labor Standards Act, pension benefit of each eligible employee is calculated based on the number of units accrued from service years and the average monthly salaries of the last 6 months prior to retirement.

(1) Composition of plan assets

The pension fund contributed by the Group is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, minimum returns per year shall not be lower than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, the balance of the labor pension reserve account at Bank of Taiwan was NT$175,295 thousand. For information on the labor pension fund assets, including yield of the fund and the asset portfolio, please refer to the website of the Bureau of Labor Funds.

(2) Changes in present value of the defined benefit obligations

Changes in present value of the defined benefit obligations in 2021 and 2020 were as follows:

		2021	2020
Defined benefit obligations at January 1	$	218,482	209,840
Service costs and interest in the year		3,452	2,680
Remeasurement on the net defined benefit liabilities (assets)			
- Actuarial loss arising from experience adjustments		3,327	2,900
- Actuarial loss arising from changes in demographic assumption		459	294
- Actuarial loss (gain) arising from changes in financial assumption		(8,418)	9,629
Benefits paid by the plan		(2,937)	(5,694)
Effect of plan curtailment		-	(1,167)
Defined benefit obligations at December 31	$	214,365	218,482

(3) Changes in fair value of plan assets

Changes in fair value of defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Fair value of plan assets on January 1	$	(165,115)	(153,663)
Interest income		(486)	(1,125)
Remeasurement on the net defined benefit assets - Return on plan assets (excluding interests)		(2,444)	(5,032)
Amount contributed to the plan		(11,005)	(10,460)
Benefits paid by the plan		2,937	5,165
Fair value of plan assets on December 31	$	(176,113)	(165,115)

(4) Expenses recognized in profit or loss

Details of expenses (gains) recognized in profit or loss for the years ended December 31, 2021 and 2020:

		2021	2020
Service costs for the current period	$	2,812	(20)
Net interest expense of net defined benefit liabilities		154	408
	$	2,966	388
Operating costs	$	279	(1)
Selling and marketing expenses		394	-
General and administrative expenses		1,013	389
Research and development expenses		1,280	-
	$	2,966	388

(5) Actuarial assumptions

The major assumptions of the actuarial valuation to calculate the present value of the defined benefit obligation at the end of reporting period were as follows:

	2021.12.31	2020.12.31
Discount rate	0.70%	0.30%
Future salary increases	2.00%	2.00%

The Group estimates to make contribution of NT$4,084 thousand to the defined benefit plan in the year following December 31, 2021.

The weighted-average duration of the defined benefit plan is 9 years.

(6) Sensitivity analysis

The impact of a change in assumptions on the present value of the defined benefit obligation as of December 31, 2021 and 2020 is summarized below:

	Impact on the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2021		
Discount rate (change by 0.25%)	(5,051)	5,256
Future salary adjustment rate (change by 0.25%)	5,125	(4,951)
December 31, 2020		
Discount rate (change by 0.25%)	(5,458)	5,680
Future salary adjustment rate (change by 0.25%)	5,513	(5,325)

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. In practical terms, many assumptions are interrelated and changing one individual assumption may trigger the changes in other assumptions. The method used to conduct the sensitivity analysis is consistent with the calculation of the net pension liabilities recognized in the balance sheets.

The method and assumptions used to conduct the sensitivity analysis are the same as those in the previous year.

2. Defined contribution plans

Per Group's defined contribution plan, the Group contributes monthly an amount equal to 6% of each employee's monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, in relation to the defined contribution plan, the Group recognized pension expenses of NT$31,582 thousand and NT$31,833 thousand, respectively, which had been contributed to the Bureau of Labor Insurance.

In accordance with local regulations, other consolidated subsidiaries recognized pension expenses of NT$95,554 thousand and NT$51,483 thousand, respectively, for the years ended December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, the Group contributed NT$12,595 thousand and NT$0 respectively to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

As of December 31, 2021 and 2020, the Group had accrued unused leave bonuses of NT$44,230 thousand and NT$42,250 thousand, respectively, which were recorded under other payables.

(XIX) Income Tax

1. Details of income tax expense (benefit) for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Income tax expense for the period		
Income tax expense incurred	$ 167,546	251,256
Adjustment for prior year	2,404	(6,740)
	169,950	244,516
Deferred income tax benefit		
Origination and reversal of temporary differences	(10,629)	(2,547)
Income tax expense	$ 159,321	241,969

Details of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Items that will not be reclassified to profit or loss:		
Gains (losses) on re-measurements of defined benefit plans	$ 1,415	(1,558)

Reconciliation between the expected income tax expense calculated based on the Group's statutory tax rate and the actual income tax expense reported in the Consolidated Statements of Comprehensive Income was as follows:

	2021	2020
Income before Tax	$ 960,600	934,044
Income tax using the Company's statutory tax rate	$ 192,120	186,809
Effect of different tax rates in foreign jurisdictions	(16,676)	(12,765)
Non-deductible expenses	7,540	12,563
Cash dividend income	(24,586)	(21,490)
Gains on securities transactions	131,633	43,180
Gains on exemption from securities transaction tax	(133,335)	(44,229)
Adjustments in respect of prior years	2,404	(6,740)
Tax on undistributed earnings (5%)	11,505	4,645
Land value increment tax	-	86,311
Tax incentives	(12,006)	(4,460)
Basic income tax amount	722	-
Others	-	(1,855)
Total	$ 159,321	241,969

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

Group's unrecognized deferred income tax assets:

	2021.12.31	2020.12.31
Tax loss	$ 160,083	145,746

In accordance with the U.S. federal tax laws, losses approved by the tax authority may be deducted from the net income of the current year before income tax is assessed. Losses incurred in 2018 and subsequent years can be deducted indefinitely against the taxable income of future years, provided that the amount of offsetting in any profitable year is limited to 80% of the taxable income of that year. Losses incurred before 2018 can be deducted for 20 years, and there is no limit to the deductible amount in a single tax year. The above deferred income tax asset was not recognized as the Group believed that it is not probable that future taxable income will be available against which the Group can utilize the temporary differences.

As of December 31, 2021, the expiry years of unused tax losses were as follows:

Loss year	Unused tax loss	Year of expiry
2009	$ 20,435	2029
2010	55,006	2030
2013	9,534	2033
2014	6,111	2034
2015	3,499	2035
2017	3,823	2037
2018	9,763	No expiry date
2019	37,575	No expiry date
2020	14,337	No expiry date
Total	$ 160,083	

(2) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2021 and 2020 were as follows:

	Unrealized valuation gains
Deferred income tax liabilities:	
January 1, 2021	$ (2,039)
Debit income statement	(880)
December 31, 2021	$ (2,919)
January 1, 2020	$ (443)
Debit income statement	(1,596)
December 31, 2020	$ (2,039)

	Allowance for inventory valuation loss	Pension provision	Unrealized foreign exchange gain or loss	Others	Total
Deferred income tax assets:					
January 1, 2021	$ 21,138	9,858	21,855	19,530	72,381
(Debit)/Credit income statement	2,776	(1,275)	7,785	2,223	11,509
Debit other comprehensive income	-	(1,415)	-	-	(1,415)
Foreign exchange differences arising from translation of foreign operations	(99)	-	-	(136)	(235)
Foreign exchange differences arising from translation of foreign operations					
December 31, 2021	**$ 23,815**	**7,168**	**29,640**	**21,617**	**82,240**
January 1, 2020	$ 26,438	9,982	17,193	13,545	67,158
(Debit)/Credit income statement	(5,103)	(1,682)	4,662	6,266	4,143
Credit other comprehensive income	-	1,558	-	-	1,558
Foreign exchange differences arising from translation of foreign operations	(197)	-	-	(281)	(478)
Foreign exchange differences arising from translation of foreign operations					
December 31, 2020	**$ 21,138**	**9,858**	**21,855**	**19,530**	**72,381**

3. Income tax assessment

   The tax returns for the years up to 2019 filed by the Company have been approved by the tax authority.

(XX) Capital and other equity

1. Common stock issuance

   As of December 31, 2021 and 2020, the Company's authorized common stock was NT$3,600,000 thousand with the par value of NT$10 per share. 187,262 thousand shares were issued.

   The changes in outstanding shares of common stock in 2021 and 2020 were as follows:

Unit: Thousands of shares

	2021	2020
Balance at January 1	187,262	192,262
Retirement of treasury shares	-	(5,000)
Balance at December 31	**187,262**	**187,262**

2. Capital surplus

The Company’s capital surplus was as follows:

	2021.12.31	2020.12.31
Paid-in capital in excess of par value	$ 1,006,236	1,006,236
Adjustments arising from changes in percentage of ownership in subsidiaries	4,780	4,780
	$ 1,011,016	1,011,016

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, can be transferred to common stock as stock dividends or distributed by cash based on the original shareholding percentage. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in each year shall not exceed 10% of paid-in capital.

3. Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting tax and accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, along with the unappropriated earnings from the previous years, can be distributed as dividends to stockholders after the shareholders’ meeting approves the distribution plan submitted by the Board of Directors.

As per the dividend policy set forth in the Company's Articles of Incorporation, the Company's dividend policy is based on the assessment of the Company's future capital budget, planning of future capital requirements, financial structure and earnings, etc. The Board of Directors shall prepare a proposal for the distribution of earnings, which shall be approved by the shareholders' meeting. As the Company is in a stable growth stage in its business life cycle, under the trend of concentration in the industry, in order to continue to expand its scale for sustainable operation and stable growth, the residual dividend policy is adopted. Future earnings will be distributed in the form of stock dividends or cash dividends as appropriate depending on the Company's operating performance, and cash dividends distributed shall not be lower than 5% of the total dividend distribution.

(1) Legal reserve

If the Company has no accumulated deficit, it may, subject to a resolution approved by the shareholders’ meeting, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(2) Special reserve

Pursuant to the Ruling issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from other stockholders' equity shall be set aside from current and prior year earnings. If it is the deduction amount of other shareholders' equity accumulated in the previous period, the special reserve of the same amount shall not be distributed from the undistributed earnings of the previous period. When the amount of the deduction of shareholders' equity is reversed subsequently, the reversed amount can be included in the distributable earnings.

