Stock Code: 6416

Caswell, Inc.

2021 Annual Report

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I. Spokesperson

Spokesperson	:	Hans Chen
Position	:	Senior Manager
Email:	:	spokesman@cas-well.com
Telephone	:	(02)7705-8888
Deputy Spokesperson	:	Carrie Huang
Position	:	Chief Finance Officer
Email:	:	spokesman@cas-well.com
Telephone	:	(02)7705-8888

II. Company and Plant Address

Headquarters	:	8F, No. 242, Bo'ai Street, Shulin District, New Taipei City
Plant	:	No. 11, Da'an Rd., Xinzhuang Dist., New Taipei City
Telephone	:	(02)7705-8888

III. Stock Transfer Agency

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

IV. The CPAs for the Latest Financial Statements

CPA	:	K'ou-Hui Chih, Kuo-Hsin I
Name of CPA Firm	:	KPMG
Address	:	Address: 68F, No. 7, Section 5, Xinyi Road, Taipei City
Website:	:	http://www.kpmg.com.tw
Telephone	:	(02)8101-6666

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

VI. Company Website: http://www.cas-well.com

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Chapter 1. Letter to Shareholders

Dear Shareholders,

2021 was a very challenging and difficult year, with the increase of COVID-19 vaccination rate, although the global economy has gradually recovered; , overall the world economic environment has not yet returned to the normal condition. Due to the supply chain chaos, global logistics disorder and comprehensive price increase of the supply chain caused by the pandemic, CASwell's business was impacted, resulting in a net consolidated operating income of NTD 4,673,944 thousand in 2021, a decrease of NTD 791,911 thousand compared with NTD 5,465,855 thousand in 2020, a annual decline of 14%; The net profit after tax was NTD 219,556 thousand, a decrease of NTD 152,797 thousand compared with NTD 372,353 thousand in 2020, a annual decline of 41%. Although the adverse economic environment has affected revenue and profit in 2021, all colleagues have coped with the challenge with the positive and prudent attitude, hoping that in the future, as the economic environment returning back to the right track, and the new operation plan is established, the Company will undergo transformation and realize new growth.

In 2021, novel Coronavirus variants continued to spread all over the world, and the pandemic had ravaged various countries. Measures such as city closure, country locking and isolation were still implemented in various countries with the ups and downs of the epidemic, resulting in continuing strict restrictions on business, tourism and daily life around the world. Worrying about the infection by the vital Covid-19 virus, people couldn't go out for activities, leading to the vigorous development of economic activities such as work from home (WFH), remote education, remote medical care, e-commerce, logistics, videogames and the sharp increase of demand for telecommunication equipment such as servers, laptops, game console. Telecom operators and cloud service providers also innovated their products or services to cope with various online economic activities such as online conference, education, real-time communication, games, logistic service platform, and social media platforms. Enterprises were more deeply aware that many real economic activities were suspended due to the pandemic. Thus began to accelerate the digital transformation, optimize the operation process by making good use of digital tools, and then conceive and transform the affected business models to cope with the uncertain economic model and activities in the future. Major pharmaceutical companies and medical research institutions around the world had also invested huge resources in developing vaccines and drugs against viruse. At present, the vaccination rate in the world has been greatly improved, and some pharmaceutical companies continue to develop the next generation vaccines and therapeutic drugs for virus mutation strain, hoping to return to the economic growth track before the pandemic in the near future.

The aftershock of the pandemic has indeed changed the way of global economic interaction. Looking forward to the strategic technology trends in the next few years, Gartner, a research and survey institute, continuously emphasize the importance to the trends ofexperiential hybrids and holistic experiences, privacy enhanced computing, decentralized enterprises, cybersecurity mesh, AI engineering, super-automation system, etc., and also proposed the establishment of data network for flexibility that can be easily accessed when needed and data sources integration of various platforms and business users. With the technology of cloud native platform, a new application architecture can be generated, which can adapt to the rapid changes and needs of the digital world flexibly in real time. For sure the application emphasis can be combined. For new software solutions and enterprise value promotion, simple and reusable modules are used to speed up the time to market. Generative AI generates similar but non-repetitive innovations from learning existing data, such as video processing and application, product and pharmaceutical research and development cycles, and so on. While intelligent decision-making uses enhanced analysis, simulation and AI to learn, and adaptability fine-tunes to achieve optimal decision-making. Build an autonomous system, learn from the environment, and adjust the algorithm in real time and dynamically to optimize the operation of the organization.

The major operation plan of the Company in 2022 is to integrate various innovative designs, technologies, experiences and innovative thinking of strategic partners developed in recent years. The Company will explore the excellent R&D capabilities accumulated over the years, combine various innovations of R&D teams and customers' industrial experiences and needs and take into account the development trend of science and technology, actively look for strategic partners, and carry out continuous design and development of more netwkork security system platforms, cloud server systems, cloud computing and enterprise client network packet switches, software-defined wide area network (SD-WAN) and virtual/universal customer premises equipment (vCPE/uCPE), industrial Internet control, storage and security gateways and edge computing intelligent gateways.

Based on the requirements of network traffic management, data packet storage and transmission and data security in various cloud application service fields, low latency of fog computing/edge computing, deep learning and intelligent computing applications, the Company helps customers to integrate software and hardware in a complete and quick manner, shortens the development time of various application platform systems, and provides comprehensive product lines with high cost performance in combination with advantageous supply chain and manufacturing resources, thus meeting the needs of customers for diversified IT/OT/CT/DT network security application products and services.

In response to the development trend of technology and digital applications, the Company will continue to invest more research and development resources in high-end multi-core computing processors (X86 and RISC/ARM architecture), Intel Xeon SP/D/E, Cascade Lake/Ice Lake SP server CPU, Coffee Lake/Comet Lake/Tiger Lake/Alder Lake CPU and Rangeley/Denverton/IceLake D/Snowridge/Elkhart Lake micro server SOC and IoT application SOC, 10G/25G/40G/100GbE high-speed Ethernet, Tofino Ethernet Switch, FPGA, AMD EPYC 7003 series CPU, cloud server system, network function virtualization (NFV), edge computing center and communication device, industrial Internet control, storage and security management, smart grid management, wireless network access and management, RF antenna integrated design and other technologies, and will continuously invest in and promote new products to open up new business development directions and further improve profitability.

Since customers have specific requirements for the production history, test verification, customized specifications, quality certification system, maintenance service/record and global distribution management of system products, the Company continuously develops and refines information integrated platform services, test verification software package, improves the automation degree of process verification software/process, optimizes the global delivery center and reverse logistics management information system, fully connects with customers' internal systems, and makes the test verification products more complete, so as to greatly improve the visibility of customer information from market research, placing orders, selling products, flexibly dispatching overseas delivery warehouses to after-sales service, etc., ensure real-time supply and provide customers with diversified and satisfactory services. This advantageous differentiated service brings remarkable customer trust and adhesion to the

Company, and further helps customers improve their market competitiveness and market share.

In response to the global demand and layout of intelligent applications such as AIoT and edge computing and wireless communication market, the Company has gradually adopted an active but relatively stable planning and investment strategy. In addition to existing global partners, the successively set up overseas subsidiaries in Japan, Chinese, United States and Europe over the past years, and the investment in HAWKEYE TECH, CO., LTD in Taiwan, we set up an operationand manufacturing center in Xinzhuang, so that product managers, sales, procurement, production, materials, quality control, accounting and other teams can work more closely together to expand production capacity and improve production line efficiency, and provide more products and services to global customers.

The management team of the Company, with the same original intention as all colleagues, will continue to uphold the diligent and dedicated work spirit, face with the fickle global economic model and activities, deeply cultivate the business policy planned by the Company and pay close attention to the development of semiconductor industry, electric vehicle industry, 5G core network and open radioaccess network (O-RAN) and intelligent manufacturing and smart city. The Company will also continue to implement corporate governance and make good use of the support of the capital market to carry out more research, development, strategic planning and implementation, so as to create maximum benefits for the Company as a feedback to the care and support of shareholders, employees and other stakeholders..

Chairman Steve Chu

Manager Reaforl Hung

Accounting Supervisor Helen Chang

Chapter 2. Company Profile

I. Date of Incorporation: Apr. 11, 2007

II. Company History

2007	• Pushi Technology Co., Ltd. (former name of the Company) was established, with paid-in capital of NT $10,000,000 (the same below) • The Company developed the first set of self-owned NVR Linux core, laying the cornerstone of other Linux applications in the future
2008	• The Company moved to Zhonghe Yuandong Century Plaza • The Company launched 10G optical fiber network Bypass card • Total paid-in capital amounted to NT$125,000, 000 after an increase in cash capital of NT$115,000,000. Portwell, Inc. obtained 90% equity • The Company changed its name to: CASwell, Inc. • The Company launched the NAS/SAN/DAS multifunctional integrated storage device EverNAS 2/4 bays used by small and medium-sized enterprises • The Company cooperaed with Intel to launch EP80579(Tolapai), an integrated chip application server. • The Company set up a software research and development center • The import plan of the whole new generation of P-QUA 3 • The Company launched the 12-slot extraction hard disk voice streaming server • The Company established the American distribution service logistics center
2009	• The Company merged with Weifu Technology Co., Ltd. (hereinafter referred to as Weifu Technology), with a share swap ratio of 0.8: 1. The paid-in capital amounted to NT$ 248,200,000 with a capital increase of NT$ 123,200,000. • Based on the merger with Waifu Technology, the Company obtained 100% equity of Waifu Technology's American subsidiary Waver Technologies, Inc (hereinafter referred to as Waver) • The employee bonus was transferred to increase capital by NT$ 660,000, and the paid-in capital amounted to NT$ 248,860,000. • ISO 9001 Quality Management System was introduced • The Company strategically cooperated with Freescale to develop the first NPU Networking appliance product CAK-2000 • The Company introduced the new generation of Westmere Processor product series • The Company launched Freescale enterprise-class network voice application server • The Company developed the second generation of PCI-Express 10G network card before the American Intel • The Company launched the fanless Cavium low-order desktop network application server

	• The Company adopted Core i7, the latest process of American Intel, to provide high-end application servers in the network • The Company introduced modular network card, which could be used by customers across platforms • Total paid-in capital amounted to NT$260,000,000 after an increase in cash capital of NT$11,140,000.
2010	• The Company moved to the R & D center of Datong Science and Technology Park Group in Shulin District • The company passed TUV NORD ISO 9001 quality management system certification and obtained ISO 9001 quality management system certificate • The employee bonus was transferred to increase capital by NT$ 4,350,000, and the surplus was transferred to increase capital by NT$ 39,000. The paid-in capital amounted to NT$ 303,350,000. • The company's distribution service logistics center introduced self-developed distribution service management system (HMS) integrating internal information systems • The Company liquidated the American subsidiary Waver • The Company merged with Wailian Technology Co., Ltd. (hereinafter referred to as Wailian Technology), with a share swap ratio of 1: 1. The paid-in capital amounted to NT$ 442,336,000 with a capital increase of NT$ 138,986,000. • Based on the merger with Wailian Technology, the Company obtained 76.92% equity of Waifang Technology Co., Ltd. (hereinafter referred to as Waifang Technology) The Company was mainly responsible for BIOS technical consultation and writing • The Company established a new product business group and received the first ATCA customization project • Import plan of research and development of full range of LGA-1156 products • Import plan of Intel's next generation of ATOM Embedded products • Import plan of the new generation of PCIe Gen2 NIC module (Barton Hill) • The Company promoted the MMBS cloud server product plan • The Company joined Taiwan Province Cloud Industry Association as a founding member
2011	• The Company cooperated with Ming Chi University of Technology • The Company set up the software quality control department • The Company launched the 1Gb LOM card, which passed the certification and was adopted by customers in their full range of network security systems • The Company passed TUV NORD ISO 14001Environmental Management System and OHSAS 18001 Occupational Safety and Health Management System certification. • The employee bonus was transferred to increase capital by NT$ 12,000,000. The surplus was transferred to increase capital by NT$ 119,431,000. The capital reserve was transferred to increase paid-in capital by NT$ 26,540,000. The paid-in capital amounted to NT$ 600,307,000. • The Company disposed of all shares of its subsidiary Portwell Technology • The Company introduced a new generation of Gen3 Bypass to strengthen the complete functions of software and hardware

	• The C-Ver Diagnostic tool pioneered by the Company allows products to be fully verified on the client side • The Company began to develop Intel Crystal Forest Family QAT Cave Creek HW Acceleration series • The Company began to develop the Acceleration Card Program of Hardware Aceleration • Research and development of 80x70mm 4x SFP and SFP+ black box/blue box technology leading plan • The company began to develop 10G Base-T high-end 10G Copper network card • The Company passed 14001:2004 certification • The Company passed OHSAS 18001:2007 certification • The company built its own after-sales maintenance service management system (eRMA)
2012	• The Company's distribution service management system (HMS) and after-sales maintenance service management system (eRMA) were seamlessly integrated • The Company established a new Fanless product line CAF-xxxx • The Company set out to research and develop the high, medium and low product lines of Intel's new generation of Haswell , Grantley, Denlow, Shark Bay. • The Company started to develop Intel new generation ATOM product line,Rangeley, Bay trail • The Company strategically cooperated with Tilera strategically to develop network processor NIC module, system • The Company started to develop 40G NIC Module • The Company set up the Xinzhu R&D Center • The Company introduced the TL 9000 telecoms quality management system • The Company released new product Mellanox 40G QSFP NIC module. • The Company developed the new technology of the 3.5th generation of Bypass, and introduced a more powerful and intelligent network security mechanism • The Company released the first miniaturized 4xSFP+ Bypass module, providing a safer, faster and denser network card • The company planned a series of standard network cards to expand the application of products to network storage, VoIP, wireless endpoint access and network monitoring system • The Log service had been developed, providing customers with more real-time and reliable information inquiry service of production history • The Company built the Taiwan Distribution Service Logistics Center • The Financial Supervisory Commission approved the public offering of shares of the Company.

2013	• The Company obtained the TL9000 telecommunications quality management system certification • The Company was listed in the OTC as emerging stock. • The company established the distribution service logistics center in the Netherlands, Europe • The Company introduced a patented five-in-one integrated button LCD screen • The Company launched Intel's 4th generation of Haswell series products • The Company launched Intel's new generation of Bay Trail & Rangeley series products • The Company cooperated with American company Tilera to launch Tilera 72-core overspeed network accelerator card module • The company launched the 9-core ultra-micro network accelerator card • The company launched the 16-core ultra-micro network accelerator card. • The Company launched x86/Tilera dual-system hybrid architecture system platform • The Company launched a variety of 1U and 2U rack Tilera super-core network security system platforms
2014	• With regard to SDN/NFV, the Company cooperated with Intel strategically and actively invested in the research and development of network virtual application and software-defined architecture. • In response to the vigorous development of cloud computing and Internet of Things, the Company provides all kinds of software and hardware products and services needed to construct the data center. • The Company launched various types of Ethernet cards to meet the needs of different servers in high-speed data packet exchange. • The Company launched ARM 64bit server system to provide another high-performance and low-power option for data center. • The Company launched Romley-EP 2U rack server platform supporting up to 240G network bandwidth. • The Company launched 40G Mellanox Ethernet card • The Company cooperated strategically with Ennoconn Technology to meet the demand of higher productivity • The Company incorporated into Ennoconn Technology to officially set up FOXCOON Technology Group, and arranged the quantitative transfer project of production line to obtain the advantages of higher quality and cost control • The Company established the Japanese subsidiary CASO,INC • The Company won the 23rd National Rock Award and 17th Little Giant Award
2015	• The Company launched the Rangley fanless system specializing in network performance processing • The Company exhibited a product presentation based on SDN/NFV concept in Beijing City • The Company completed a variety of cutting-edge micro servers such as CCS and AFA and conceptual machines of All Flash array product, focusing on cloud market applications • The Company launched a 10G base-T copper Ethernet network card • The Company launched a high-density 4-port 10G Ethernet card

	• The company launched a two-port GbE medical-grade Ethernet card • The company launched a new generation of Tilera 72 cores CAT-8020 network high-performance system. • The Company constructed a high-quality enterprises with ISO-28000 safety certification and established more complete supply chain safety management • The Company launched Intel's new generation of Skylake-S 1U network security series products • The Company launched Intel's new generation of Skylake-U Desktop fanless products • The Company launched Intel's new generation of Haswell-EP 1U/2U high-end network security products • The Company acquired 82% equity of Beijing Caswell Ltd. and established a sales and service base in China. • The Company set up Beijing Caswell-Shanghai Branch, and established a R&D team besides the sales base. • The Company set up a production operation management center and set up a production and supply management team. • The Company set up a system assembly and testing production line, which can not only expand the production capacity, but also control the production quality of high-level systems.
2016	• The advanced CAR-5040 won the Interop Tokyo 2016 best of show Award in Japaa. • 2U 12Bay Storage Server went on the market for mass production • Application of vCPE in the new market • Import of full series of Kabylake's new platform • 24x10G SDN network card module went the market for mass production • The company took the lead in the industry to propose the product application concept of Embedded world • The Company planned the application of related products in the telecom market • The company planned the application of related products in the wide-temperature industrial control market • The Company obtained the order of the third generation of UTM project of a leading company in the global UTM market • The Company obtained the order of the second generation of UTM project of a leading company in the European UTM market • The Company successfully entered the South China market, and obtained the 1U/2U product order of a well-known client engaged in network security • The Company obtained Intel Associate member qualification
2017	• The Company set up the subsidiary Caswell Americas, Inc • CAR-5050, a high-end network security device, with a high-speed bandwidth up to 480G, was launched and listed • Import of Bluetooth wireless serial port connection technology • 100G optical fiber network module went on the market for mass production • 8x10G optical fiber network port, with PCIex16 high-speed network module, went on the market for mass production • Related products of Intel Skylake-Server platform went on the market for mass production

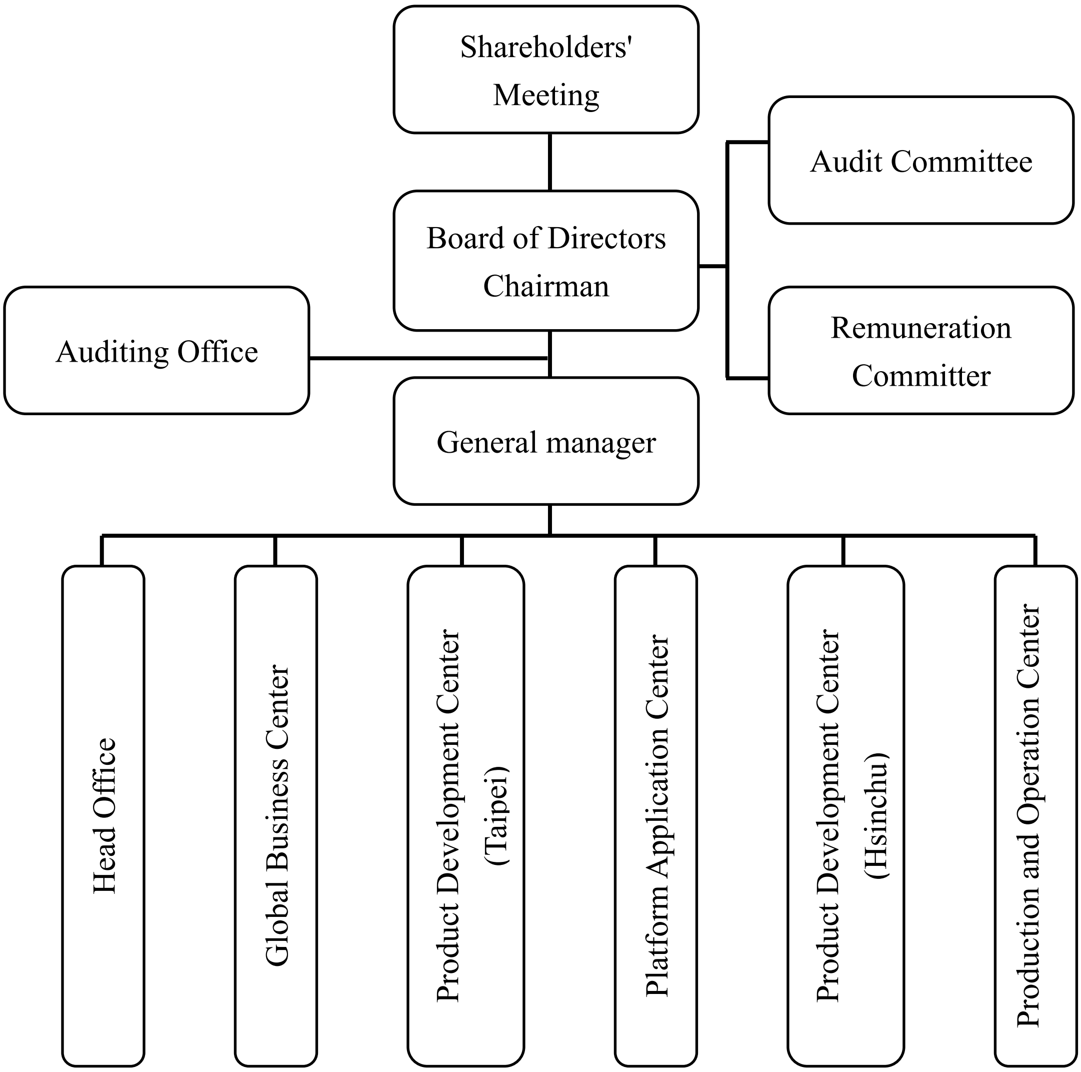
	• Related products of Intel NPU Denverton platform went on the market for mass production • The Company obtained uCPE/SD-WAN related large-scale projects in the Telecom market • The white card Server of 1/2U Purley platform went on the market for mass production, focusing on the cloud computing market • Import of RF antenna design verification into full Desktop system • The Company planned the application of PoE Switch related products • The Company planned the application of OPS related products •
2018	• The Company was listed on Taiwan Stock Exchange Corporation. • The Company arranged industrial control automation products and integrated industrial control systems to integrate investment in manufacturers. • The Company expanded network storage (NAS) software research and development resources and proposed new storage-related (NAS) software and hardware product solutions • The Company proposed new software-defined network product line products • The Company proposed new industrial control and automation product lines • The Company introduced the full range of product lines of the American customer SD-WAN
2019	• The Company acquired 52% equity of APLIGO GmbH, a German system integration and service provider. • The company acquired 40% equity of HAWKEYE TECH, CO., LTD, an integrated communication system and multi-wireless intelligent communication system manufacturer in Taiwan, China. • The Company won the best SDN vendor of CIOAdvisorAPAC in 2019. • The Company proposed new products of industrial network security product line. • The company proposed new products of 5G edge computing product line.
2020	• The Company increased new products of operation technology (OT) industrial network security product line. • The company increased new products of 5G edge computing product line. • The Company increased new products of tele-communication switch product line. • The Company purchased further interests of subsidiaries, resulting in the shareholding ratio of Apligo GmbH increased from 52% to 66.67% and the shareholding ratio of Hawkeye increased from 40% to 60.64%. • The operation technology (OT) network security product line was introduced into the related application of automobile assembly plants in Japan. • The operation technology (OT) network security product line was introduced into the related application of plants in France. • The subsidiary in Beijing distributed world-famous internet security brands' solutions, including the software, the hardware and the service. • The subsidiary in Japan distributed multiple wireless software-defined WAN brands' solutions, including the software, the hardware and the service.

2021	• The Company established the Xinzhuang Operation Center. • The Company increased new product lines of Caswell standard narrow network interface card. • The Company invested the design and development of programmable server switch for advanced network traffic load balancing • The operation technology (OT) network security product line became one of the solutions for cybersecurity of the semi-conductor Fab. • The Company increased new products of remote access control function software of the product lines of network attached storage. • The product lines of software-defined WAN was successfully introduced into the 5G application of the telecom operators in India. • Network security product was successfully introduced into the application of the lotto lottery tickets in Korea. • Network security product was successfully introduced into the enterprise network monitoring device in Russia.

Chapter 3. Corporate Governance Report

I. Corporate Organization

(I) Organization Chart



(II) Department Functions

Department	Functions
General manager	• Making overall plans for the formulation of operation and management policies and decisions, implementing the resolutions of the BOD, and leading the heads of various departments. • Responsible for appointing management representatives and attending management review meetings to confirm the implementation of quality system.
Auditing Office	• Participating in and supervising the establishment of internal control system. • Evaluating the appropriateness and effectiveness of the internal control system. • Ensuring the degree and quality of internal control operation. • Implementing other matters required by laws and regulations.
Head Office	• Finance Division: fund management, accounting and tax affairs handling, preparation of financial statements and related management statements, etc. • Management Division: management and inventory of fixed assets, maintenance and management of office machines, procurement, maintenance and payment of general affairs supplies, etc. • Information Department: planning and system implementation, self-developed system and data maintenance, host hardware, network system maintenance, etc. • Human Resources Division: human resource items such as appointment and removal, promotion, relocation, retirement, performance appraisal, rewards and punishments, insurance, and salary and benefits.
Global Sales Center	• Network Communication Division: tapping into new markets and attracting new customers; in charge of product promotion, introduction, sales, etc. • Project Customer Division: responsible for product promotion, introduction and sales of project customers, management and operation of overseas warehouses of project customers, etc. • New Product Division: tapping into new markets and attracting new customers; in charge of product promotion, introduction, sales, etc.
Product Development Center (Taipei)	• Electronic R&D Division: hardware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. • Firmware R&D Division: firmware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. • Product Planning Division: responsible for product market trend

Department	Functions
	survey, product design planning, product research and development progress control, product cost control, etc. ● File Management Division: responsible for file management of system and R&D technical files, BOM establishment and maintenance of each R&D unit, preservation and management of ISO quality manual and programs, forms and specifications of each unit, etc. ● Institutional R&D Department: design and development of system institutions, design of packaging materials, providing technical support to product planning department, business division and production center, etc.
Quality Assurance Division	● Adding, modifying and managing the programs related to various quality certification and management systems, providing various quality reports (weekly/monthly reports) to customers, handling and tracking various exceptions, etc.
Product Development Center (Hsinchu)	● Electronic R&D Division: hardware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. ● Firmware R&D Division: firmware product design, development, testing, verification and design change, providing technical support to business division and production center, etc.
Production and Operation Center	● Management Division: including procurement, production management and material management, responsible for the supervision and management of all production affairs of the Company. ● Manufacturing Division: cooperating with order demand and production schedule, manufacturing products that meet the requirements of quality and order quantity, and achieving the Company's relevant operational objectives. ● Engineering Division: undertaking the production process work such as technology transfer of new products, production line operation guidance, elimination of production problems, and repair of defective products. ● Materials Division: responsible for the incoming goods receiving, production line material preparation, shipment, sales support, etc. ● Quality Control Division: quality discrimination and control of incoming parts and finished products. ● Taiwan HUB: responsible for various import and export operations of goods belonging to project customers. ● Product Maintenance Division: tracking and management of RMA returned products, RMA material application, cost statistics and management, providing RMA reports required by customers, etc.

