

**NISHOKU TECHNOLOGY INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of NISHOKU TECHNOLOGY INC. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, NISHOKU TECHNOLOGY INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: NISHOKU TECHNOLOGY INC.

Chairman: B. F. Chen

Date: February 25, 2022



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## Independent Auditors' Report

To the Board of Directors of Nishoku Technology Inc.:

### Opinion

We have audited the consolidated financial statements of Nishoku Technology Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

#### 1. Impairment of accounts receivable

Please refer to Note 4(g) “Financial instruments” Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the consolidated financial statements.

Description of key audit matter:

The Group engages in business primarily with clients which are involved in the manufacture of mold and electronic parts with credit term, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties ; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Impairment of inventory

Please refer to Note 4(h) "Inventory", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the consolidated financial statements.

Description of key audit matter:

Evaluation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the design, manufacture, and sale of mold and electronic parts. As different series or models of electronic products are rapidly being replaced by new ones, it may impact the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the inventories valuation policies of the Group; inspecting whether those policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories by comparison; retroactively inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

**Other Matter**

The Nishoku Technology Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditor's 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Sheng-Ho Yu.

KPMG

Taipei, Taiwan (Republic of China)

February 25, 2022

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 3,999,433	44	2,626,650	30	2100	Short-term borrowings (note 6(h))	\$ 1,737,760	19	988,920	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	104,006	1	665,743	8	2111	Short-term notes and bills payable (note 6(i))	99,971	1	-	-
1170	Notes and accounts receivables, net (note 6(c))	1,352,595	15	1,817,252	21	2170	Notes and Accounts payable	588,508	6	800,428	9
130X	Inventories (note 6(d))	519,871	7	523,074	6	2280	Current lease liabilities (note 6(k))	31,228	-	39,224	-
1470	Other current assets	38,966	-	54,105	1	2300	Other current liabilities (note 6(q))	399,998	5	447,836	5
1476	Other current financial assets (note 8)	56,383	1	57,520	1			2,857,465	31	2,276,408	26
		<u>6,071,254</u>	<u>68</u>	<u>5,744,344</u>	<u>67</u>						
Non-current assets:						<b>Non-Current liabilities:</b>					
1511	Non-current financial assets designated at fair value through profit or loss (note 6(b))	197,419	2	126,439	1	2540	Long-term borrowings (note 6(j))	1,150,000	13	1,200,000	14
1535	Non-current financial assets at amortised cost (note 6(e))	1,264,067	14	1,124,961	13	2570	Deferred tax liabilities	667,215	7	652,948	8
1600	Property, plant and equipment (note 6(f))	1,386,444	15	1,444,529	17	2580	Non-current lease liabilities (note 6(k))	6,713	-	30,891	-
1755	Right-of-use assets (note 6(g))	37,608	-	69,737	1			1,823,928	20	1,883,839	22
1840	Deferred income tax assets	22,267	-	21,792	-		<b>Total liabilities</b>	4,681,393	51	4,160,247	48
1915	Prepayments for equipment	36,570	-	8,503	-		<b>Equity attributable to owners of parent (note 6(n)):</b>				
1985	Long-term prepaid rents	63,270	1	66,518	1	3110	Ordinary share	626,712	7	624,462	7
1990	Other non-current assets	18,193	-	10,670	-	3140	Advance receipts for share capital	-	-	2,993	-
		<u>3,025,838</u>	<u>32</u>	<u>2,873,149</u>	<u>33</u>	3200	Capital surplus	981,485	11	968,882	11
							<b>Retained earnings:</b>				
						3310	Legal reserve	610,265	7	538,129	7
						3320	Special reserve	310,459	3	337,817	4
						3350	Unappropriated retained earnings	2,231,720	25	2,295,422	27
								3,152,444	35	3,171,368	38
						3400	Other equity	(344,942)	(4)	(310,459)	(4)
							<b>Total equity</b>	4,415,699	49	4,457,246	52
<b>Total assets</b>		<u>\$ 9,097,092</u>	<u>100</u>	<u>8,617,493</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 9,097,092</u>	<u>100</u>	<u>8,617,493</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars , Except Earnings Per Share)**

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	<b>Operating revenues</b> (note 6(q))	\$ 4,914,583	102	4,883,877	102
4170	Less: Sales returns and allowances	<u>85,473</u>	<u>2</u>	<u>75,616</u>	<u>2</u>
	<b>Net Operating revenues</b>	4,829,110	100	4,808,261	100
5000	Operating costs (notes 6(d), (f), (g), (l) and 12)	<u>3,464,092</u>	<u>72</u>	<u>3,268,381</u>	<u>68</u>
	<b>Gross profit from operations</b>	<u>1,365,018</u>	<u>28</u>	<u>1,539,880</u>	<u>32</u>
6000	<b>Operating expenses:</b> (notes 6(c), (f), (g), (l), (o), (r) and 12)				
6100	Selling expenses	69,505	1	56,007	1
6200	Administrative expenses	310,111	7	327,149	7
6300	Research and development expenses	95,753	2	87,074	2
6450	Expected credit loss	<u>67</u>	<u>-</u>	<u>598</u>	<u>-</u>
		<u>475,436</u>	<u>10</u>	<u>470,828</u>	<u>10</u>
	<b>Net operating income</b>	<u>889,582</u>	<u>18</u>	<u>1,069,052</u>	<u>22</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (note 6(s))	74,087	2	81,677	2
7020	Other gains and losses, net (note 6(t))	(116,480)	(2)	(255,224)	(5)
7050	Finance costs, net (note 6(k))	<u>(22,395)</u>	<u>-</u>	<u>(20,948)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>(64,788)</u>	<u>-</u>	<u>(194,495)</u>	<u>(3)</u>
7900	<b>Profit before tax</b>	824,794	18	874,557	19
7950	<b>Less: Income tax expenses</b> (note 6(m))	<u>218,106</u>	<u>5</u>	<u>153,195</u>	<u>3</u>
	<b>Profit</b>	<u>606,688</u>	<u>13</u>	<u>721,362</u>	<u>16</u>
8300	<b>Other comprehensive income (loss):</b>				
8360	<b>Item that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	(43,104)	(1)	34,198	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(m))	<u>8,621</u>	<u>-</u>	<u>(6,840)</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>(34,483)</u>	<u>(1)</u>	<u>27,358</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 572,205</u>	<u>12</u>	<u>748,720</u>	<u>17</u>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	<u>\$ 606,688</u>	<u>13</u>	<u>721,362</u>	<u>16</u>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	<u>\$ 572,205</u>	<u>12</u>	<u>748,720</u>	<u>17</u>
9750	Basic earnings per share (NT dollars) (note 6(p))	<u>\$ 9.70</u>		<u>11.57</u>	
9850	Diluted earnings per share (NT dollars) (note 6(p))	<u>\$ 9.64</u>		<u>11.51</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								
	Share capital			Retained earnings			Total other equity	Total equity attributable to owners of parent	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements		
<b>Balance at January 1, 2020</b>	\$ 622,962	-	959,124	504,367	199,839	1,994,985	(337,817)	3,943,460	3,943,460
Profit for the year ended December 31, 2020	-	-	-	-	-	721,362	-	721,362	721,362
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	27,358	27,358	27,358
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	721,362	27,358	748,720	748,720
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	33,762	-	(33,762)	-	-	-
Special reserve appropriated	-	-	-	-	137,978	(137,978)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(249,185)	-	(249,185)	(249,185)
Stock option compensation cost	-	-	1,283	-	-	-	-	1,283	1,283
Issuance of shares exercise of employee stock option	1,500	2,993	8,475	-	-	-	-	12,968	12,968
<b>Balance at December 31, 2020</b>	624,462	2,993	968,882	538,129	337,817	2,295,422	(310,459)	4,457,246	4,457,246
Profit for the year ended December 31, 2021	-	-	-	-	-	606,688	-	606,688	606,688
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(34,483)	(34,483)	(34,483)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	606,688	(34,483)	572,205	572,205
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	-	72,136	-	(72,136)	-	-	-
Reversal of special reserve	-	-	-	-	(27,358)	27,358	-	-	-
Cash dividends of preferred share	-	-	-	-	-	(625,612)	-	(625,612)	(625,612)
Stock option compensation cost	-	-	429	-	-	-	-	429	429
Issuance of shares exercise of employee stock option	2,250	(2,993)	12,174	-	-	-	-	11,431	11,431
<b>Balance at December 31, 2021</b>	\$ 626,712	-	981,485	610,265	310,459	2,231,720	(344,942)	4,415,699	4,415,699