(3) Earning distribution

On July 20, 2021 and June 16, 2020, the Company's shareholders' meeting resolved on the distribution of earnings for the years ended December 31, 2020 and 2019, and the amount of dividends distributed to shareholders was as follows:

	2020	2019
Cash dividend distributed to the shareholders of common stock	$ 561,786	192,262

In addition, on June 16, 2020, the shareholders' meeting of the Company resolved to distribute the capital surplus of NT$96,131 thousand in cash, at NT$0.5 per share.

On March 18, 2022, the shareholders' meeting resolved on the distribution of earnings for the year ended December 31, 2021, and the amount of dividends distributed to shareholders was as follows:

	2021
Cash dividend distributed to the shareholders of common stock	$ 617,964

Information related to earning distribution approved and resolved by the Company's Board of Directors and shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

4. Treasury stock

As resolved by the Board of Directors on March 19, 2020, the Company planed to purchase 5,000 thousand shares of its common stock from March 20, 2020 to May 19, 2020 in order to maintain the Company's credit and shareholders' right at the price range between NT$15 to NT$25 per share. The Company purchased back 5,000 thousand shares of common stock from March 23, 2020 to May 5, 2020 at the average price of NT$20.20 per share with total amount of NT$101,003 thousand. The Company's Board of Directors resolved that June 25, 2020 was the capital reduction effective date and related statutory registration has been completed.

5. Other equity items (net after tax)

		Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2021	$	(89,678)	5,004,114	4,914,436
Exchange differences on translation of financial statements of foreign operations		(27,216)	-	(27,216)
Share of other comprehensive income of associates and joint-ventures under the equity method		(809)	-	(809)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		-	1,854,340	1,854,340
Disposal of equity instruments at fair value through other comprehensive income		-	(658,165)	(658,165)
Balance as of December 31, 2021	**$**	**(117,703)**	**6,200,289**	**6,082,586**
Balance as of January 1, 2020	$	(116,514)	3,199,064	3,082,550
Exchange differences on translation of financial statements of foreign operations		28,236	-	28,236
Share of other comprehensive income of associates and joint-ventures under the equity method		(1,400)	-	(1,400)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		-	2,094,827	2,094,827
Disposal of equity instruments at fair value through other comprehensive income		-	(289,777)	(289,777)
Balance as of December 31, 2020	**$**	**(89,678)**	**5,004,114**	**4,914,436**

6. Non-controlling interests (net after tax)

	2021	2020
Beginning balance	$ 307,844	304,971
Net income for the year attributable to non-controlling interests	47,197	22,761
Gains (losses) on re-measurements of defined benefit plans	127	8
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(5,859)
Exchange differences on translation of financial statements of foreign operations	(2,116)	(3,474)
Distribution of cash dividends to non-controlling interests	(16,901)	(10,563)
Increase in non-controlling interests	2,364	-
	$ 338,515	307,844

(XXI) Earnings per Share

Unit: Thousands of shares

	2021	2020
Basic earnings per share:		
Net income attributable to the ordinary shareholders of the Company	$ 754,082	669,314
Weight-average number of ordinary shares outstanding	187,262	188,632
Basic earnings per share (Unit: In New Taiwan Dollars)	$ 4.03	3.55
Diluted earnings per share:		
Net income attributable to the ordinary shareholders of the Company	$ 754,082	669,314
Weight-average number of ordinary shares outstanding	187,262	188,632
Employee compensation	1,627	1,373
Weight-average number of ordinary shares outstanding	188,889	190,005
Diluted earnings per share (Unit: In New Taiwan Dollars)	$ 3.99	3.52

(XXII) Revenue from contracts with customers

1. Breakdown of revenue

	2021					
	The Company and its processing subsidiaries	**3Y Power**	**Zhong Han**	**WUXI Zhonghan**	**Others**	**Total**
Primary geographical markets:						
Taiwan	$ 3,059,269	484,470	-	-	-	3,543,739
China	2,860,099	520,649	2,352,506	747,527	20,861	6,501,642
U.S.A.	1,322,295	19,767	-	-	587,839	1,929,901
Germany	2,161,664	73,655	-	-	-	2,235,319
Other countries	2,332,235	57,716	-	-	49,700	2,439,651
	$ 11,735,562	1,156,257	2,352,506	747,527	658,400	16,650,252
Major product/service line:						
Sales of power supply	$ 11,735,562	1,156,257	2,352,506	747,527	658,400	16,650,252

	2020					
	The Company and its processing subsidiaries	**3Y Power**	**Zhong Han**	**WUXI Zhonghan**	**Others**	**Total**
Primary geographical markets:						
Taiwan	$ 2,311,723	556,312	-	-	-	2,868,035
China	2,878,880	546,795	1,958,213	822,759	29,977	6,236,624
U.S.A.	1,179,718	29,203	-	-	346,772	1,555,693
Germany	1,924,441	89,795	-	-	-	2,014,236
Other countries	2,114,576	7,296	-	-	-	2,121,872
	$ 10,409,338	1,229,401	1,958,213	822,759	376,749	14,796,460
Major product/service line:						
Sales of power supply	$ 10,409,338	1,229,401	1,958,213	822,759	376,749	14,796,460

2. Contract balance

	2021.12.31	**2020.12.31**	**2020.1.1**
Notes and accounts receivable (including related parties)	$ 4,768,361	4,351,209	4,408,200
Less: Allowance for impairment loss	(39,771)	(42,029)	(37,515)
Total	$ 4,728,590	4,309,180	4,370,685
Contract liabilities (recognized in other current liabilities)	$ 52,856	40,188	42,801

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was NT$13,526 thousand and NT$15,044 thousand, respectively.

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXIII) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to NT$65,000 thousand and NT$50,000 thousand, respectively, and the remuneration for Directors of NT$7,000 thousand and NT$5,600 thousand, respectively. The said amounts, which were recognized as operating expenses in 2021 and 2020, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and Directors, multiplied by the distribution percentage specified in the Company's Articles of Incorporation. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Consolidated Financial Statements for the years ended December 31, 2021 and 2020. Information related to remuneration to employees and Directors resolved by the Board of Directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(XXIV) Non-operating income and expenses

1. Interest income

	2021	2020
Bank deposits	$ 23,348	23,883

2. Other income

	2021	2020
Gains on bargain purchase	$ 2,523	-
Dividend income	122,933	107,452
Other income		
Government grant	35,993	53,697
Rent concessions reclassified to revenue	-	14,763
Tax refund	11,082	13,417
Others	25,809	19,222
	$ 198,340	208,551

3. Other gains and losses

		2021	2020
Foreign currency exchange loss	$	(9,116)	(89,088)
Gain on financial assets measured at fair value through profit or loss		12,910	13,224
Loss on disposal of property, plant and equipment		(530)	(2,495)
Gains on disposal of non-current assets held for sale		72,399	326,059
Gains on lease modifications		97	18
Others		(695)	1,836
	$	75,065	249,554

4. Finance costs

		2021	2020
Interest expense:			
Bank borrowings	$	3,152	3,226
Lease liabilities		7,933	10,041
Others		261	63
	$	11,346	13,330

(XXV) Financial instruments

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

(2) Concentration of credit risk

As of December 31, 2021 and 2020, top three customers accounted for 28% and 25% of the Group's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. Above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using 12-month expected credit loss.

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Short-term loans	$ 16,315	23,332	16,406	6,926	-	-	-
Long-term loans	272,348	280,391	37,791	38,953	77,529	126,118	-
Notes payable	14,445	14,445	14,445	-	-	-	-
Accounts payable	4,986,689	4,986,689	4,986,689	-	-	-	-
Accounts payable - related parties	90,024	90,024	90,024	-	-	-	-
Other payables	1,151,339	1,151,339	1,151,339	-	-	-	-
Lease liabilities	641,754	670,148	88,163	88,427	182,148	250,601	60,809
	$ 7,172,914	7,216,368	6,384,857	134,306	259,677	376,719	60,809
December 31, 2020							
Non-derivative financial liabilities							
Short-term loans	$ 32,162	32,291	32,262	29	-	-	-
Long-term loans	123,243	128,523	1,434	12,983	30,479	78,796	4,831
Notes payable	15,001	15,001	15,001	-	-	-	-
Accounts payable	4,842,867	4,842,867	4,842,867	-	-	-	-
Accounts payable - related parties	80,004	80,004	80,004	-	-	-	-
Other payables	948,782	948,782	948,782	-	-	-	-
Lease liabilities	522,577	550,873	82,766	76,543	93,834	222,386	75,344
	$ 6,564,636	6,598,341	6,003,116	89,555	124,313	301,182	80,175

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

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

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

	2021.12.31			2020.12.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Financial assets						
Monetary items						
RMB	$ 263,138	4.344	1,143,071	204,796	4.377	896,392
USD	161,337	27.680	4,465,808	160,275	28.480	4,564,632
HKD	7,725	3.549	27,416	11,374	3.673	41,777
EUR	444	31.320	13,906	281	35.020	9,841
Non-monetary items						
USD	2,534	28.268	71,632	2,361	28.476	67,232
USD	1,080	27.680	29,894	963	28.480	27,426
RMB	6,322	4.191	26,494	6,322	4.191	26,494
HKD	5,104	3.549	18,118	5,271	3.670	19,344
Financial liabilities						
Monetary items						
RMB	111,426	4.344	484,035	117,408	4.377	513,895
USD	138,025	27.680	3,820,532	126,541	28.480	3,603,888
HKD	13,709	3.549	48,653	12,317	3.673	45,240

(2) Sensitivity analysis

The Group's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, non-current financial assets measured at fair value through other comprehensive income, short-term borrowings, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of December 31, 2021 and 2020, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, Hong Kong Dollar and Euro with all other factors remaining unchanged, net income would have increased or decreased by NT$51,879 thousand and NT$53,985 thousand respectively in 2021 and 2020. The analysis of the two periods was conducted on the same basis.

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

Due to various functional currencies within the Group, the Group disclosed the information on foreign exchange gain (loss) on monetary items on an aggregated basis. For the years ended December 31, 2021 and 2020, the foreign exchange loss (including realized and unrealized) was NT$9,116 thousand and NT$89,088 thousand, respectively.