Department	Functions
Platform Application Center	• Software Engineering Division: responsible for product driver development, product sample program development, software product design, software related technical support, etc. • Application Engineering Department: providing technical support to business units, assisting customers to learn to use products, verifying product problems from customers, and carrying out research related to product application and safety. • System Engineering Department: design, development and verification of system products, providing technical support of production center and product technology Compilation of documents and data, solution of product problems from customers, etc. • Quality Engineering Division: software verification and release, development of production line inspection system, assistance in solving customer development/use problems, development of automated verification and testing tools, etc.

II. Information Regarding Directors and the Management Team

(I) Directors and supervisors

April 18, 2022

Title	Nationality/ Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remarks
							Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding			Title	Name	Nature of Relationships	
Director	R.O.C.	Ennoconn Corporation	-	2020.6.16	Three Years	2014.12.5	20,000,000	33.32%	20,000,000	27.32%	–	–	–	–	–	Director of Ennoconn International Investment Co., Ltd.; Director of Innovative Systems Integration Limited; Director of Ennoconn Investment Holdings Co., Ltd.	–	–	–	
Chairman	R.O.C.	Representative of Ennoconn Corporation Steve Chu	Male 51-60	2020.6.16	Three Years	2014.12.5	50,000	0.08%	50,000	0.07%	–	–	–	–	Bachelor of Electronic Engineering, St. John's and St. Mary's Institute of Technology Senior Assistant Vice President of Hon Hai Precision Industry Co., Ltd.	Chairman and CEO of Ennoconn Corporation; Chairman of GOLDTeK; Chairman of Dexatek Technology Ltd.; Director of Ennoconn Corporation (Suzhou); Chairman of Poslab Technology Corporation and AIS Cayman Technology Group; Director of Ennoconn International Investment Co., Ltd.; Director of Marketech International Corp.; Director of Ennomech Precision Co., Ltd.; Director of Vecow Co., Ltd.; Director of S&T AG; Director of ENGA Technology Co., Limited.	–	–	–	
Director	R.O.C.	Representative of Ennoconn Corporation: Aven Lou	Male 61-60	2010.6.16	Three Years	2014.12.5	–	–	–	–	–	–	–	–	Department of Business Administration, Feng Chia University Engineering Management, Nan Ya Plastics Corporation Vice President in Operation and	Chairman of Ennoconn International Investment Co., Ltd.; Chairman of Ennomech Precision Co., Ltd.; Chairman of Ennomech Precision (Cayman) Co., Ltd.; Chairman of EnnoconnInvestment Holdings Co., Ltd.; Chairman of Foshan City Ennoconn Investment Co., Ltd.; Chairman of Huaen	–	–	–	

Title	Nationality/ Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remarks
							Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding			Title	Name	Nature of Relationships	
															Management of Hon Hai Precision Industry Co., Ltd.	Investment Co., Ltd.; Director of Marketech International Corp.; Director of GOLDTeK; Director of Innovative Systems Integration Limited; Director of Shijun International Investment Co., Ltd.; Chairman of Ennoconn Corporation (Suzhou); Director of ENGA Technology Co., Limited				
Director	R.O.C.	Representative of Ennoconn Corporation: Nelson Tsay	Male 51-60	2010.6.16	Three Years	2010.6.16	–	–	–	–	–	–	–	–	Master's Degree in Business Administration, West Coast University President of American Industrial Systems Inc.	President of Ennoconn Corporation Director of Marketech International Corp.; Director of ENNOCONN INTERNATIONAL INVESTMENT CO., LTD; Chairman, American Industrial Systems Inc.; Chairman, VECOW CO.LTD.; Director of AIS Cayman Technology Group				
Director	R.O.C.	Reaforl Hung	Male 40-50	2010.6.16	Three Years	2010.10.11	193,446	0.32%	115,446	0.16%	–	–	–	–	Master, Department of Innovation and Entrepreneurship Management, Shih Chien University (EMBA) R&D Vice President of Portwell Technology Co., Ltd.	President of the Company Director of CASO, INC Director of Hawkeye Tech, Co., Ltd.	–	–	–	

Title	Nationality/ Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remarks
							Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding			Title	Name	Nature of Relationships	
Independent Director	R.O.C.	Jennifer Shao	Female 51-60	2010.6.16	Three Years	2013.4.9	–	–	–	–	–	–	–	–	Master's in Business Administration, National Chung Hsing University Vice President of Hanyou Investment Consulting Co., Ltd.'	Bentech Systems Corporation	–	–	–	
Independent Director	R.O.C.	James Huang	Male 61-70	2010.6.16	Three Years	2013.4.9	–	–	–	–	–	–	–	–	Doctoral Degree in Management, ,National Kaohsiung First University of Science and Technology Associate Professor, Department of Business Administration, Kun Shan University	Adjunct Associate Professor, Department of Business Administration, Kun Shan University	–	–	–	
Independent Director	R.O.C.	Benny Wang	Male 51-60	2010.6.16	Three Years	2013.6.16	–	–	–	–	–	–	–	–	PhD. in Computer Engineering, Electronic Engineering, National Taipei University of Technology Chief Technology Officer of Asia Pacific data center at Intel Microelectronics Asia LLC. Taiwan Branch	Independent Director and Audit Committee Member of Marketech International Corp. Adjunct Professor, Program of EMBA, AI, and Big Data, Electronic Engineering, National Taipei University of Technology				

(II) Major shareholders of the Company's major corporate shareholders :

1. Major shareholders of corporate shareholders

April 25, 2022

Name of Corporatel Shareholder	Major Shareholders of the Corporate Shareholder
Ennoconn Corporation	Baoxin International Investment Co., Ltd. (31.10%), Investment account in Google International LLC in the custody of Citibank Taiwan, Ltd. (4.57%), Fubon Life Insurance Co., Ltd. (4.18%), Hung Yang Venture Investment Co., Ltd. (1.93%), TransGlobe Life Insurance Inc. (1.21%), Steve Chu (0.96%), HSBC in custody for Cardensa Main Fund (0.82%), Investment account in Vanguard Emerging Markets Stock Index Fund of The Vanguard Group, Inc. in the custody of JPMorgan Chase Bank N.A., Taipei Branch (0.78%), Ling-Hsiao Yu (0.77%) and Chase in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.74%)

Note 1: For director or supervisor who acts as a corporate shareholder's representative, please specify the corporate shareholder's name.

Note 2: Please specify names of the major shareholders of the given corporate shareholder (top ten shareholders) and the ratio of shareholding. Where the major shareholder is a corporation, please complete the following Table 2.

Note 3: If the legal person shareholder is not organized as a company, the "names of shareholders" and the "ratio of shareholding" in the preceding paragraph shall be "names of founders or donors" and the "ratio of fund or donation".

3. Major Shareholders of Major Corporate Shareholder

April 25, 2022

Name of Corporatel Shareholders	Major Shareholders of the Corporate Shareholders
Baoxin International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd. 100%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. 100%
Hung Yang Venture Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd. 97.95%; Baoxin International Investment Co., Ltd. 2.05%
TransGlobe Life Insurance Inc.	TransGlobe Life Insurance Inc. Zhongwei Co., Ltd. 100%

Note 1: The names of the major corporate shareholders referred to in Table 1, if any, shall be specified.

Note 2: Please specify names of the major shareholders of the given shareholder (top ten shareholders) and the ratio of shareholding.

Note 3: If the legal person shareholder is not organized as a company, the "names of shareholders" and the "ratio of shareholding" in the preceding paragraph shall be "names of founders or donors" and the "ratio of fund or donation".

(III) Disclosure of Information on Professional Qualifications of Directors and Independence of Independent Directors

Qualifications / Name	Professional Qualifications and Experience (Note 1)	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Representative of Ennoconn Corporation: Steve Chu	Steve Chu,the Chairman,graduated from Electronic Engineering, St.John's and St.Mary's Institute of Technology. He used to be the Senior Assistant Vice President of Hon Hai Precision Industry Co., Ltd., and is currently the Chairman of Ennoconn Corporation. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.	N/A	0
Representative of Ennoconn Corporation: Aven Lou	Aven Lou, the Director, graduated from Business Administration, Feng Chia University. He used to be the Vice President of Hon Hai Precision Industry Co., Ltd., and is currently the Chairman of Ennoconn International Investment Co., Ltd. He has solid capabilities of operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.	N/A	0
Representative of Ennoconn Corporation: Nelson Tsay	Nelson Tsay, the Director, graduated from Business Administration Graduate School, West Coast University, USA. He used to be the Chairman of American Industrial Systems Inc., and is currently the President of Ennoconn Corporation. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.	N/A	0
Reaforl Hung	Reaforl Hung, the Director, graduated from Innovation Management and Entrepreneurship Program, Shih Chien University. He used to be the R&D Vice President of Portwell Technology Co., Ltd., and is currently the President of Caswell, Inc. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.	N/A	0
Jennifer Shao	Jennifer Shao, the Independent Director, graduated from Business Administration Graduate School, National Chung Hsing University. She used to be the Vice President of Hanyou Investment Consulting Co., Ltd., and is currently the Director of Zhishuo Investment Consulting Co., Ltd. She has solid capabilities of accounting and financial analysis, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.	Independent Director him/herself, the spouse, relative within the second degree of kinship (or held by the person under others' names) held 0 share of the Company nor act as	0

<table>
<tr><th>Qualifications
Name</th><th>Professional Qualifications and Experience (Note 1)</th><th>Independence Criteria</th><th>Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director</th></tr>
<tr><td>James Huang</td><td>James Huang, the Independent Director, graduated from Management Graduate School, National Kaohsiung First University of Science and Technology. He used to be the Associate Professor, Department of Business Administration, Kun Shan University. He has solid capabilities of academic experience, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.</td><td rowspan="2">a director, supervisor or employee of the Company, companies with a specific relationship or affiliates,and no one has provided the Company or its affiliates with business, legal, financial, accounting and other services for remuneration in the past 2 years.</td><td>0</td></tr>
<tr><td>Benny Wang</td><td>Benny Wang, the Independent Director, graduated from Computer System of Electrical Engineering, National Taipei University of Technology. He used to be the Chief Technology Officer of Asia Pacific data center at Intel Microelectronics Asia LLC. Taiwan Branch, and is currently the Independent Director and Audit Committee Member of Marketech International Corp. as well as the Adjunct Professor, Program of EMBA, AI, and Big Data, Electronic Engineering, National Taipei University of Technology. He has solid capabilities of academic experience, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making.</td><td>1</td></tr>
</table>

Note 1: Not under any of the categories stated in Article 30 of the Company Act.

(IV) Diversity and Independence of the Board of Directors:

1. Diversity of the Board of Directors

The Company's “Corporate Governance Best-Practice Principles” stipulates that the diversity should be considered in the Board of Directors' composition. An appropriate diversification policy should be formulated based on its own operation, business type, and development needs. It should include but not limited to the following two major standards:

(1) Basic requirements and values: gender, age, nationality and culture, etc.

(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The members of the Board of Directors shall have the knowledge, skills and accomplishments necessary to perform their duties. To achieve the ideal goals of corporate governance, the overall Board of Directors should have the following capabilities:

(1) Capability to make sound business judgments.

(2) Accounting and financial analysis capabilities.

(3) Business management ability.

(4) Crisis management capability.

(5) Industrial Knowledge.

(6) Global market viewpoint.

(7) Leadership skills.

(8) Capability to make decisions.

The current Board of Directors of the Company is composed of seven directors, including three independent directors. Across industries and multiple complementary capabilities of each member are taken into consideration in the selection of the Board members. The Company is also aware of the gender equality in the composition of the Board members, and there are three independent directors, including 1 female independent director, which achieves the specific management objectives for the diversity of the Company's Board of Directors.

Name	Title	Diversity Policy											
		Gender	Age	Concurrently as an employee	Professional knowledge and skills								
					Academic experience	Capability to make sound business judgments	Accounting and financial analysis capabilities	Business management ability.	Crisis management capability	Industrial Knowledge	Global market viewpoint	Leadership skills	Capability to make decisions
Steve Chu	Chairman	Male	51~60			✓		✓	✓	✓	✓	✓	✓
Aven Lou	Director	Male	51~60			✓	✓	✓	✓	✓	✓	✓	✓
Nelson Tsay	Director	Male	51~60			✓		✓	✓	✓	✓	✓	✓
Reaforl Hung	Director	Male	41~50	✓		✓		✓	✓	✓	✓	✓	✓
Jennifer Shao	Independent Director	Female	51~60				✓	✓	✓	✓	✓	✓	✓
James Huang	Independent Director	Male	61~70		✓				✓	✓	✓	✓	✓
Benny Wang	Independent Director	Male	51~60		✓				✓	✓	✓	✓	✓

2. Independence of the Board of Directors:

The current Board of Directors of the Company is composed of seven directors, including three independent directors (with a ratio of 43%). No situation listed in Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act applies to the three independent directors, including to describe the situations of spouses and relatives within the second degree of kinship between the directors, supervisors, or directors and supervisors.

(IV) Information on the President, Vice Presidents, Assistant Vice Managers, and Supervisors of Divisions and Branch Units

2022 April 18

Position	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at Aurora and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
General Manager	R.O.C.	Reaforl Hung	Male	2011.9.27	115,446	0.16%	–	–	–	–	Master, Department of Innovation and Entrepreneurship Management, Shih Chien University (EMBA) R&D Vice President of Portwell Technology Co., Ltd.	Director of CASO, INC Chairman of Hawkeye Tech, Co., Ltd.	–	–	–	
Senior Vice President of R&D Department	R.O.C.	Hsu, Fu-Sung	Male	2015.1.1	449,840	0.61%	39,438	0.05%	–	–	Master, Department of Communication, National Taipei University R&D Vice President of Portwell Technology Co., Ltd.	Representative of legal person director of Caswell International Investment Co., Lt and Supervisor of Beijing Caswell Ltd.	–	–	–	
Senior Vice President of R&D Department	R.O.C.	Stephen Chang	Male	2013.6.1	120,165	0.16%	–	–	–	–	Master, Department of Control Engineering, National Chiao Tung University Assistant Vice Manager, Accusys Technology Co., Ltd.	–	–	–	–	
Vice President of General Administration Center	R.O.C.	Carrie Huang	Female	2009.7.1	177,272	0.24%	–	–	–	–	Master, Department of Business Management, National Taipei University Financial manager of Portwell Technology Co., Ltd.	–	–	–	–	
Vice President of Sales Center	R.O.C.	Ray Lin	Male	2018.1. 3	20,838	0.03%	–	–	–	–	Master, Department of Business Management, Donghua University Senior Business Manager of Portwell Technology Co., Ltd.	Executive Director of Beijing Caswell Ltd.	–	–	–	
Assistant Vice President, Product Planning Department	R.O.C.	Pomah Yen	Male	2012.8.1	–	–	–	–	–	–	Master, Computer Science & Information Engineering, Taipei University Product Manager of Portwell Technology Co., Ltd.	Director of CASO, INC., President of Americas Inc.	–	–	–	
Assistant Vice Manager of Information Division	R.O.C.	Simon Chiu	Male	2019.1.1	1,856	0.00%	–	–	–	–	Master, Department of Business Administration, National Chung Cheng University E Senior Manager of Portwell Technology Co., Ltd.	–	–	–	–	

Position	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at Aurora and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship	
Assistant Vice Manager of R&D Department	R.O.C.	Jack Tsai	Male	2019.1.1	20,000	0.03%	—	—	—	—	Bachelor, Department of Electrical Engineering, Datong University of Technology Assistant Manager of Hardware R&D, Accusys, Inc.	—	—	—	—	
Assistant Vice Manager of R&D Department	R.O.C.	Alan Yu	Male	2019.1.1	8,556	0.01%	—	—	—	—	Master, Department of Electrical Engineering, Ocean University Chief Engineer of software R&D, Accusys, Inc.	—	—	—	—	
Assistant Vice Manager of R&D Department	R.O.C.	Eric Chang	Male	2020.1.1	8,000	0.01%	—	—	—	—	Master, Department of Electrical Engineering, Ocean University R&D Manager of Portwell Technology Co., Ltd.	—				
Assistant Vice President, Product Planning Department	R.O.C.	Hans Chen	Male	2021.4.1	—	—	—	—	—	—	Doctor, Electronic Engineering, National Taiwan University of Science and Technology Senior Product Manager, Casewell, Ltd.	Director of HAWKEYE TECH, CO., LTD	—	—	—	—
Assistant Vice President, Product Planning Department	R.O.C.	Ting-Hsuan Chou (Note 1)	Male	2021.4.1	1,000	0.00%	—	—	—	—	Master, Industrial Engineering and Management, National Chiao Tung University. Senior Product Manager, Casewell, Ltd.	—	—	—	—	—
Head of Internal Audit	R.O.C.	Grace Lan	Female	2018.7.23	—	—	—	—	—	—	Bachelor, Department of Accounting, Fu-Jen Catholic University Head of Internal Audit of Sung Gang Asset Management Corp.Limited	—	—	—	—	—
Accounting Manager	R.O.C.	Helen Chang	Female	2020.8.13	—	—	—	—	—	—	Bachelor, Department of Accounting, Soochow University Manager of KPMG	—	—	—	—	—

(Note 1) Ting-Hsuan Chou was originally known as Yannic Chou

(V) Remuneration to the Directors, Supervisors, President, and Vice Presidents

1. Remuneration to directors

As of 12/31/2021; Unit: NT$ thousand

Position	Name	Remuneration Paid to Directors								Total A, B, C, D as % of EAIT		Relevant Remuneration Received by Directors who Are Also Employees								Total A, B, C, D, E, F,Gas % of EAIT		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay and Pension (B)		Directors (C)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)						
		Aurora	All Companies in Consolidated Financial Statements	Aurora	All Companies in Consolidated Financial Statements	Aurora	All Companies in Consolidated Financial Statements	Aurora	All Companies in Consolidated Financial Statements	Aurora	All Companies in Consolidated Financial Statements	Aurora	All Companies in Consolidate d Financial Statements	Aurora	All Companies in Consolidated Financial Statements	Aurora		All Companies in Consolidated Financial Statements		Aurora	All Companies in Consolidated Financial Statements	
																Cash	Stock	Cash	Stock			
Director Independent Director	Ennoconn Corporation Representative : Steve Chu Ennoconn Corporation Representative : Aven Lou Ennoconn Corporation Representative : Nelson Tsay Reaforl Hung James Huang	—	—	—	—	2,250	2,250	800	1,100	3,050 1.39%	3,350 1.53%	5,781	5,781	108	108	613	-	613	—	9,552 4.35%	9,852 4.49%	None
Independent Director	Jennifer Shao Benny Wang Wen-Chang Fang (Note 1) Yi-Ching Wang (Note 2)	—	—	—	—	1,350	1,350	435	435	1,785 0.81%	1,785 0.81%	—	—	—	—	—	—	—	—	1,785 0.81%	1,785 0.81%	None

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, the time spent by the individual, etc.: The remuneration of the Company's Directors and Independent Directors should be paid in accordance with Article 23 of the Articles of Incorporation. If the Company makes a profit in a year, it should allocate no more than 2% of Directors' remuneration, which should be submitted to the Shareholders' Meeting after being approved by the BOD.
2. Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies H in Consolidated Financial Statements	The Company	All Companies I in Consolidated Financial Statements
Less than NT$1,000,000	Ennoconn Corporation (representative: Lou Chao-Tsung),Ennoconn Corporation (representative: Nelson Tsay), Reaforl Hung, Jennifer Shao, James Huang and Benny Wang.	Ennoconn Corporation (representative: Lou Chao-Tsung),Ennoconn Corporation (representative: Nelson Tsay), Reaforl Hung, Jennifer Shao, James Huang and Benny Wang.	Ennoconn Corporation (representative: Lou Chao-Tsung),Ennoconn Corporation (representative: Nelson Tsay), Jennifer Shao, James Huang and Benny Wang.	Ennoconn Corporation (representative: Lou Chao-Tsung),Ennoconn Corporation (representative: Nelson Tsay), Jennifer Shao, James Huang and Benny Wang.
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	Ennoconn Corporation (Representative : Steve Chu)	Ennoconn Corporation (Representative : Steve Chu)	Ennoconn Corporation (Representative : Steve Chu)	Ennoconn Corporation (Representative : Steve Chu)
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	—	—	—	—
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	—	—	—	—
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	—	—	Reaforl Hung	Reaforl Hung
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	—	—	—	—
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	—	—	—	—
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	—	—	—	—
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	9 levels	9 levels	9 levels	9 levels

2. Remuneration to Supervisors: not applicable

3. Remuneration of the President and Vice President

As of 12/31/2021; Unit: NT$ thousand

Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
General Manager	Reaforl Hung	8,925	8,925	405	405	6,066	6,066	1,733	—	1,733	—	17,129 7.80%	17,129 7.80%	None
Senior Vice President	Hsu, Fu-Sung													
Senior Vice President	Stephen Chang													
Vice President	Carrie Huang													
Vice President	Ray Lin													

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Consolidated Financial Statements
Less than NT$1,000,000	—	—
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	—	—
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	Stephen Chang, Frank Hsu,Carrie Huang and Ray Lin	Stephen Chang, Frank Hsu,Carrie Huang and Ray Lin
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	—	—
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	Reaforl Hung	Reaforl Hung
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	—	—
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	—	—
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	—	—
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)	—	—
Over NT$100,000,000	—	—
Total	5 persons	5 persons

4. Name of managers distributing employee compensation and distribution

As of 12/31/2021; Unit: NT$ thousand

<table>
<tr><th></th><th>Position</th><th>Name</th><th>Stock</th><th>Cash</th><th>Total</th><th>Proportion to Earnings After Tax</th></tr>
<tr><td rowspan="10">Managerial Officer</td><td>General Manager</td><td>Reaforl Hung</td><td rowspan="10">—</td><td rowspan="10">3,089</td><td rowspan="10">3,089</td><td rowspan="10">1.41%</td></tr>
<tr><td>Senior Vice President</td><td>Hsu, Fu-Sung</td></tr>
<tr><td>Senior Vice President</td><td>Stephen Chang</td></tr>
<tr><td>Vice President</td><td>Carrie Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lin</td></tr>
<tr><td>Assistant Vice President, Product Planning Department</td><td>Pomah Yen</td></tr>
<tr><td>Assistant Vice President, Product Planning Department</td><td>Hans Chen (Note 1)</td></tr>
<tr><td>Assistant Vice President, Product Planning Department</td><td>Ting-Hsuan Chou (Note 2)</td></tr>
<tr><td>Assistant Vice Manager of R&D Department</td><td>Jack Tsai</td></tr>
<tr><td>Assistant Vice Manager of R&D Department</td><td>Alan Yu</td></tr>
<tr><td></td><td>Assistant Vice Manager of Information Division</td><td>Simon Chiu</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Assistant Vice Manager of R&D Department</td><td>Eric Chang</td><td></td><td></td><td></td><td></td></tr>
</table>

(Note 1) Hans Chen was promoted to Assistant Vice Manager on 2021.04.01.

(Note 2) Ting-Hsuan Chou was promoted to Assistant Vice Manager on 2021.04.01 (originally known as Yannic Chou).

5. The Company's remuneration policy

(1) Specify and compare the remunerations to Directors, Presidents and Vice Presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

A. Analysis of total remuneration, as a percentage of net income stated in the parent company only financial statements, paid to the Directors, President, and Vice Presidents during the past 2 fiscal years

Unit: NT$ thousand

Item \ Year	2020				2021			
	Remuneration		As percentage of net income after tax		Remuneration		As percentage of net income after tax	
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Director	16,863	17,163	4.53%	4.61%	11,337	11,637	5.16%	5.30%
President and Vice President	19,333	19,333	5.19%	5.19%	17,129	17,129	7.80%	7.80%

The Company has established an Audit Committee. Therefore, there are no supervisors.

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

a. Remuneration received by Directors of the Company are distributed according to the rules related to surplus earnings stipulated in the Company's Articles of Incorporation.

b. The remuneration is mainly divided into salary, bonuses and employee dividends. Remuneration levels are set mainly based on the position held and responsibilities assumed, and by taking into consideration the pay level of similar positions set by industry peers.

c. The salary adjustment, bonus and remuneration distribution of the Company are planned according to the Company's operating performance, the risk of fluctuation of future industrial prosperity, the operational risk, transaction risk and financial risk that the Company may face in future operations, and personal performance appraisal, which will be implemented after being approved by appropriate powers and responsibilities.

d. The Company has purchased liability insurance for directors. Besides, no litigation cases were received. In the future, Directors are less likely to assume responsibilities, obligations or liabilities.

III. Status of Corporate Governance

(I) Operation of the BOD:

A total of 6 meetings of the BOD were held in 2021 and 2022. The attendance of the directors is as follows:

Title	Name	Attendance in Person B	Attendance by Proxy	Attendance Rate [(B)/(A)]	Note
Chairman	Ennoconn Corporation Representative:: Steve Chu	6	0	100%	Took office on June 16, 2020.
Director	Ennoconn Corporation Representative:: Aven Lou	6	0	100%	Took office on June 16, 2020.
Director	Ennoconn Corporation Representative:: Nelson Tsay	6	0	100%	Took office on June 16, 2020.
Director	Reaforl Hung	6	0	100%	Took office on June 16, 2020.
Independent Director	James Huang	6	0	100%	Took office on June 16, 2020.
Independent Director	Jennifer Shao	6	0	100%	Took office on June 16, 2020.
Independent Director	Benny Wang	6	0	100%	Took office on June 16, 2020.