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 824,794	874,557
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	243,881	277,032
Expected credit loss	67	598
Interest expense	22,395	20,948
Interest income	(54,712)	(63,921)
Stock option compensation cost	429	1,283
Net loss (gain) on financial assets at fair value through profit or loss	3,281	(3,584)
Gain on disposal of property, plant and equipment	(7,514)	(3,653)
Recognition losses on (reversal of) inventory valuation and obsolescence	(22,114)	2,648
Others	403	1,336
<b>Total adjustments to reconcile profit</b>	<u>186,116</u>	<u>232,687</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit and loss	562,590	(215,535)
Notes and accounts receivables	464,590	(421,910)
Inventories	25,317	(50,094)
Other current assets and financial assets	8,509	(8,381)
	<u>1,061,006</u>	<u>(695,920)</u>
<b>Changes in operating liabilities:</b>		
Notes and accounts payables	(211,920)	196,050
Other current liabilities	(63,897)	70,622
	<u>(275,817)</u>	<u>266,672</u>
<b>Total adjustments</b>	<u>971,305</u>	<u>(196,561)</u>
Cash inflow generated from operations	1,796,099	677,996
Interest received	54,609	65,891
Interest paid	(21,770)	(20,922)
Income taxes paid	(176,997)	(186,451)
<b>Net cash flows from operating activities</b>	<u>1,651,941</u>	<u>536,514</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(137,506)	(1,181,921)
Acquisition of financial assets at fair value through profit or loss	(79,436)	(123,633)
Proceeds from disposal of financial assets at fair value through profit or loss	4,321	-
Acquisition of property, plant and equipment	(215,378)	(103,953)
Proceeds from disposal of property, plant and equipment	23,927	9,138
Decrease in refundable deposits	2,724	10,391
Increase in other financial assets	(7,562)	(2,274)
<b>Net cash flows used in investing activities</b>	<u>(408,910)</u>	<u>(1,392,252)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	748,840	164,130
Increase (decrease) in short-term notes and bills payable	100,000	(150,000)
Proceeds from (repayments of) long-term borrowings	(50,000)	200,000
Increase in guarantee deposits received	2,490	146
Payments of lease liabilities	(39,697)	(57,064)
Cash dividends paid	(625,612)	(249,185)
Exercise of employee share options	11,431	12,968
<b>Net cash flows from (used in) financing activities</b>	<u>147,452</u>	<u>(79,005)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(17,700)	21,594
<b>Net increase (decrease) in cash and cash equivalents</b>	1,372,783	(913,149)
<b>Cash and cash equivalents at beginning of period</b>	<u>2,626,650</u>	<u>3,539,799</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,999,433</u>	<u>2,626,650</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

NISHOKU TECHNOLOGY INC. (the “Company”) was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) primarily are involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export Trade, please refer to note 14.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the board of directors on February 25, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its 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”

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies are applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

Except for the financial instruments at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

- (ii) 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.

- (c) Basis of consolidation

- (i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. 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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal Activities	Percentage of shareholding (%)	
			December 31, 2021	December 31, 2020
The Company	NISHOKU BOUEKI CO., LTD. (NISHOKU BOUEKI)	Trading Company	100 %	100 %
"	NISHOKU TECHNOLOGY VIETNAM CO., LTD. (NISHOKU VIETNAM)	Manufacture and Sale of tooling and plastic products	100 %	100 %
"	SUN NICE LIMITED (SAMOA) (SUN NICE (SAMOA))	Holding Company	100 %	100 %
SUN NICE (SAMOA)	SAME START LIMITED (Anguilla) (SAME START Anguilla)	Trading Company	100 %	100 %
"	NISHOKU HONG KONG HOLDING LIMITED (NISHOKU HK)	Holding Company	100 %	100 %
"	SUN NICE LIMITED (BVI) (SUN NICE (BVI))	Holding Company	100 %	100 %
NISHOKU (HK)	NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. (NISHOKU SHENZHEN)	Manufacture and Sale of mold and plastic products	100 %	100 %
"	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (KUNSHAN NISHOKU PLASTIC)	Manufacture and Sale of mold and plastic products	71.49 %	71.49 %

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal Activities</u>	<u>Percentage of shareholding (%)</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
SUN NICE (BVI)	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (KUNSHAN NISHOKU PLASTIC)	Manufacture and Sale of mold and plastic products	28.51 %	28.51 %

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, 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 rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms 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, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets).

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Other financial liabilities

Financial liabilities are classified as measured at amortized cost, which comprise loans and borrowings, and trade and other payables. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished 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 the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, 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 gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

- 1) Buildings: 20~50 years
- 2) Accessory equipment of buildings: 5~10 years
- 3) Machinery and equipment: 3~8 years
- 4) Office and other equipment: 2~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

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.

(i) As a lessee

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 right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. 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:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease 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 recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and 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.