4. Market risk

If the prices of equity securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

	2021		**2020**	
Security price at the reporting date	**Other comprehensive income (pre-tax)**	**Pre-tax income**	**Other comprehensive income (pre-tax)**	**Pre-tax income**
Increase by 5%	$ 332,024	-	260,901	-
Decrease by 5%	$ (332,024)	-	(260,901)	-

Please refer to Note VI(IV) "Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions"for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

The Group's demand deposits, time deposits and short-term liabilities are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

(1) Category of financial instruments and their fair value

Group's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 232,758	232,758	-	-	232,758
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	199,684	-	-	199,684	199,684
Subtotal	516,074	232,758	-	283,316	516,074
Financial assets at fair value through other comprehensive income					
Domestic listed stock	6,622,359	6,622,359	-	-	6,622,359
Foreign listed stock	18,118	18,118	-	-	18,118
Non-publicly quoted equity instruments measured at fair value	122,661	-	-	122,661	122,661
Subtotal	6,763,138	6,640,477	-	122,661	6,763,138
Financial assets at amortized cost					
Corporate bond	$ 10,800	-	-	-	-
Cash and cash equivalents	2,794,253	-	-	-	-
Notes receivable and accounts receivable	4,728,590	-	-	-	-
Other receivables	73,406	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,779	-	-	-	-
Refundable deposits (classified in other non-current assets)	39,290	-	-	-	-
Subtotal	7,665,118	-	-	-	-
Total	$ 14,944,330	6,873,235	-	405,977	7,279,212
Financial liabilities measured at amortized cost					
Bank borrowings	$ 288,663	-	-	-	-
Notes payable and accounts payable	5,091,158	-	-	-	-
Other payables	1,151,339	-	-	-	-
Lease liabilities	641,754	-	-	-	-
Total	$ 7,172,914	-	-	-	-

	2020.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	$ 210,388	210,388	-	-	210,388
Non-publicly quoted equity instruments measured at fair value	67,232	-	-	67,232	67,232
Structured deposits	288,112	-	-	288,112	288,112
Subtotal	565,732	210,388	-	355,344	565,732
Financial assets at fair value through other comprehensive income					
Domestic listed stock	5,198,671	5,198,671	-	-	5,198,671
Foreign listed stock	19,344	19,344	-	-	19,344
Non-publicly quoted equity instruments measured at fair value	55,161	-	-	55,161	55,161
Subtotal	5,273,176	5,218,015	-	55,161	5,273,176
Financial assets at amortized cost					
Cash and cash equivalents	$ 3,051,117	-	-	-	-
Notes receivable and accounts receivable	4,309,180	-	-	-	-
Other receivables	65,054	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,921	-	-	-	-
Refundable deposits (classified in other non-current assets)	36,826	-	-	-	-
Subtotal	7,481,098	-	-	-	-
Total	$ 13,320,006	5,428,403	-	410,505	5,838,908
Financial liabilities measured at amortized cost					
Bank borrowings	$ 155,405	-	-	-	-
Notes payable and accounts payable	4,937,872	-	-	-	-
Other payables	948,782	-	-	-	-
Lease liabilities	522,577	-	-	-	-
Total	$ 6,564,636	-	-	-	-

(2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market.

A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Group, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined with reference to quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by referencing to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to current fair value of instruments with similar terms and

characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the Consolidated Balance Sheets date.

The fair value of financial instruments held by the Group that are not publicly quoted equity instruments with no active market is estimated using the market comparable company method. The key assumptions of the market comparable company method are based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies. This estimate of the equity securities has been adjusted for the effect of lack of market liquidity.

(3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds and financial assets measured at fair value through other comprehensive income.

The Group's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because they are independent of each other.

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

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

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	· Net worth multiple (2.59 and 1.94 for the years ended December 31, 2021 and 2020) · Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value · The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	· Net asset value	· The higher the net assets value, the higher the fair value
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	· P/E ratio multiple (9.69-29.67 and 10.15 for the years ended December 31, 2021 and 2020) · Net worth multiple (2.40-5.42 and 6.81 for the years ended December 31, 2021 and 2020) · Discount for lack of market liquidity (29.39% as of December 31, 2021 and 2020)	· The higher the multiple, the higher the fair value · The higher the discount for lack of market liquidity, the lower the fair value

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

The Group's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,363	(4,363)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	475	(475)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	552	(552)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,234	(3,234)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
December 31, 2020						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	3,362	(3,362)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,036	(1,036)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,433	(1,433)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

(XXVI) Financial risk management

1. Overview

The Group is exposed to the following risks arising from financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

In this Note, the Group has disclosed the information on exposure to the aforementioned risks, and the Group’s objectives, policies and procedures to measure and manage these risks.

2. Risk management framework

The Board of Directors is responsible for developing and overseeing the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, to monitor the risk and to manage the exposure within the risk limits. Risk management policies and systems are reviewed on a regular basis to reflect the changes in market conditions and the Group's operations. The Group develops a disciplined and constructive control environment through training, management guidelines and operating procedures so that all employees understand their roles and responsibilities.

3. Credit risk

Credit risk refers to the risk of financial loss to the Group resulting from the failure of a customer or counterparty of a financial instrument to meet their contractual obligations, and arises primarily from the Group's accounts receivable and security investment.

(1) Accounts receivable and other receivables

The Group's customers are concentrated in a wide range of power supply-related industries. To mitigate the credit risk of accounts receivable, the Group continuously evaluates the financial position of customers and purchases insurance for the accounts receivable of customers in high-risk areas or with special characteristics to reduce the Group's accounts receivable risk. The Group regularly evaluates the possibility of receivables collection and makes provision for bad debts accordingly; overall, management is able to effectively manage the risk of accounts receivable.

The Group has established the credit policy under which it is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms and conditions. Purchasing limits are established for each individual customer and limits are reviewed periodically. Customers who do not meet the requirement of credit rating can only trade with the Group on an prepayment basis.

(2) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the financial department of the Group. Since the counterparties of transactions and obligations of the Group are banks with good credit standing, and financial institutions, corporate and government with investment grade and above, default risk is limited and hence there is no significant credit risk.

(3) Guarantee

It is the policy of the Group to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, the Group did not provide any guarantee.

4. Liquidity risk

Liquidity risk is the risk that the Group encounters difficulty in settling its financial liabilities by delivering cash or other financial assets and fails to fulfill its related obligations. The Group manages its liquidity by ensuring that the Group has sufficient liquidity to meet its liabilities as they fall due under normal and stressful circumstances without incurring unacceptable losses or damaging the Group's reputation.

The Group ensures that it has sufficient cash to meet all contractual obligations. In addition, the Group had unused facilities in the amount of NT$823,882 thousand and NT$1,186,976 thousand as of December 31, 2021 and 2020, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable level, while optimizing the return of investment.

(1) Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, procurement and loans that are denominated in a currency other than the respective functional currencies of the Group's entities. Group's functional currencies mainly include New Taiwan Dollar, US Dollar and Renminbi. The currencies used in these transactions are mainly New Taiwan Dollar, Hong Kong Dollar, US Dollar and Renminbi.

There is no significant difference or significant change in the receivables and payables of the Group, so the Group currently adopts natural hedge as the main exchange rate hedging policy to mitigate the risk.

(2) Interest rate risk

The Group’s financial assets exposed to the risk of fair value change arising from interest rate changes are bank deposits; financial liabilities are bank borrowings, but the impact of changes in interest rates on the fair value of the related financial assets is not significant.

(3) Other market price risk

Group's current financial assets at fair value through profit or loss and non-current financial assets at fair value through other comprehensive income mainly consist of investment in domestic funds, private equity funds, listed stocks, unlisted stocks, foreign listed stocks and foreign unlisted stocks. Because they are measured at fair value, the Group is exposed to the risk of changes in the market price of equity securities. In order to manage market risk, the Group selects investment targets carefully and controls its position in order to mitigate the market risk.

(XXVII) Capital management

It is the policy of the Board of Directors to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the development of future operations. Capital consists of the Group's share capital, capital surplus, retained earnings, other equity and non-controlling interests. The Board of Directors is responsible for controlling the debt-to-equity ratio and the level of common stock dividends.

As of December 31, 2021 and 2020, debt-to-equity ratio was as follows:

	2021.12.31	2020.12.31
Total Liabilities	$ 7,630,066	6,955,819
Less: cash and cash equivalents	(2,794,253)	(3,051,117)
Net liability	$ 4,835,813	3,904,702
Equity	$ 13,547,476	11,492,660
Debt-to-equity ratio	35.70%	33.98%

As of December 31, 2021, there was no material change in the Group's capital management.

(XXVIII) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities in 2021 and 2020 was as follows:

			Non-cash changes					
	2021.1.1	Cash flows from:	Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2021.12.31
Long-term loans	$ 123,243	149,105	-	-	-	-	-	272,348
Short-term loans	32,162	(15,847)	-	-	-	-	-	16,315
Lease liabilities	522,577	(162,242)	300,151	(4,057)	(14,675)	-	-	641,754
Total liabilities from financing activities	$ 677,982	(28,984)	300,151	(4,057)	(14,675)	-	-	930,417

			Non-cash changes					
	2020.1.1	Cash flows from:	Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	2020.12.31
Long-term loans	$ 16,713	106,153	-	-	-	-	377	123,243
Short-term loans	105,623	(73,461)	-	-	-	-	-	32,162
Lease liabilities	659,923	(134,460)	13,511	(4,255)	2,621	(14,763)	-	522,577
Total liabilities from financing activities	$ 782,259	(101,768)	13,511	(4,255)	2,621	(14,763)	377	677,982

VII. Related Party Transactions

(I) Related party name and relationship

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

Related Party	Relationship with the Group
FSP Group USA Corp.	Group's associate
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. (“Amacrox”)	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Voltronic Power Technology Corp. (“Voltronic”)	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange	Substantive related party
Cheng, Ya-Jen	Chairman of the Company
Li, Hung-Neng	Director of the Company

(II) Significant related party transactions

1. Operating revenue

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

	2021	2020
Associate	$ 57,170	67,749
Other related party	2,288,464	1,949,311
	$ 2,345,634	**2,017,060**

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

2. Purchases

The amounts of purchases from related parties were as follows:

	2021	2020
Other related party	210,723	180,020

The Group purchased goods from the above-mentioned related parties, and did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

3. Receivables from related parties

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

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts receivable	Associate	$ 15,710	32,561
	Other related party	786,038	584,192
		801,748	616,753
Other receivables	Associate	680	474
	Other related party		
	FSP Power Solution GmbH	7,297	12,463
	Others	13,673	16,806
		21,650	29,743
		$ 823,398	646,496

For the details of the loss allowance for accounts receivable - related party for the years ended December 31, 2021 and 2020, please refer to Note VI(V). Please refer to Note VI(VI) for the details of the loss allowance for other receivables - other related party, 3Y Power Exchange.