Other matters to be recorded:

I. With regard to the implementation of the BOD, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions should be specified:

(I) Matters listed in Article 3 of the Securities and Exchange Act

Date of Board Meetings (Term)	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
March 25, 2021 (1st Board Meeting for 2021)	1. 2020 Annual Operating Report 2. 2020 Annual Financial Statement 3. 2020 Employee Remuneration Plan 4. 2020 Directors Remuneration Plan 5. 2020 Earnings Distribution 6. 2020 Statement of Internal Control System. 7. Business Plan for 2021 8. Appointment and Remuneration of the CPAs for 2021 9. Renewal of the short-term loan credit line with First Commercial Bank 10. The renewal of the short-term credit line with Taishin International Commercial Bank.	Approved by all Independent Directors

Date of Board Meetings (Term)	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
	11. The renewal of the short-term credit line with Land bank of Taiwan. 12. Addition of the "Measures for Appointment, Removal, Evaluation and Remuneration of Internal Auditors" 13. Proposal to release the newly elected directors from non-competition restrictions 14. Passed the convention of the 2021 shareholders' meeting. Proposal to assess and establish compensations and remuneration for Directors and managers for 2021.	
May 12, 2021 (2nd Board Meeting for 2021)	1. Financial statements for the first quarter of 2021. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the first quarter of 2021. 3. Application for banks' short-term borrowing facilities	Approved by all Independent Directors
July 14 ,2021 (3rd Board Meeting for 2021)	1. Passed the reconvention of the 2021 shareholders' meeting. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the second quarter of 2021.	Approved by all Independent Directors
August 10, 2021 (4th Board Meeting for 2021)	1. Financial statements for the second quarter of 2021. 2. Application to Mega International Commercial Bank for short-term credit line 3. Proposal on separate distribution of Director Remuneration for 2020 4. Proposal on distribution of manager remuneration for 2020 5. Amendments to relevant management control methods of financing cycle of internal control system	Approved by all Independent Directors
November 9, 2021 (5th Board Meeting for 2021)	1. Financial statements for the third quarter of 2021. 2. Independence Evaluation of CPAs of the Company 3. Proposal for lending of funds to Subsidiary Paokin Co., Ltd.	Approved by all Independent Directors

Date of Board Meetings (Term)	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
	4. The Company's 2022 audit plan 5. enewal of the short-term credit line with Hua Nan Commercial Bank 6. Renewal of short-term credit line with Mega International Commercial Bank 7. Renewal of the short-term loan credit line with First Commercial Bank	
March 17, 2022 (1st Board Meeting for 2022)	1. 2021 Annual Operating Report 2. 2021 Annual Financial Statement 3. 2021 Employee Remuneration Plan 4. 2021 Directors Remuneration Plan 5. 2021 Earnings Distribution 6. 2021 Statement of Internal Control System. 7. Business Plan for 2022 8. Replacement of the CPAs 9. Application for the short-term loan credit line with renewal to Cathay United Bank, Taishin Bank and Hua Nan Bank. 10. Amendments to the "Articles of Incorporation" of the Company 11. Amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company 12. Passed the convention of the 2022 shareholders' meeting. 13. Proposal to assess and establish compensations and remuneration for Directors and managers for 2022. 14. Proposal of loans to subsidiary, Hawkeye Tech, Co., Ltd.	Approved by all Independent Directors

(II) Other resolutions of the BOD, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: No such occurrences.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the Directors, contents of motions, reasons for recusal, and results of voting should be specified:

Date of Board Meetings	Name of Director	Major Resolutions	Reasons of Avoiding Conflicts of Interest	Voting
March 25, 2021	Steve Chu Reaforl Hung	Proposal to assess and establish compensations and remuneration for Directors and managers for 2021.	Have an interest relationship with itself and the legal person it represents	Not participated in the discussion and voting for avoiding conflicts of interest

Date of Board Meetings	Name of Director	Major Resolutions	Reasons of Avoiding Conflicts of Interest	Voting
March 25, 2021	Nelson Tsay	Proposal to release the Directors of the Company from noncompetition restrictions	Have an interest relationship with itself and the legal person it represents	Not participated in the discussion and voting for avoiding conflicts of interest
August 10, 2021	Directors	Directors Remuneration Distribution	Have an interest relationship with itself and the legal person it represents	Not participated in the discussion and voting for avoiding conflicts of interest
August 10, 2021	Reaforl Hung	Manager Remuneration Distribution	Have an interest relationship with itself and the legal person it represents	Not participated in the discussion and voting for avoiding conflicts of interest
March 17, 2022	Steve Chu Reaforl Hung	Proposal to assess and establish compensations and remuneration for Directors and managers for 2022.	Have an interest relationship with itself and the legal person it represents	Not participated in the discussion and voting for avoiding conflicts of interest

III. Measures taken to strengthen the functionality of the BOD in the current and the latest year, and implementation status:

(I) To enhance the transparency of information, news related to the company's major operations is published in the form of major information.

(II) To cooperate with the competent authorities in promoting corporate governance policies, the Company established the Audit Committee on April 9, 2013.

(III) The Company adheres to the principle of transparent operation, and correctly and timely completes all information disclosure required by laws and regulations, so as to safeguard shareholders' rights and interests and promote its sound operation.

(IV) The Company has set up a corporate website in Chinese and English, and has designated appropriate staffs to handle the collection and disclosure of information and implemented the spokesperson and deputy spokesperson system to ensure that all major information can be disclosed in a timely manner.

IV. Implementation of Self-assessment by the BOD:

Frequency	Period	Scope	Method	Content
Once a year	January 1, 2021-December 31, 2021	Board of Directors, functional committees and members of the BOD	Self-assessment of the BOD, members and directors	1. Execution of the Company's goals and tasks. 2. Understanding of the director's roles and responsibilities. 3. Their degree of participation in the Company's operations. 4. Management and communication of the internal relations. 5. Expertise and continuing education of the Directors. 6. Internal control.

(II) Information on the operation of the Audit Committee:

As of the date of publication of the Annual Report, total of 5 meetings of the Audit Committee were held in 2021 and 2022. The attendance of the Committee Member is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (B/A)	Note
Independent Director	James Huang	5	—	100.00%	Took office on June 16, 2020.
Independent Director	Jennifer Shao	5	—	100.00%	Took office on June 16, 2020.
Independent Director	Benny Wang	5	—	100.00%	Took office on June 16, 2020.

Other matters to be recorded:

I. With regard to the operations of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, contents of independent directors' objections, reservations or material proposals, the Audit Committee resolutions, and the Company's response to the Audit Committee's opinions shall be specified:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act

Audit Committee Date and Term	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
March 25, 2021 (1st regular meeting for 2021)	1. The Company's 2020 Annual Operating Report 2. The Company's 2020 Financial Statements 3. TheCompany's 2020 Employee Remuneration Plan 4. The Company's 2020 Directors Remuneration Plan 5. The Company 2020 Earnings Distribution 6. The Company's 2020 Statement of Internal Control System. 7. The Company's 2021 Business Plan. 8. Appointment and Remuneration of the CPAs for 2021 9. Renewal of the short-term loan credit line with First Commercial Bank 10. The renewal of the short-term credit line with Taishin International Commercial Bank. 11. The renewal of the short-term credit line with Land bank of Taiwan. 12. Addition of the "Measures for Appointment, Removal, Evaluation and Remuneration of Internal Auditors" 13. Proposal to release the newly elected directors from non-competition restrictions	Approved by all Independent Directors
May 12, 2021 (2nd regular meeting for 2021)	1. Financial statements for the first quarter of 2021. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the first quarter of 2021. 3. Application for banks' short-term borrowing facilities	Approved by all Independent Directors
August 10, 2021 (3rd regular meeting for 2021)	1. Financial statements for the second quarter of 2021. 2. Application to Mega International Commercial Bank for short-term credit line 3. Proposal on separate distribution of Director Remuneration for 2020	Approved by all Independent Directors

Audit Committee Date and Term	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
	4. The Company 2020 Manager Remuneration Plan 5. Amendments to relevant management control methods of financing cycle of internal control system	
November 9, 2021 (4th regular meeting for 2021)	1. Financial statements for the third quarter of 2021. 2. Independence Evaluation of CPAs of the Company 3. Proposal for lending of funds to Subsidiary Paokin Co., Ltd. 4. The Company's 2022 audit plan 5. enewal of the short-term credit line with Hua Nan Commercial Bank 6. Renewal of short-term credit line with Mega International Commercial Bank 7. Renewal of the short-term loan credit line with First Commercial Bank	Approved by all Independent Directors
March 17, 2022 (1st regular meeting for 2022)	1. 2021 Annual Operating Report 2. 2021 Annual Financial Statement 3. 2021 Employee Remuneration Plan 4. 2021 Directors Remuneration Plan 5. 2021 Earnings Distribution 6. 2021 Statement of Internal Control System. 7. Business Plan for 2022 8. Replacement of the CPAs 9. Application for the short-term loan credit line with renewal to Cathay United Bank, Taishin Bank and Hua Nan Bank. 10. Amendments to the "Articles of Incorporation" of the Company 11. Amendment to the Procedures for Acquisition or Disposal of Assets 12. Proposal of loans to subsidiary, Hawkeye Tech, Co., Ltd.	Approved by all Independent Directors

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: none.

II. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of the proposal, causes of avoiding conflicts of interest and participation in voting should be specified: None

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (should include the material items, methods and results of audits of corporate finance or operations, etc.).

(I) The internal audit unit of the Company communicates with independent directors from time to time by mail and symposiums, and submits audit reports to independent directors on a monthly basis according to the audit plan. When necessary, the audit head will attend the meeting of Audit Committee to report and communicate on matters such as audit business, omission and improvement and make records and report them to the BOD.

Date	Motion	Recommendations and results
2021.01.27	● Report on the implementation status of audits from December 2020 to January 2021.	No objections
2021.02.26	● Report on the implementation status of audits in February 2021.	No objections

Date	Motion	Recommendations and results
2021.03.25	● 2020 4th Quarter Internal Audit Implementation Report ● Proposed the 2020 Statement of Internal Control System for discussion.	After discussion, if the independent directors have no objection, the proposal will be submitted to the BOD for deliberation
2021.04.28	● Report on the implementation status of audits from March to April 2021.	No objections
2021.05.12	● 2021 1st Quarter Internal Audit Implementation Report	Reported to the BOD
2021.05.17	● Report on the implementation status of audits in April 2021.	No objections
2021.06.30	● Report on the implementation status of audits from May to June 2021.	No objections
2021.07.06	● Report on the implementation status of audits in June 2021.	No objections
2021.08.10	● 2021 2nd Quarter Internal Audit Implementation Report ● Amendments to relevant management control methods of financing cycle of internal control system	After discussion, if the independent directors have no objection, the proposal will be submitted to the BOD for deliberation
2021.08.27	● Report on the implementation status of audits from July to August 2021.	No objections
2021.09.29	● Report on the implementation status of audits from August to September 2021.	No objections
2021.11.09	● The Company's 2022 audit plan	After discussion, if the independent directors have no objection, the proposal will be submitted to the BOD for deliberation
2021.11.29	● Report on the implementation status of audits from October to November 2021.	No objections
2022.01.24	● Report on the implementation status of audits from December 2021 to January 2022.	No objections
2022.02.25	● Report on the implementation status of audits from January to February 2022.	No objections
2022.03.17	● Discussion of the Company's 2021 Statement of Internal Control System.	After discussion, if the independent directors have no objection, the proposal will be submitted to the BOD for deliberation

(II) Before major investment cases and financial reports are issued, independent directors will communicate with accountants beforehand and reach consistent conclusions.

Date	Motion	Recommendations and results
2021.3.25	● CPAs explained the contents, findings and key audit items of the 2020 consolidated financial statements after the audit ● Strengthening the assessment of the control process in the investment cycle-risk management of wealth management products and fund investment, etc. ● Public issuance of the above 2020 financial report to strengthen auditing matters	The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion.

Date	Motion	Recommendations and results
2021.05.12	● CPAs explained the content of the 2021 1st consolidated financial statements after review.	The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion.
2021.08.10	● CPAs explained the content of the 2021 2nd consolidated financial statements after review.	The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion.
2021.11.09	● CPAs explained the content of the 2021 3rd consolidated financial statements after review.	The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion.
2022.03.17	● CPAs explained the contents, findings and key audit items of the 2021 consolidated financial statements after the audit ● Main impact of recently updated regulations and Statements on Auditing Standards No. 75	

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

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		To establish a good corporate governance policy, the Company has formulated the "Corporate Governance Best-Practice Principles," which was approved by the Board of Directors on August 5, 2013 and amended by the Board of Directors on November 10, 2020, according to the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, ” and please refer to the MOPS.	No material difference
I. Shareholding structure & shareholders' rights (I) Does the Company establish and implement internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigations? (II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Does the Company establish and execute a risk management and firewall system within its affiliates? Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	✓ ✓ ✓ ✓		(I) The Company sets up the spokesperson system to handle relevant issues. The Company deeply understands and coordinates on the handling of the suggestions or concerns of shareholders, and has formulated the "Corporate Governance Best-Practice Principles" to ensure shareholders' rights and interests, which is implemented in accordance with relevant procedures. (II) The Company appoints a stock transfer agency to handle related business on its behalf to grasp the list of major shareholders and their ultimate controllers as much as possible by grasping the shareholdings of directors, managers and major shareholders holding more than 10% of shares, and regularly reported the changes in their shareholdings every month according to regulations. (III) The Company formulated the "Procedures for Transactions with Related Parties of Specific Companies and Group Enterprises" and the "Regulations Governing Monitoring of Subsidiaries” to clearly specify the management of personnel and assets with affiliates, and conducts effective risk control through the implementation of internal control and internal audit systems. The Company has established the "Processing Procedures for Significant Internal Information" to specify the operating procedures for maintaining the confidentiality of significant internal information, and regularly promotes the concept in which undisclosed information that is not made public may not be used to trade the Company's securities	No material difference
II. Composition and responsibilities of the Board of Directors (I) Did the Board of Directors formulate the diversity	✓		(I) According to the "Corporate Governance Best-Practice Principles,” the diversity shall be taken into consideration in the selection of the Board members, including basic requirements and	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
policy, specific management objectives and implementation practice?			values (gender and age, etc.) and professional knowledge and skills (professional background, professional skills and industry experience, etc.) Please refer to page 22 Diversity and Independence of the Board of Directors for its diversity policy and the status on implementation practice. The specific management objectives are to gradually increase the Board members with relevant concepts and backgrounds of corporate governance, environmental sustainability, corporate social responsibility and law in order to better monitor and guide the Company to respond to international development trends. The Company's Board members now has achieved the requirement of diversity, and, however, it will continue to review the elements of diversity and continue to strengthen the goal of diversity of the Board members during re-election to meet future development needs.	
(II) Does the Company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	✓		(II) (II) Although the Company has not set up other functional committees at present, it can still effectively supervise the implementation of the its business through the operation of independent directors and the Audit Committee. Other functional committees will be set up according to needs in the future.	
(III) Does the Company establish standards and methods to evaluate the performance of the BOD, conduct the evaluation annually and regularly, report the results of evaluations to the BOD, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		(III) The Company established the "Performance Evaluation Measures for the Board of Directors" on March 19, 2020, and an annual evaluation has conducted based on various specific compliance with relevant laws and regulations, operational participation, and various evaluation indicators in the first quarter of each year as a reference for review, improvement and selection or nomination of directors. The results of 2021 self-performance evaluation of the Board of Directors and Committee of each function (Remuneration Committee and Audit Committee) were reported to the Board of Directors on March 17, 2022.	
(IV) Does the Company regularly evaluate the independence of the CPAs?	✓		The Company sets the evaluation items of independence and competency every year in accordance with the Bulletin of Professional Ethics of Accountants No.10 and Article 47 of the Accounting Law. According to the project evaluation results, no violation of independence was found, which was reported to and was approved by the 4th Board of Directors on November 9, 2021.	
Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters	✓		The General Administration Center is responsible for corporate governance-related affairs, including assisting directors and supervisors to comply with laws and regulations, handling matters related to	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?			Board meetings and shareholders' meetings according to law, and making minutes of the Board meetings and shareholders' meetings, etc. In the future, a corporate governance director will be set up by law.	
Does the Company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has designated a spokesperson and a deputy spokesperson to serve as the external communication channel of the Company with spokesperson mailbox, and a special area for stakeholders is set up on the website of the Company, where a special person will respond to the important corporate social responsibility issues concerned by the stakeholders.	No material difference
Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Stock Affairs Agency Department of Fubon Securities Co., Ltd. handles the relevant affairs of the shareholders' meeting.	No material difference
III. Information disclosure (I) Does the Company have a website to disclose the financial operations and corporate governance status? (II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)? Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports	✓ ✓ ✓		(I) As for the financial business and corporate governance information of the Company, in addition to reporting or announcing important information and financial business information of the Company at the MOPS as required by law, relevant information is also available on the website of the Company for investors to inquire. (II) The Company has designated special person in charge of collecting and disclosing company information and disclosing of all information at the MOPS and the website of the Company according to law. The spokesperson and the acting spokesperson serve as external communication channels. The Company publishes and reports its annual financial reports and first, second, and third-quarter financial reports within the prescribed period, together with its operations, according to Article 36 of Securities and Exchange Act.	No material difference

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
and the operation of each month ahead of the required deadline?				
Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?	✓		(I) Employee's rights and interests and employee's care: Since the Company started its business, it has attached great importance to the growth of employees' career and the maintenance of employees' rights and interests, and has taken humanized employee self-management and spontaneous learning as its main line. The Company has established employee welfare committee to handle various welfare measures according to law. Besides, to fully take care of employees, the Company not only implements the retirement mechanism and related vacation system according to the Labor Basic Standard Law, but also takes various welfare measures such as group insurance, birthday gift, health check, annual bonus, wedding and funeral allowance, and community activities. (II) Investor relations: the Company convenes shareholders' meetings every year in accordance with the Company Act and the relevant regulations, and provide shareholders with the opportunity to raise questions or submit proposals. Besides, the Company has set up a spokesperson system to deal with matters related to shareholder suggestions, doubts and disputes. The Company also handles matters related to the announcement and declaration of related information in accordance with the regulations set forth by the competent authority to promptly provide information that may affect shareholders' decision-making. (III) Supplier relations: in terms of related matters between the Company and suppliers, the Company maintains smooth communication channels with suppliers to ensure good relationships with them. (IV) Stakeholder rights: the Company has designated a spokesperson and a deputy spokesperson to communicate directly with stakeholders, thus respecting and maintaining the legal rights and interests of stakeholders. (V) Continuing education for directors and supervisors: Directors of the Company possess professional background in the relevant industries and practical experience in business management. The Company provides the Directors with corporate governance-related courses from time to time. (VI) Implementation of risk management policies and risk evaluation measures: the Company has established relevant risk management policies and risk measurement standards to carry out	No material difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>risk management and assessments.
(VII) Implementation of customer policies: the Company maintains smooth communication channels with customers to ensure good relationships with them.
Purchase of liability insurance for Directors and Supervisors: the Company has purchased liability insurance for Directors and Supervisors to strengthen the protection of shareholders' interests, disclosed related information in accordance with regulations.</td><td></td></tr>
<tr><td colspan="5">IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved.
(I) The 8th corporate governance evaluation indicator improved item:
<table>
<tr><th>No.</th><th>Item</th><th>Improvement Method</th></tr>
<tr><td>1.10</td><td>Does the Company upload the English version of the Meeting Handbook and the supplementary information for the meeting thirty days before the annual shareholders' meeting?</td><td>The Company has uploaded them by the due date.</td></tr>
<tr><td>1.11</td><td>Does the Company upload the English version of the annual reports seven days before the annual shareholders' meeting? [If the Company upload the English version of the annual reports sixteen days before the annual shareholders' meeting, one point is added to the total score.]</td><td>The Company has uploaded them sixteen days before the annual shareholders' meeting.</td></tr>
<tr><td>2.24</td><td>Does the Company establish an information security risk management framework, formulate information security policies and specific management plans, and disclose them on the Company's website or annual reports?</td><td>The Company has uploaded them on the website and disclosed them in the annual reports.</td></tr>
<tr><td>3.5</td><td>Does the Company upload the annual financial statements disclosed in English seven days before the annual shareholders' meeting? [If the Company upload the English version of the annual financial statements sixteen days before the annual shareholders' meeting, one point is added to the total score.]</td><td>The Company has uploaded them sixteen days before the annual shareholders' meeting.</td></tr>
</table>
(II) Improvements to be made and shall be prioritized in the 8th corporate governance evaluation indicator
The Company has set out improvement plans for items without points scored one by one, and set annual improvement targets to strengthen the structure and operation of the Board of Directors and the implementation of corporate social responsibility as the priority items to strengthen.</td></tr>
</table>

(IV) Establishment, functions, and operations of Remuneration Committee, if any:

1. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

Dec 31, 2021

Title / Name (Qualifications)		Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convener)	James Huang	Please refer to page 21 and page 23 for disclosure of information on professional qualifications of directors and independence of independent directors		0
Independent Director	Jennifer Shao			0
Independent Director	Benny Wang			0

2. The responsibilities of the Remuneration Committee are to formulate and regularly review the policies, systems, standards and structures of performance evaluation and remuneration of directors and managers, and to regularly evaluate and determine the remuneration of directors and managers.
3. Operation status of the Remuneration Committee:
   (1) The Company's Remuneration Committee consists of 3 members.
   (2) TThe term of office of the current Remuneration Committee is: From June 16, 2020 to June 15, 2023. A total of 3 meetings of the Remuneration Committee (A) were held in 2021 and 2022, with the qualifications of members and attendance records as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (B/A)	Note
Convener	James Huang	3	-	100%	-
Committee Member	Jennifer Shao	3	-	100%	-
Committee Member	Benny Wang	3	-	100%	-
Other matters to be recorded: I. If the BOD declines to adopt or modify a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the BOD and the Company's response to the Remuneration Committee's opinion: None. II. If there are resolutions of the Remuneration Committee to which members object or					

express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

III. The contents of proposals and resolutions as of the publication date of the annual reports in 2021 and the current year (2022) are as follows:

Date of Remuneration Committee	Major Resolutions	Opinions of all members of Remuneration Committee and the Company's handling of the opinions
Mar 25, 2021	1. Proposal to assess the policy and composition of remuneration to directors and managers of the Company for 2021 2. 2020 Employee Remuneration Distribution 3. 2020 Directors Remuneration Distribution	Approved by all committee members
August 10, 2021	1. Proposal on separate distribution of Director Remuneration for 2020 2. Proposal on distribution of manager remuneration for 2020	Approved by all committee members
March 17, 2022	1. Proposal to assess and establish compensations and remuneration for Directors and managers for 2022. 2. The Company's 2021 Employee Remuneration Plan 3. The Company's 2021 Directors Remuneration Plan	Approved by all committee members

(V) Implementation Status on Promoting Sustainable Development and Deviations Status from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies andreasons thereof:

Item to Promote	Implementation Status			Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
I. Has the Company set up the governance structure of promoting sustainable development and established exclusively (or concurrently) dedicated units for promoting sustainable development, and has the Board of Directors authorized the senior management with responsibility for handling and the status of the supervision of the Board of Directors?	✓		The Company promotes the related operations of corporate social responsibility, and each functional unit formulates development goals and implementation content according to their responsibilities and divides them into execution. The Board of Directors authorizes the senior management to handle and to report the Company's operation status and other important issues to the Board of Directors to maintain good interaction and communication.	No material difference
II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		To effectively manage and implement operations such as corporate governance, ethical corporate management, and corporate social responsibility (CSR), the Company has continuously formulated management measures which were approved by the Board of Directors, such as "Corporate Social Responsibility Best-Practice Principles," "Corporate Governance Best-Practice Principles," "Ethical Corporate Management Operating Procedures and Behavior Guidelines," and "Code of Ethical Conduct," and please refer to the description of the "VII. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development" on page 52 for the Company's material issues and risk management policies.	No material difference
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	✓		(I) The Company has actively established an appropriate environmental management system according to industry categories and characteristics, and has obtained international certifications such as ISO 9001, ISO 14001, ISO 28000 and ISO45001. According to ISO14064-1 specification, the establishment of these environmental safety and health management systems and supply chain safety management systems has created a favorable environment for sustainable operation, ensuring zero disaster production and manufacturing. Based on them, the Company provides high-quality products and services to improve safety and enhance customer satisfaction.	No material difference

<table>
<tr><th rowspan="2">Item to Promote</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>Please refer to the description of the “VII. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development”on page 52 for the Company’s international certification information.</td><td></td></tr>
<tr><td>(II) Does the Company endeavor to utilize resources more efficiently and use renewable materials that have low impacts on the environment?</td><td>✓</td><td></td><td>(II) The Company strictly abides by the domestic environmental protection regulations, and its design concept conforms to the WEEE clause to promote reuse, recycling and the recovery of other waste items to reduce waste disposal; the Company prioritizes the use of recycled materials or reusable materials as far as possible in the packaging materials to reduce the impact on the environment. The Company advocates energy saving in daily operations, and it promotes green general affairs to reduce the impact of disposable waste on the global environment.</td><td></td></tr>
<tr><td>(III) Has the Company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures against relevant issues?</td><td>✓</td><td></td><td>(III) The Company evaluates the impact of climate change, which may lead to energy supply problems, so it first takes coping measures to save energy or replace energy. It also formulates relevant emergency response procedures for the risk of operational interruption caused by natural disasters to improve the response efficiency of incidents and to reduce possible losses.</td><td>No material difference</td></tr>
<tr><td>(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years with polices in place regarding to greenhouse gas emissions reduction, water usage reduction and other waste management?</td><td>✓</td><td></td><td>(IV) The Company's greenhouse gas emissions are mainly from electricity and water consumption, and the annual emission listed as below is calculated based on the emission factors provided by Taiwan Power Company and Taiwan Water Corporation and the total consumption of the Company:
<table>
<tr><th>Item</th><th>2020 years</th><th>2021 years</th></tr>
<tr><td>Carbon emissions</td><td>525,298 kg</td><td>655,605 kg(Note)</td></tr>
<tr><td>Water Withdrawal</td><td>11,330 m³</td><td>11,683 m³</td></tr>
<tr><td>Waste Disposal</td><td>0.767 metric to</td><td>0.38 metric ton</td></tr>
</table>
(Note) The overall electricity and water consumption has increased due to the establishment of the Xinzhuang Operation Center.
The Company has set an annual goal of 1% energy saving and carbon reduction and it has analyzed the discharge volume of various discharge sources, electricity consumption, water consumption and waste recycling volume. The implementation measures are as follows:</td><td>No material difference</td></tr>
</table>