(k) Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

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

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as employee expenses, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current 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 that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) 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
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused 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 asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred 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 tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred 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 tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise convertible bonds, employee stock options, and employee bonuses not yet resolved by the shareholders.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(r) Operating segments

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 chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC 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 these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgment made in applying the accounting policies that have significant effects on amounts recognized in consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the following year is as follows:

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The recognition of impairment loss, please refer to note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be changes in the net realizable value of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

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The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(u) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

- (a) Cash and cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and demand deposits	\$ 2,497,999	1,827,075
Time deposits	920,154	429,335
Bond acquired under repurchase agreement	581,280	370,240
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 3,999,433</b>	<b>2,626,650</b>

Please refer to note 6(u) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets at fair value through profit or loss		
Fund investments-current	\$ 38,861	46,663
Fixed income financial instruments	65,145	612,833
Overseas corporate bonds	-	6,247
Total	<b>\$ 104,006</b>	<b>671,990</b>
Fund investments-non-current	<b>\$ 197,419</b>	<b>126,439</b>

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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- (i) Please refer to note 6(e) for fund investments-non-current.
- (ii) Please refer to note 6(u) for credit risk and market risk.
- (iii) As of December 31, 2021 and 2020, the Group did not provide any financial assets as collateral for its loans.

(c) Notes and accounts receivable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable	\$ 2,823	6,083
Accounts receivable	1,349,896	1,811,698
Less : Loss allowance	(124)	(529)
	<b><u>\$ 1,352,595</u></b>	<b><u>1,817,252</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,334,126	-%	-
0 to 120 days past due	15,657	0%~1%	11
121 to 270 days past due	113	0%~100%	113
Total	<b><u>\$ 1,349,896</u></b>		<b><u>124</u></b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,804,736	-%	-
0 to 120 days past due	6,423	0%~1%	2
121 to 270 days past due	37	0%~30%	25
More than 1 year past due	502	100%	502
Total	<b><u>\$ 1,811,698</u></b>		<b><u>529</u></b>

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The movement in the allowance for notes and accounts receivables were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Blance at January 1	\$ 529	19,099
Impairment losses recognized	67	598
Amounts written off	<u>(472)</u>	<u>(19,168)</u>
Balance on December 31, 2021 and 2020	<u><u>\$ 124</u></u>	<u><u>529</u></u>

(d) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 196,059	194,769
Work in process	197,865	203,355
Finished goods	<u>125,947</u>	<u>124,950</u>
	<u><u>\$ 519,871</u></u>	<u><u>523,074</u></u>

For the years ended December 31, 2021 and 2020, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$3,464,092 thousand and \$3,268,381 thousand, respectively. For the years ended December 31, 2021 and 2020, the Group recognized the losses (reversal gains) on inventory valuation and obsolescence as cost of goods sold amounting to \$(22,114) thousand and \$2,648 thousand, respectively.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(e) Non-current financial assets at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted bank deposit	<u><u>\$ 1,264,067</u></u>	<u><u>1,124,961</u></u>

In June, 2021 and May and July, 2020, the Group applied to IRS for the application of “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (hereinafter referred to as the “Act”), and the remittance was approved within one month. According to the Act, the funds need to be deposited in a special-purpose account for five years, and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for substantive investment; Otherwise, the funds can only be redeemed within 3 consecutive years on average after the five years maturity. Please refer to note 6(b) for financial assets.

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(f) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
<b>Cost or deemed cost:</b>						
Balance on January 1, 2021	\$ 179,672	1,048,926	1,955,334	479,442	56,056	3,719,430
Additions	-	11,477	90,729	17,989	61,097	181,292
Reclassifications	-	14,749	6,225	986	(21,210)	750
Disposals	-	(470)	(179,414)	(32,770)	-	(212,654)
Effect of changes in foreign exchange rates	-	(9,450)	(26,866)	(1,119)	18,742	(18,693)
Balance on December 31, 2021	<u>\$ 179,672</u>	<u>1,065,232</u>	<u>1,846,008</u>	<u>464,528</u>	<u>114,685</u>	<u>3,670,125</u>
Balance on January 1, 2020	\$ 179,672	920,762	2,016,688	476,633	101,928	3,695,683
Additions	-	589	47,821	21,811	48,645	118,866
Reclassifications	-	123,467	(50)	1,066	(125,867)	(1,384)
Disposals	-	-	(102,036)	(25,442)	-	(127,478)
Effect of changes in foreign exchange rates	-	4,108	(7,089)	5,374	31,350	33,743
Balance on December 31, 2020	<u>\$ 179,672</u>	<u>1,048,926</u>	<u>1,955,334</u>	<u>479,442</u>	<u>56,056</u>	<u>3,719,430</u>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2021	\$ -	453,394	1,435,367	386,140	-	2,274,901
Depreciation	-	39,557	118,920	40,514	-	198,991
Reclassifications	-	-	246	504	-	750
Disposals	-	(470)	(164,717)	(31,055)	-	(196,242)
Effect of changes in foreign exchange rates	-	(3,724)	9,174	(169)	-	5,281
Balance on January 1, 2021	<u>\$ -</u>	<u>488,757</u>	<u>1,398,990</u>	<u>395,934</u>	<u>-</u>	<u>2,283,681</u>
Balance on January 1, 2020	\$ -	391,905	1,413,474	358,463	-	2,163,842
Depreciation	-	47,072	121,300	45,357	-	213,729
Disposals	-	-	(98,534)	(23,459)	-	(121,993)
Effect of changes in foreign exchange rates	-	14,417	(873)	5,779	-	19,323
Balance on December 31, 2020	<u>\$ -</u>	<u>453,394</u>	<u>1,435,367</u>	<u>386,140</u>	<u>-</u>	<u>2,274,901</u>
<b>Carrying amounts:</b>						
Balance on December 31, 2021	<u>\$ 179,672</u>	<u>576,475</u>	<u>447,018</u>	<u>68,594</u>	<u>114,685</u>	<u>1,386,444</u>
Balance on December 31, 2020	<u>\$ 179,672</u>	<u>595,532</u>	<u>519,967</u>	<u>93,302</u>	<u>56,056</u>	<u>1,444,529</u>

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had not been pledged as collateral.