4. Payables to related parties

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

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Accounts payable	Other related party	$ 90,024	80,004

5. Purchase of services from related parties

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

	2021	2020
Associate		
FSP Group USA Corp.	8,933	10,515
Other related party		
Amacrox	8,496	6,830
Sparkle Power Inc.	4,665	5,360
Others	6,595	5,564
	28,689	28,269

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

Accounting Subject	Related party category/name	2021.12.31	2020.12.31
Other payables	Associate	$ 574	658
	Other related party	6,924	9,618
		$ 7,498	**10,276**

6. Leases

In 2020, the Group leased an office building from the Director of the Company and entered into a three-year lease agreement with reference to the rental rate of offices in the neighboring areas, with a total contract amount of NT$2,800 thousand. The interest expense recognized in the year ended December 31, 2020 was NT$260 thousand and the balance of lease liabilities as of December 31, 2020 was NT$14,386 thousand.

In addition, the Group leased an office from the Chairman of the Company and entered into a one-year lease agreement in January 2019 at a price agreed by both parties. This lease transaction was recognized as a right-of-use asset and lease liability of NT$9,487 thousand on January 1, 2020, in accordance with IFRS 16. The recognized interest expense in 2021 and 2020 was NT$145 thousand and NT$147 thousand respectively.The balance of lease liabilities as of December 31, 2021 and 2020 were NT$7,710 thousand and NT$8,600 thousand, respectively.

(III) Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 69,479	66,339
Post-employment benefits	709	640
	$ 70,188	**66,979**

VIII. Pledged Assets

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

Assets	Pledged to secure	2021.12.31	2020.12.31
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	$ 100	100
Restricted demand deposits (recognized in other non-current assets)	Litigation guarantee	18,679	18,821
Land	Long-term and short-term borrowings	161,077	173,844
Housing and Construction	Long-term and short-term borrowings	186,447	114,755
Total		**$ 366,303**	**307,520**

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of December 31, 2021 and 2020, the guarantee facilities extended by banks for customs and excise duties were NT$215,000 thousand, and utilized facilities were NT$63,000 thousand and NT13,000 thousand, respectively.

(II) The consolidated company purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the merged company in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US$2,268,402.22, should be borne jointly by the merged company, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September 27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court on November 18,2011.

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

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

(III) The consolidated company believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, we filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. We first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and merged company did not approve the rejection. On January 16, 2019, the merged company filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019, and the merged company is still waiting for the final decision of the Supreme Court before enforcing the decision.

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

(V) As of December 31, 2021 and 2020, the Group had entered into purchase agreements for property, plant and equipment amounting to NT$53,386 thousand and NT$176,364 thousand, respectively, and had paid NT$30,759 thousand and NT$83,158 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as well as other non-current assets.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

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

By function / By nature	2021			2020		
	Operation Costs	**Operation Expenses**	**Total**	**Operation Costs**	**Operation Expenses**	**Total**
Employee benefits						
Salary expense	1,749,820	951,198	2,701,018	1,592,340	882,424	2,474,764
Insurance expense	6,454	65,571	72,025	5,789	61,535	67,324
Pension expense	89,111	40,991	130,102	49,132	34,572	83,704
Other employee benefit expense	51,320	37,001	88,321	37,783	34,849	72,632
Depreciation expenses	251,182	88,667	339,849	228,503	88,354	316,857
Amortization expenses	378	4,354	4,732	355	3,536	3,891

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions is disclosed as follows:

1. Financing provided to other parties: None.

2. Guarantees and endorsements provided to other parties: None.

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Maximum shareholding percentage during the period	Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value		
The Company	Stock:								
	Mekong Resort Development Construction Co., Ltd.	–	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	8.25	
	Beneficiary certificates:								
	Fuh Hwa Ruei Neng Fund I	–	〃	5,000,000	55,589	-	55,589	-	
	Fuh Hwa Ruei Neng Fund I	–	〃	4,000,000	45,058	-	45,058	-	
	Fuh Hwa Guardian Fund	–	〃	3,504,199	64,647	-	64,647	-	
	Fuh Hwa Ruei Hua Fund	–	〃	1,961,169	21,182	-	21,182	-	
	Fuh Hwa Jhih Neng Fund I	–	〃	3,000,000	31,918	-	31,918	-	
	Taiwan ESG	–	〃	400,000	14,364	-	14,364	-	
	Private equity fund:								
	Mesh Cooperative Ventures Fund	–	〃	12,000,000	12,000	2.46	12,000	2.46	
					316,390		316,390	-	
	Stock:								
	Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	4,021,822	6,213,715	4.60	6,213,715	5.15	
	JESS-LINK Products Co., Ltd.	–	〃	8,492,000	351,144	6.96	351,144	6.96	
	WT Microelectronics Co., Ltd.	–	〃	1,000,000	48,950	0.74	48,950	0.74	
	Taiwan Cement Corp.	–	〃	50,000	2,400	-	2,400	-	
	Taiwan Semiconductor Manufacturing Co., Ltd.	–	〃	10,000	6,150	-	6,150	-	
	TOT BIOPHARM International Co., Ltd.	–	〃	1,195,200	18,118	0.19	18,118	0.20	
	Eastern Union Interactive Corp.	–	〃	880,000	58,667	4.43	58,667	4.43	
The Company	Stock:								
	Guoyu Global Co., Ltd.	–	Financial assets at fair value through other comprehensive income	50,000	5,000	16.67	5,000	16.67	
	Taiwan Truewin Technology Co., Ltd.	–	〃	50,000	32,500	2.85	32,500	2.85	
					6,736,644		6,736,644		
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	–	〃	-	-	12.04	-	12.04	
FSP Jiangsu	Powerland Technology Inc.	–	〃	-	26,494	3.54	26,494	4.22	
					6,763,138		6,763,138	-	
The Company	Bond:								
	Novaland Group (NYL)	–	Financial assets at amortized cost	9,000	10,800	-	10,800	-	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300,000 thousand or 20% of the paid-in capital:

Unit: Shares

Company Name	Marketable Securities Type and Name	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Cost	Gains (Losses) on Disposal	Shares	Amount
The Company	Stock: Voltronic Power Technology Corp.	Financial assets at fair value through other comprehensive income			4,500,822	5,040,921	-	-	479,000	660,425	2,260	658,165	4,021,822	6,213,715 (Note)

Note: Ending balance includes unrealized valuation gain (loss) of financial assets.

5. Acquisition of real estate at costs which exceed NT$300,000 thousand or 20% of the paid-in capital: None.

6. Disposal of real estate at prices which exceed NT$300,000 thousand or 20% of the paid-in capital: None.

7. Total purchases from and sales to related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(497,301)	(4.04)	Note 1			176,243	5.21	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(586,236)	(4.76)	Note 1			147,782	4.37	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(589,751)	(4.79)	Note 1			305,772	9.05	
The Company	Fortron/ Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(418,581)	(3.40)	Note 1			75,109	2.22	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(328,551)	(2.67)	Note 1			138,416	4.09	Note 6
The Company	FSP Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(131,045)	(1.06)	Note 1			56,617	1.67	Note 6
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	939,867	10.80	Note 4		Note 4	(104,088) (Note 3)	(2.77)	Note 6
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	433,479	4.98	Note 4		Note 4	(42,251) (Note 3)	(1.12)	Note 6
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	237,150	2.72	Note 4		Note 4	(17,971) (Note 3)	(0.48)	Note 6
The Company	Voltronic	The Company is the Director of this company	Purchases	210,723	2.42	Note 5			(90,024)	(2.39)	

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

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	260,047	2.99	Note 1			(81,547)	(2.17)	Note 6
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(315,435)	(17.16)	Note 1			80,601	12.03	Note 6
3Y Power	Huili	Affiliate	Purchases (Note 2)	247,178	17.99	Note 4		Note 4	(22,094) (Note 3)	(3.82)	Note 6

Note 1. The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2. Including purchases of products, purchases of raw materials and processing.

Note 3. Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4. The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5. The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

Note 6. Eliminated under consolidation.

8. Receivables from related parties which exceed NT$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	176,243	2.98	-		126,119	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	305,772	2.71	-		122,751	-
The Company	FSP North America	Substantive related party of the Company	147,782	4.85	-		34,022	-
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	138,416	2.20	-		109,459	-
Huili	The Company	100% owned investment via indirect shareholding	104,088	9.19	-		104,088	-

Note: As of March 4, 2022.

9. Derivative instruments transactions: None.

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated operating income or total assets (Note 3)
0	The Company	3Y Power	1	Cost of goods sold	260,047	No significant difference from other suppliers	1.56%
0	The Company	Huili	1	Cost of goods sold	939,867	No comparison is available	5.64%
0	The Company	Zhonghan	1	Cost of goods sold	433,479	No comparison is available	2.60%
0	The Company	WUXI SPI	1	Cost of goods sold	237,150	No comparison is available	1.42%
0	The Company	WUXI Zhonghan	1	Operating revenue	328,551	No significant difference from other customers	1.97%
1	3Y Power	3Y Power Tochnology Inc.	3	Operating revenue	315,435	No significant difference from other customers	1.89%
1	3Y Power	Huili	3	Cost of goods sold	247,178	No comparison is available	1.48%

Note 1. Fill in the number per below:

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

Note 2. The relationships with counterparty are as follows:

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

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

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

(II) Information on Invested Companies:

Investment information in 2021 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Maximum shareholding during the period	Profit (Loss) of Investee for the Period (Note 1 & 2)	Investment gain (loss) recognized for the period (Note 1 & 2)	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount				
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,199,388	1,241,751	108,773	108,773	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	372	1,752	(110)	(110)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	60,168	40,925	850	850	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	663,717	304,406	134,172	88,389	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,788	45	(86)	(86)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	1,853	3,143	276	276	Subsidiary
	FSP Turkey	Turkey	Business development and product technical service	22,640	-	6,673,000	91.41	16,989	22,640	4,951	4,526	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	121,029	62,883	3,791	-	Sub-subsidiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	217,707	217,707	437	-	Sub-subsidiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,358,711	807,483	58,092	-	Sub-subsidiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	16,069	32,984	(7,993)	-	Sub-subsidiary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	72,009	141,042	58,126	-	Sub-subsidiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,871	18,181	332	-	Sub-subsidiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	26,947	14,903	7,299	3,284	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	14,778	3,279	(2,469)	-	Sub-subsidiary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	220,428	233,850	37,349	-	Sub-subsidiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	3,768	4,500	26	-	Sub-subsidiary

Note 1. The investment gain or loss recognized by the company is based on the financial statements of the investees audited by the CPA of the parent company in Taiwan and accounted for under the equity method, except for the financial statements of 3Y Power, 3Y Power Technology Inc. and Luckyied Co. which are audited by other CPA.