<table>
<tr><th rowspan="2">Item to Promote</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Item</th><th>Implementation Measure</th></tr>
<tr><td rowspan="3">Energy-Saving and Carbon Reduction</td><td>To set the normal temperature of 26~28 degrees on the air conditioner in the office area</td></tr>
<tr><td>To replace office area lighting with energy-saving T5 lamps</td></tr>
<tr><td>To advocacy turning off the lights when leaving, and lighting out during daily lunch break.</td></tr>
<tr><td rowspan="4">To reduce greenhouse gas emissions</td><td>To promote the paperless policy to use various electronic forms</td></tr>
<tr><td>To promote the reuse of recycled papers to reduce paper usage</td></tr>
<tr><td>To advocacy bring employees' own eco-friendly tableware to reduce the use of disposable utensils</td></tr>
<tr><td>To purchase green products in priority for new equipment or electrical appliances</td></tr>
<tr><td rowspan="3">To reduce water use</td><td>To post water saving slogans</td></tr>
<tr><td>To fully install water-saving valves for faucets and two-stage toilets</td></tr>
<tr><td>To immediately report water leakage to avoid waste</td></tr>
<tr><td rowspan="3">To manage waste disposal and recycle</td><td>To appoint qualified vendors of waste disposal to handle cleaning, shipping and recycling</td></tr>
<tr><td>To implement the recycling and sorting mechanism for waste batteries, toner clips, special bottles, iron and aluminum cans and paper, etc.</td></tr>
<tr><td>To promote waste reduction by all employees</td></tr>
</table>
</td><td></td></tr>
<tr><td>IV. Social Issues
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>✓</td><td></td><td>(I) In addition to comply with relevant labor laws and regulations, the Company formulated the employee handbook and the management rules, and it also supports the international human rights conventions, such as“Universal Declaration of Human Rights of United Nations,” “The United Nations Global Compact,” “International Labour Convention,”which disclose spirit and basic principles of human rights protection. Also, it is committed to integrate the principles and spirit of human rights into the value and culture of the Company as the Company's commitment to human rights protection.</td><td>No material difference</td></tr>
</table>

<table>
<tr><th rowspan="2">Item to Promote</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>The relevant human rights protection measures are as follows:
<table>
<tr><th>Issues in Focus</th><th>Specific Measures</th></tr>
<tr><td rowspan="2">Occupational Safety Related</td><td>1. To regularly monitor the workplace environment and to maintain facilities and equipment in order to ensure the safety of the workplace</td></tr>
<tr><td>2. To regularly conduct fire drills</td></tr>
<tr><td rowspan="2">Female Protection</td><td>1. To adhere to labor laws and gender work equality regulations</td></tr>
<tr><td>2. To set up nursery rooms to take care of the needs of our female colleagues</td></tr>
<tr><td rowspan="2">Prohibition of Child Labor</td><td>1. To prohibit employing persons under the age of 16</td></tr>
<tr><td>2. As recruiting, applicants must fill out a basic information sheet, indicating the date of birth, and the Company shall ensure the correctness of the information and ask for presenting an ID card to be verified by the human resources department at the time of on board.</td></tr>
<tr><td rowspan="3">Employee Health Management</td><td>1. To regularly carry out the employee health checks</td></tr>
<tr><td>2. To have the contracted medical staff regularly come to the Company to provide health consultation services for our colleagues</td></tr>
<tr><td>3. To establish various clubs to encourage employees' leisure activities and to promote stress relief and exercises.</td></tr>
<tr><td rowspan="2">Prohibition of Forced Labor</td><td>1. To indeed follow the labor laws and regulations, and to clearly stipulate in the work rules and related personnel regulations</td></tr>
<tr><td>2. To adjust the workload of employees in a timely manner, to assist in improving work efficiency, and to reduce overtime</td></tr>
<tr><td rowspan="2">Ending Discrimination and Sexual Harassment</td><td>1. To clearly prohibit discrimination and sexual harassment in the work rules and personnel regulations, and to provide an equal and safe workplace environment.</td></tr>
<tr><td>2. To provide a grievance channel for our employees to express themselves in a timely manner, and special personnel shall handle the relevant cases.</td></tr>
</table>
</td><td></td></tr>
</table>

Item to Promote	Implementation Status			Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?	✓		(II) The personnel management rules and regulations of the Company have stipulated relevant norms. The Company has established an employee welfare committee to deal with various employee welfare matters. In addition, regarding the remuneration policy, the Company allocates 2~15% of profits, if any, as employee compensation according to the Company's Articles of Association, and the individual ability and contribution to the Company shall be appropriately reflected in employee compensation with reference to various comprehensive performances as the distribution of employee compensation. With the concept of workplace diversity and equality, our female staff accounted for 46.6%, and our female senior executives accounted for 20% by the end of 2021.	No material difference
(III) Does the Company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	✓		(III) The Company pays attention to the healthy and safe of our employee,and it arranges nurse practitioners and doctors to provide health management planning and personal health consultation services for the employees every month. Furthermore,the Company carries out labor safety promotion, fire drills and health checkups among employees. The relevant education and training hours are 274 hours/year, and the health examination is carried out regularly every year, and there was no occupational accident in the Company during 2021. The Company obtained the ISO45001 certification.	No material difference
(IV) Does the Company establish effective career development and training plans for its employees?	✓		(IV) To enhance employees' job skills, enable employees to quickly adapt to the work environment, improve the quality of products and services, and enhance the overall competitiveness of the organization, the Company has launched the education and training program through a systematic training blueprint so that employees can grow together with the Company. There were a total of 1,590 hours of internal training and 123 hours of external training during the year 2021.	No material difference
(V) Does the Company's product and service comply with related regulations and international rules regarding to issues such as customers' health and safety, privacy, sales, labeling and set polices to protect consumer or	✓		(V) The Company treats its customers by upholding the concept of integrity and honesty, and is customer-oriented by offering the technologies, rigorous production, excellent quality and high-quality services needed by customers, and follows the relevant laws and regulations and international standards. In terms of consumer rights, the Company does not sell directly to the general consumers, but has formulated the "procedure for	No material difference

Item to Promote	Implementation Status			Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	
client's rights and complaint procedures?			customer service management" to provide a response channel for customers' complaints.	
(VI) Does the Company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	✓		(VI) The Company requires the suppliers to fulfill their corporate social responsibilities and to refrain from incidents that have a negative impact on the environment and society. 1. All supplier evaluations are conducted in accordance with the regulations of the Company's "Supplier Management Procedures". 2. The Company conveys the concept of sustainability and goals to suppliers every year. 3. The Company regularly tracks whether suppliers have obtained the certification of environmental protection and health, safety and environment and complied with the labor rights issues.	No material difference
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?		✓	The Company is not required to compile corporate social responsibility (CSR) reports because of the laws and regulations, so it has not yet compiled a sustainability report.	The Company will plan to appoint professional institutions in the future to provide guidance to the Company to prepare the sustainability report in accordance with the internationally accepted reporting standards. After preparing the reports, they will be sent to a third party for verification.

VI. If the Company has established its own sustainable development corporate management principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: The Company has formulated the "Corporate Social Responsibility Best-Practice Principles," which were approved by the Board of Directors in June 2017 to enhance the implementation of corporate social responsibility. The Company also complies with the content of the principles in actual operation, and there is no material variance.

VII. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development:

1. The international certification obtained by the Company

International Certification	Certificate Number	Issued by	Date of Certification	Expiration (valid) date
ISO 9001	19.4777	NSAI	8/10/2021	8/27/2024
ISO 14001	44 104 112215	TUV NORD	5/30/2020	5/29/2023
ISO 28000	0068351	Lloyd's Register	4/17/2021	4/16/2024
ISO 45001	44 126 19 82 0147	TUV NORD	10/28/2019	10/27/2022

Item to Promote	Implementation Status			Deviations Status from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Description	

2. Material issues and risk management policies of the Company

Material Issues	Item of Risk Assessment	Risk Management Policies
Environment	Environment Protection	To develop green products, to maintain the ecological environment, to save energy, to strengthen resource recovery and reuse, to carry out green management based on the three aspects of green design, green procurement and green manufacturing, and to fulfill social responsibility
	Waste Disposal Management	The wastes disposal and the waste from garbage classification are handled by qualified cleaning and shipping suppliers, and the green affairs are promoted in daily life to reduce the impact of disposable waste on the global environment.
	Energy Management	The proposals of energy saving and carbon reduction measures, consumer waste reduction and recycling, water saving and electricity saving, etc. are strictly adhered to continuously improve energy efficiency.
Society	Occupational Safety	The Company obtained the certification of ISO45001 occupational safety and health management system, and it formulated the “Occupational Safety and Health Management Plan.” It handles various safety trainings, including regular fire drills, fire management training, operation safety inspections, and training of employees' emergency response capabilities, in accordance with the relevant occupational safety and health regulations and business needs, etc. It formulated the “Work Environment Measurement Management Program,” “Overwork Hazard Prevention Management Program,” and “Automated Checks Program” to provide a complete and safe working environment for all employees. The employee health checks are regularly held with the health check center, so that every colleague can have good safety and health education.
	Product Safety	The products of the Company comply with the laws and regulations of the government, and the suppliers are required to provide regular reports in compliance with EU RoHS and REACH specifications while XRH equipment is used to detect the incoming materials to ensure that the purchased materials are free of any hazardous substances. There is a communication channel set up on the Company's website to directly face the rights and interests of consumers, and the customer service satisfaction survey is conducted every year to strengthen the cooperative relationship between the two parties.
	Industry-University Cooperation	With the industry-university cooperation plan of Ming Chi University of Technology, it provides students with off-campus internship plans to cultivate potential R&D talents in enterprises in addition to joint research and development of product technology and it creates a win-win situation through industry-university interaction to give back to the society.
	Social Welfare	Regular cooperation with social welfare organizations, and social care with the goal of sustainable operation and public welfare to practice corporate social responsibility.
Corporate Governance	Socioeconomic and Legal Compliance	The Company formulated the “Internal control self-assessment procedures,” the “Code of Ethical Conduct,” the “Measures for the Prevention of Insider Trading,” and the “Ethical Corporate Management Operating Procedures and Behavior Guidelines” to implement the corporate governance risk management policy, and to ensure that all personnel and operations truly comply with the relevant laws and regulations, and to conduct tracking and inspection in order to prevent any illegal situations from happening.
	Stakeholder Communication	An investor mailbox is set up and handled and responded by responsible personnel to reduce conflicts and misunderstandings and to communicate actively.

(VI) Implementation of ethical corporate management and difference between the implementation and the "Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies" and reasons thereof.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				No material difference
(I) Has the Company established the ethical corporate management policies approved by the BOD and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the BOD and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Ethical Corporate Management Best Practice Principles has been established and approved by the Company. Both the Board of Directors and the management of the Company have attached importance to ethical conduct, adhered to the business philosophy of integrity, transparency, and responsibility, and implemented the integrity policy, so as to create a business environment for sustainable development.	
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which should at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(II) The Company's "Guidelines for Operating Procedures and Conducts of Ethical Corporate Management" stipulates that the Company’s personnel should not, directly or indirectly, provide, promise, demand, or accept any improper benefits or conduct any conduct that violates integrity, legality, or fiduciary duty during the course of business behavior.	
(III) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	✓		(III) The Company has formulated the "Guidelines for Operating Procedures and Conduits of Ethical Corporate Management", and set up a special area for interested parties to provide channels for complaints against dishonest behaviors. In 2021, there were no complaints related to dishonest behavior.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
II. Fulfillment of ethical corporate management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (II) Has the Company set up a dedicated unit under the BOD to promote ethical corporate management and regularly (at least once every year) report to the BOD the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educational training on operational integrity?	✓ ✓ ✓ ✓ ✓		(I) For potential suppliers, the Company will evaluate their legality and ethical management policies and ascertain whether they have a record of involvement in unethical conduct to ensure that they conduct business in a fair and transparent manner and do not request, offer, or take bribes. (II) The Management Division of the Company is in charge of promoting the ethical corporate management of enterprises, and consolidates the schemes to prevent dishonest behaviors, and promotes to report to the board of directors at least once a year. (III) When any Director of the Company has any interest or there is an interest of a juridical Director's entity pending before a Board meeting, the said Director should uphold a high degree of self-discipline and abstain from any discussion or voting on a matter that may prejudice the Company's interests. (IV) The Company has established effective accounting and internal control systems. Besides, the Company constantly reviews and revises these systems according to regulatory changes and actual needs. These systems are regularly examined by internal auditors to ensure the continuous effectiveness of system design and implementation, thereby realizing corporate governance and risk control, and eventually implementing ethical corporate management. (V) The Company promotes the ethical corporate management during new employee orientation on a regular basis..	No material difference
III. Operation of the whistle-blowing system (I) Does the Company establish	✓		(I) The Company provides a report mailbox	No material difference

Evaluation Item	Implementation Status: Yes	No	Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?			on the website of the Company and reports it to the Chairman of the Board, and then sets up a project committee for joint deliberation. After verification, disciplinary actions will be taken in accordance with the personnel regulations of the Company, and the identity and contents of the report will be kept confidential to prevent retaliation.	
(II) Has the Company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	✓		(II) When the Company discovers or receives a report regarding an employee's involvement in unethical conduct, the Company will immediately request the employee to stop the relevant conduct if it is confirmed that the employee has violated the relevant laws and regulations or the Company's ethical corporate management policies and regulations, and will appropriately deal with the case. If necessary, the Company seek compensation for damages through legal proceedings to maintain the reputation and interests of the Company.	
(III) Does the Company provide protection for whistle-blowers against receiving improper treatment?	✓		(III) The Company is fully responsible for keeping confidential and protecting the accuser from being improperly treated due to the accusation	
IV. Enhanced disclosure of ethical corporate management information Does the Company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	✓		(I) The Company discloses ethical corporate management-related information via website, annual report and MOPS, and media in a timely manner.	No material difference
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the implementation and any deviations from the Principles: no significant deviations.				
VI. Is there any other important information to facilitate a better understanding of the company's ethical corporate management practices? None.				

(VII) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any:

The Company has formulated corporate governance-related rules and regulations, such as "Corporate Governance Code", "Ethical Corporate Management","Audit Committee Charter", and other rules and regulations related to corporate governance, and published them on the MOPS.

(VIII) Other Information Provides a Better Understanding of the Company's Corporate Governance Status: None

(IX) Status of Internal Control System

1. Statement on Internal Control: see Page 153.

2. CPA's audit report: see page 155 for details.

(X) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements if such santions or actions may have a significant impact on shareholders' equity or securities prices: None

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings:

1. Major Resolutions of the Board Meetings:

Date	Major Resolutions	Implementation Status
2021.08.05	Ratified the Company's 2020 Business Report and Financial Statement.	The relevant reports and statements have been filed with the competent authority for future reference and declaration
	Ratified 2020 Earnings Appropriation	The board of shareholders resolved to authorize the Chairman to set the ex-dividend base date of September 14, 2021 and set the cash dividend distribution date of October 8, 2021, and distribute the cash dividend of NT$ 266,697,434 according to the shareholding ratio recorded in the shareholder's directory on the ex-dividend base date, with NT$ 3.643961 distributed to each share.
	Ratified the Amendment of the Company's 2019 Earnings Distribution	The Company has corrected the earnings distribution statement due to a misplacement of the amount of the special reserve in the deduction of "other equity items" under other shareholders' equity in 2019, and this correction has no impact on the distribution of cash dividends approved by the shareholders' meeting on June 16, 2020.
	Proposal to release the newly elected directors from non-competition restrictions	Effective after resolution of shareholders' meeting.

2. Major Resolutions of the Board Meetings

Item	Date	Major Resolutions
(1st Board Meeting for 2020)	2020.03.19	1. 2019 Corporate Budget 2. 2019 Business Operations Report 3. 2019 Employee Remuneration 4. 2018 Director Remuneration Distribution 5. 2018 Earnings Appropriation 6. 2019 Statement of Internal Control System 7. The Company's Director Remuneration Policy and Composition 8. The Company's Manager Remuneration Policy and Composition 9. 2021 Business Plan 10. Appointment and Remuneration of the CPAs for 2020 11. Convening the 2020 annual shareholders' meeting 12. Overall re-election of the Company's directors 13. Application for the increase of short-term credit lines with Land Bank of Taiwan 14. Application for short-term credit line with Taishin Bank 15. Formulation of "Board KPI Performance Evaluation" 16. Amendments to the "Board Meeting Procedural Rules"
(2nd Board Meeting for 2020)	2020.05.05	1. Consolidated financial statements for the first quarter of 2020. 2. Election of directors (the independent directors included) 3. Proposal to release the newly elected directors from non-competition restrictions
(1st Interim Board Meeting for 2020)	2020.06.16	Election of the 8th Chairman of the Company
(3rd Board Meeting for 2020)	2020.06.30	1. Plan to acquire 20.64% equity of HAWKEYE TECH, CO., LTD. 2. Proposal to revise the addition of special reserve appropriation to the Company's 2019 earnings distribution table. 3. Appointment of members of the 5th Remuneration Committee.
4th Board Meeting for 2020	2020.08.13	1. Consolidated financial statements for the second quarter of 2019. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the second quarter of 2020. 3. Appointment of the Company's accounting manager. 4. Application to Mega International Commercial Bank for short-term credit line 5. Plan to invest in the initial fundraising of Zhuoyier Investment Limited Partnership (hereinafter referred to as Zhuoyier Fund) 6. 2019 Manager Remuneration 7. 2019 Directors Remuneration
5th Board Meeting for 2020	2020.11.10	1. Consolidated financial statements for the third quarter of 2020. 2. Preparation of progress report on internal control operation of financial reporting capability 3. Audit plan for 2021. 4. Proposal to lend funds to Subsidiary Apligo Co., Ltd. 5. Assessment of the independence of the CPAs. 6. Application for renewal of the credit line with Hua Nan Bank. 7. Proposal for application for renewal of the credit line with Cathay United Bank.

Item	Date	Major Resolutions
		8. Amendment to the operation of lending funds to others in the financing cycle of the internal control system of the Company 9. Amendments to the Company's "Board Meeting Procedural Rules", "Audit Committee Charter", "Remuneration Committee Charter", "Code of moral conduct", "Rules on Scope of Duties of Independent Directors" and "Board of Directors Performance Evaluation Regulations" 10. Proposal to revise "Rules for Curoproate Governance". 11. Proposal for the formulation of the Company's Risk Management Policy and Procedure 12. Proposal to transfer the first buyback of shares to employees 13. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the second quarter of 2020.
1st Board Meeting for 2021	2021.03. 25	1. 2020 Annual Operating Report 2. 2020 Annual Financial Statement 3. 2020 Employee Remuneration Plan 4. 2020 Directors Remuneration Plan 5. 2020 Earnings Distribution 6. 2020 Statement of Internal Control System. 7. Business Plan for 2021 8. Appointment and Remuneration of the CPAs for 2021 9. Renewal of the short-term loan credit line with First Commercial Bank 10. The renewal of the short-term credit line with Taishin International Commercial Bank. 11. The renewal of the short-term credit line with Land bank of Taiwan. 12. Addition of the "Measures for Appointment, Removal, Evaluation and Remuneration of Internal Auditors" 13. Proposal to release the newly elected directors from non-competition restrictions 14. Passed the convention of the 2021 shareholders' meeting. 15. Proposal to assess and establish compensations and remuneration for Directors and managers for 2021.
2nd Bard Meeting for 2021	2021.05.12	1. Financial statements for the first quarter of 2021. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the first quarter of 2021. 3. Application for banks' short-term borrowing facilities
3rd Board Meeting for 2021	2021.07.14	1. Passed the reconvention of the 2021 shareholders' meeting. 2. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the second quarter of 2021.
4th Board Meeting for	2021.08.10	1. Financial statements for the second quarter of 2021. 2. Application to Mega International Commercial Bank for

Item	Date	Major Resolutions
2021		short-term credit line 3. Proposal on separate distribution of Director Remuneration for 2020 4. The Company 2020 Manager Remuneration Plan 5. Amendments to relevant management control methods of financing cycle of internal control system
5th Board Meeting for 2021	2021.11.09	1. Financial statements for the third quarter of 2021. 2. Independence Evaluation of CPAs of the Company 3. Proposal for lending of funds to Subsidiary Paokin Co., Ltd. 4. The Company's 2022 audit plan 5. Renewal of the short-term credit line with Hua Nan Commercial Bank 6. Renewal of short-term credit line with Mega International Commercial Bank 7. Renewal of the short-term loan credit line with First Commercial Bank

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None

(XIII) Resignation or dismissal of the Company's key individuals, including the Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

April 30,2022

Position	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Termination
Accounting Manager	Helen Chang	2009.04.13	2022.4.29	Resignation

IV. Information About CPA Professional Fee

(I) Accounting Fees:

Currency Unit: NTD Thousand

Name of CPA Firm	Name of CPA	CPA's Audit Period	Audit Fees	Non-audit Fees	Total	Note
KPMG	Kou Hui-Chih	Financial statements for annual and Q1 ~ Q3 in 2021	1,880	220	2,100	Non-audit Fees：Tax Compliance Audit
	Kuo Hsin-I	Financial statements for annual and Q1 ~ Q3 in 2021, profit-seeking enterprise annual income tax return				

(II) When non-audit fees paid to the CPAs, to the accounting firm of the CPAs, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services should be disclosed : not applicable

(III) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change: None

(IV) Audit fees were 10% (or above) less than that of the previous year: None.

V. Information About Replacement of CPA

(I) About former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="4">Approved by the Board on March 17, 2022</td></tr>
<tr><td>Reasons for Replacement and Explanation</td><td colspan="4">Adjustment of the internal rotation mechanism of the accounting firms</td></tr>
<tr><td rowspan="3">Description of termination or non-acceptance of engagement by appointer or CPA</td><td colspan="2">Related Party
Situation</td><td>CPA</td><td>The appointer</td></tr>
<tr><td colspan="2">Voluntarily terminated the engagement</td><td colspan="2" rowspan="2">None</td></tr>
<tr><td colspan="2">No longer accept (continue) the engagement</td></tr>
<tr><td>Opinions and reasons for issuing independent auditors' reports other than unqualified opinions within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Any different opinions against the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting Principles and Practices</td></tr>
<tr><td></td><td colspan="2">Financial Statement Disclosures</td></tr>
<tr><td></td><td colspan="2">Audit Scope or Process</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Description</td></tr>
<tr><td>Other Disclosure Matters (Article 10, Paragraph 6, Item 1-4 to Item 1-7 of the Standards shall be disclosed)</td><td colspan="4">None</td></tr>
</table>

(II) About Successor CPAs

Name of CPA Firm	KPMG
Name of CPA	Kou Hui-Chih Chen Pei-Chi
Date of Appointment	Approved by the Board on March 17, 2022
Opinions on the accounting treatment methods or accounting principles of specific transactions and opinions on possible issuance of financial reports before engagemen Matters and Results of Consultation	None
Written opinions of the successor CPAs on matters of disagreement with the former CPAs	None

(III) Former CPAs' responses on the items of Article 10, Paragraph 6, Item 1-4 to Item 1-7 of the Standards: None

VI. Other important information on corporate governance

(I) The Company's Chairman, President, or manager in charge of financial or accounting affairs having worked in the CPA's firm or affiliated enterprise in the last year: None.

(II) Net Change in shareholdings and in shares pledged by directors, managers, and shareholders holding more than a 10% share in the Company

1. Share changes by directors, supervisors, managers, and major shareholders

Title	Name	2021		As of April 18, 2022	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman	Ennoconn Corporation	-	-	-	-
Representative	Steve Chu	-	-	-	-
Director	Ennoconn Corporation	-	-	-	-
Representative	Aven Lou	-	-	-	-
Director	Ennoconn Corporation	-	-	-	-
Representative	Nelson Tsay	-	-	-	-
Director	Reaforl Hung	-	-	-	-
Independent Director	James Huang	-	-	-	-
Independent Director	Jennifer Shao	-	-	-	-
Independent Director	Benny Wang	-	-	-	-
General Manager	Reaforl Hung	-	-	-	-
Senior Vice President	Hsu, Fu-Sung	-	-	-	-
	Stephen Chang	(66,000)	-	-	-
Assistant Vice President, Product Planning Department	Pomah Yen	-	-	-	-

Title	Name	2021		As of April 18, 2022	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Assistant Vice President, Product Planning Department	Yannic Chou	1,000	-	-	-
Assistant Vice President, Product Planning Department	Hans Chen	-	-	-	-
Vice President	Carrie Huang	(40,000)	-	-	-
Assistant Vice Manager of Business Department	Ray Lin	-	-	-	-
Assistant Vice Manager of Information Division	Simon Chiu	-	-	-	-
Assistant Vice Manager of R&D Department	Jack Tsai	(10,000)	-	-	-
Assistant Vice Manager of R&D Department	Alan Yu	(21,000)	-	-	-
Major Shareholder	Ennoconn Corporation	-	-	-	-

2. Information about equity transfer: none

3. Information about equity pledge: none

(III) Information About the Relationship Among the Company's 10 Largest Shareholders

As of April 18, 2022

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Name and relationship among top ten shareholders with anyone who is a related party or the spouse, or a relative within the second degree of kinship		Remarks
	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding	Item	Nature of Relationships	
Ennoconn Corporation	20,000,000	27.33%	—	—	—	—	Ennoconn International Investment Co., Ltd.	Parent and subsidiary	—
Ennoconn Corporation Representative: Steve Chu	50,000	0.68%	—	—	—	—	—	—	—
Ennoconn International Investment Co., Ltd.	3,250,000	4.44%	—	—	—	—	Ennoconn Corporation	Parent and subsidiary	—
Ennoconn International Investment Co., Ltd. Representative: Aven Lou	—	—	—	—	—	—	—	—	—
Fubon Life Insurance Co., Ltd.	3,400,000	4.65%	—	—	—	—	—	—	—
Bentech Systems Corporation	1,000,000	1.37%	—	—	—	—	—	—	—
Yao-Lun Chang	877,000	1.20%	—	—	—	—	—	—	—
Yirong Investment Co., Ltd.	767,000	1.05%	—	—	—	—	—	—	—
Leng-Hung Chang	590,000	0.81%	—	—	—	—	—	—	—
Kuen-Min Lin	490,000	0.67%	—	—	—	—	—	—	—
Hsu, Fu-Sung	449,840	0.61%	—	—	—	—	—	—	—
Chiou-Liang Chen	403,000	0.55%	—	—	—	—	—	—	—

(IV) The number of shares held by the Company, its directors, supervisors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio should be calculated together:

December 31, 2021; Unit: Shares

Investee business	Investment by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by Aurora		Total Ownership	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio
KAISWAY International Investment Co., Ltd.	3,205,760	100%	-	-	3,205,760	100%
CASO, INC.	1,881	99%	-	-	1,881	99%
Casewell (Beijing), Ltd.	-	-	NT$3.116 million (Note 1)	82%	USD 3.116 million (Note 1)	82%
Caswell Americas, Inc.	3,000,000	100%	-	-	3,000,000	100%
HAWKEYE TECH, CO., LTD	9,096,667	60.64%	-	-	9,096,667	60.64%
APLIGO Gmbh	24,000	66.67%	-	-	24,000	66.67%

Note 1: Paid-in capital.