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(g) Right-of-use assets

The Group leases many assets including land and buildings, vehicles and machinery equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transporta tion equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2021	\$ 94,009	4,728	8,399	107,136
Additions	-	-	11,958	11,958
Disposals/ Wright-off	(12,423)	(4,691)	(8,399)	(25,513)
Effect of changes in foreign exchange rates	(738)	(37)	-	(775)
Balance at December 31, 2021	<u>\$ 80,848</u>	<u>-</u>	<u>11,958</u>	<u>92,806</u>
Balance at January 1, 2020	\$ 149,480	31,099	8,399	188,978
Additions	2,366	4,625	-	6,991
Disposals/ Wright-off	(59,079)	(30,929)	-	(90,008)
Effect of changes in foreign exchange rates	1,242	(67)	-	1,175
Balance at December 31, 2020	<u>\$ 94,009</u>	<u>4,728</u>	<u>8,399</u>	<u>107,136</u>
<b>Accumulated depreciation and impairment losses:</b>				
Balance at January 1, 2021	\$ 30,529	-	6,870	37,399
Depreciation for the year	31,565	4,689	2,829	39,083
Disposals/ Wright-off	(7,968)	(4,691)	(8,399)	(21,058)
Effect of changes in foreign exchange rates	(228)	2	-	(226)
Balance at December 31, 2021	<u>\$ 53,898</u>	<u>-</u>	<u>1,300</u>	<u>55,198</u>
Balance at January 1, 2020	\$ 35,024	15,549	3,435	54,008
Depreciation for the year	37,260	15,464	3,435	56,159
Disposals/ Wright-off	(42,231)	(30,929)	-	(73,160)
Effect of changes in foreign exchange rates	476	(84)	-	392
Balance at December 31, 2020	<u>\$ 30,529</u>	<u>-</u>	<u>6,870</u>	<u>37,399</u>
<b>Carrying amount:</b>				
Balance at December 31, 2021	<u>\$ 26,950</u>	<u>-</u>	<u>10,658</u>	<u>37,608</u>
Balance at December 31, 2020	<u>\$ 63,480</u>	<u>4,728</u>	<u>1,529</u>	<u>69,737</u>

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(h) Short-term borrowings

The Short-term borrowings were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured loans	\$ 44,000	45,000
Credit loans, no pledge	<u>1,693,760</u>	<u>943,920</u>
Total	<u>\$ 1,737,760</u>	<u>988,920</u>
Interest rate range	<u>0.4%~0.83%</u>	<u>0.4%~0.83%</u>

For the collateral for short-term borrowings, please refer to note 8.

(i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	<u>December 31, 2021</u>		
	<u>Guarantee or acceptance institution</u>	<u>Range of interest rates (%)</u>	<u>Amount</u>
Commercial paper payable	Mega Bills	0.59%	\$ 100,000
Less: Discount on short-term notes and bills payable			<u>(29)</u>
Total			<u>\$ 99,971</u>

(j) Long-term borrowings

The detail were as follows:

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	0.92%~0.96%	2023	<u>\$ 1,150,000</u>

  

	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	0.95%~0.98%	2022	<u>\$ 1,200,000</u>

Please refer to note 6(u) for the exchange rate risk, the interest rate risk, and the sensitivity analysis of the financial assets and liabilities of the Group.

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(k) Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<u>\$ 31,228</u>	<u>39,224</u>
Non-current financial assets	<u>\$ 6,713</u>	<u>30,891</u>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss was as follows:

	<b>For the years ended December 31, 2021</b>	<b>For the years ended December 31, 2020</b>
Interest expenses on lease liabilities	<u>\$ 616</u>	<u>1,178</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 735</u>	<u>857</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>For the years ended December 31, 2021</b>	<b>For the years ended December 31, 2020</b>
Total cash outflow for leases	<u>\$ 41,048</u>	<u>59,098</u>

(l) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, and recognized as the contribution in the current period.

The pension costs incurred from the contributions to the Labor Insurance amounted to \$42,946 thousand and \$27,436 thousand for the years ended December 31, 2021 and 2020, respectively.

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(m) Income tax

(i) The components of income tax in the years 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 198,184	221,397
Deferred tax expense (benefit)	19,922	(68,202)
	<u>\$ 218,106</u>	<u>153,195</u>

(ii) The amounts of income tax expense (profit) recognized in other comprehensive income or loss for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Foreign currency translation differences for foreign operations	\$ <u>(8,621)</u>	<u>6,840</u>

(iii) Reconciliation of income tax and profit before tax for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	\$ 824,794	874,557
Income tax using the Company's domestic tax rate	278,170	278,160
Effect of tax rates in foreign jurisdiction	(32,192)	(30,040)
Undistributed earnings additional tax	2,549	-
Tax incentive-Repatriated offshore funds	(27,948)	(177,211)
Change in unrealized deferred tax assets	-	75,540
Prior year's income tax adjustment and other	(2,473)	6,746
	<u>\$ 218,106</u>	<u>153,195</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were all temporary differences in respect of the following items:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrealized investment losses	\$ 75,540	75,540
Depreciation period difference	41,109	43,734
Loss on inventory valuation	31,157	37,013
The carryforward of unused tax losses	30,419	20,875
Other	8,442	13,692
	<u>\$ 186,667</u>	<u>190,854</u>

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As of December 31, 2021, the unused prior-year tax loss carry-forward of the consolidated entities set up overseas amounted to \$299,314 thousand, and the deductible taxes calculated by the local tax authorities amounted to \$30,419 thousand.

2) Recognized deferred tax liabilities

Changes in the amount of deferred tax liabilities for 2021 and 2020 were as follows:

	Investment income recognized under the equity method	Foreign currency translation differences for foreign operations	Others	Total
Deferred tax liabilities				
Balance on January 1, 2021	\$ 725,246	(73,877)	596	651,965
Recognized in profit or loss	22,765	-	(588)	22,177
Recognized in other comprehensive income or loss	-	(10,401)	-	(10,401)
Balance on December 31, 2021	<u>\$ 748,011</u>	<u>(84,278)</u>	<u>8</u>	<u>663,741</u>
Balance on January 1, 2020	\$ 870,257	(82,177)	8	788,088
Recognized in profit or loss	(145,011)	-	588	(144,423)
Recognized in other comprehensive income or loss	-	8,300	-	8,300
Balance on December 31, 2020	<u>\$ 725,246</u>	<u>(73,877)</u>	<u>596</u>	<u>651,965</u>

3) Recognized deferred tax assets

Changes in the amounts of deferred tax assets for 2021 and 2020 was as follows:

	Investment income recognized under the equity method	Loss on inventory valuation	Foreign currency translation differences for foreign operations	Unused tax losses carry forwards	Others	Total
Deferred tax assets						
Balance on January 1, 2021	\$ -	(560)	(1,780)	(4,688)	(14,764)	(21,792)
Recognized in profit or loss	-	101	-	(797)	(1,559)	(2,255)
Recognized in other comprehensive income or loss	-	-	1,780	-	-	1,780
Balance on December 31, 2021	<u>\$ -</u>	<u>(459)</u>	<u>-</u>	<u>(5,485)</u>	<u>(16,323)</u>	<u>(22,267)</u>
Balance on January 1, 2020	\$ (75,540)	(447)	(320)	(15,452)	(4,794)	(96,553)
Recognized in profit or loss	75,540	(113)	-	10,764	(9,970)	76,221
Recognized in other comprehensive income or loss	-	-	(1,460)	-	-	(1,460)
Balance on December 31, 2020	<u>\$ -</u>	<u>(560)</u>	<u>(1,780)</u>	<u>(4,688)</u>	<u>(14,764)</u>	<u>(21,792)</u>

- (v) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2019.