Note 2. The profit and loss of the sub-subsidiary has been consolidated into the profit and loss of the subsidiary. The transactions between the Company and each subsidiary of the Group including sales transaction amount, accounts receivable and payable, carrying amount of long-term equity investment and investment profit and loss recognized in the current period, have been eliminated in preparing the consolidated financial statements.

(III) Information on investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Maximum shareholding during the period	Profit (Loss) of Investee for the Period	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period (Note 3 & 4)	Carrying amount of investment at the end of the period (Note 3 & 4)	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated							
Huili	Processing of power supply	145,090	(II), 1	176,873	-	-	176,873	176,873	(6,735)	100.00	(6,735)	334,217	197,299
Zhonghan	Processing of power supply	224,107 (註二)	(II), 1	104,342	-	-	104,342	104,342	465	100.00	465	210,110	75,044
WUXI SPI	Processing of power supply	722,364 (Note 2)	(II), 1	508,326	-	-	508,326	693,140	(46,442)	100.00	(46,442)	124,058	-
WUXI Zhonghan	Manufacturing and trading of power supply	416,099	(II), 1	380,595	-	-	380,595	380,595	104,499	100.00	104,499	1,240,577	-
Zhong Han	Manufacturing and trading of power supply	130,320	(II), 1	20,196	-	-	20,196	20,196	86,745	100.00	86,745	747,135	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (Note 2)	(II), 1	13,380	-	-	13,380	13,380	3,791	100.00	3,791	122,715	-
Protek Dongguan	Processing of power supply	39,391	(II), 1	38,038	-	-	38,038	38,038	(7,988)	100.00	(7,988)	15,892	-
Hao Han	Transformer processing	163,673 (Note 2)	(II), 1	-	-	-	-	-	58,126	100.00	58,126	72,009	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,122	(II), 2	-	-	-	-	-	26	65.87	17	3,768	-

Note 1. Method of investment can be divided into the following 3 categories:

(I) Direct investment in mainland China.

(II) Indirect investment in mainland China through a holding company established in other countries

1. Through FSP International Inc. to invest in mainland China.

2. Through 3Y Power to invest in mainland China.

(III) Others.

Note 2. This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3. The investment profits and losses and the carrying amount of the investment at the end of the period recognized by the company are based on the financial statements of the investee company audited by the CPA of Taiwan's parent company, except for WUXI 3Y, whose financial statements are audited by other CAP in Taiwan.

Note 4. Eliminated under consolidation.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK$12,500 thousand and US$35,640 thousand)	1,486,767 (Note 2) (HK$12,500 thousand and US$52,110 thousand)	7,925,377 (Note 1)

Note 1. 60% of net worth.

Note 2. For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to the mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD:

1:28.0088, CNY/TWD: 1:4.3413, HKD/TWD: 1:3.6031). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period is based on the exchange rates on December 31 2021 (USD/TWD: 1:27.6800, CNY/TWD: 1:4.3440, HKD/TWD: 1:3.5490).

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

   For the direct or indirect significant transactions between the Group and its investee companies in mainland China in 2021 (which were eliminated when preparing the consolidated report), please refer to the description of "Information on Significant Transactions".

(IV) Information on Major Shareholders:

Shareholding Name of Major Shareholders	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.	15,091,766	8.05%
Cheng, Ya-Jen	12,167,477	6.49%
Yang, Fu-An	11,792,834	6.29%
Wang, Tsung-Shun	11,605,794	6.19%

1. The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares in accordance with the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to Market Observation Post System website.
3. The percentage of shareholding is calculated by rounding to two decimal places.

XIV. Segment Information

(I) General information

In 2020, because WUXI Zhonghan reached the quantification threshold, the Group's segment increased to four as follows: The Company and its processing subsidiaries (including Huili, Zhonghan, WUXI SPI and Protek Dongguan), Zhonghan Tech., WUXI Zhonghan and 3Y Power, manufacture and sell their own products separately. The reportable segment of the Group is a product-specific business unit, and provides different products according to the functional requirements of customers. Since each product-specific business unit requires different technologies and marketing strategies, it has to be managed separately. The Group does not allocate income tax expenses to reportable segments. The reported amounts are consistent with the reports used by operation decision makers. The accounting policies of the operating segments are the same as the summary of significant accounting policies described in Note IV. Profit or loss of the operating segments of the Group is measured at net income before income taxes and are used as the basis for evaluating performance.

(II) Information on segment's profit or loss, assets, liabilities and reconciliation

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

	2021						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Consolidation
Revenue:							
Revenue from external customers	$ 11,735,562	1,156,257	2,352,506	747,527	658,400	-	16,650,252
Intersegment revenue	2,496,855	662,467	16,135	27,740	78,539	(3,281,736)	-
Total revenue	$ 14,232,417	1,818,724	2,368,641	775,267	736,939	(3,281,736)	16,650,252
Segment profit (loss)	$ 611,229	117,881	96,410	23,641	110,461	978	960,600

	2020						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Consolidation
Revenue:							
Revenue from external customers	$ 10,409,338	1,229,401	1,958,213	822,759	376,749	-	14,796,460
Intersegment revenue	2,351,685	632,293	10,492	14,785	13,147	(3,022,402)	-
Total revenues	$ 12,761,023	1,861,694	1,968,705	837,544	389,896	(3,022,402)	14,796,460
Segment profit (loss)	$ 525,302	110,428	24,613	351,769	(73,883)	(4,185)	934,044

Note: As the total assets of the segment are not provided to the operation decision makers, it is not intended to disclose the measured amounts of the assets.

(III) Export sales information

1. Product and service information

   The Group is engaged in the single electronics business and does not operate in other industries. Its revenue from external customers is provided in the operating segment's financial information.

2. Geographic information

   Revenue from external customers:

Region	**2021**	**2020**
Taiwan	$ 3,543,739	2,868,035
China	6,501,642	6,236,624
U.S.A.	1,929,901	1,555,693
Germany	2,235,319	2,014,236
Others (below 5%)	2,439,651	2,121,872
Total	**$ 16,650,252**	**14,796,460**

Non-current Assets:

Region	2021.12.31	2020.12.31
Taiwan	$ 1,376,605	1,324,324
Mainland China	1,001,599	910,647
Other countries	30,767	36,127
Total	$ 2,408,971	2,271,098

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, but exclude financial instruments, deferred tax assets and retirement benefits assets.

(IV) Major customer information

In 2021 and 2020, there were no customers whose sales revenue accounted for more than 10% of the revenue on the income statement.

VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Assessed Risks

I. Financial Position

Unit: NT$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	11,832,195	10,746,907	1,085,288	10.10%
Financial Assets at Fair Value Through Other Comprehensive Income - Non-Current	6,763,138	5,273,176	1,489,962	28.26%
Investments Recognized Through the Equity Method	26,947	25,319	1,628	6.43%
Property, Plant, and Equipment	1,544,427	1,523,809	20,618	1.35%
Intangible Assets	223,496	221,038	2,458	1.11%
Other Non-Current Assets	787,339	658,230	129,109	19.61%
Total Assets	21,177,542	18,448,479	2,729,063	14.79%
Current Liabilities	6,904,113	6,412,365	491,748	7.67%
Non-current Liabilities	725,953	543,454	182,499	33.58%
Total Liabilities	7,630,066	6,955,819	674,247	9.69%
Capital Stock	1,872,620	1,872,620	0	0.00%
Capital Surplus	1,011,016	1,011,016	0	0.00%
Retained Earnings	4,242,739	3,386,744	855,995	25.27%
Other Equity	6,082,586	4,914,436	1,168,150	23.77%
Non-controlling Interests	338,515	307,844	30,671	9.96%
Total Equity	13,547,476	11,492,660	2,054,816	17.88%

1. Reasons and impact of changes greater than 20% in the past two years:
   (1) Financial Assets at Fair Value Through Other Comprehensive Income - Non-Current: The change was caused by the increase of investment targets and the increase of market value of original investments during the year.
   (2) Non-current Liabilities: The change was caused by the increase in long-term loans and lease liabilities during the year.
   (3) Retained Earnings: The change was caused by the issuance of dividends, transfer of net income to retained earnings for the period, and disposal of equity instruments in other comprehensive income measured at fair value through profit and loss.
   (4) Other Equity: The change was caused by the increase in unrealized valuation profit and loss of financial assets at fair value through other comprehensive income compared to the previous year.
2. Measures to be taken in response: N/A.

Note: Consolidated information

II. Financial Performance

Unit: NT$ thousands

Item \ Year	2021	2020	Change, by Amount	Change (%)
Net Operating Revenue	16,650,252	14,796,460	1,853,792	12.53%
Operating Costs	14,225,200	12,730,131	1,495,069	11.74%
Plus: Realized (Unrealized) Profit on Sales	(847)	(2,781)	1,934	(69.54%)
Gross Profit	2,424,205	2,063,548	360,657	17.48%
Operating Expenses	1,752,296	1,601,211	151,085	9.44%
Net Operating Margin (Loss)	671,909	462,337	209,572	45.33%
Non-operating Income and Expenses	288,691	471,707	(183,016)	(38.80%)
Income before Tax	960,600	934,044	26,556	2.84%
Income Tax Expenses (Benefits)	159,321	241,969	(82,648)	(34.16%)
Net Income	801,279	692,075	109,204	15.78%
Other Comprehensive Income	1,829,860	2,106,097	(276,237)	(13.12%)
Total Comprehensive Income	2,631,139	2,798,172	(167,033)	(5.97%)

1. Reasons and impact of changes greater than 20% in the past two years:
   (1) Realized (Unrealized) Profit on Sales: The change was caused by a decrease in the inventories of subsidiaries sold by the parent company but still held at the subsidiary as of the end of the year compared to the previous year.
   (2) Net Operating Margin (Loss): The revenue increased compared to the previous year, and the gross profit of products increased compared to the previous year. In addition, the Company's operating expenses were well managed, resulting in an increase in net operating profit compared to the previous year.
   (3) Non-operating Income and Expenses: The change was mainly caused by the disposal of the interest in real estate of the subsidiary in Mainland China in the previous year.
   (4) Income Tax Expenses (Benefits): The change was mainly caused by the land value increase tax and income tax expenses derived from the disposal of the interest in real estate of the subsidiary in Mainland China in the previous year.
2. Sales volume forecast and the basis therefor, and the effect on the financial operations and measures to be taken in response
   (1) Forecast sales volume in the following year and its basis:
   The Company's forecast sales volume is based on changes in the macroeconomic conditions, business dynamics, and future development of the Company as well as the business targets based on the Company's recent operations. The annual sales target for power-related products for 2022 is set as 20.9 million units, which will help increase the Company's future revenue and profits.
   (2) Effect on the financial operations and measures to be taken in response: None.