Chapter 4. Capital Overview

I. Capital Stock and Shares

(I) Source of Capital

1. Historical Information of Capitalization

Mar 31, 2022

Year / Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares (thousand shares)	Amount NTD (thousand)	Number of Shares (thousand shares)	Amount NTD (thousand)	Source of Capital	Capital Increase by Assets Other than Cash	Others
2007/04	10	3,000	30,000	1,000	10,000	Under NT$20,000,000	None	Note 1
2008/02	10	30,000	300,000	12,500	125,000	Capital increase by cash NT$ 115,000,000	None	Note 2
2009/05	10	30,000	300,000	24,820	248,200	Capital increase by merger NT$ 123,200,000	Issuance of new shares by accepting shares of other companies	Note 3
2009/09	10.41	30,000	300,000	24,886	248,860	Capital increase by employee bonus NT$ 660,000.	None	Note 4
2009/11	12	30,000	300,000	26,000	260,000	Capital increase by cash NT$ 11,140,000.	None	Note 5
2010/08	10 12.19	60,000	600,000	30,335	303,350	Capital increase by retained earnings NT$ 39,000,000. Capital increase by employee bonus NT$ 4,350,000.	None	Note 6
2010/12	12.3	60,000	600,000	44,234	442,336	Capital increase by merger NT$ 138,986,000	Issuance of new shares by accepting shares of other companies	Note 6 Note 8
2011/07	10 10 13.88	100,000	1,000,000	60,031	600,307	Capital increase by retained earnings NT$ 119,431,000. Capital increase by capital reserve NT$ 26,540,000 Capital increase by employee bonus NT$ 12,000,000.	None	Note 9
2018/03	101	100,000	1,000,000	68,036	680,357	Capital increase by cash NT$ 80,050,000.	None	Note 10
2020/09	10	100,000	1,000,000	71,295	712,950	Conversion of corporate bonds into common shares: NT$ 32,593,000	None	Note 11
2020/12	10	100,000	1,000,000	73,068	730,678	Corporate bonds converted into common shares: NT$ 17,728,000	None	Note 12
2021/05	10	100,000	1,000,000	73,127	731,273	Corporate bonds converted into common shares: NT$ 595,000	None	Note 13
2021/08	10	100,000	1,000,000	73,189	731,889	Corporate bonds converted into common shares: NT$ 616,000	None	Note 14

Note 1: Approval date and document No.: February 19, 2007, FJSZ No. 09683745500.
Note 2: Approval date and document No.: February 10, 2008, FCYSZ No. 09781283300.
Note 3: Approval date and document No.: May 19, 2009, JSZZ No. 09832244750.
Note 4: Approval date and document No.: September 22, 2009, JSZZ No. 09833070830.
Note 5: Approval date and document No.: November 23, 2009, JSZZ No. 09833483000.
Note 6: Approval date and document No.: August 3, 2010, BFJDZ No. 0993144823.
Note 7: Approval date and document No.: November 1, 2010, BFJDZ No. 0993166111.
Note 8: Approval date and document No.: December 2, 2010, BFJDZ No. 0993166111.
Note 9: Approval date and document No.: July 7, 2011, JSSZ No. 10001141890.
Note 10: Approval date and document No.: March 14, 2018, TZSYZ No. 1071801057.
Note 11: Approval date and document No.: September 7, 2020, JSSZ No. 10901168140.
Note 12: Approval date and document No.: December 8, 2020, JSSZ No. 10901221100.
Note 11: Approval date and document No.: May 27, 2021, JSSZ No. 11001093110.
Note 12: Approval date and document No.: August 26, 2021, JSSZ No. 11001129840.

2. Type of stock

March 31, 2022 Unit: Shares

Share Type	Authorized Capital			Note
	Issued Shares	Unissued Shares	Total	
Common Stock	73,188,875	26,811,125	100,000,000	Listed stocks

(II) Status of Shareholders

April 17, 2022

Structure / Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of shareholders	0	2	39	35	9,694	9,770
Number of Shares Held	0	3,402,000	25,913,442	605,304	43,268,129	73,188,875
Percentage of Ownership	0.00%	4.65%	35.41%	0.82%	59.12%	100%

(III) Distribution of Shares

April 17, 2022

Range of Shares	Number of Shareholders	Number of Shares Held	Shareholding Ratio %
1-999	1,514	145,509	0.20
1,000-5,000	6,889	12,796,017	17.48
5,001-10,000	732	5,740,065	7.84
10,001-15,000	197	2,551,258	3.49
15,001-20,000	124	2,293,149	3.13
20,001-30,000	121	3,081,305	4.21
30,001-40,000	51	1,889,062	2.58
40,001-50,000	33	1,547,216	2.11
50,001-100,000	61	4,347,640	5.94
100,001-200,000	22	2,990,047	4.09
200,001-400,000	16	4,580,767	6.26
400,001-600,000	4	1,932,840	2.64
600,001-800,000	1	767,000	1.06
800,001-1,000,000	2	1,877,000	2.56
1,000,001 shares and above	3	25,262,000	36.41
Total	9,770	73,188,875	100.00

(IV) Major Shareholders

April 18, 2022

Shares / Name of Major Shareholder	Number of Shares Held	Percentage of Ownership %
Ennoconn Corporation	20,000,000	27.33
Fubon Life Assurance Co., Ltd.	3,400,000	4.65
Ennoconn International Investment Co., Ltd.	3,250,000	4.44
Bentech Systems Corporation	1,000,000	1.37
Yao-Lun Chang	877,000	1.20
Yirong Investment Co., Ltd.	767,000	1.05
Leng-Hung Chang	590,000	0.81
Kuen-Min Lin	490,000	0.67
Frank Hsu	449,840	0.61
Chiou-Liang Chen	403,000	0.55

(V) Share prices for the past two fiscal years, with company net worth per share, earnings per share, dividends per share, and related information

Item \ Year			2020	2021	2022 as of April 30
Market Price Per Share	Highest		175.50	196.00	113.00
	Lowest		92.20	83.00	79.80
	Average		130.48	115.70	101.31
Net Worth per Share	Before distribution		NT$42.12	NT$41.64	(Note 2)
	After distribution		NT$38.48	Not yet allocated.	
Earnings per Share	Weighted Average Shares		70,368,593shares	73,146,265shares	
	Earnings per Share		NT$5.29	NT$ 3.00	
Dividends Per Share	Cash dividends		NT$3.64	NT$ 2.00 (Note 1)	
	Allocation of free-gratis dividends	—	—	-	
		—	—	-	
	Accumulated unpaid dividends		—	—	
Return on Investment	Price/Earnings Ratio		24.67	38.57	
	Price/Dividend Ratio		35.85	57.85	
	Cash Dividends Yield		2.79%	1.73%	

Note 1. Note 1: The 2021 retained earnings distribution proposal has only been proposed by the BOD, and has yet to be passed by the resolution of the 2022 shareholders' meeting.

Note 2. No relevant financial information should be disclosed.

(VI) Dividends policy and Implementation Status:

1. Dividend policy in the Articles of Incorporation

In case there are profits after tax in the final settlement of the current year, the Company should first offset the accumulated loss and retain 10% as legal surplus reserve in accordance with the law; however, when the legal surplus reserve exceeds the paid-in capital of the Company, it is not subject to this limitation. Certain amount should be further allocated as special reserve or the special reserve should be reversed in accordance with applicable laws and regulations or as requested by the competent authority. The balance (if any) together with accumulated unappropriated retained earnings can be distributed after the distribution plan is proposed by the BOD and approved by the shareholders’ meeting.

The dividend distribution of the shareholders of the Company can be in cash or shares, in which the proportion of shareholders’ cash dividend distribution is not less than 10% of the total dividends of the shareholders and the proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of shareholders. The Company is in a growing industry. The type and proportion of this retained earnings distribution is based on the Company's future capital demand and long-term operating plan. The BOD may draw up a distribution proposal according to the current operating conditions and taking into account shareholders' equity, balanced dividend policy and capital demand plan, and submit it to the shareholders' meeting for resolution and adjustment.

If there is no loss and the Company has no earnings to be distributed or has financial, business or operational considerations, part or all of the reserve may be distributed according to the law or the competent authority's requirements.

2. Distribution of dividends proposed in the shareholders' meeting

   The proposal of 2021 retained earnings distribution was approved by the BOD on March 17, 2022, with a cash dividend of NT$ 2 per share. But it still needs to be approved by the regular shareholders' meeting.

(VII) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share:

The Company had no issuance of free allotment of shares in 2021, which did not apply.

(VIII) Remuneration of Employees and Directors:

1. The percentages or ranges with respect to employee and director remuneration, as set forth in the Company's Articles of Incorporation:

   If the Company makes a profit (i.e., net profit before tax after deduction of the portion set aside for employee remuneration) within a fiscal year, 2%-15% of the profit should be reserved as the employee remuneration and no less than 2% should be reserved as the director remuneration. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration.

   The above remuneration to the employees may be allotted in cash or stock. Eligible personnel includes employees at subsidiaries that meet the requirement. The BOD is authorized to formulate the relevant requirement. The above remuneration to the directors shall be in cash.

   The preceding two paragraphs shall be determined by the resolution of the

BOD and reported to the shareholders' meeting.

2. The basis for estimating the remuneration of employees and directors in current period, the basis for calculating the number of shares of employee remuneration distributed by stocks, and the accounting treatment when differences occur between estimated and actual distributed amount.
   (1) The basis for estimating the remuneration of employees and directors in current period: please refer to (VIII). (1) above.
   (2) The basis for calculating the number of shares to be distributed to employees as the bonus for the current period: None.
   (3) Accounting treatment for difference between the actual number distributed and the estimated figures: it is considered as a change in accounting estimates and is included in profit or loss in the actual year for distribution.
3. Approval of remuneration distribution by the BOD

   The Proposal of 2021 Remuneration of Employees was passed by the resolution of the BOD on March 17, 2022. The distribution approved by the BOD is as follows:
   (1) Remuneration to employees and directors distributed in cash or stock: through allocation, the employees' cash remuneration is NT$ 10,500,000 and the directors' remuneration is NT$ 3,600,000. The difference with the annual estimated amounts of recognized expenses 並無差異
   (2) Employee bonus distributed in shares and the ratio of the share bonus on the net income after tax and the total amount of employee bonus: Not applicable since the Company only distributed employee bonus in cash in 2021.
4. The actual distribution of employee and directorremuneration for the previous fiscal year (the number of shares, monetary amount, and stock price of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how it is treated: no such discrepancy in current period. Not applicable

(X) Share repurchases (Executed):

Term of repurchase	1st
Purpose of repurchase	Share transfer to employees
Term of repurchase	From October 31, 2018 to December 7, 2018
Price range of repurchase	NT$85 to NT$115 per share (repurchase may continue if the Company's stock price is below the lower limit of this range.)
Type and quantity of shares repurchased	603,000 ordinary shares
Amount of shares repurchased	NT$51,237,400
Ratio of quantity repurchased to scheduled quatity of repurchase (%)	50.25%
Shareholdings that have been canceled and transferred	603,000 shares
Cumulative number of shares held in the Company	0 share
Proportion of cumulative number of shares held in the Company to total number of shares issued (%)	0

II. Handling of Corporate Bonds

(I) Corporate bonds

Corporate Bonds	First domestic unsecured conversion of corporate bonds
Issuance Date	Feb 10, 2020
Par value	NT$100,000 each
Location of Issuance and Transaction N/A	Taipei Exchange (TPEx)
Par Value	Issuance at 100.7% of the par value
Total Amount	NT$700 million
Interest	0% coupon rate
Maturity	3 years; issued on February 10, 2020; expiration date: February 10, 2023
Guarantee Agency	N/A
Trustee	Trust Department of Taishin International Commercial Bank Co., Ltd.
Underwriters	IBF Securities Co., Ltd.
Lawyers	Handsome Attorneys-at-law: Attorney Chui, Ya-Wen
CPA	KPMG CPAs: Kou Hui-Chih, Kuo Hsin-I
Kuo Hsin-I	Except for the conversion of the corporate bonds by the bondholders into the Company's ordinary shares in accordance with Article 10 of the regulations, or early redemption by the Company in accordance with Article 17 of the regulations, or buyback and cancellation of the bonds by securities firms, or the exercise of the right of reverse repurchase by the bondholders in accordance with Article 18, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds.
Outstanding Principle	NT$165,100,000
Provision of prepayment and redemption	1. The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) (The bondholder will be based on the boldholder's register on the fifth business day prior to the date of the "Letter of Advice of Bond Recovery," and for investors who subsequently obtain

Corporate Bonds	First domestic unsecured conversion of corporate bonds
	the conversion of corporate bonds due to trading or other reasons, they should be notified by way of announcement.) TPEx will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date. 2. The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "Letter of Advice of Bond Recovery," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons should be notified by way of announcement.) TPEx will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date. 3. If the creditor fails to reply in writing to the stock affairs agency of the Company before the base date of bond recovery stated in the "Letter of Advice of Bond Recovery" (effective immediately upon delivery. The date of postmark should be taken as the proof), the Company will redeem its convertible corporate bonds in cash according to the par value of the bond within five business days after the base date of bond recovery.
Restrictions (Note 4)	None
Name of credit rating agency, rating date, and rating results of corporate bonds	N/A

Corporate Bonds		First domestic unsecured conversion of corporate bonds
Others	Amount of (exchange or subscription) common stock converted, depository receipts, or other securities as of the publication date of the annual report.	As of March 30, 2022, 5,349 units convertible bonds had been converted with a par value of NT$10,000 per unit into a total of 5,153,000 ordinary shares, and the amount of the bonds converted was NT$534,900,000.
	Rules of Issuance and Conversion/Exchange/Subscription	Appendix I below
Potential dilutive effects on equity and the impact on existing shareholders' equity due to the rules of issuance and conversion/exchange/subscription or terms of issue		For the unconverted corporate bonds, based on the current conversion price, the first issue of unsecured convertible corporate bonds can be converted into 1676,000 ordinary shares with the dilution rate of 2.29%. Thus, it has a limited impact on shareholders' equity.
Name of the entrusted custodian institution of the exchange target		N/A

Annex I

CASwell, Inc.

Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond

1. Bond name
CASwell, Inc. (hereinafter referred to as "the Company"); the first issuance of domestic unsecured convertible corporate bonds (hereinafter referred to as "the convertible corporate bonds").
2. Issuance date
On February 10, 2020 (hereinafter referred to as the "issuance date").
3. Issuance period
The issuance period is 3 years; the bonds were issued on February 10, 2020, and will expire on February 10, 2023 (hereinafter referred to as the "expiration date").
4. Total issue amount, par value of each sheet and issue price
The par value of each convertible corporate bond is NT$100,000, with issuing 7,000 sheets in total. That is, the total amount of issuance is NT$ 700 million, which will be issued as 100.5% of the face value. The total amount raised is NT$ 704.9 million.
5. Coupon rate of the bonds:
0% coupon rate
6. Date and method of repayment of principle and interest
The coupon rate of the convertible corporate bonds is 0% according to Article 5 of the Measures, so there is no need to set the date and method of interest payment. Except for convertible corporate bondholders (hereafter referred to as "bondholders") to convert the bonds into ordinary shares of the Company by Article 11 of the Measures, or except that the Company may redeem the bonds in advance according to Article 21 of the Measures, or that the Company may buy back the bonds from securities firm's business office and and cancel them, the bonds, at maturity, will be repaid by the Company in cash based on 101.51% par value (annual yield of 0.5%).
7. Whether bonds are secured
The convertible corporate bonds are unsecured bonds. However, where the convertible corporate bonds are issued, the Company re-issues or privately offers other secured corporate bonds with equity warrants or convertible corporate bonds; then, the convertible corporate bonds should also be set at the same level of claims or collateral as the secured corporate bonds with equity warrants or the convertible corporate bonds.
8. Conversion subject
The Company's ordinary shares will issued by the Company in the form of new shares to fulfill its conversion obligation. The new shares issued will be distributed through the book-entry operations and will not be printed in the physical form.
9. Conversion period
The bondholders may, from the following day after three months from the date of

issuance of the convertible corporate bond (May 11, 2020) to the expiration date (February 10, 2023), except for (1) when the ownership transfer of ordinary shares are terminated by law, (2) from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or capital increase subscription to the base date of the distribution of rights, or (3) from the date of the capital reduction to 1 day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"), to convert the convertible corporate bonds held into the Company's ordinary shares in accordance with the provisions of Articles 10, 11, 13, and 14 of the Measures.

10. Procedure for filing a request for conversion:

(I) Bondholders handle the conversion by book transfer via TDCC, and should fill in the "The Application Form for Conversion/Redemption/Reverse Repurchase of Convertible Corporate Bonds via Book Entry Operations" (indicating conversion) at the original trading securities firm; then the said securities firm should file an application to TDCC; after TDCC accepts the application, it will notify the Company's stock affairs agency electronically; the conversion takes effect upon delivery, and it does not allow for application for cancellation; the conversion procedures will be completed within five business days after delivery, directly transferring the Company's ordinary shares to the bondholder's TDCC account.

(II) Where overseas ethnic Chinese and foreign nationals apply for conversion of the convertible corporate bonds into the Company's ordinary shares, it shall all be handled through book-entry operations by TDCC.

11. Conversion price and adjustment:

(I) Methods of determining the conversion price

With January 31, 2020 as the base date of determining the conversion price of the convertible corporate bonds, a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date (exclusive) is chosen as the benchmark price, and then the benchmark price is multiplied by the convertible premium rate of 102.06%, which is the conversion price of the convertible corporate bonds (rounding the number to one decimal place) . In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling should be the price after deducting equity or dividend; the conversion price should be adjusted according to the conversion price adjustment formula in Item (II) of this article in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. As per the above method, the conversion price of convertible corporate bonds of the Company will be NT$104.1 per share at the time of issuance.

(II) Adjustment of the conversion price

1. After the issuance of the convertible corporate bonds, except for the issuance (or private placement) of various marketable securities with ordinary share conversion rights or stock options in exchange for ordinary shares, or the issuance of new shares through capitalization of employee bonus, where the Company's issued (or privately offered) shares increase (including but not limited to cash capital increase through public offering and issuance or private placement, capitalization of retained earnings, capitalization of capital surplus, issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies, stock split, and cash capital increase for the issuance of overseas depositary receipts), the Company should adjust the conversion price of the convertible corporate bonds in accordance with the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted), while sending Taipei Exchange of the Republic of China (hereinafter referred to as "TPEx") an official letter for mailing public announcement; it will be adjusted on the base date of the ex-rights for issuance of new shares (Note 1) (if there are contributions to shares, it should be adjusted after the full contributions are collected). If the issuing price of new shares is changed after the ex-equity base date of cash capital increase to issue new share, it should be re-adjusted with the formula given below according to the issuing price of new share updated and current price per share (the base date of setting issuing price of new share after the Company's decision to update as the base date of setting updated current price per share). If the exchange price after adjustment is lower than the exchange price announced before the ex-rights ex-dividend base date, the Company should send an official letter to TPEx for announcement of re-adjustment.

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \left[\text{Number of shares issued (Note 2)} + \dfrac{\left(\text{Earnings per Share (Note 3)} \times \text{Number of newly issued or privately offered shares}\right)}{\text{Earnings per Share (Note 4)}}\right]}{\text{Number of issued shares (Note 2) + number of newly issued or privately offered shares}}$$

Note 1: In the case of the stock split, it is the base date of the split; in the case of capital increase through mergers or acquisitions, it should be adjusted on the base date of mergers or acquisitions; in the case of capital increase through bookbuilding or cash capital increase for the issuance of overseas depositary receipts, without the base date of ex-rights, it should be adjusted after the full contributions are collected; in the case of cash capital increase through private placement, it should be adjusted upon the delivery of privately offered marketable securities. Where the price of issuance of new shares is changed after the base date of the ex-rights for the issuance of new shares through cash capital increase, it should be re-adjusted based on the price of the new shares. Where the adjusted conversion price is lower than the original adjusted conversion price announced before the base date of the ex-rights, an official letter should be sent to TPEx for making public announcement for such an adjustment.

Note 2: The number of outstanding shares refers to the total number of ordinary shares issued to date (through public offering or private placement) minus the number of the treasury shares bought back by the Company that have not been canceled or transferred.

Note 3: If the payment per share is share grants or share split, the amount paid is zero. If it is new shares issued for merger capital increase, the amount paid per share should be the amount that is calculated by net value per share (which is in the most recent financial statements audited and certified or reviewed by the CPA prior to the base date of the merger) being multiplied by the share conversion ratio. If it is new shares issued for transferring to other companies, the amount paid per share should be the amount that is calculated by net value per share of the transferred companies (which is in the most recent financial statements audited and certified or reviewed by the CPA) multiplies by the share conversion ratio.

Note 4: The real-time price per share should be determined based on a simple arithmetic mean of the closing prices of the ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of ex-rights, price determination, stock split, or private placement of marketable securities.

2. After the issuance of the convertible corporate bonds, in case the Company distributes cash dividends of ordinary shares, the conversion price should be reduced on the base date of ex-dividends according to the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter should be sent to TPEx for making public announcement for such an adjustment. The provision for the conversion price reduction does not apply to the requests for conversion before the base date of ex-dividends (exclusive). The adjustment formula is as follows:
   Conversion price after reduction = the conversion price before reduction (1-the ratio of cash dividends of ordinary shares distributed to the real-time price (Note) per share)

   Note: a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the date of announcing ex-dividends and the termination of the ownership transfer of cash dividends is chosen as the real-time price per share.

3. After the issuance of the convertible corporate bonds, where the Company publicly re-offers and re-issues (or privately offers) various marketable securities with ordinary share conversion rights or stock options at a conversion or subscription price lower than the real-time price per share (Note

1), the Company should adjust the conversion price of the convertible corporate bonds according to the formula below (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter should be sent to TPEx for making public announcement for such an adjustment; the adjustment should be made upon the date of the issuance of the aforementioned marketable securities or stock options or upon the delivery of the privately offered marketable securities.

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \left[\text{Number of shares issued (Note 2)} + \dfrac{\left(\begin{array}{c}\text{The conversion or subscription price of}\\ \text{newly issued (or privately offered) marketable}\\ \text{securities or stock options}\end{array} \times \begin{array}{c}\text{Number of shares that can be converted or}\\ \text{subscribed for newly issued (or privately}\\ \text{offered) marketable securities or stock options}\end{array} \right)}{\text{Real-time price per Share (Note 1)}} \right]}{\begin{array}{c}\text{Number of issued shares (Note 2) + number of shares that can be converted or subscribed for newly issued}\\ \text{(or privately offered) marketable securities or stock options}\end{array}}$$

Note 1: The current price per share should be calculated as the simple arithmetic average value of the Company's ordinary share's closing prices on one, three, or five business days prior to the pricing base date of various marketable securities with ordinary shares conversion rights or subscription right re-issued or privately funded or the delivery date of the private funding securities.

Note 2: The number of issued shares refers to the number of issued shares of ordinary shares through issuance and private placement minus the number of treasury shares that have been bought back by the Company but have not been canceled or transferred. Where the public re-offering and re-issuance (or private offering) of various marketable securities with ordinary share conversion rights or stock options are supported by treasury shares, the formula should be adjusted as the number of issued shares minus the number of newly issued (or privately offered) marketable securities that can be converted or subscribed.

4. Where the number of ordinary shares is reduced due to the capital reduction conducted through means other than the Company's cancellation of treasury shares after the issuance of the convertible corporate bonds, the conversion price should be calculated based on the formula below (rounding the number to one decimal place) and adjusted on the base date of capital reduction, while an official letter should be sent to TPEx for making public announcement for such an adjustment on the base date of capital reduction.
   (1) Where capital is reduced to make up losses:
   Conversion price after adjustment=conversion price before adjustment

(number of ordinary shares issued before capital reduction (Note)/number of ordinary shares issued after capital reduction)

(2) When capital is reduced in cash:
Conversion price after adjustment = (conversion price before adjustment-cash returned per share) × (number of ordinary shares issued before capital reduction/number of all-in-one shares issued after capital reduction)

Note: The number of issued shares should include the number of shares through public issuance and private placement and minus the number of treasury shares that have been bought back by the Company but not canceled or transferred.

12. Listing and termination of listing of the convertible corporate bonds of the Company
The convertible corporate bonds should be applied to TPEx for over-the-counter trading before the date of issue, and their listing should be terminated until they are fully converted into ordinary shares or the full amount is bought back or repaid by the Company. The aforementioned matters shall be announced after tuc obtained the approval of TPEx.

13. Treatment of balance when one share cannot be renewed
When being converted into the Company's ordinary shares, if there is an insufficient amount for one share, the Company will pay in cash to make it up (rounding the number to the nearest integer) in addition to offsetting the transfer fee of centralized insurance.

14. Listing of new shares after conversion
Where the convertible corporate bonds are converted into the Company's ordinary shares, the converted ordinary shares are listed and traded on the TPEx upon the date of delivery. The matters above are announced by the Company with the approval of the TPEx.

15. Rights and obligations subsequent to the transfer
The rights and obligations pertaining to the new shares issued upon conversion are identical to those pertaining to the Company's ordinary shares unless otherwise agreed in this Measures.

16. Changes of registration of share capital:
The Company should publicly announce the number of shares converted from the convertible corporate bonds in the last quarter within 15 days after the end of each quarter. The Company should apply for changes of registration of share capital at the competent authority in charge of business registration at least once a quarter.