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(n) Capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares were amounted to \$1,500,000 thousand, of which \$20,000 thousand were reserved for the exercising of employee stock options, with par value of \$10 per share represents 150,000 thousands of ordinary shares. As of that date, both 62,671 thousands and 62,446 thousands of shares were issued and the related registration procedures were completed. All issued shares were paid up upon issuance.

The balances of capital surplus were issued and the related registration procedures were completed as of December 31, 2021 and 2020, were as follows:

	<b>Ordinary shares</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	62,446	62,296
Exercising of Employee share options	225	150
Balance on December 31	<b>62,671</b>	<b>62,446</b>

(i) Issuance of capital stock

The Company issued 180 new shares of common stock for the exercise of employee stock options in 2021. All shares were completed the related legal and registration procedures. The Company issued 195 thousand shares, with par value of \$10 per share for the exercise of employee stock options in 2020. Therein 150 thousand shares were completed the legal registration procedures. As of December 31, 2020 there were still 45 thousand shares whose legal registration procedure are unfinished and classified under advance receipts for share capital \$2,993.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 970,593	958,419
Employee share options	10,892	10,463
	<b>\$ 981,485</b>	<b>968,882</b>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

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(iii) Retained earnings

The Group's article of incorporation stipulate that, when allocating the profit for each fiscal year, the Company shall first offset its losses in previous years. Of the remaining profit, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. Aside from the aforesaid legal reserve, the Company shall appropriate or reverse another sum as special earnings reserve in accordance with relevant laws or regulations or requested by the authorities in charge. The remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the amendment of the of Article 240 and Article 241 of the ROC Company Act, the Company authorized the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution only if the current-year retained earnings available for distribution does not reach \$0.5 per share, the Company may decide not to distribute dividend. The dividend to be distributed may be in the form of cash and stock, and cash portion of the dividend, should not be less than 30% of the total distributed dividend.

1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be set aside as special earnings reserve during earnings distribution. Similarly, a portion of undistributed prior-period earnings shall be set aside as special earnings reserve (and can not be distributed) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021, the total amount of special reserve amounted to \$310,459 thousand.

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3) Earnings distribution

Earnings distribution for 2020 and 2019 were decided via the general meeting of shareholders held on August 12, 2021, and June 16, 2020, respectively. The relevant dividend distributions to shareholders were as follow:

	2020		2019	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders				
Cash	\$ 10.0	<u><u>625,612</u></u>	4.0	<u><u>249,185</u></u>

(o) Share-based payment

(i) The Company issued 600 units of employee stock options, at 1,000 shares per unit, to its employees and its subsidiaries' who met certain requirements on July 28, 2017. The duration of the employee stock options is five year. 50%, 75%, and 100% of the stock options are exercisable 2 years, 3 years, and 4 years, respectively, after the grant date. Those qualified employees are entitled to purchase the shares at the closing price of ordinary shares of the Company on the same day. After the grant of the stock options, any changes in the ordinary shares of the Company, the exercise price of the share options will be adjusted according to the prescribed formula.

(ii) Details of the employee stock options are as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	\$ 66.50 (note)	235	70.80	440
Granted during the year	-	-	-	-
Forfeited during the year	-	(50)	-	(10)
Exercised during the year	61.60	<u>(180)</u>	66.50	<u>(195)</u>
Outstanding at December 31	61.60 (note)	<u><u>5</u></u>	66.50 (note)	<u><u>235</u></u>
Exercisable at December 31		<u><u>-</u></u>		<u><u>135</u></u>
The weighted average price of the stock options		<u><u>\$ 18.15</u></u>		<u><u>18.15</u></u>

(Note) The Company adjusted the exercise price of stock options according to its requirements for issuance stock options.

(Continued)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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The details of the stock options of the Group as of December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Weighted average of remaining contractual period (years)	0.57	1.57

- (iii) The Company used the Black-Scholes pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<u>2017</u>
Exercise price (NT dollars)	81.80
Share price at grant date (NT dollars)	81.80
Expected dividend	-
Expected volatility (%)	26.78%~27.89%
Risk-free interest rate (%)	0.67%~0.73%
Expected life (years)	5

- (iv) For the years ended December 31, 2021 and 2020, the expenses attributable to share based payment amounted to \$429 thousand and \$1,283 thousand, respectively.

(p) Earnings per share

- (i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2021 and 2020, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 606,688</u>	<u>721,362</u>
Weighted-average number of ordinary shares (thousand shares)	<u>62,550</u>	<u>62,321</u>
Basic earnings per share	<u>\$ 9.70</u>	<u>11.57</u>

- (ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2021 and 2020, were based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<u>2021</u>	<u>2020</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 606,688</u>	<u>721,362</u>

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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Weighted-average number of ordinary shares (diluted) (thousand shares)

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares (basic)	62,550	62,321
Effect of employee stock bonus	<u>367</u>	<u>327</u>
Weighted-average number of ordinary shares (diluted)	<u><u>62,917</u></u>	<u><u>62,648</u></u>
Diluted earnings per share	<u><u>\$ 9.64</u></u>	<u><u>11.51</u></u>

(q) Revenue from contracts with customers

(i) Details of revenue

	<u>2021</u>	<u>2020</u>
<u>Primary geographical markets</u>		
North America	\$ 1,467,672	1,608,676
Asia	454,861	530,621
Europe	<u>2,906,577</u>	<u>2,668,964</u>
	<u><u>\$ 4,829,110</u></u>	<u><u>4,808,261</u></u>
<u>Major products/services lines</u>		
Plastic injection	\$ 4,499,262	4,433,079
Mold	328,797	372,894
Others	<u>1,051</u>	<u>2,288</u>
	<u><u>\$ 4,829,110</u></u>	<u><u>4,808,261</u></u>

(ii) Contract balances

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>January 1,</u> <u>2020</u>
Contract liabilities	<u><u>\$ 27,586</u></u>	<u><u>51,775</u></u>	<u><u>31,622</u></u>

For details on accounts receivable, please refer to note 6 (c).

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was \$51,171 thousand and \$31,622 thousand, respectively.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(r) Employee, board of directors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$27,000 thousand and \$30,000 thousand, and directors' remuneration amounting to \$10,200 thousand and \$11,705 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees, directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating. If the actual amount of the annual distribution and the estimated amount of differences, according to the changes in accounting estimates, and the difference recognized as the next year annual profit (loss). Such as the resolution of the board of directors to take the stock of employee compensation, the numbers of shares to be distributed would be calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors, please refer to Market Observation Post System for further information.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020. There is no difference in the actual distribution situation.