Note: Consolidated information

III. Cash Flow

(I) Cash Flow Analysis for the Most Recent Year

1. Parent Company Only Financial Statements

Item \ Year	2021	2020	Percentage of Increase (Decrease) (%)
Cash flow ratio (%)	(4.62)	9.68	(147.73%)
Cash flow adequacy ratio (%)	5.71	19.84	(71.22)
Cash reinvestment ratio (%)	(11.10)	2.62	(523.66%)
Analysis and explanation for items with increase and decrease ratio: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio in 2021 decreased from levels in 2020 mainly due to the net cash outflow from operating activities in 2021 and an increase of approximately NT$270 million in expenditures for cash dividends compared to 2020.			

2. Consolidated Financial Statements

Item \ Year	2021	2020	Percentage of Increase (Decrease) (%)
Cash flow ratio (%)	0.45	6.58	(93.16)
Cash flow adequacy ratio (%)	7.55	13.59	(44.44)
Cash reinvestment ratio (%)	(6.40)	1.76	(463.64)
Analysis and explanation for items with increase and decrease ratio: The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio in 2021 decreased from levels in 2020 mainly due to the significant decline in net cash flow in operating activities of 92% in 2021 compared to 2020 and the increase in cash dividends, inventory, and capital expenditures in 2021 compared to 2020. The changes caused the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio to fall from levels in 2020.			

(II) Improvement plan for insufficient liquidity: N/A.

(III) Liquidity Analysis for the Coming Year

1. Parent Company Only Financial Statements

Unit: NT$ thousands

Cash at Beginning of Year	Net Cash Flows from Operating Activities	Cash Flows Used	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,683,746	712,397	278,597	2,117,546	0	0

(1) Operating activities: The Company expects to achieve growth in revenue and maintains a high level of control over accounts receivable and inventories. The Company expects to generate cash inflows of NT$712,397 thousand from operating activities in 2022.
(2) Investing activities: They mainly include the cash dividends received, acquisition and disposal of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and capital expenditures such as expansion of plant and equipment in response to business requirements.
(3) Financing activities: They mainly include the repayment of the principal of loan-term loans for "Welcoming Returning Taiwanese Businesses Special Loans" and payment of cash dividends.

2. Consolidated Financial Statements

Unit: NT$ thousands

Cash at Beginning of Year	Net Cash Flows from Operating Activities	Cash Flows Used	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
2,794,253	666,110	312,532	3,147,831	0	0

(1) Operating activities: The Company expects to achieve growth in revenue and maintains a high level of control over accounts receivable and inventories. The Company expects to generate cash inflows of NT$666,110 thousand from operating activities in 2022.
(2) Investing activities: They mainly include the cash dividends received, disposal of financial assets available for sale, and capital expenditures such as expansion of equipment in response to business requirements.
(3) Financing activities: They mainly include the repayment of the principal of loans for "Welcoming Returning Taiwanese Businesses Special Loans" and payment of cash dividends.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year: None.

VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future:

1. Interest rate

With regard to future interest rate trends, the Company monitors changes in market interest rates at all times to reduce the impact of interest rate changes on the Company.

2. Exchange rate

The Company has adopted natural hedging as a principle for maintaining balanced foreign-currency assets and liabilities in response to rapid changes in the international financial market. It reduces the Company's risk exposure and ensures natural hedging.

3. Inflation

Inflation does not have a significant impact on the Company's operations and profitability due to the nature of the industry. The Company shall continue to implement cost control, closely monitor the changes in the prices of raw materials, and adjust the inventory where appropriate.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

The Company has always focused on its own business and has avoided engaging in high-risk and high-leverage investments unrelated to its business. In addition, the Company's loans to other parties, endorsements/guarantees, and derivatives transactions are processed in accordance with procedures specified by the competent authority. To mitigate exchange rate risks, the Company engages in forward exchange transactions and derivative transactions with financial institutions in accordance with the operating procedures in the Company's "Procedures for Acquisition or Disposal of Assets".

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work:

1. R&D Work to Be Carried Out in the Future:

FSP has actively set up departments and expanded R&D personnel for each product category in recent years. We continue to develop new products and increase our R&D program by making necessary investments and increasing R&D and testing equipment to strictly control and track the progress. We leveraged our solid foundations for R&D for the development of power supplies compliant with USB PD 3.1 standards for consumer markets, digital power supplies, power supplies for artificial intelligence applications in the Internet of Things, power supplies for 5G base station applications, power supplies for 5G edge computing applications, power supplies for block chain and visual computing applications, power supplies for cloud computing servers, power supplies for medical applications, industrial chargers, and energy storage systems (ESS).

Products to be developed:

- Compact 750/850/1KW ATX.
- Efficient Titanium 850/1KW ATX power supply.
- Development of power supply to support the ATX 12Vo platform developed by Intel and meet new energy efficiency requirements.
- Research on GaN materials and introduction into Titanium 1.3/1.6KW products.
- High-wattage SFX 1KW power supply for MP in 2022/Q3.
- Development of new PD Dock 100W products.
- Continuous development of products in the PD series to meet new specifications for USB PD 3.1 (28/36/48V).
- Continuous development of products with wide temperature adaptation for telecom applications.
- Development of high-wattage (>800W) Flex products to support systems with high-performance graphic cards.
- CRPS 2700W high-power density devices.
- Development of integrated CRPS back board to meet high-mix low-volume demand for Open Rack.
- Development of redundant products for small-scale edge computing demand.
- Iterative design for 150W @ 2" x 4" series.
- 100W and 150W power supply for industrial applications
- PoE 550W power supply for telecom applications.
- PoE 950W power supply for telecom applications.
- 1000W power supply for industrial applications.
- 45W C14 Desk Top Adapter products.
- 60W C14 Desk Top Adapter products.
- 90W C14 Desk Top Adapter products.
- 260W Open Frame products.
- 700W ATX PC Power.
- 900W ATX PC Power.
- IP67 600W/2000W On Board/off Board Charger.
- Compact/light 1800W On Board/Off Board Charger.
- 350W IP67 CANbus charger with metal shell.
- UDS automobile communication software development.
- 3300W On Board Charger for cooling module.
- 3KW mobile energy storage.
- Stationary energy storage system.
- Lithium iron phosphate battery modules.

2. Further Expenditures Expected for R&D Work

The Company's future R&D investments are based on the progress of new product and new technology development. We will gradually increase our annual R&D expenses to support our future R&D plans based on the growth of our revenue. The actual R&D expenses for 2021 totaled NT$455,887 thousand and the R&D expenses for 2022 are expected to reach NT$559,983 thousand.

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response:

The Company complies with domestic and foreign laws and regulations in its operations and management. The changes in the legal environment at home and abroad do not have significant impact on the Company's financial operations. The Company will continue to monitor important trends in domestic and international policies and changes in regulations related to its operations, and take appropriate countermeasures.

(V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change (Including Cybersecurity Risks), and Measures to Be Taken in Response

The Company shall follow and support global initiatives for environmental protection and uphold the vision of sustainable management to continue to develop green energy products. We shall focus more on the research and development of energy-saving, energy storage, and energy generation power supply products. Our goal is to place FSP products in every household, pursue cleanliness and efficiency, and become a global leader in the energy industry.

The Company has established comprehensive information security measures for networks and computers, and ensures the appropriateness and effectiveness of its information security protocols and procedures through continuous reviews and evaluations.

The Company implements relevant improvement measures and continues to update these measures. For example, we strengthen the network firewall and network control to prevent the spread of computer viruses across the plants, and set up anti-virus measures for terminal devices based on the computer type. We implement advanced solutions to detect and handle malware, introduce new technologies to enhance data protection, and strengthen phishing email detection, etc. We also conduct regular employee education and training to increase employees' information security awareness.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response: None.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response:

The Company has constructed Taoyuan Plant 3 at Dashulin Section, Taoyuan District, Taoyuan City to expand manufacturing capacity, disperse regional manufacturing risks, and optimize global production and marketing operations. In addition to company funds, FSP has applied for and obtained project financing under the government's "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Return Investment in Taiwan" to finance the construction of plants and the purchase of equipment. We have sufficient capital for utilization and face no risks of capital shortages.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response: None.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response: None.

(XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response: None.

(XII) The Company and the Company's Directors, President, Actual Responsible Person, Shareholders Holding More than 10% of the Company Shares, and a Subsidiary Company Who Is Involved in a Major Lawsuit that Has Either Been Decided or Is Still Pending Whereby the Results of the Case May Have a Significant Impact to Shareholder Interests or Securities Prices, Must Be Specified. The Status of the Disputed Facts, Bid Amount, Litigation Commencement Date, and the Primary Parties Involved in Such Litigations up to the Publication Date of this Annual Report Shall Be Disclosed:

1. Confirmed Judgment, Ongoing Litigious, Non-litigious or Administrative Disputes of the Company That May Materially Affect the Shareholders' Equity or Prices of Securities Shall Be Disclosed. Disclosure Shall Include Disputed Facts, Monetary Amount Involved, Proceeding Starting Date, the Main Parties Involved, and Present Status:

(1) The Company purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the merged company in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US$2,268,402.22, should be borne jointly by the merged company, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September 27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court.

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

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

The Company believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, we filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. We first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and merged company did not approve the rejection. On January 16, 2019, the merged company filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019, and the merged company is still waiting for the final decision of the Supreme Court before enforcing the decision.