17. The Company's redemption rights for the convertible corporate bonds

(I) The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) (The bondholder will be based on the boldholder's register on the fifth business day prior to the date of the "Letter of Advice of Bond Recovery". For investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they should be notified by way of announcement). TPEx will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date.

(II) The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the "Letter of Advice of Bond Recovery," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons should be notified by way of announcement.) TPEx will also be notified in writing, and the convertible bonds of the bondholders should be recovered in cash in five business days after the bond recovery base date.

(III) If the creditor fails to reply in writing to the stock affairs agency of the Company before the base date of bond recovery stated in the "Letter of Advice of Bond Recovery" (effective immediately upon delivery. The date of postmark should be taken as the proof), the Company will redeem its convertible corporate bonds in cash according to the par value of the bond within five business days after the base date of bond recovery.

18. Sell back in advance due to the termination of listing of the Company's shares

If the listing of the ordinary shares of the Company is terminated with the approval of the Stock Exchange, the bondholders may require the Company to redeem the convertible corporate bonds held by them at the par value of the bonds.

19. The ownership of annual dividends and bonuses regarding conversion:

(I) Cash dividends

1. Where a bondholder of the convertible corporate bonds files a request for conversion between the beginning of the current year and 15 business days (exclusive) before the Company terminates the transfer of ownership of cash

dividends in the current year, the converted ordinary shares may participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year.

2. From 15 business days (inclusive) before the Company terminates the transfer of ownership of cash dividends in the current year to the base date of ex-rights (inclusive) for cash dividends, the conversion of convertible corporate bonds should be terminated.
3. Where a bondholder files a request for conversion between the following date of the base date of ex-dividends for cash dividends for the current year and December 31 of the current year (inclusive), the bondholder should not participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year but should participate in the annual shareholders' meeting in the following year regarding the annual cash dividend distribution for the current year.

(II) Stock dividends

1. Where a bondholder of the convertible corporate bonds files a request for conversion between the beginning of the current year and 15 business days (exclusive) before the Company terminates the transfer of ex-right for free allotment of shares in the current year, the converted ordinary shares may participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year.
2. From 15 business days (inclusive) before the Company terminates the transfer of ex-right for free allotment of shares in the current year to the base date of ex-rights (inclusive) for free allotment of shares, the conversion of corporate bonds should be terminated.
3. Where a bondholder of the convertible corporate bonds files a request for conversion between the following date of the base date of ex-right for allotment of shares in the current year to December 31 of the current year (inclusive), the bondholder should not participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the stock dividend distribution for the current year.

20. All the convertible corporate bonds recovered (including those brought back by the securities firms) redeemed, or converted by the Company will be canceled and may not be sold or issued, and the conversion rights attached thereto will be eliminated.
21. The convertible corporate bonds and converted ordinary shares are all registered. Their transfer, registration of changes, pledges, or lost reporting should be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters should be handled in accordance with the tax laws of the time.

22. Taishin International Commercial Bank Co., Ltd. is the creditors' consignee of the convertible corporate bonds, exercising the power of auditing and supervising the matters related to the Company's issuance of the convertible corporate bonds on behalf of the creditors' interests. Where the creditors holding the convertible corporate bonds, regardless of subscription at the time of issuance or purchase in the middle of the process, agree on the terms of the brokerage contract between the Company and its consignee, the consignee's rights and obligations, and the methods of issuance and conversion, and grant the consignee full authority within the scope of consignee's responsibility, the said authorization should not be revoked in the middle of the process; as for the content of the brokerage contract, the creditors may make inquiries at the Company or the consignee's business office at any time during business hours.
23. The repayment of principal and interest and conversion matters of the convertible corporate bonds should be carried out by the stock affairs agency of the Company.
24. The issuance of convertible corporate bonds of the Company should be delivered by means of account book transfer according to Article 8 of the Securities and Exchange Act, and no physical bonds should be printed.
25. In the case that this procedure is incomplete, all procedures should be handled in accordance with related Articles of Securities and Exchange Act.

(III) The Convertible Bonds Issued by the Company that can be converted into ordinary shares, overseas depositary receipts, or other marketable securities are listed in the table below:

Corporate Bonds		First domestic unsecured conversion of corporate bonds		
Item \ Year		2020	2021	2022 as of April 30
Conversion of convertible corporate bond	Highest	162.00	177.00	120.00
	Lowest	109.00	109.30	112.00
	Average	123.77	138.4895	115.69
Conversion price		104.1	102.4	98.7
Issuance date and conversion price		Issued on February 10, 2020; the conversion price during the period of issuance was NT$104.1.		
Obligation of conversion		Issuance of new shares		

III. Issuance of preferred stocks, overseas depository receipts, employee stock option certificates, new restricted employee shares, mergers and acquisitions, or issuance of new shares for the acquisition of other companies: None.

IV. Implementation of capital utilization plan

First domestic unsecured convertible corporate bonds issued in February 2020.
The Company's fundraising for the first domestic unsecured convertible corporate bonds was completed in February 2020 with the funds raised amounted to NT$700 million for the purpose of supporting the capital needs of purchasing materials for operation, increasing the Company's own funds to improve financial stability, effectively improving the financial structure, strengthening of solvency, reducing dependence on financial institutions, and increasing flexibility in funding scheduling, and the implementation of the fund utilization plan has been completed.

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Chapter 5. Operation

I. Business Activities

(I) Scope of Business

1. The scope of major business items
CC01080 Electronic Parts and Components Manufacturing
CC01110 Computers and Computing Peripheral Equipment Manufacturing
CC01120 Data Storage Media Manufacturing and Duplicating.
E605010 Computing Equipment Installation Construction
F113050 Wholesale of Computing and Business Machinery Equipment
F118010 Information Software Wholesale Industry
F119010 Electronic Materials Wholesale Industry
F401010 International trade
I501010 Product Design Services
I301010 Software Design Services
I301020 Data Processing Services
I301030 Digital Information Supply Services
IG02010 Research Development Service
ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval
2. Business ratios

Unit: NT$ thousand

Item	2020		2021	
	Net sales	Business ratio	Net sales	Business ratio
Network communication security products	4,054,029	74.17%	3,695,314	79.06%
Components	1,411,826	25.83%	978,630	20.94%
Total	5,465,855	100.00%	4,673,944	100.00%

3. Current products and services
In the age of the Internet of Everything, with the increasing popularity of the concepts of Cloud Computing and Edge Computing, the products and applications needed by the information and communication industry are divided into the deployment mode of shared computing resource pool (network, computing, storage, application and service). According to the market and application development needs, the Company's online product development is divided as follows:

(I) Network security and management (NSM) product line

In view of the increasing number of data communication networking devices and explosive growth of data volume, the application demand of information (data) security protection and management (including firewall, virtual private network, antivirus application server, integrated threat application server, intrusion detection and prevention server, wireless network gateway server, etc.) continues to increase. The Company designs the hardware platform required for network security, and provides end-to-end software and hardware product engineering consulting, development and design, quality planning, production operation and warehouse management services. In addition, the Company also provides corresponding value-added services (such as Hub management service center, value-added software customization service)

(II) Software defined network (SDN) product line

In response to the transformation of global network architecture (from traditional network to software-defined network architecture), the environment of enterprise network and telecommunication network is changing rapidly, which promotes the rapid transformation of network strategy. In addition, with the development of network virtualization and 5G network, the demand for WAN solutions for networking has developed from traditional MPLS and other dedicated connection methods to Internet or hybrid connection networks (wired and wireless connection methods). Related secure networking and application acceleration services are integrated to develop products and applications in emerging markets such as uCPE, vCPE, SD-WAN, MEC and vRAN. Corresponding hardware platforms are provided, and strategic alliances with corresponding market system solutions and software vendors are established. SD-WAN customer software solutions are imported and verified, and then promoted to telecom operators and industrial fields.

(III) Network attached sorage (NAS) product line

In view of the storage market demand brought by the advent of the 5G network and the huge increase in data volume caused by the Internet of Everything, the Company has provided a complete software and hardware product solutions for the storage equipment required by the industrial Internet, in addition to the corresponding product solutions for the Commercial NAS required by the general consumer market.

(VI) Industrial control and automation (ICA) product line

With the rise of Industry 4.0, the value chain contains the new concept of intelligent management and service introduced by industry and commerce, and the trend of industrial transformation and intelligent manufacturing in various vertical fields has become the mainstream. Among it, with more and more devices connected to the Industrial Internet of Things (IIoT), there are also more and more complex network threats originally aimed at IT environment beginning to penetrate into the operational technology (OT) environment including industrial control systems. On the other hand, the whole world is accelerating efforts to promote the energy transformation direction including energy saving, energy generation, energy storage and smart system integration. In view of this, information security issues in the industrial field and the development trend of green energy provide corresponding products and services in the fields such as industrial information security and management equipment, industrial control equipment and Smart Grid.

(V) Cloud computing (CCS) product line

As for the application of cloud computing, with the gradual maturity of the Internet and the maturity of virtualization technology, in addition to the demand of traditional cloud data centers, in recent years, the demand for edge processing and infrastructure products that generate data centers also arises in response to the trend demand brought by 5G networking applications. The Company also provides product solutions for servers and switches.

In terms of service items, in addition to providing self-developed standard equipment, the Company also specializes in network security equipment design and manufacturing services, and can customize products according to customer needs. In addition to OEM services, the Company also provides original design and manufacturing (ODM) and joint design and manufacturing (JDM) services, including motherboard/system specification design, software design, manufacturing, verification and after-sales services, where customers put forward targeted solutions and specification requirements. The strong engineering R&D team of the Company cooperates with highly customized R&D service activities, aiming at fully meeting customer expectations and requirements as well as the needs of various application fields. In addition to hardware platform products, the Company is also engaged in software-related value-added services, including various network efficiency optimization driver software, system self-diagnosis test program, remote management LOM (IPMI/BMC) module and customized functions, BIOS R&D, and integration of maintenance and management software.

4. Products development

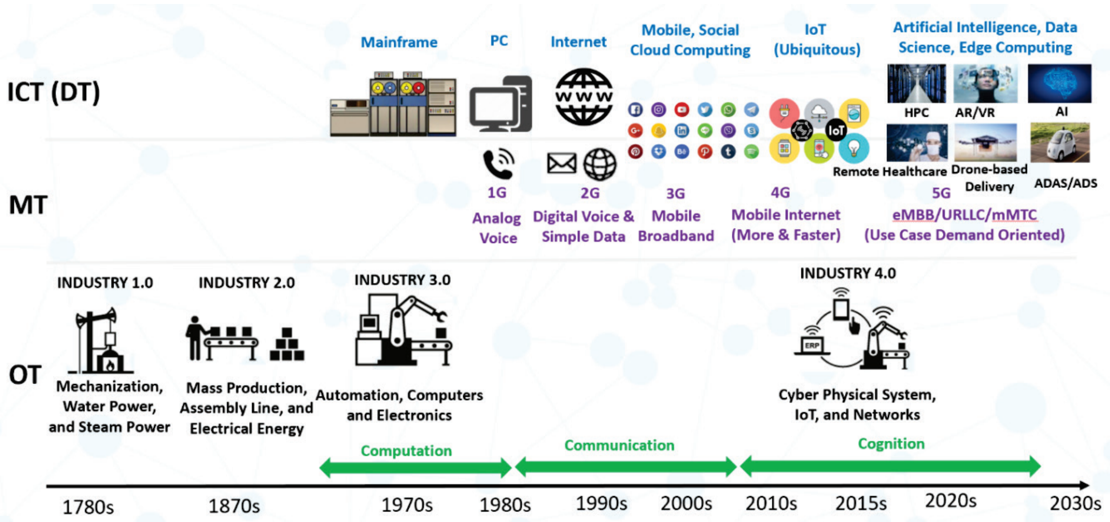
The Company is committed to the market of Netcom products. With the application and business expansion in emerging markets, we are constantly pursuing R&D and innovation. Developing from pure information communication security and management products, we expand the product lines in emerging markets, including high-end network cards, Netcom security architecture platform, cloud application network server platform and telecom communication products. We also strengthens the cultivation of software strength in specific vertical fields (such as industrial network storage and smart grid), so as to enhance product differentiation and flexibility and increase added value.

(II) Industry overview

1. Current status and development

The network communication industry is booming with the continuous development of broadband networks. With the increasingly mature cloud computing and edge computing, the economic take-off of emerging countries and the continuous improvement of network infrastructure, the global network population is increasing rapidly; at the same time, due to the development of hardware devices such as smart phones and tablet computers, network services are more widely popularized. Global enterprises and consumers are increasingly dependent on computer networks and communication services. The accompanying convenience, security and new business network model has completely changed the daily life mode of human beings. The networking mode has also changed from the passive wired mode in the past to the dynamic and real-time active wireless and mobile networking. In addition, in recent years, the global telecommunications liberalization process has also promoted the development of the overall network communication industry.

Under the influence of Sino-US trade, the global information and communication (ICT) industry continues to develop with the continuous expansion of data demand. Among it, the development of 5G mobile network is highly concerned by the whole world. According to the report of research institutions, the overall global 5G market scale will grow from USD 4.283 billion in 2019 to USD 230.264 billion in 2023 (infrastructure such as base stations and mobile devices such as mobile phones, etc.), with compound annual growth rate (CAGR) reaching 171%. There are even actual deployment practices of telecom operators in Europe, America and Asian-Pacific regions, such as the 5G mobile hotspot service launched by American telecom operator AT&T, 5G enterprise fixed network access service launched by Verizon. Telecom operators in Asia Pacific regions such as South Korea also launched 5G services for enterprises and individuals. According to the IEK report of the industrial intelligence network, the main line of the industry is positioned as "5G Wait, Eco First". It can be found that the diversified 5G intelligent field application has the characteristics of high speed, low latency and high network connection. It should be combined with integration and optimization of software and hardware, including edge computing services, software applications such as open source software, artificial intelligence, etc. Therefore, operators must integrate services, seek industrial alliances to enhance technical strength and optimize costs, and build ecological environment systems and provide more competitive prices.



(Figure) Development trend of information technology, mobile technology and operation technology. (Source: sorted by CASwell)

With the development of communication equipment and the influence of network popularization, the application of network communication products has become more diversified. As shown in the following figure, with the popularization of network security management, the vigorous development of cloud computing and edge computing, the demand of the capital communication market in which we are engaged has also gradually increased.

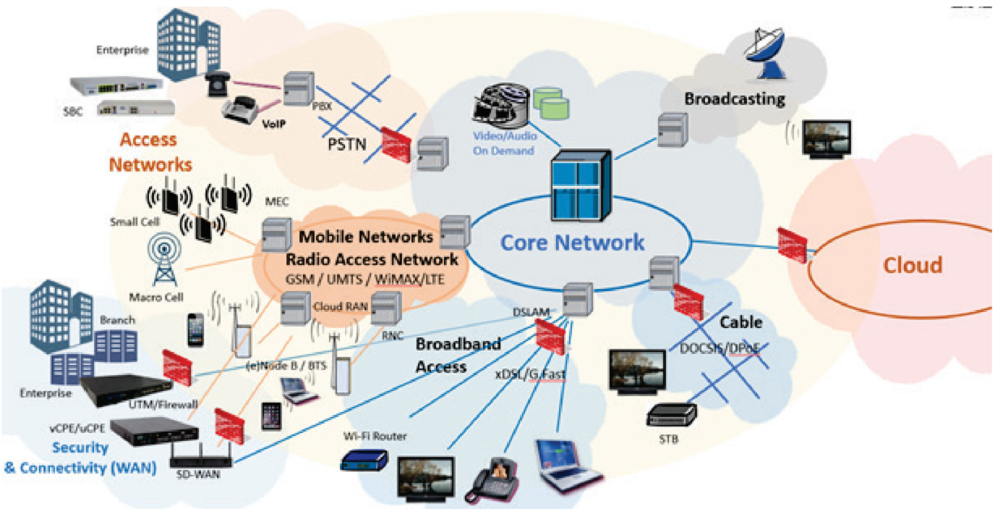


Photo: CASwell's target market of information communication network

The application market of the Company's main products is as follows:

- Network Security and Management and Software Defined Application Market
  - Network security and management
    Information security has always been a major issue that can't be ignored in the network communication industry. No matter enterprises, governments, academic institutions or individuals, as long as they use network information systems, they must guard against network threats or hacker attacks. The main purpose of network security equipment is to ensure smooth network connection. According to different functions, it can be divided into unified threat management platform (UTM), Firewall, intrusion detection/protection system (IDS/IPS) and virtual private network (VPN). Among them, UTM is an integrated network

threat management platform, which can perform complex functions such as Firewall, IDS/IPS and ramp antivirus. It is also the main product of the Company's network security control platform.

Network security features

Category	Description
Unified Threat Management (UTM)	To effectively prevent internal and external attacks and any unauthorized access of enterprises, the platform combined with various security schemes not only provides the main functions of high-speed firewall and IDS/IPS, but also integrates various protection functions such as anti-worm function, anti-virus function, anti-spam function, Web address classification filtering and anti-malware function.
Firewall	Setting up a monitoring and management buffer interface (Gateway) between Intranet and Internet to control the ingress and egress of all network packets, and allow or prohibit specific data access behavior on the network. The main task of Firewall is to check all passing IP packets, and control the propagation of network information packets according to IP address, Port and packet transmission direction.
Intrusion Detection System/Intrusion Protection System (IDS/IPS)	The main function of Intrusion Detection System (IDS) is to monitor the network packets as well as the running status of the network and system according to the preset security policy. It will automatically send an alarm to inform the network management personnel when an abnormality is found, and record various attack attempts, behaviors or results. Intrusion Prevention System (IPS) turns passive into active. When abnormal network packets or behaviors are found, the system not only sends an alarm to inform the network management personnel, but also takes necessary measures immediately, such as blocking the source IP. IDS and IPS are collectively called IDP.
Virtual Private Network (VPN)	It is a point-to-point connection across private or public networks, using encrypted channel protocol to achieve private message security effects such as confidentiality, sender authentication and message accuracy. It can transmit reliable and secure messages over insecure networks.

Source of the materials: Summarized by the Company

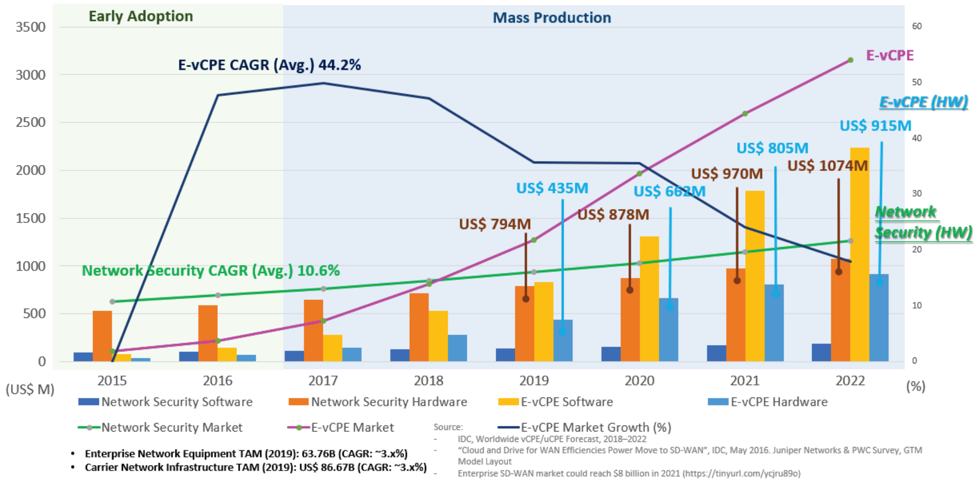
In recent years, the development trend of global information security is mainly divided into two industrial types: traditional information technology security (IT Security) and operational technology security (OT Security). In response to the protection needs of new attack modes, new information security solutions are provided. With automation and intelligence capabilities, they can reduce human intervention as response and judgment, thus improving accuracy and defense efficiency. The overall development continues to move towards three major trends: protection oriented integration (including integration of end, network and cloud and integration of IT and OT), fine evolution of defense function (adaptive active response mechanism and continuous detection and monitoring) and intelligent threat response (visual interface and replacing manual analysis with machine learning).

- Software defined applications

  Software-defined network is a rapidly emerging network architecture in recent years. It is designed to separate the Control Layer and the Data Layer of the network and make the control layer centrally control and manage the network, so as to realize programmable network and greatly improve the control flexibility and use efficiency of network resources to cope with the rapid growth and diversification of the network in the future. With the paradigm shift of software-defined network architecture, WAN infrastructure has been hardware to solve the networking mode for decades. For example, ISDN, T1/E1, Frame Repeater and MPLS service determine the specific hardware interface. Customer premises equipment (CPE), such as routers, firewalls and accelerators, deploy WAN services through these hardware interfaces. Usually, these facilities have their own physical blocks. As a result, traditional WAN services are complex and slow to develop, and are limited by expensive dedicated lines and a large number of Proprietary Box. By means of software definition, the WAN architecture of WAN becomes software and is spiritualized. Therefore, all the traditional technologies can be swept away and replaced by the virtual network function (VNF) run by software services running on general hardware. By using low-cost, high-speed Internet services and combining these services with intelligent and cloud service infrastructure, corporate headquarters and branches can be linked together more effectively.

- Market scale

  According to the statistical data of International Data Information Corporation (IDC) and related researches, the hardware production value of the global network security market will reach USD1.07 billion by 2022 with an approximate growth rate of 10.x%, in which the UTM applications accounted for about 50% of the global network security market, and the hardware production value of the related industries in enterprise and software-defined applications will reach USD915 million by 2022. The proportion of corresponding products will continue to increase in the future with corresponding software applications.



- Cloud application market

Cloud applications include storage and computing markets. Cloud storage generally refers to all services that store data in remote storage devices and provide users with access through the network; cloud computing is a highly flexible and extensible computing center, which can provide the applications that users need. With the development of cloud applications and the significant improvement of performance and networking speed of communication equipment, the concept of virtual management of computing resources is promoted, integrating storage, computing and internet into ready-to-use resources and resulting in a sharp increase in global data transmission and data volume. In addition, most of the systems that are still in use in the market are no longer able to meet the high computing power demands of virtual technology and cloud computing. Relevant technologies of the network security application platform can provide relevant hardware support. Therefore, the vigorous development of cloud services not only heats up the market of storage equipment, but also generates high demand for network security equipment.

According to the research predictions of the Information Technology Research and Consulting Firm (Gartner) published in August 2021, the overall production value of global public cloud services and cloud security services reached USD313.8 billion and USD22.6 billion, respectively, in 2020 with an estimated compound annual growth rate of 21.7% in 2022, and the market size will reach US$482.2 billion and US$29.7 billion, respectively, in 2022.

Global Public Cloud Service Market Size Forecast

Unit: USD Billions

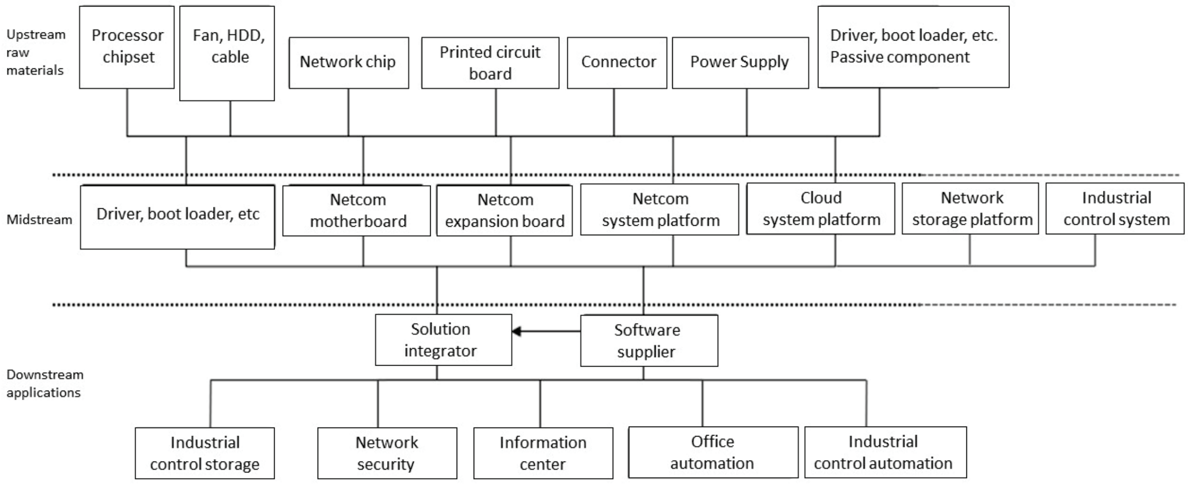
	2020	2021	2022
Cloud Business Process Services (BPaaS)	46,066	51,027	55,538
Cloud Application Infrastructure Services (PaaS)	58,917	80,002	100,636
Cloud Application Services (SaaS)	120,686	145,509	171,915
Cloud Management and Security Services	22,664	25,987	29,736
Cloud System Infrastructure Services (IaaS)	64,286	91,543	121,620
Desktop as a Service (DaaS)	1,235	2,079	2,710
Total Market	**313,853**	**396,147**	**482,155**

BPaaS = business process as a service; IaaS = infrastructure as a service; PaaS = platform as a service; SaaS = software as a service

Note: Totals may not add up due to rounding.

Source: Gartner (August 2021)

2. Relationship Amongst Upstream, Midstream, and Downstream of the Industry
The upstream of this industry is similar to general industrial or industrial computers, including key chips, industrial IC, connectors and related peripheral components, among which the most important key component is network IC. The Company is located in the middle reaches. Apart from the system platform, the most important thing is to provide the proprietary driver for the customer's applications, so as to quickly integrate and complete customer's complete solution. Downstream applications focus on network security, data center, and office automation. They are mainly sold by software suppliers to end enterprise users either alone or through solution integrators.



3. Product development strategies
With the mature development of cloud technology, enterprises have become increasingly dependent on the cloud and virtualization. From initially willing to put non-critical systems only, such as email and websites, on the cloud, they have begun to migrate some critical systems to the cloud, and even set their IT strategy as "cloud first". The cloud has gradually become the infrastructure of enterprise IT.
Virtualization is the hottest topic in IT field in recent years. With the increase of cloud services, the traditional network architecture has become a bottleneck in large cloud data centers. To improve data transmission efficiency, simplify management and reduce energy consumption, a new generation network architecture Software-Defined Networking (SDN) and network functions virtualization (NFV) have become the most frequently mentioned solutions.
Major international companies such as IBM, Intel, MS, Cisco, Google, Facebook and Amazon are all fully committed to the development of this platform. Based on the network security architecture of cloud applications, the

Company, in cooperation with customers, generally focuses on the performance and storage of servers, integrating high-speed network interfaces with high-efficiency network bandwidth. In addition to ensuring the basic computing and storage functions required by cloud devices, the Company also adds high-speed network bandwidth to ensure the safe management and filtering of data or data.