(s) Other revenue

The other revenue for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 54,712	63,921
Others	19,375	17,756
Total other income	<u>\$ 74,087</u>	<u>81,677</u>

(t) Other gains and losses

The other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange losses, net	\$ (120,332)	(261,003)
Gains (losses) on financial assets at fair value through profit or loss	(3,281)	3,584
Gains on disposals of property, plant and equipment	7,514	3,653
Others	(381)	(1,458)
	<u>\$ (116,480)</u>	<u>(255,224)</u>

(Continued)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Group's accounts receivable and investments.

1) Accounts receivable and others receivables

For credit risk exposure of note and accounts receivable, please refer to note 6(c).

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These criterias are reviewed periodically.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes their counterparts do not have significant default risk, therefore, the credit risk is insignificant.

3) Credit risk exposure

As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the consolidated statements of financial position and amounted to \$6,973,903 thousand and \$6,418,565 thousand, respectively. The Group had deposited these bank deposits in different financial institutions, and the Group believes that there is no significant credit risk from the above mentioned financial institutions.

4) Concentration of credit risk

The credit risk exposure of the Group comes from the credit of individual customers, and the industry of the customer also have effect on credit risk. For the years ended December 31, 2021 and 2020, sales to the individual customers whose revenue constituting over 10% of net revenue are 37% and 40% of total revenues respectively. As of December 31, 2021 and 2020, 26% and 43%, respectively, of accounts receivable were those customers.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>
<b>December 31, 2021</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,737,760	1,739,215	1,739,215	-
Short-term notes and bills payable	99,971	100,000	100,000	-
Long-term borrowings	1,150,000	1,169,644	10,805	1,158,839
Non-interest bearing liabilities				
Notes and accounts payable	588,508	588,508	588,508	-
Lease liabilities	37,941	37,941	31,228	6,713
Other financial liabilities	51,986	51,986	51,986	-
	<u>\$ 3,666,166</u>	<u>3,687,294</u>	<u>2,521,742</u>	<u>1,165,552</u>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 988,920	989,735	989,735	-
Long-term borrowings	1,200,000	1,220,867	11,492	1,209,375
Non-interest bearing liabilities				
Notes and accounts payable	800,428	800,428	800,428	-
Lease liabilities	70,115	70,115	39,224	30,891
Other financial liabilities	55,202	55,202	55,202	-
	<u>\$ 3,114,665</u>	<u>3,136,347</u>	<u>1,896,081</u>	<u>1,240,266</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exchange rate risk

The Group's significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 156,910	27.680	4,343,257	153,339	28.480	4,367,099
CNY	84	4.344	363	199	4.377	870
EUR	387	31	12,106	210	35	7,349
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	6,166	27.680	170,677	8,170	28.480	232,674

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, accounts payable and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2021 and 2020, would have increased or decreased the net profit before tax by \$41,850 thousand and \$41,426 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$120,332 thousand and \$261,003 thousand, respectively.

2) Interest rate analysis

The details of financial instruments exposed to interest rate risk were as follows:

	<b>Carrying amount</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Fixed-rate instruments:		
Financial assets	\$ 2,684,754	799,575
Financial liabilities	<u>(2,287,731)</u>	<u>(1,288,920)</u>
	<b><u>\$ 397,023</u></b>	<b><u>(489,345)</u></b>
Variable-rate instruments:		
Financial assets	\$ 2,633,734	1,826,437
Financial liabilities	<u>(700,000)</u>	<u>(900,000)</u>
	<b><u>\$ 1,933,734</u></b>	<b><u>926,437</u></b>

The sensitivity analysis is based on the exposure to the interest rate risk of nonderivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases 1 basis points when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 basis points, the Group's net income would have decreased / increased by \$4,834 thousand and \$2,316 thousand for the years ended December 31, 2021 and 2020, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and bank deposits in variable-rate bills.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The fair value of financial assets at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2021			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets at fair value through profit or loss-current	\$ <u>104,006</u>	<u>38,861</u>	<u>-</u>	<u>65,145</u>	<u>104,006</u>
Non derivative financial assets at fair value through profit or loss-non-current	\$ <u>197,419</u>	<u>197,419</u>	<u>-</u>	<u>-</u>	<u>197,419</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,999,433				
Notes and accounts receivable, net	1,352,595				
Other financial assets-current	1,023				
Refundable deposits	12,375				
Financial assets measured at amortized cost-current	55,360				
Non-current financial assets measured at amortized cost	<u>1,264,067</u>				
	\$ <u>6,684,853</u>				
Financial liabilities measured at amortized cost					
Long and short term borrowings	\$ 2,887,760				
Short-term notes and bills payable	99,971				
Notes and accounts payable	588,508				
Lease liabilities	37,941				
Other payables	<u>51,986</u>				
	\$ <u>3,666,166</u>				

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2020				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets at fair value through profit or loss-current	\$ <u>665,743</u>	<u>46,663</u>	<u>6,247</u>	<u>612,833</u>	<u>665,743</u>
Non derivative financial assets at fair value through profit or loss-non current	\$ <u>126,439</u>	<u>126,439</u>	<u>-</u>	<u>-</u>	<u>126,439</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,626,650				
Notes and accounts receivable, net	1,817,252				
Other financial assets-current	560				
Refundable deposits	15,099				
Financial assets measured at amortized cost-current	56,960				
Non-current financial assets measured at amortized cost	<u>1,124,961</u>				
	<u>\$ 5,641,482</u>				
Financial liabilities measured at amortized cost					
Long and short term borrowings	\$ 2,188,920				
Short-term notes and bills payable	800,428				
Lease liabilities	70,115				
Other payables	<u>55,202</u>				
	<u>\$ 3,114,665</u>				

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	<u>At fair value through profit or loss</u>	
	<u>2021</u>	<u>2020</u>
Balance in the beginning of the period	\$ 612,833	430,513
Recognized In profit or loss	34,946	32,133
Purchased	673,164	1,969,820
Disposal	<u>(1,255,798)</u>	<u>(1,819,633)</u>
Balance in the ending of the period	<u>\$ 65,145</u>	<u>612,833</u>

The aforementioned total gains and losses were recognized in “other income”. There were no transfers from all Level in 2021 and 2020.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value are “financial assets measured at fair value through profit or loss –fixed income financial instrument” and derivative financial assets. The financial assets’ fair value are using the prior transaction price before adjustments or third-party pricing information. The unobservable inputs are not set up as the Group measures fair value, so the quantified information of significant unobservable inputs are not disclosed.