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

2. The Company and the Company's Directors, President, Actual Responsible Person, Shareholders Holding More than 10% of the Company Shares, and a Subsidiary Company Who Is Involved in a Lawsuit that Has Either Been Decided or Is Still Pending as of the Publication Date of the Annual Report Whereby the Results of the Case May Have a Significant Impact to Shareholder Interests or Securities Prices, Must Be Specified: None..

(XIII) Other Significant Risks and Countermeasures:

	Economy	Finance	Operations	Environmental Safety
Risk Type	● Changes in policies and laws ● Changes in technology and the industry ● Competition in R&D technology ● Plant and capacity expansion	● Exchange rate and interest rate risks ● Customer credit risks ● Tax risks ● Mergers and acquisitions or strategic investments	● Supply chain disruptions ● Inventory risks ● Information security risks ● Talent development ● Legal or patent disputes and litigation	● Occupational safety and compliance risks ● Natural disasters and climate change risks (electricity supply, earthquakes, and typhoons) ● Fire ● Communicable diseases
Response Method	● We pay close attention to important domestic and international policies and laws. We manage risks and develop response measures through our business units and global operations. As of the publication date of this Report, no policy or legal changes have caused significant impact on FSP's financial operations. ● In terms of technology, power supplies are becoming more compact and their performance and functionality have improved. In terms of the industry, manufacturing capabilities have gradually shifted from labor-intensive to automation. FSP continues to dedicate its effort into enhancing the R&D of high value-added products. ● We control key technologies and components and we are committed to innovation in technology development and product functions to enhance our competitiveness. ● The Company has constructed new plants in Taiwan City to	● We strictly monitor changes in exchange rates and interest rates and regularly assess our capital positions. We maintain net foreign currency holdings within certain limits to minimize the impact of interest rate and exchange rate fluctuations on the Company. ● We continue to reduce credit risks by leveraging insurance coverage for receivables. ● We pay close attention to tax laws and regulations in different countries and continue to maintain good communication with tax professionals in all regions of Group operations to maintain an adequate financial and tax structure and reduce tax risks ● Project teams make strategic investments in upstream and downstream industries to create opportunities for additional revenue.	● The R&D unit establishes plans for acquiring alternative materials and creates a supplier management system to reduce the risks of supply chain disruption. We use real-time information system to monitor global operations, including shipments, inventory, purchase orders, and working capital, and set alert indicators. ● We implement remote backup mechanisms for critical information of the Company to reduce information security risks. ● We use both theories and practices based on operational requirements to inspire employees' potential and cultivate high-quality talents. The Human Resources Department formulates and executes annual plans for fostering the corporate culture, professionalism, functionality, internal talents, and the e-leaning training system. ● We carefully review contracts and intellectual property rights applications to reduce subsequent legal risks.	● The Company has set up the Occupational Safety Dept. and the Occupational Safety Committee as required by law to promote and obtain ISO 45001 certification. We identify risk levels based on hazard occurrence, frequency of employee operations, and severity of hazards. We also require relevant departments in plants to formulate preventive and control measures based on the risk level. We consider regulatory requirements, management status, internal and external environmental impact, and priorities for improvement, and set management plans and indicators, which are regularly reviewed and evaluated. ● In regards to financial risks caused by climate change, FSP's ESG management team has created plans and set medium and long-term goals based on the concept of sustainability. We actively promote carbon reduction and other management measures to mitigate climate change and improve the Company's adaptability.

	expand manufacturing capacity and disperse regional manufacturing risks.			● We organize fire drills twice a year and regular equipment inspections every year. ● We have set up an epidemic prevention team to respond to infectious diseases as soon as they occur.

VII. Other Important Matters: None.

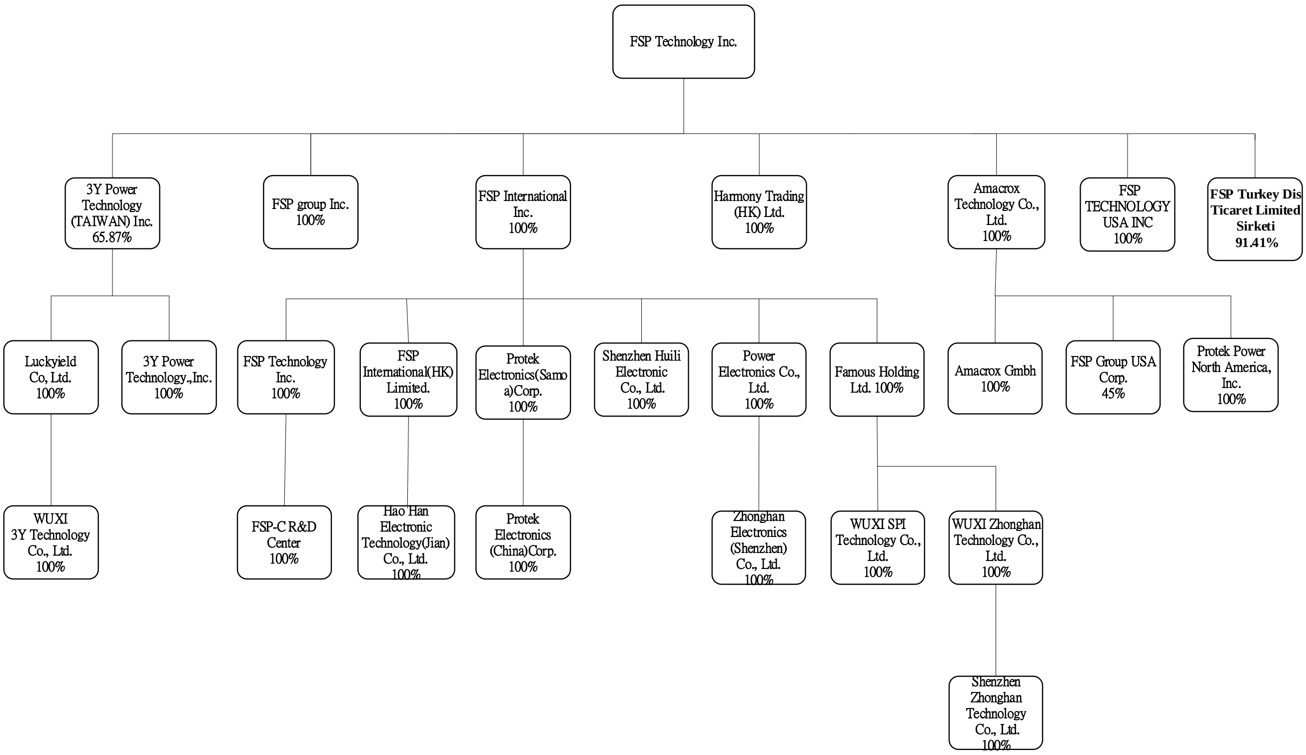
Chapter 8 **Special Disclosure**

I. Information on the Company Affiliates

(I) Consolidated Business Report of Affiliates

1. Organizational Structure of Affiliates

FSP GROUP



Note: Organizational structure of affiliates as of December 31, 2021

2. Basic Information of FSP Affiliates

Unit: Thousand NT$ (foreign currency)

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
FSP Technology Inc.	1993.04.15	Taoyuan	NTD 1,872,620	Manufacturing and trading of power supply
3Y Power Technology (Taiwan) Inc.	1996.12.31	Taoyuan	NTD 247,600	Trading of power supply
3Y Power Technology, Inc.	1985.06.04	U.S.A.	USD 600	Trading of power supply
FSP Technology USA Inc.	2015.01.07	U.S.A.	USD 100	Trading of power supply
FSP International Inc. (BVI)	1999.04.26	Virgin Islands	NTD 1,241,751	Holding company
Power Electronics Co., Ltd. (BVI)	2001.01.16	Virgin Islands	NTD 217,707	Holding company
FSP Group Inc.	1997.09.26	Cayman Islands	NTD 1,752	Safety regulation application
Shenzhen HuiLi Electronics Co., Ltd.	1993.03.24	Guangdong	NTD 146,192	Manufacturing of power supply
Zhonghan Electronics Shenzhen Co., Ltd.	2001.05.17	Guangdong	NTD 225,809	Manufacturing of power supply
Famous Holding Ltd..	2001.04.18	Samoa	NTD 807,483	Holding company
Wuxi SPI Technology Co., Ltd.	2003.04.03	Wuxi SPI Technology Co., Ltd.	NTD 727,851	Manufacturing of power supply
Wuxi Zhonghan Technology Co., Ltd.	2003.10.21	Wuxi SPI Technology Co., Ltd.	NTD 419,260	Manufacturing and trading of power supply
Amacrox GmbH	2004.03.09	Germany	EUR 25	Trading of power supply
FSP Group USA Corp.	2003.04.01	U.S.A.	USD 550	Trading of power supply
Amacrox Technology Co., Ltd. (BVI)	2003.11.05	Virgin Islands	NTD 40,925	Holding company
Shenzhen Zhong Han Science & Tech. Co., Ltd.	2001.06.18	Guangdong	NTD 131,310	Manufacturing and trading of power supply
FSP Technology Inc. (BVI)	2006.12.27	Virgin Islands	NTD 62,883	Holding company
Jiangsu FSP Power Technology R&D Co., Ltd.	2007.04.29	Jiangsu	NTD 69,009	Development, design, technology transfer, and services for power supply
Protek Electronics (Samoa) Corp.	2002.12.24	Samoa	NTD 32,984	Holding company
Harmony Trading (HK) Ltd.	2007.03.17	Hong Kong	NTD 45	Trading of power supply
Protek Power North America ,Inc.	2007.10.01	U.S.A.	USD 115	Trading of power supply
Dongguan Protek Electronics Corp.	2003.02.28	Guangdong	NTD 39,691	Manufacturing of power supply
Haohan Electronic Technology (Ji'an) Co., Ltd.	2006.09.01	Jiangxi	NTD 164,917	Production and sales of electronic components and products
FSP International (HK) Ltd.	2008.04.22	Hong Kong	NTD 141,042	Holding company
Luckyield Co,.Ltd.	2011.06.30	Samoa	NTD 4,500	Holding company
Wuxi Xiangyuan Electronics Co., Ltd.	2011.11.24	Suzhou	NTD 4,154	Trading of power supply
FSP Turkey Dis Tic.Ltd.Sti.	2016.03.16	Turkey	TRY 7,300	Trading of power supply