In addition, the development trend of 5G network and the rise of related applications of industrial Internet have gradually raised the demand for related products such as edge computing, such as software-defined wide area network (SD-WAN), virtual/universal customer premise equipment, Network Function Virtualization (NFV), multi-access computing device (MEC) and Virtual Radio Access Network. In addition, in the vertical market segment, the Company has also strengthened emerging industries derived from the green energy industry, such as the smart grid market currently promoted by the government in mainland China.

Overall, the relevant layout of the Company's outputs based on the market demand and development trend is shown in the following figure.

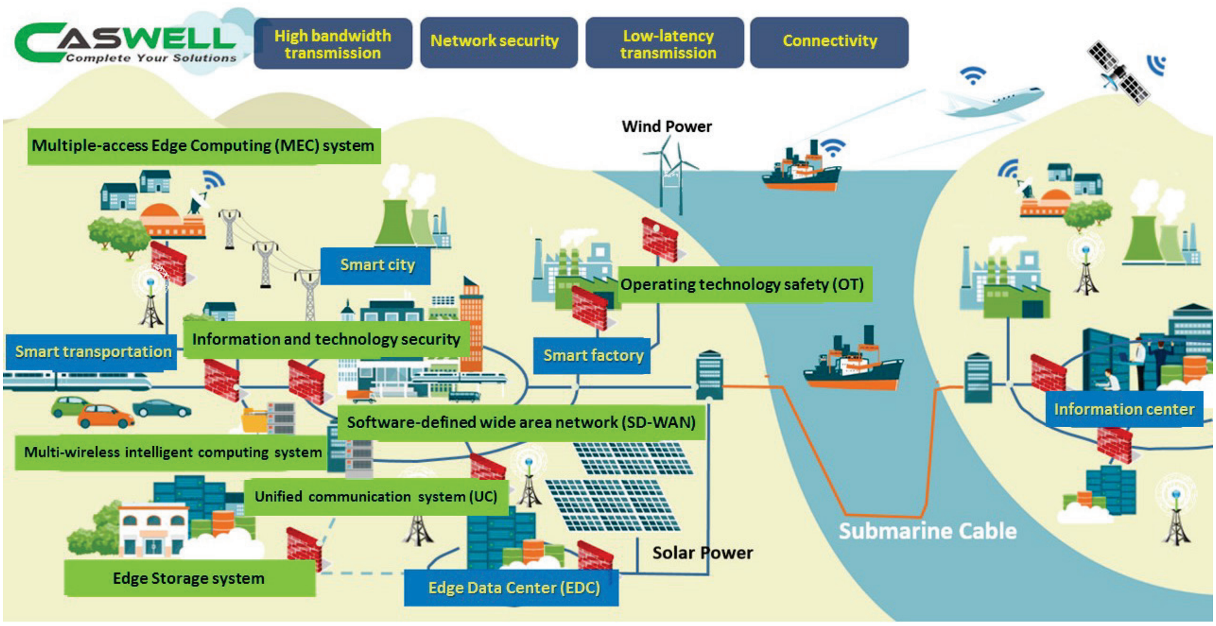


Figure: Classification of Market Development Trends and Company Layout (Source: drawn by the Company)

4. Competition

At present, although the industrial (industrial) computer type belongs to a niche industry, compared with the general industry, industrial computers and general electronic information and communication products have relatively different design methods, and there are many design considerations for customized services and product application environment. In addition, the production is small in amount and diversified in types, and the mass production modes of consumer information hardware are quite different. Therefore, other new entrants may not pose a threat to the existing industrial computer industry in a short period of time, but they may still affect the price of some products of industrial computers, causing certain impact.

Faced with the network transformation, many information providers are gradually stepping into the computer market in the industry, resulting in fierce competition in the market. Facing the fierce competition in the Netcom industry, the Company not only cooperates with the Group in the adjustment and optimization of procurement and production strategies to strengthen the flexibility of demand development for client products, but also strengthens and deepens the market for targeted vertical applications, and focuses on the provision of system products for solutions (such as network storage, smart grid, software-defined wide area network and other applications), so as to enhance the added value of products and strengthen core competitiveness, develop emerging markets and adjust the product mix through merger and acquisition and alliance programs, enhance the overall competitive advantage and widen the gap with other competitors.

(III) Technology and Research and Development

1. Technical level and research development of the operated business

   The Company focuses on the research and development of network communication and information security systems and master relevant key technologies. The research and development of relevant technologies are as follows:

   - **Network information communication security Technology and System Integration Technology**

     With the rapid development of Internet and digital content, network communication security has become one of the most important system specifications for cloud computing and digital information transmission. Since its establishment, the Company has persisted in the spirit of independent research and development and kept on improving. It has devoted a lot of manpower and material resources to the development of various CPU computing capabilities, communication bandwidth and information storage technologies and system integration technologies, such as the integrated application design of various CISC/RISC CPU/NPU architectures, the research of high-speed interface communication protocols, the discussion and practical application testing of information packet encryption and decryption, and information content compression and access, with certain achievements. At present, the Company is in the leading position in the country in technologies such as network communication security and remote monitoring management.

In addition, due to the ever-increasing demand for bandwidth and diversified demand for technical units of networking technology, the Company has continuously laid out networking technologies such as telecommunication, broadband connection and CATV network infrastructure in addition to the original Ethernet (including optical communication) and wireless networking technology (Wi-Fi & LTE). For servers with network communication security, the design of their systems and appearances should take into consideration of integration technologies such as industrial design, system cooling, environmental protection and energy saving. Besides, this system communication platform should be provided to help customers quickly integrate software and hardware systems. More convenient and safer information security system are continuously provided to users.

- **Network efficiency optimization technology and system diagnosis software**

  The Company spares no effort in the research of network transmission efficiency optimization and the development of system diagnostic software. The added value of software establishes the core competitiveness of the Company's products and provides customers with more valuable products.

- **Solutions in vertical domain**

  To enhance the added value of client services, the Company provides software and hardware solutions for network storage and smart grid products. In addition, in the software-defined product line, it is also extended to telecom operators and integrators by verifying the network functions of software clients through the ecosystem.

- **Improving technologies-continuing to maintain the leading position in technology**

  In recent years, with the great efforts of R&D personnel, the Company has won the trust of customers in product development and quality control. Its industrial and Netcom safety equipment is product-oriented to the market.

It is an important development direction of the Company to continue to consolidate its leading position in technology through R&D.

- **Real-time customization-meeting customers' expectation of Time to Market**

  With the advent of the era of low profit, the application of information technology has expanded from the original computer application to communication and consumption. The Company plans to set up bases in important regions of the world to get close to the market, master local business and customer service and further integrate with distribution partners around the world.

2. Research and development expenses invested in the most recent year and the technologies or products successfully developed;

1) Research and development expenses invested in the most recent year

Unit: NT$ thousand

Year	R&D expense	Sales revenue	R&D Expenses/ Operating Income (%)
2020	235,509	5,465,855	4.31%
2021	245,627	4,673,944	5.26%

2) Technology and Products Successfully Developed

A. New Product Development

Year	Main research and development achievements	Product innovation
2016	Skylake-S series The 6th generation Intel® Core™ processor	CAR-2070/3070/4030 series ◎ Intel Skylake-S adopted. ◎ Innovative front panel NIC module design. A removable NIC module is designed on the front panel, so that users can freely match different NIC modules according to the requirements set by the network. ◎ Made with new chipset
	Skylake-U series	CAD-2010 series Removable SSD module: In harsh use environment, SSD is often the first choice, but it is unfavorable to replace when used in Desktop models. Therefore, the innovative space design of CAF-2010 allows SSD to be directly extracted and replaced.
	Skylake-EP series	CAR-5050 series The highest-level server system, turning over the front-end x8/x16 conversion network card module, the first system supporting 100G network card module Up to 56cores supported by CPU

Year	Main research and development achievements	Product innovation
	Kabylake series	The 7th generation Intel® Core™ processor Speed Shift technology upgrade Lower power consumption
	Wide-temperature netcom security products	CAM-0100 Robust Din-rail aluminum-rail fanless low-power embedded computer system Adopting Intel Apollo Lake wide temperature series IC
	VCPE product line planning	CAD-0255 VCPE network function virtualization (NFV) With vCPE, service providers can simplify CPE and improve service agility by hosting all virtualized CPE functions to the PoP network or other types of data centers (Figure 2). Services such as DHCP, firewall, NAT, routing, and VPN are all provided by the virtual network function (VNF) executed on the general high-capacity virtual machine (VM) instance configured for each broadband user
	100G NIP network card	Research and development of 25/100G Embedded network card module, leading technology trend in the industry
	SDN NIP network card	Supporting CAR-5040/5050 system, which is convenient for customers to enter the development of SDN software definition field
	PoE NIP network card	Supporting the Company's full range of Skylake systems to provide customers with a wider range of applications
	Storage server	The number of installable hard disks has been greatly increased, even breaking through the traditional server design. The number of installable hard disks is comparable to that of professional storage equipment. This kind of server which can install a large number of hard disks is called a high storage density server, which can meet both computing and storage requirements.
	Apollo Lake Series	CAD-0250/CAR-1030 Aimed to build the lowest-cost UTM system in the industry and seize the market share of security control in the telecom leasing mode
	Denverton series	CAR-2060/CAD-0260 Next generation Rangeley; chip application design based on network acceleration; developed and innovated for the new generation market demand of telecommunications and UTM

Year	Main research and development achievements	Product innovation
2017	Coffee lake series The 7th generation Intel® Core™ processor	CAR-4040 series ◎ Adopting Intel Coffee lake ◎ High-density front network modularization ◎ Made with new chipset
	Skylake-DE series	CAR-3080 series The first network security model aimed at GPU AI artificial intelligence computing
	Skylake-EP series	CAR-5059 series High-level network server system supports up to 8 high-density network modules and can support up to 64 high-speed network interfaces
	Wide-temperature netcom security products	CAM-0110 The second generation product line, the robust Din-rail aluminum-rail fanless low-power embedded computer system Adopting Intel Apollo Lake wide temperature series IC
	UCPE product line planning	CAD-025x, 026x series UCPE. The whole product introduces RF technology, including Wifi dual-band and LTE transmission, so that the contacts at WAN end are no longer limited to wired transmission and meet the configuration conditions supporting SD-WAN
	100G NIP network card	Mellanox's high-speed network chip design is adopted. It is configured for Datacenter's equipment
	Storage network card	NIS series Supporting CAR-5050 system, which is convenient for customers to use the existing network module slots. Freely expanding the storage capacity at any time, and supporting 0/1/ no storage technology
	Storage computing server	Intel Purley series CASwell's second-generation cloud data computing server, adopting Intel's latest Skylake-EP Xeon server, supporting 12 bay and 24bay models, and adding 1U model option compared with the previous generation
	Whitley Platform series	The eighth generation personal computer core processor Products with 10nm process Introducing the highest-order network security server with throughput energy up to 600G
	PoE Switch series	PoE Switch Each network port supports 30W/48V output Products that meet Japanese safety regulations

Year	Main research and development achievements	Product innovation
	OPS series	Adopting Apollo lake CPU Supporting HDMI and dual-screen signal output High density/high I/O/ high computation
2018	Network security and management product line	chassis (CAR 4/5/6) series products, adopting Intel's high-level Skylake-SP, Cascadelake-SP and Coffee Lake series processors.
	Software-defined product line	Desktop and fanless (CAD&CAF) and chassis series, with Intel Xeon D, Denverton and Apollo Lake series processors.
	Industrial management and automatic product line	Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Apollo Lake and ARM A5x series processors.
	Cloud computing product line	chassis-mounted (R51&R52) series products, adopting Intel's high-level Skylake-SP and Cascadelake-SP series processors.
	Network storage product line	Tower (2 Bay&5 Bay&7 Bay) series products, adopting Intel mid-level and low-level Skylake and Denverton series processors.
	Network module product line	Wi-Fi (802.11ac & 802.11ax), Storage (RAID), LTE network module. Intel 25GE, 100GE network module, 100Gbps encryption and decryption module.
2019	Network security and management product line	chassis-mounted products (CAR-2080, CAR-5058, COS-G5XX, COS-09XX), adopting Intel's high-level Skylake-SP, Cascadelake-SP and Coffee Lake series processors.
	Software-defined product line	Desktop and fanless (CAD&CAF) and chassis series, with Intel Xeon D, Denverton and Apollo Lake series processors.
	Industrial management and automatic product line	Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Apollo Lake and ARM A5x series processors.
	Cloud computing product line	chassis (CAR-308X) series products, adopting Intel's medium and high-end Skylake-D series processors.
	Network storage product line	Tower (2 Bay&5 Bay&7 Bay) series products, adopting Intel mid-level and low-level Skylake and Denverton series processors.
	Network module product line	Wi-Fi (802.11ac & 802.11ax), Storage (RAID), LTE network module. Intel 25GE, 100GE network module, 100Gbps encryption and decryption module.
2020	Network security and management product line	chassis (CAR-4060 & CAR-5058) series products, adopting Intel's high-level Cascadelake-SP and Comet Lake series processors.

Year	Main research and development achievements	Product innovation
	Software-defined product line	Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Elkhart Lake & Ice Lake series processors.
	Industrial management and automatic product line	Robust tchassis products, adopting Marvell and MediaTek series processors.
	Cloud computing product line	chassis (CAR-5056) telecom switch products adopt Intel high-order Cascadelake-SP, Barefoot Switch and FPGA processors.
	Network storage product line	Tower (2 Bay&5 Bay) series products, adopting Intel’s Denverton series processors.
	Network module product line	Network encryption and decryption acceleration module (NIP-70005), adopting Intel accelerated QAT chip. Remote control management module (LOM-2600-000), adopting Aspeed AST2600 processor.
2021	Network security and management product line	Chassis (CAR-2085 & CAR-5060 & CAR-6028) series products, adopting Intel's high-level Ice Lake-SP, Snow Ridge NS, AMD high-level EPYC 7000 series processors.
	Software-defined product line	Industrial desktop and fanless (CAF-0110, CAF-026D) series, adopting Intel's Elkhart Lake & Intel Denverton Refresh series processors.
	Industrial management and automatic product line	Robust tchassis products, adopting MediaTek series processors. Electronic label gateway (CAG-0100)
	Cloud computing product line	chassis (CAR-5056 MX) telecom switch products adopt Intel high-order Cascadelake-SP, Barefoot Switch and FPGA processors.
	Network module product line	Trusted platform module (TPM-9672-000), adopting Infineon SLI9672 wafer

B. Technology development aspects

Patent Name	Category	Application place	Period of validity
Improved adjustable chassis	New type	Taiwan	2012.12.01~2022.06.18
Smart automatic starting device	Development	Taiwan	2015.10.21~2033.08.01
Exchanger device with variable bandwidth	New type	Taiwan	2015.11.21~2025.06.01
Customized connector shared by PCIe x16 and PCIe x8	New type	Taiwan	2016.12.01~2026.12.01
Method for improving packet processing of virtual switch	Development	Taiwan	2018.03.11~2036.02.23
Smart power management device	New type	Taiwan	2017.10.11~2027.06.18
Smart power management device	New type	China	2017.06.22~2027.06.22
Customized connector shared by PCIe X16 and PCIe X8	New type	China	2017.04.18~2027.04.18
Smart automatic starting device	Development	China	2013.08.09~2033.05.28
Multi-slot fast-installation expansion module structure	New type	Korea	2013.11.07~2023.11.07
Method for improving packet processing of virtual switch	Development	U.S.A	2017.01.17~2037.01.27
Wireless redundancy communication expansion module	Development	Taiwan	2021.01.11~2039.08.21

(IV) Long-term and short-term business development plan:

1. Short-term Business Plan

   In view of the growth and change of network security application demand, based on the strategic cooperation at the management level and the promotion of new technologies and products, the Company has continuously improved the purchasing power of existing customers. At the same time, the Company focuses on the development of new regional key customers, pays attention to customers' demand for distribution services, strengthens or increases service locations and optimizes information management systems to meet the requirements of customers' global operations. On the other hand, the Company improves the sales proportion of customers in various regions, reduces the risk of performance fluctuation, and continuously develops new products with high gross profit, expands the new application customer base, and plans strategic niche products (including software and hardware integration solutions) to increase the sales competitiveness of customers.

2. Long -term Business Plan

   In response to the vigorous development of information communication, Internet of Things, big data application, artificial intelligence, various platform services and wireless mobile communication, the Company has made great efforts to develop new generation products and provide fast and professional services, so as to achieve the corporate vision of enriching users' lives with its technology and services.

With the continuous growth of network economic activities and platform service demand, global telecom operators and network service providers have planned and formulated the fifth generation (5G) wireless communication, and began to actively invest in research and development resources, among which the related technologies of wireless network communication, such as Software Defined Network (SDN), Network Function Virtualization (NFV), Centralized Wireless Access Network (C-RAN), Centralized/Cloud Radio Access Network) and Mobile Content Delivery Network, will be more widely used in information and communication infrastructure to cope with and optimize the bandwidth of wireless transmission. The application and development of these related technologies is the stage for the Company to continuously develop new products and provide services.

Based on the development and application of the network, the Company expands and develops applications related to cloud computing and edge computing, and continues to develop towards sustainable development and happy business operation through continuously accumulating and innovating core capabilities of software and hardware research and development, providing accurate, safe and fast services for digital life, and making economic activities and multimedia streaming on the network richer and safer.

II. Market and production and marketing situation

(I) Market analysis

1. Sales and service regions of main products and services

Unit: NT$ thousand

Year / Sales territory		2020		2021	
		Amount	%	Amount	%
Foreign sales	Asia	2,075,270	37.97%	2,264,467	48.45%
	America	2,185,893	39.99%	1,493,732	31.96%
	Europe	1,048,009	19.17%	765,264	16.37%
	Others	58	0%	-	0%
Domestic Sales		117,330	156,625	2.87%	150,481
Total		4,431,795	5,465,855	100.00%	4,673,944

2. Market Share and Future market supply, demand, and growth potential

Cloud applications bring more convenient computing and storage services to users. In addition, the popularity of mobile broadband and handheld devices drives not only the demand for high-speed broadband environment construction, but also the continuous upgrading of network technology and network security. Because of the increasing computer threats and the more mature concept of information security of users, the network security market has grown rapidly. Various organizations around the world have invested more budgets in security schemes, which has prompted the network communication security product manufacturers to develop more diversified applications and solutions to meet diversified needs.

In addition, with the innovation of information security issues, communication network operators will invest more resources in the research of emerging information security technology applications and technical standards, so as to master key technologies such as cloud, virtual and mobile information security protection, improve the ability of information security and threat integration analysis, and apply them to network security system platforms and related software to establish a sound information security environment.

In recent years, in response to the trend of network architecture transformation and Internet development, and driven by network virtualization and software definition, various new applications have sprung up, such as software-defined wide area networks and other general communication devices.

Industrial (industrial) computer (IPC) industry still has a high rate of outsourcing because of industrial settlement gathering, and there will still be certain growth in the future. Compared with general commercial computers, industrial computers are highly customized with a small amount and numerous models. In addition, to reduce the overall cost pressure, system vendors, channel value-added providers and related multinational enterprises have also increased their outsourcing production trend year by year, which has relatively promoted the growth and improvement of industrial computers. The future demand and growth of industrial computer in the market is in prospect.

3. Competitive advantages

In addition to the foundation of central processing technology, the Company has accumulated more than 13 years of experiences in Ethernet processing performance and bandwidth integration technology. Therefore, in recent years, the Company has continuously strengthened the core of self-competition, continuously cooperated with international manufacturers, and actively developed and matched the new generation of network equipment needs such as big data and cloud.

1) Excellent product quality

The stability and reliability of product quality has always been the most basic and important requirement of customers; the Company has rich experience in research and development and improvement of product technology in the professional field of network security equipment. Its customers cover large manufacturers in Europe, America and Japan. To gain the trust of customers, the Company always adheres to the concept of stable quality along the way, and continues to lead in hardware technologies such as by-pass function, 40G QSFP network, ATCA and x86 and non-x86 chips. It is also the first manufacturer in the domestic industry to invest considerable human resources in software technology (IPMI remote management and PQUA automated testing). Therefore, compared with other competitors, the Company can fully meet customer needs in product design and development and product quality, which is also the foundation for competition.

2) Complete product mix

The Company's products cover a wide range of categories, from network security, cloud applications to local platforms, etc. At the same time, it has high, medium and low-level products to choose from, which can meet the diversified needs of customers with different attributes. In addition, it will also strengthen the diversity of networking technology units, including Ethernet (1GE, 2.5GE, 10GE), VDSL, PON, wireless Wi-Fi, 4G LTE and future 5G data.

3) Strong R&D strength and technical level

The Company has devoted itself to product research and development for a long time. Its R&D department is composed of talents with rich practical experience in electronics, software, institutions and systems industries. It has won many patents for the Company over the years. After years of collaborative research and development with customers, the company has accumulated rich industrial knowledge, and by continuously deepening the research and development technology and energy, it is expected to develop more competitive products for customers.

4) Excellent management team

The Company's management team has long-term industrial operation experience. Each principal supervisor has expertise in R&D, business and management, and can cooperate with each other. The management team has tacit understanding and cooperation concept, and can effectively lead the stable development of the Company.

4. Positive and negative factors relating to future development
   1) Advantages:
      A. The vigorous development of network applications and the importance of information security

         The vigorous development of Internet application has been widely accepted by consumers, and has influenced the lifestyle and style of human beings. Consumers can obtain rich and real-time information on the Internet to bring convenience to life. With scientific and technological progress and complete system construction of the Internet, new applications and opportunities have obvious spillover effects with the increase of users. As a result, users pay more attention to information security, which will drive the growth of network security equipment market.
      B. Good relationship with downstream customers

         The Company is committed to the R&D and sales of network communication and information security systems. Its marketing and R&D teams have invested in Netcom for a long time, and accumulated rich experiences in network security application platform. With a deep understanding of the industrial interpersonal network and customer product project development needs, it has established close cooperation with customers for a long time. With strict quality control and timely delivery, the Company has become the best partner of major international manufacturers. Moreover, the Company not only maintains the relationship with its original customers, but also wins the favor of new manufacturers with its excellent service quality. Therefore, the strong and stable customer relationship has become the foundation for the stable revenue source of the Company.
      C. Netcom in Taiwan has mature industry and complete supply chain

         The upstream, middle and downstream supply chains of Netcom industry in Taiwan are complete. Besides, combined with the previous mature technology of integrating with local equipment of major telecom companies in Europe and America, the Netcom industry in Taiwan has high output elasticity, strict cost control and rapid response capability, with considerable competitive advantages in the international Netcom industry market. In addition, the network security platform industry in Taiwan is mainly composed of small and medium-sized enterprises. Compared with other international companies, whose production and sales are carried out by independent departments, it has the advantages including concentrated resources and focusing on development, which accelerates the growth of network security platform industry in Taiwan.

2) Negative factors

A. Due to the damage to price caused by new manufacturers, the gross profit of products is affected

Response:

- Since network security equipment emphasizes the requirement for reliability and quality stability, price is not the only factor considered by customers, and only low-cost and entry-level models have price pressure. Therefore, the Company provides customers with diverse product combinations, actively participates in the design and provision of concept platforms, and uses value-added services such as technology leadership and collaborative development to improve the industry entry threshold, so as to maintain the competitiveness and overall gross profit of the Company.
- Through the integration and accretion of software and hardware systems, as well as the collaborative verification of software partner schemes, the Company builds an ecosystem to enhance the overall competitiveness.

B. Inventory pressure on customer logistics services

Response:

- The Company controls the inventory of distribution service logistics center through information platform, so as to achieve automatic inventory deduction while customer picking up goods. In addition, it properly manages the purchase schedule according to forecast orders, leaving raw materials and semi-finished products in the hands of suppliers, and then purchasing goods when assembly is needed. In this way, the Company reduces the backlog of company funds caused by the inventory of distribution service logistics center. Moreover, the Company also holds regular production and sales meetings to strictly control the inventory, thus effectively shortening the cash flow cycle.

C. Exchange rate risks

The sales of the Company are mainly quoted in USD, and the collection is affected by the fluctuation of international exchange rate, which in turn affects the sales and gross profit of our products.

Response:

- The Company fully grasps the trend of exchange rate changes, sells products at an appropriate time to reduce exchange risk, takes account of the impact of exchange rate fluctuations on the selling price in quotation, pays in USD for domestic manufacturers making quotation in USD to reduce the exchange risk of conversion into Taiwan dollars, and conducts relevant foreign exchange hedging operations when necessary, depending on the position of foreign currency.