(v) Financial risk management

(i) Structure of risk management

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, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

- (ii) The Group have exposures to the following risks from its financial instruments:
- 1) Credit risk
  - 2) Liquidity risk
  - 3) Market risk

For more disclosures about the quantitative effects of these risks exposures and the Group's objectives, policies and processes for measuring and managing the above mentioned risks, please refer to note 6(u).

- (w) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, and retained earnings. As of December 31, 2021 and 2020, the Group's equity-to-asset ratios were 49% and 52%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2021.

- (x) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

- (i) For acquisition of right-of-use assets, please refer to note 6(g).
- (ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Changes in lease payment	Foreign exchange movement and others	
Short-term borrowings	\$ 988,920	748,840	-	-	1,737,760
Short-term notes and bills payable	-	100,000	-	(29)	99,971
Long-term borrowings	1,200,000	(50,000)	-	-	1,150,000
Lease liabilities	70,115	(39,697)	7,459	64	37,941
Total liabilities from financing activities	<u>\$ 2,259,035</u>	<u>759,143</u>	<u>7,459</u>	<u>35</u>	<u>3,025,672</u>

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Changes in lease payment	Foreign exchange movement and others	
Short-term borrowings	\$ 824,790	164,130	-	-	988,920
Short-term notes and bills payable	149,994	(150,000)	-	6	-
Long-term borrowings	1,000,000	200,000	-	-	1,200,000
Lease liabilities	135,117	(57,064)	(9,906)	1,968	70,115
Total liabilities from financing activities	<u>\$ 2,109,901</u>	<u>157,066</u>	<u>(9,906)</u>	<u>1,974</u>	<u>2,259,035</u>

**(7) Related-party transactions:**

(a) Transaction of key management personnel

(iii) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 50,051	51,351
Post-employment benefits	324	216
	<u>\$ 50,375</u>	<u>51,567</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Demand deposits (classified under other current financial assets)	Short-term borrowings	\$ 55,360	56,960
Demand deposits (classified under other current assets)	Performance bond	1,704	-
Demand deposits (classified under other current financial assets)	Guarantee for carbon emission	25	25
		<u>\$ 57,089</u>	<u>56,985</u>

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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**(9) Significant Commitments and Contingencies:**

(a) Unrecognized contractual commitments

- (i) The Group's unrecognized contractual commitments to the purchase of plant and equipment are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Acquisition of property, plant and equipment	<b>\$ 79,739</b>	<b>42,920</b>

- (ii) For the necessary to bank loan and operating capital, the Company and its subsidiaries provide guarantee and endorsement for other parties were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Outstanding guarantee notes	<b>\$ 1,360,064</b>	<b>1,398,688</b>
Actual usage amount	<b>\$ 193,760</b>	<b>153,920</b>

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

<b>By item</b>	<b>2021</b>			<b>2020</b>		
	<b>Operating cost</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Operating cost</b>	<b>Operating expenses</b>	<b>Total</b>
Employee benefit expenses						
Salary	900,465	202,307	1,102,772	798,071	228,698	1,026,769
Labor and health insurance	24,057	10,295	34,352	20,278	8,956	29,234
Pension	34,216	8,730	42,946	21,418	6,018	27,436
Others	24,242	35,874	60,116	21,015	34,129	55,144
Depreciation	185,131	52,943	238,074	217,348	52,540	269,888
Amortization	2,664	3,143	5,807	3,435	3,709	7,144

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
0	The Company	NISHOKU VIETNAM	Other accounts receivable	Yes	285,350	276,800	249,120	0.63-0.72%	Necessary to loan other parties	-	Operating capital	-	-	-	441,570 (Note 1)	1,766,280 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company’s net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company’s net worth in the last financial statement.

Note 2: Related transaction have been eliminated during the preparation of the consolidated financial statements.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anguilla)	3	4,415,699	113,560	-	-	-	- %	4,415,699	Y	N	N
0	"	NISHOKU VIETNAM	2	4,415,699	1,196,688	1,184,704	193,760	-	26.83 %	4,415,699	"	"	"
0	"	NISHOKU BOUEKI	2	4,415,699	176,560	175,360	-	-	3.97 %	4,415,699	"	"	"

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company’s net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company’s net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries’ shares;
- 3) The parent company and its subsidiaries holds over 50% of investees’ shares
- 4) A subsidiary jointed owned over 50% by the Company and the Company’s directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Nomura Global Financial Bond Fund	None	Financial assets at fair value through profit or loss - current	-	8,260	- %	8,260	
"	JPMorgan Investment Funds–Global High Yield Bond Fund	"	"	-	8,360	- %	8,360	
"	ABITL Income Multi-asset Income Fund of Funds A2	"	"	-	5,697	- %	5,697	
"	BGF ESG Multi-Asset Fund	"	"	-	11,142	- %	11,142	
NISHOKU BOUEKI	PineBridge Preferred Securities Income Fund	"	"	-	5,402	- %	5,402	
NISHOKU SHENZHEN	Fixed income financial instruments	"	"	-	65,145	- %	65,145	
The Company	Allianz Global Investors Income and Growth Fund A	"	Financial assets at fair value through profit or loss - non current	-	11,173	- %	11,173	
"	Allianz Global Investors Income and Growth Fund	"	"	-	46,552	- %	46,552	
"	PineBridge Global ESG Quantitative Bond Fund	"	"	-	46,223	- %	46,223	
"	PineBridge Global Multi-Strategy High Yield Bond Fund	"	"	-	37,455	- %	37,455	
"	Nomura Global Financial Bond Fund	"	"	-	22,092	- %	22,092	
"	FSITC GLOBAL HIGH YIELD BOND FUND	"	"	-	12,127	- %	12,127	
"	ABITL Income Fund -Multi Asset Income Fund of Funds N	"	"	-	21,797	- %	21,797	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
KUNSHAN NISHOKU PLASTIC	Fixed income financial instrument	Financial assets at fair value through profit or loss-current	Wells Fargo Asset Management (Shanghai)	None	-	218,869	-	217,150	-	448,664	436,019	12,645	-	-
NISHOKU SHENZHEN	"	Financial assets at fair value through profit or loss-current	Wells Fargo Asset Management (Shanghai)	"	-	393,964	-	456,014	-	807,134	784,833	22,301	-	65,145

(Continued)

**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
SAME START (Anguilla)	KUNSHAN NISHOKU PLASTIC	Associate	Purchase	194,219	88 %	Note 1	Note 1	Note 1	(68,975)	(87)%	Note 2
KUNSHAN NISHOKU PLASTIC	SAME START (Anguilla)	"	Sale	(194,219)	(5) %	"	"	"	68,975	6%	"
The Company	KUNSHAN NISHOKU PLASTIC	"	Sale	(900,917)	(70) %	"	"	"	192,562	64%	Note 2
KUNSHAN NISHOKU PLASTIC	The Company	"	Purchase	900,917	52 %	"	"	"	(192,562)	(35)%	"
The Company	NISHOKU VIETNAM	"	Sale	(143,112)	(11) %	"	"	"	50,713	17%	"
NISHOKU VIETNAM	The Company	"	Purchase	143,112	47 %	"	"	"	(50,713)	(51)%	Note 2
SAME START (Anguilla)	The Company	"	Sale	(125,332)	(58) %	"	"	"	41,135	56%	"
The Company	SAME START (Anguilla)	"	Purchase	125,332	15 %	"	"	"	(41,135)	(23)%	Note 2

Note 1: Payment term given to related parties and third parties were 90 days and 60 to 120 days, respectively. In addition, the Company did not buy same product from third part, so the purchase price can not be compared.