3. Where There Is Considered to Be a Controlled And Subordinate Relation, Information of the Same Shareholders: None.

4. Business of Affiliates and Their Relationships

Industry	Name of Affiliate	Business Relationship with Other Affiliates
Holding company	FSP International Inc. (BVI)	Investment in Power Electronics Co., Ltd. (BVI), Famous Holding Ltd., Shenzhen HuiLi Electronics Co., Ltd., FSP Technology Inc., FSP International (HK) Ltd., and Protek Electronics (Samoa) Corp
	Power Electronics Co., Ltd. (BVI)	Investment in Zhonghan Electronics Shenzhen Co., Ltd.
	Famous Holding Ltd.	Investment in Wuxi SPI Technology Co., Ltd. and Wuxi Zhonghan Technology Co., Ltd.
	Amacrox Technology Co., Ltd. (BVI)	Investment in Amacrox GmbH, FSP Group USA Corp., and Protek Power North America, Inc.
	FSP Technology Inc. (BVI)	Investment in Jiangsu FSP Power Technology R&D Co., Ltd.
	Protek Electronics (Samoa) Corp.	Investment in Dongguan Protek Electronics Corp.
	FSP International (HK) Ltd.	Investment in Haohan Electronic Technology (Ji'an) Co., Ltd.
	Luckyield Co,.Ltd.	Investment in Wuxi Xiangyuan Electronics Co., Ltd.
Manufacturing	Shenzhen HuiLi Electronics Co., Ltd.	Manufacturing of power supply
	Zhonghan Electronics Shenzhen Co., Ltd.	Manufacturing of power supply
	Wuxi SPI Technology Co., Ltd.	Manufacturing of power supply
	Wuxi Zhonghan Technology Co., Ltd.	Manufacturing and trading of power supply and investment in Shenzhen Zhong Han Science & Tech. Co., Ltd.
	Shenzhen Zhong Han Science & Tech. Co., Ltd.	Manufacturing and trading of power supply
	Dongguan Protek Electronics Corp.	Manufacturing of power supply
	Haohan Electronic Technology (Ji'an) Co., Ltd.	Production and sales of electronic components and products
Safety regulation application company	FSP Group Inc.	Safety regulation application
R&D and services	Jiangsu FSP Power Technology R&D Co., Ltd.	Development, design, technology transfer, and services
Trading	3Y Power Technology (Taiwan) Inc.	Trading of power supply and investment in FSP Technology Inc.
	3Y Power Technology, Inc.	Trading of power supply and investment in Jiangsu FSP Power Technology R&D Co., Ltd.
	FSP Technology USA Inc.	Trading of power supply
	Amacrox GmbH	Trading of power supply
	FSP Turkey Dis Tic.Ltd.Sti.	Trading of power supply
	FSP Group USA Corp.	Trading of power supply
	Harmony Trading (HK) Ltd.	Trading of power supply
	Proteck Power North America, Inc.	Trading of power supply
	Wuxi Xiangyuan Electronics Co., Ltd.	Trading of power supply

5. Information on Directors, Supervisors, and Presidents of Affiliates

Unit: Shares; %

Name of Affiliate	Title	Name or Representative	Shares Held	
			Shares	Total Shareholding Percentage
FSP International Inc. (BVI)	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	32,202,500	100%
3Y Power Technology (Taiwan) Inc.	Chairman	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	16,309,484	65.87%
3Y Power Technology, Inc.	Chairman	3Y Power Technology (Taiwan) Inc. (Representative: Cheng, Ya-Jen)	600,000	65.87%
FSP Technology USA Inc.	Chairman	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	100,000	100%
FSP Turkey Dis Tic.Ltd.Sti.	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	6,673,000	91.41%
Power Electronics Co., Ltd. (BVI)	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	7,000,000	100%
Shenzhen HuiLi Electronics Co., Ltd.	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	(Note)	100%
Zhonghan Electronics Shenzhen Co., Ltd.	Director	Power Electronics Co., Ltd. (Representative: Cheng, Ya-Jen)	(Note)	100%
FSP Group Inc.	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	50,000	100%
Famous Holding Ltd.	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	27,000,000	100%
Wuxi SPI Technology Co., Ltd.	Director	Famous Holding Ltd. (Representative: Cheng, Ya-Jen)	(Note)	100%
Wuxi Zhonghan Technology Co., Ltd.	Director	Famous Holding Ltd. (Representative: Cheng, Ya-Jen)	(Note)	100%
Amacrox Technology Co., Ltd. (BVI)	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	1,109,355	100%
Amacrox GmbH	Chairman	Amacrox Technology Co., Ltd. (Representative: Cheng, Ya-Jen)	25,000	100%
FSP Group USA Corp.	Director	Amacrox Technology Co., Ltd. (Representative: Cheng, Ya-Jen)	247,500	45%
Shenzhen Zhong Han Science & Tech. Co., Ltd.	Director	Wuxi Zhonghan Technology Co., Ltd. (Representative: Chao, Er-Chang)	(Note)	100%
FSP Technology INC. (BVI)	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	2,100,000	100%
FSP International (HK) Ltd.	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	4,770,000	100%
Haohan Electronic Technology (Ji'an) Co., Ltd.	Director	FSP International (HK) Ltd (Representative: Cheng, Ya-Jen)	(Note)	100%
Jiangsu FSP Power Technology R&D Co., Ltd.	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	(Note)	100%
Protek Electronics (Samoa) Corp	Director	FSP International Inc. (Representative: Cheng, Ya-Jen)	1,100,000	100%
Harmony Trading (HK) Ltd.	Director	FSP Technology Inc. (Representative: Cheng, Ya-Jen)	10,000	100%
Dongguan Protek Electronics Corp.	Chairman	Protek Electronics (Samoa) Corp (Representative: Chen, Kuo-Ruey)	(Note)	100%
Proteck Power North America, Inc.	Chairman	Amacrox Technology Co., Ltd. (Representative: Cheng, Ya-Jen)	1,000	100%
Luckyield Co,. Ltd	Director	3Y Power Technology (Taiwan) Inc. (Representative: Cheng, Ya-Jen)	150,000	65.87%
Wuxi Xiangyuan Electronics Co., Ltd.	Director	Luckyield Co,. Ltd (Representative: Lin, Kao-Chou)	(Note)	65.87%

Note: Organized as a limited company.

6. Operating Status of Affiliates

Unit: NT$ thousands

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Profit or Loss (after tax)	Earnings Per Share (NT$) (after tax)
FSP International Inc. (BVI)	1,241,751	2,222,578	984	2,221,594	0	(2)	108,773	3.38
Power Electronics Co., Ltd. (BVI)	217,707	211,901	0	211,901	0	0	437	0.06
FSP Group Inc.	1,752	372	0	372	0	(101)	(110)	(2.20)
Shenzhen HuiLi Electronics Co., Ltd.	145,090	795,785	461,569	334,216	1,187,589	(31,289)	(6,735)	Note (1)
Zhonghan Electronics Shenzhen Co., Ltd.	224,107	326,271	116,161	210,110	433,672	(699)	465	Note (1)
Famous Holding Ltd.	807,483	1,368,984	10,273	1,358,711	0	(4)	58,092	2.15
Wuxi SPI Technology Co., Ltd.	722,364	161,827	37,769	124,058	237,223	(50,449)	(46,442)	Note (1)
Wuxi Zhonghan Technology Co., Ltd.	416,099	1,464,509	223,932	1,240,577	775,312	18,091	104,499	Note (1)
Amacrox GmbH	18,181	5,009	2,138	2,871	0	(672)	332	13.28
FSP Group USA Corp.	14,903	75,934	9,499	66,435	104,992	6,118	7,299	29.49
FSP Turkey Dis Tic.Ltd.Sti.	22,640	50,683	29,383	21,300	59,549	8,324	4,951	Note (1)
Amacrox Technology Co., Ltd. (BVI)	40,925	66,075	0	66,075	0	(81)	850	0.77
Shenzhen Zhong Han Science & Tech. Co., Ltd.	130,320	1,803,788	1,056,653	747,135	2,370,373	89,226	86,745	註(1)
3Y Power Technology (Taiwan) Inc.	304,406	1,746,599	750,723	995,876	1,818,724	104,523	134,172	5.42
3Y Power Technology, Inc.	233,850	301,179	163,190	137,989	449,286	4,789	37,349	62.25
FSP Technology Inc. (BVI)	62,883	121,029	0	121,029	0	0	3,791	1.81
Jiangsu FSP Power Technology R&D Co., Ltd.	69,009	150,338	27,623	122,715	69,172	2,515	3,791	Note (1)
Proteck Electronics (Samoa) Corp.	32,984	16,069	0	16,069	0	0	(7,993)	(7.27)
Harmony Trading (HK) Ltd.	45	2,032	244	1,788	1,835	1	(86)	(8.60)
Proteck Power North America Inc..	3,279	14,786	9	14,777	0	(2,492)	(2,469)	(2,469.00)
Dongguan Protek Electronics Corp.	39,391	27,650	11,758	15,892	54,998	(7,801)	(7,988)	Note (1)
FSP International (HK) Ltd.	141,042	72,017	9	72,008	0	0	58,126	12.19
Haohan Electronic Technology (Ji'an) Co., Ltd.	163,673	97,836	25,827	72,009	20,511	(19,593)	58,126	Note (1)
Luckyield Co, Ltd	4,500	3,768	0	3,768	0	0	26	0.58
Wuxi Xiangyuan Electronics Co., Ltd.	4,122	3,935	167	3,768	1,738	23	26	Note (1)
FSP Technology USA Inc.	3,143	66,924	65,071	1,853	142,792	276	276	2.76

Note 1: Organized as a limited company.

Note 2: If the affiliated company is a foreign company, related statistics shall be disclosed in NTD based on the exchange rate on specified in IAS 21 "The Effects of Changes in Foreign Exchange Rates".

(II) Consolidated Financial Statements of Affiliates

Statement

In 2021 (from January 1 to December 31, 2021), pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company's entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 recognized by the Financial Supervisory Commission are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, the Consolidated Financial Statements of Affiliates will not be prepared.

Sincerely,

Name of Company: FSP Technology Inc.
Chairman: Cheng, Ya-Jen
Date: March 18, 2022

(III) Reports on Affiliations: N/A.

II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None

IV. Other Supplementary Information: None

V. Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

FSP Technology Inc.

Chairman

Cheng, Ya-Jen