Note 2: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price can not be compared. In addition, the receipt terms of related parties were not significant different to third parties.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	KUNSHAN NISHOKU PLASTIC	Associate	192,562	3.64	-		69,279	-

Note 1: Until January 28, 2022.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

The following is the information for the years ended December 31, 2020, business relationships and significant intercompany transactions with the amounts exceeding NT\$10 million:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions,			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	SAME START (Anguilla)	1	Purchase	125,332	Note 3	3%
"	"	"	1	Account Payable	41,135	"	-%
"	"	KUNSHAN NISHOKU PLASTIC	1	Sales	900,917	"	18%
"	"	"	1	Account receivable	192,562	"	2%
"	"	NISHOKU VIETNAM	1	Sales	143,112	"	3%
"	"	"	1	Account receivable	50,713	"	1%
"	"	"	1	Other receivables	249,120	Loans	3%
1	SAME START (Anguilla)	NISHOKU SHENZHEN	3	Purchase	25,161	"	1%
"	"	"	3	Account Payable	10,147	"	-%
"	"	KUNSHAN NISHOKU PLASTIC	3	Purchase	194,219	"	4%
"	"	"	3	Account Payable	68,975	"	1%
"	"	NISHOKU VIETNAM	3	Sales	86,108	"	2%
"	"	"	3	Account receivable	31,807	"	-%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The trading price and product that purchase or sale from related parties that did not purchase or sale from third parties, so can not be compared. The payments terms were 90 days for related parties.

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest balance during the year		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	SUN NICE (SAMOA)	SAMOA	Holding	1,096,194	1,096,194	56,282	100 %	34,468	100.00 %	4,538,818	564,574	564,574	
"	NISHOKU BOUEKI	Taiwan	Purchase and sales of plastic raws and parts	1,000	1,000	6,300	100 %	6,300	100.00 %	106,388	(3,076)	(1,676)	
"	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	508,434 (USD 16,500 thousand)	508,434 (USD 16,500 thousand)	-	100 %	-	100.00 %	136,258	30,542	30,851	
SUN NICE (SAMOA)	SAME START (Anquilla)	Aquilla	Purchase and sale of mold and plastic products	-	-	-	100 %	-	100.00 %	(31,132)	60,137	28,490	
"	NISHOKU HK	HK	Holding	1,800,361 (USD 57,915 thousand)	1,800,361 (USD 57,915 thousand)	62,298	100 %	62,298	100.00 %	3,644,042	385,025	385,025	
"	SUNNICE (BVI)	BVI	"	585,292 (USD 17,948 thousand)	585,292 (USD 17,948 thousand)	15,697	100 %	15,697	100.00 %	982,222	151,235	151,235	

Note 1: Transactions within the Group were eliminated in the consolidated financial statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD11,288 thousand	Indirect investment through third area	703,870 (USD22,939 thousand)	-	-	703,870 (USD22,939 thousand)	5,580	100.00%	5,580	828,113	475,841
KUNSHAN NISHOKU PLASTIC	Manufacture and sale of mold and plastic products	USD53,310 thousand	"	1,674,270 (USD52,524 thousand)	-	-	1,674,270 (USD52,524 thousand)	533,010	100.00%	530,721	3,436,928	675,359

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China were based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

Note 3: Above investment amount within the Group were eliminated in the consolidated financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Yi Feng Investment Limited		4,736,000	7.55 %
Ji Teng Investment Limited		4,500,000	7.18 %
Yun Ding Investment Limited		4,050,000	6.46 %
CTBC Bank Trusted Custody investment account_Gold Talent Co., Ltd.		3,897,856	6.21 %
Jin Hong Investment Limited		3,600,000	5.74 %

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The Group's identifies its operating segments based on decision of the chief operating decision marker (CODM). The Group's operating segments are in United States, Asia and Europe, etc. Those operating segments are be reportable segments. The Revenue from manufacture and supply electronic parts to clients. Since the strategy of each segment is different, its is necessary to separate them for management.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price. The Group's product revenues from geographical clients are as follows:

	<b>2021</b>				
	<u>United States</u>	<u>Asia</u>	<u>Europe</u>	<u>Elimination</u>	<u>Total</u>
<b>Revenue from external customers</b>	<u>\$ 1,467,672</u>	<u>454,861</u>	<u>2,906,577</u>	<u>-</u>	<u>4,829,110</u>
<b>Reportable segment profit or loss</b>	<u>\$ 461,751</u>	<u>32,439</u>	<u>395,392</u>	<u>-</u>	<u>889,582</u>
	<b>2020</b>				
	<u>United States</u>	<u>Asia</u>	<u>Europe</u>	<u>Elimination</u>	<u>Total</u>
<b>Revenue from external customers</b>	<u>\$ 1,608,676</u>	<u>530,621</u>	<u>2,668,964</u>	<u>-</u>	<u>4,808,261</u>
<b>Reportable segment profit or loss</b>	<u>\$ 518,245</u>	<u>44,212</u>	<u>506,595</u>	<u>-</u>	<u>1,069,052</u>

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**NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Product and service information

Revenue from external customers of the Group was as follows:

<b><u>Product and Services</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Plastic injection	\$ 4,499,262	4,433,079
Mold	328,797	372,894
Others	<u>1,051</u>	<u>2,288</u>
Total	<b><u>\$ 4,829,110</u></b>	<b><u>4,808,261</u></b>

(d) Major customers

Sales to individual clients constituting over 10% of total revenue in 2021 and 2020 are summarized as follows:

<b><u>Customer</u></b>	<b><u>2021</u></b>	
	<b><u>Amount</u></b>	<b><u>Percentage of net sales</u></b>
Company A	<b><u>\$ 1,800,416</u></b>	<b><u>37</u></b>

  

<b><u>Customer</u></b>	<b><u>2020</u></b>	
	<b><u>Amount</u></b>	<b><u>Percentage of net sales</u></b>
Company A	<b><u>\$ 1,920,512</u></b>	<b><u>40</u></b>