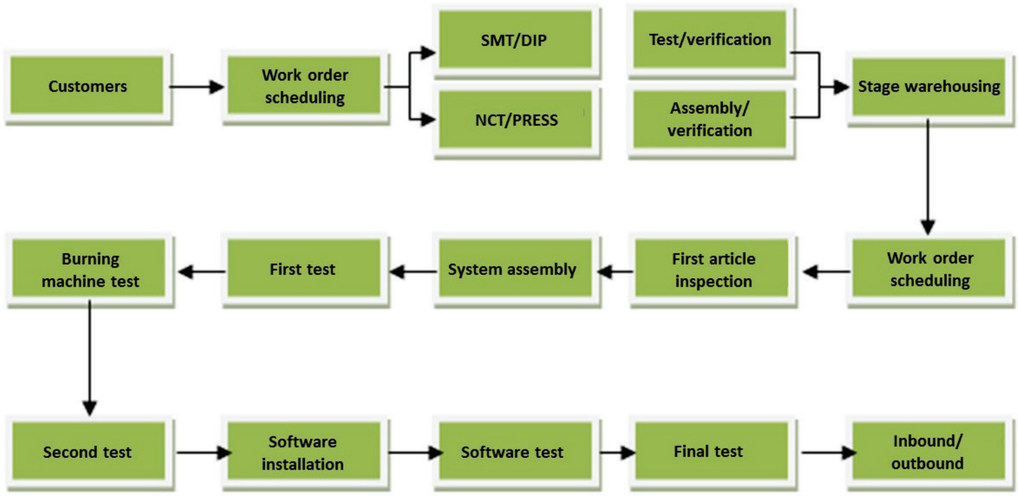
(II) Usage and manufacturing processes for main products

1. Key applications of the primary products

Major products	Important applications
Network security and management (NSM)	• Netcom security: integrated threat system, virtual private network, antivirus system, firewall, intrusion prevention detection system, distributed attack protection, and content filtering. • Network management: network load balancing, reliability, availability and serviceability, bandwidth management, wireless gateway, etc.
Industrial control and automation products (ICA)	• Netcom safety products required by large industrial environments such as substations, petrochemical industry, tobacco and nuclear energy. • Software and hardware solutions related to smart grid.
Cloud computing (CCS)	• High-level storage computing server system, router and SDN switch. • High-level server system with converged architecture.
Software defined network industrial servers (SDN)	• Client communication equipment (SD-WAN/uCPE/vCPE): networking communication equipment with transmission independence, intelligent path control, security, automatic configuration and increased traffic. • Telecommunications communication equipment (SDN/NFV/MEC/vRAN): providing software-defined communication equipment and network function virtualization server required by the telecommunications field, as well as communication equipment required by leading-edge communication.
Industrial network security (NAS)	• Integration of Network Attached Storage (NAS) related applications and provision of software and hardware solutions.

Major products	Important applications
	• Network storage software system consultation and customization service.
Other (OTS)	• Services related to components, raw materials trading and processing.

2. Production process of the primary products



(III) Supply for the major raw materials

Major materials	Source of supply	Supply situation
CPU	Taiwan	Chassis
PSU	Taiwan	Chassis
Chassis	Taiwan	Chassis
PCB	Taiwan	Chassis
Memory	Taiwan	Chassis
Storage	Taiwan	Chassis

(IV) Major vendors

1. Name of the supplier accounting for more than 10% of the net purchase in any one of the most recent two years, and the amount and ratio of the purchase, and the reasons for the increase or decrease

Unit: NT$ thousand

	2020				2021			
Item	Name	Amount	Ratio in the net purchase for the whole year	Relationship with the issuer	Name	Amount	Ratio in the net purchase for the whole year	Relationship with the issuer
1	Company B	846,762	18.57%	-	Company B	883,024	24.30%	-
2	Company C	340,047	7.46%	-	Company C	383,686	10.56%	-
3	Others	3,372,017	73.97%	-	Others	2,367,106	65.14%	-
	Net purchase	4,558,826	100.00%	-	Net purchase	3,633,816	100.00%	-

Note on increase or decrease:
Company B and C's demand for electronic components increased, resulting in the increase.

2. Name of the supplier accounting for more than 10% of the net sales in any one of the most recent two years, and the amount and ratio of the sales, and the reasons for the increase or decrease

Unit: NT$ thousand

	2020				2021			
Item	Name	Amount	Ratio in the net sales for the whole year	Relationship with the issuer	Name	Amount	Ratio in the net sales for the whole year	Relationship with the issuer
1	APT	919,508	16.82%	-	Company A	848,430	18.15%	-
2	Company A	893,477	16.35%	-	APT	498,501	10.67%	-
3	Others	3,652,870	66.83%	-	Others	3,327,013	71.18%	-
	Net sales	5,465,855	100.00%	-	Net sales	4,673,944	100.00%	-

Description of changes in increase and decrease: changes in sales amount and ratio are mainly caused by changes in customer product demand and other factors.

(V) Production figures for the most recent two years

Unit: PCS; NT$ thousand

Production Figures / Year / Major products	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Volume	Production Capacity	Production Value
Invest in internet communication security related industries	95,999	78,275	1,484,460	96,112	62,129	1,563,296
Internet communication products	136,600	108,048	492,254	88,960	89,703	299,723
Total	232,599	186,323	1,976,714	185,072	151,832	1,863,019

(VI) Sales figures for the recent two years

Unit: PCS; NT$ thousand

Sales figures / Year / Main products	2020				2021			
	Domestic Sales		Foreign sales		Domestic Sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Invest in internet communication security related industries	4,675	34,824	197,018	4,019,205	7,094	125,224	229,348	3,570,078
Components	13,890,861	121,801	948,352	1,290,025	58,521	21,391	1,096,492	957,231
Total	13,895,536	156,625	1,145,370	5,309,230	65,615	146,615	1,325,840	4,527,309

Note on increase or decrease:

The products of the Company are characterized by small quantity and diversified types. Combined with the sales of raw materials, the sales quantity changed greatly.

III. Employees information

March 31, 2022

Year		2020	2021	2022 as of March 31
Number of Employees	Employees	389	368	359
	Machine Operators	51	48	53
	Total	440	416	412
Average Age		36.83	37.32	38.48
Average Service Year		3.48	4.07	4.80
Education Distribution	Doctoral Degree	0.23%	0.48%	0.49%
	Master's Degree	15.23%	13.22%	13.11%
	Junior College (including work-study students)	69.55%	70.19%	69.90%
	Senior High School	12.05%	12.74%	12.62%
	Below Senior High School	2.94%	3.37%	3.88%

IV. Environmental protection expenditure

(I) For the most recent year and up to the date of publication of the annual report, losses incurred from environmental pollution (including compensation and violations of environmental laws and regulations as a result of environmental protection inspection, the date of punishment, punishment number, provisions of laws and regulations violated, contents of laws and regulations violated, and contents of punishment should be specified), and the estimated amount and corresponding measures that may occur now and in the future should be disclosed. If it is not possible to make a reasonable estimate, the fact that it cannot be reasonably estimated should be stated: None.

(II) Environmental protection policy

The Company is engaged in the research and development, manufacturing, sales and service of industrial computers and peripheral products for internet communication. The manufacturing process is mainly based on material assembly, which is a pollution-free industry. The Company is committed to continuously improving environmental performance, carrying out green management in three aspects including green design, green procurement and green manufacturing, developing green products, maintaining ecological environment, saving energy, strengthening resource recovery and reuse, and fulfilling social responsibilities.

Green design:	to design products convenient for Reuse, Recycling and Recovery and conforming to WEEE, reduce the environmental pollution caused by waste, and strive to comply with the guidelines of harmful substances.
Green procurement:	to give priority to suppliers who can provide test reports and self-declaration documents that meet environmental protection requirements, and ensure that the purchased materials meet the requirements of green products and RoHS.
Green manufacturing:	to produce products by more environmentally friendly manufacturing processes, such as lead-free and mercury-free processes.

The Company has imported ISO14001 environmental management system in 2010, and has passed the certification continuously since 2011. It strictly implements the following environmental safety and health policies to pursue the goal of sustainable operation.

Promote green projects and educate on energy saving and carbon reduction

Implementing risk controls to reduce occupational hazards

Provide a friendly environment and promote physical and mental health

Follow laws and regulations and advocate continuous improvement

Fulfill social responsibility and strive for full participation

V. Labor relations

(I) Employee benefit plans, continuing education, training, and retirement systems and the status of their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

1. Employee Benefits.
   The Company has established employee welfare committees according to law, selected members of the welfare committee to handle various welfare measures,

and worked out annual budgets and plans every year, so as to make reasonable and effective use of employee benefits.

In addition to the basic labor insurance and health insurance for each employee, the Company also insures all-round group insurance for each employee, such as injury insurance, medical insurance, cancer insurance, and business trip and travel insurance.

The Company has set up nursing (collection) room for female employees in the factory. In terms of parenting, it has signed nursery service contracts with well-known chain cultural and educational institutions, so that employees have no family considerations at work.

The Company arranges nurse practitioner and doctors to provide health management planning and personal health consultation services for employees every month.

Every employee is entitled to birthday gifts, and the Welfare Committee holds festival activities irregularly, such as "Dragon Boat Festival-Distributing Zongzi", "Valentine's Day-Distributing Chocolate Gift Box", "Mid-Autumn Festival-Distributing Grapefruit" and "Winter Solstice-Distributing Warm Heart Tangyuan" .

The company specially invites manufacturers to offer the preferentials related to the goods purchased by the employees from time to time. Employees can enjoy special discounts at special stores with employee identification cards.

The Company provides freshly ground coffee free of charge for employees.

In case of baby-rearing, serious injury, and serious accident, the employee may apply to the Company for leave without pay according to the circumstances, and then apply for reinstatement after the expiration of the period, so as to meet the needs of personal and family care.

2. Continuing education, training and implementation status

   The Company sends its staff for training from time to time or participates in study in relevant academic institutions, and regularly organizes internal education training and technology sharing to upgrade the skills of employees, thus creating the overall benefits of the Company and employees.

3. Retirement system and implementation status

   According to the provisions of the Labor Pension Ordinance, the Company pays the pension at 6% of the paid salary according to the "Grading Scale for Monthly Paying of Labor Pension" to the individual account for labor pension set up by the Labor Insurance Bureau.

   In 2021, an amount of NTD 8,323,000 was allocated to the special account for employees' personal retirement.

4. Agreement on labor and management and various measures for safeguarding employees' rights and interests

There are neither labor disputes nor losses incurred since established so far. In the future, the Company will continue to strengthen the communication between labor and management and welfare measures to eliminate possible disputes.

(II) Losses suffered by labor disputes in the most recent year and up to the publication date of the annual report (including the violation of the Labor Standards Law by the labor inspection results, the date, name, contents and contents of punishment shall be specified), and the estimated amount and countermeasures that may occur at present and in the future should be disclosed. If it is impossible to estimate reasonably, the fact that it cannot be estimated reasonably should be stated: none.

VI. Information Security Management

I. Information Security Risk Management Framework

II. Information Security Policy

(I) Purpose

To maintain the Company's overall information security environment, to strengthen the security management of various information assets, and to establish a convenient and safe electronic work environment for the purpose of ensuring the security of data, systems, equipment and networks.

(II) Scope

The Company's scope of information security management includes the various information assets (including software and hardware equipment) of the Company and the information users, such as permanent employees, temporary employees, contract employees, external vendors and other persons authorized to use the information assets.

(III) Information Security Goals

It comprehensively considers the importance and the value of each information asset and the extent to which it affects and harms the Company's business, resulting from the improper use of the Company's information properties, data leakage, malicious tampering, damage, etc., due to risks of human negligence, intentional or natural disasters and others so that it adopts the security measures of management, operation and technology which are commensurate with the value of information assets and cost-effective, i The Company is able to avoid improper use or deliberate destruction of information systems by internal and external personnel or it can respond quickly to reduce the economic damage and operation interruption that may be caused by information security incidents when information security incidents occur.

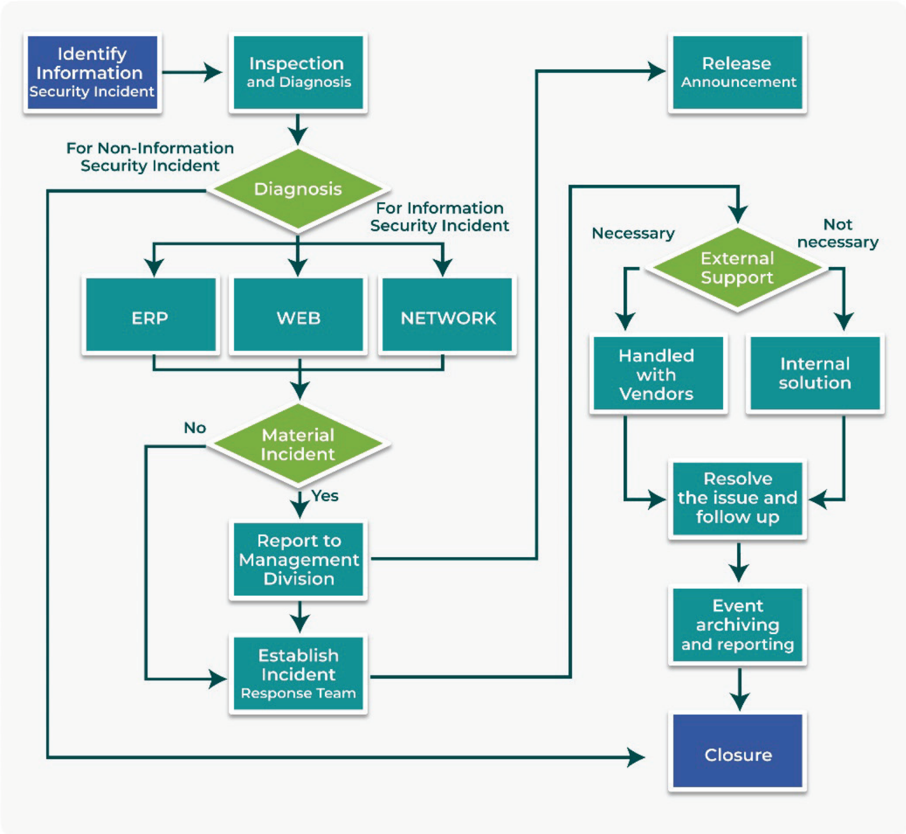
(IV) Information Security Management Measures

1. Personal information should be handled prudently in accordance with the Personal Data Protection Act.
2. Passwords should be created, anti-virus softwares should be installed, and virus patterns should be updated regularly to both personal computers and servers.
3. Personal computer equipment should also be managed to ensure that the software installed is legally authorized to comply with relevant regulations on intellectual property right.
4. Important data should be backing up, and the backup validity of the data should be checked regularly.
5. Disaster recovery plans should be planned to quickly restore system operations in the event of information security incidents.
6. Information security awareness campaigns should be carried out on a regular basis and the colleagues' information security awareness and legal concept should be strengthened.

III. Specific Management Plans

Category	Description	Description
Internet Information Security Control	External intrusion prevention	Firewall set up
		Virus scans regularly performed on computer systems and data storage medium
		Regularly reviews of various network service items and abnormal situations tracking.
Data Access Control	Data breach prevention	Computer equipment should be kept by special personnel with user accounts and passwords created which can give different access rights according to the job functions.
		The original authority of the relocated employees is cancelled.
		Confidential, sensitive information and copyrighted softwares should be removed or overwritten before the equipment is scrapped.
		Remote access management information systems should be properly approved.
Strain Recovery Mechanism	Data backup and related inspections	System recovery drills are conducted on an annual basis.
		The system backup mechanism is established, and the off-site backup is implemented.
		Computer network security controls are reviewed regularly.
		Information security information is publicized at any time, and employees' awareness of information security is enhanced.
		Cyber safety inspections are carried out aperiodically every year.
		Emergency response plans are reviewed regularly.

IV. Information Security Incident Reporting Procedures



V. Information Security Management Resource Investment

The Company continues to invest resources in information security and personal data protection related matters, and the matters of the resource investment include to improve the security infrastructure of governance and technology and to strengthen information security defense equipment and education and training, etc. The Company also timely updates information security protection equipment, such as firewall, IPS, anti-virus, etc. to optimize the protection effect in response to the frequent occurrence of information security incidents in private enterprises and public sectors in recent years.

The security of the information system is updated regularly, and the Company's material information systems are preformed for vulnerability assessment and patching vulnerabilities every year.

To enhance the information security awareness of our employees, meetings, bulletin boards, and corporate internal websites are used to publicize information security awareness to our colleagues, and suspicious data and emails, if any, should not be opened carelessly to avoid social engineering attacks.

VI. Losses, possible impacts and coping measures due to material information security incidents of the most recent fiscal year and as of the publication date of the annual reports should be listed, while the fact that it cannot be reasonably estimated should be stated if it cannot be reasonably estimated: None.

VII. Significant Contracts

Type of contract	Party	Contract start and end date	Contract content	Restrictions
Distribution service contract	American Portwell Technology, Inc.	From February 17, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Distribution service contract	Company N	From February 26, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Distribution service contract	Company G	From March 20, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Business contract	Company H	From September 1, 2017 to the date when either party terminates the contract in accordance with the terms of the contract.	Rights and obligations related to distribution services	None
Business contract	Company A	From November 30, 2014 to the date when either party terminates the contract in accordance with the terms of the contract.	Sales, service and other related rights and obligations	None

Note: since the Company and the customers have signed a confidentiality agreement, the names of the parties shall be denoted by code names.

Chapter 6. Financial Overview

I. Finacial Information

(I) Condensed Balance Sheet - IFRS

1. Consolidated Financial Statements:

Unit: NT$ thousand

Item \ Year		Most Recent 5-Year Financial Information				
		2017	2018	2019	2020	2021
Current assets		2,548,620	3,754,080	3,645,200	4,302,458	4,357,648
Property, plant and equipment, net		40,628	37,166	84,960	86,358	92,827
Intangible assets		5,669	4,264	363,574	356,718	352,098
Other Assets		12,535	17,741	76,554	6,945	10,850
Total Assets		2,607,452	3,813,251	4,170,288	4,865,403	4,955,945
Current liabilities	Before distribution	1,171,469	1,320,696	1,361,281	1,345,361	1,446,133
	After distribution	1,411,592	1,556,710	1,564,758	1,612,058	(Note 1)
Non-current liabilities		5,457	6,520	59,614	273,281	283,411
Total Liabilities	Before distribution	1,176,926	1,327,216	1,420,895	1,618,642	1,729,544
	After distribution	1,417,049	1,563,230	1,624,372	1,885,339	(Note 1)
Equity attributable to owners of parent		1,405,166	2,454,675	2,525,390	3,077,447	3,047,320
Share capital		600,307	680,357	680,357	730,678	731,889
Capital surplus		24,355	930,408	934,426	1,412,389	1,431,140
Retained earnings	Before distribution	792,225	908,246	961,212	982,304	935,163
	After distribution	552,102	672,232	757,735	715,607	(Note 1)
Other equity		(11,721)	(13,067)	(32,749)	(30,068)	(50,872)
Treasury stock		-	(51,269)	(17,856)	(17,856)	-
Non-controlling interest		25,360	31,360	224,003	169,314	179,081
Total Equity	Before distribution	1,430,526	2,486,035	2,749,393	3,246,761	3,226,401
	After distribution	1,190,403	2,250,021	2,545,916	2,980,064	(Note 1)

Note 1. Earnings distribution plan has not been adopted by the Shareholders' Meeting through a resolution.

Data source: financial report audited and certified by the CPAs.

2. Parent Company-only Financial Statements

Unit: NT$ thousand

Item \ Year		Most Recent 5-Year Financial Information				
		2017	2018	2019	2020	2021
Current assets		2,309,659	3,378,328	2,652,024	3,210,668	3,370,729
Property, plant and equipment, net		39,274	34,716	28,627	31,655	40,607
Intangible assets		5,005	3,719	3,578	1,566	1,142
Other Assets		142,165	235,818	723,450	238	4,463
Total Assets		2,496,103	3,652,581	3,407,679	4,101,074	4,381,819
Current liabilities	Before distribution	1,085,480	1,192,710	867,028	824,685	1,099,737
	After distribution	1,325,603	1,428,724	1,070,505	1,091,382	(Note 1)
Non-current liabilities		5,457	5,196	15,261	198,942	234,762
Total Liabilities	Before distribution	1,090,937	1,197,906	882,289	1,023,627	1,334,499
	After distribution	1,331,060	1,433,920	1,085,766	1,290,324	(Note 1)
Share capital		600,307	680,357	680,357	730,678	731,889
Capital surplus		24,355	930,408	934,426	1,412,389	1,431,140
Retained earnings	Before distribution	792,225	908,246	961,212	982,304	935,163
	After distribution	552,102	672,232	757,735	715,607	(Note 1)
Other equity		(11,721)	(13,067)	(32,749)	(30,068)	(50,872)
Treasury stock		-	(51,269)	(17,856)	(17,856)	-
Total Equity	Before distribution	1,405,166	2,454,675	2,525,390	3,077,447	3,047,320
	After distribution	1,165,043	2,218,661	2,321,913	2,810,750	(Note 1)

Note 1. Earnings distribution plan has not been adopted by the Shareholders' Meeting through a resolution.

Data source: financial report audited and certified by the CPAs.

(II) Consolidated Comprehensive Balance Sheet - IFRS

1. Consolidated Financial Statements:

Unit: NT$ thousand, except EPS which is denoted in NT$)

Item / Year	Most Recent 5-Year Financial Information				
	2017	2018	2019	2020	2021
Sales revenue	4,036,345	4,247,762	4,431,795	5,465,855	4,673,944
Gross profit	767,187	820,467	914,401	1,148,496	924,866
Operating income	393,187	427,700	428,183	548,138	305,747
Non-operating income and expenses	9,023	33,151	(3,821)	3,244	17,073
Profit before income tax	402,210	460,851	424,362	551,382	322,820
Income from Continuing Operations	338,988	362,688	327,400	416,837	240,065
Loss from Discontinued Operations	-	-	-	-	-
Net Income	338,988	362,688	327,400	416,837	240,065
Other comprehensive income (loss) for the year (Net after tax)	(3,024)	(1,971)	(21,369)	3,953	(23,576)
Total comprehensive income for the year	335,964	360,717	306,031	420,790	216,489
Comprehensive income attributable to Owners of the parent company	336,510	356,144	288,980	372,353	219,556
Net Income Attributable to Non-controlling Interests	2,478	6,544	38,420	44,484	20,509
Comprehensive Income Attributable to Owners of the Parent	333,730	354,798	269,298	375,034	198,752
Comprehensive Income Attributable to Non-controlling Interests	2,234	5,919	36,733	45,756	17,737
Earnings per Share (Note 1)	5.61	5.42	4.28	5.29	3.00

Note 1. Calculated based on the weighted average of shares outstanding in the current year, and retrospective adjustment in the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

Data source: financial report audited and certified by the CPAs.

2. Parent Company-only Financial Statements

Unit: NT$ thousand, except EPS which is denoted in NT$)

Item \ Year	Most Recent 5-Year Financial Information				
	2017	2018	2019	2020	2021
Sales revenue	3,695,501	3,858,140	3,330,426	3,821,434	3,257,900
Gross profit	681,854	683,000	588,219	704,878	549,537
Operating income	397,118	391,850	305,790	372,766	184,263
Non-operating income and expenses	1,904	53,886	50,300	84,112	85,089
Profit before income tax	399,022	455,736	356,090	456,878	269,352
Income from Continuing Operations	336,510	356,144	288,980	372,353	219,556
Loss from Discontinued Operations	-	-	-	-	-
Net Income	336,510	356,144	288,980	372,353	219,556
Other comprehensive income (loss) for the year (Net after tax)	(2,780)	(1,346)	(19,682)	2,681	(20,804)
Total comprehensive income for the year	333,730	354,798	269,298	375,034	198,752
Earnings per Share (Note)	5.61	5.42	4.28	5.29	3.00

Note: calculated based on the weighted average of shares outstanding in the current year, and the retrospective adjustment of the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

Data source: financial report audited and certified by the CPAs.

(III) Name of CPA and Audit Opinion for the Most Recent 5 Years

Year	Name of CPA Firm	CPA Name	Opinion
2021	KPMG	Kou Hui-Chih, Kuo Hsin-I	Unmodified opinion
2020	KPMG	Kou Hui-Chih, Kuo Hsin-I	Unmodified opinion
2019	KPMG	Kou Hui-Chih, Kuo Hsin-I	Unmodified opinion
2018	KPMG	Kou Hui-Chih, Kuo Hsin-I	Unmodified opinion
2017	KPMG	Kuo, Hsin-Yi, Chen Hsiu-Lan	Unmodified opinion

II. Five-Year Financial Analysis

(I) Consolidated Financial Analysis - IFRS

Analysis Item \ Year		Financial Analysis for the Most Recent 5 Years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt-to-asset ratio	45.14	34.81	34.07	33.27	34.90
	Ratio of long-term capital to property, plant, and equipment	3,521.24	6,689.05	3,297.36	4,062.31	3,766.81
Solvency (%)	Current ratio	217.56	284.25	267.78	319.80	301.33
	Quick ratio	123.36	168.43	138.88	144.21	124.12
	Interest coverage ratio	329.07	887.25	130.06	60.86	56.78
Operating Ability	Accounts receivable turnover rate (times)	5.19	4.28	4.06	5.14	4.96
	Average days for cash receipts	71	86	90	71	74
	Inventory turnover rate (times)	3.09	2.62	2.16	2.12	1.56
	Accounts payable turnover rate (times)	4.33	3.59	3.49	4.60	3.68
	Average days for sale of goods	119	140	169	173	234
	Property, plant, and equipment turnover rate (times)	100.88	109.21	72.58	63.81	52.17
	Total asset turnover ratio (times)	1.64	1.32	1.11	1.21	0.95
Profitability	Return on Assets (ROA) (%)	13.82	11.31	8.27	9.39	4.98
	Return on Equity (ROE) (%)	24.00	18.52	12.51	13.90	7.42
	Ratio of Net Profit Before Tax to Paid-in Capital (%)	67.00	67.74	62.37	75.46	44.11
	Net Profit Margin (%)	8.40	8.54	7.39	7.63	5.14
	Earnings per share (NT$)	5.61	5.42	4.28	5.29	3.00

Analysis Item / Year		Financial Analysis for the Most Recent 5 Years				
		2017	2018	2019	2020	2021
Cash Flows	Cash Flow Ratio (%)	13.91	(0.45)	16.21	3.11	19.04
	Cash Flow Adequacy Ratio (%)	59.56	37.85	38.68	19.21	21.81
	Cash Reinvestment Ratio (%)	(9.33)	(10.52)	(0.54)	(4.65)	0.25
Leverage	Operating leverage	1.04	1.04	1.17	1.15	1.26
	Financial leverage	1.00	1.00	1.01	1.02	1.02

Describe changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%.)

1. Inventory turnover rate and average days of sale of goods: Due to material shortage in the market, lead time is extended, leading to shortage in raw materials and the market to demand for spot goods, leading inventories to increase and inventory turnover rate to decrease and the average days of sale of goods to increase accordingly.
2. Accounts payable turnover rate: The balance of accounts payable in 2021 increased from the raw material inflation and the fees associated with purchasing spot goods, leading accounts payable turnover rate to decrease.
3. Total asset turnover ratio: Material shortage and effects from currency exchange rate led to reduced business, leading total asset turnover ratio to decrease.
4. Profitability: Due to disruptions in the supply chain from the pandemic, total inflation in the supply chain, disruptions in global logistics and inflation of the NTD, business has declined and operating expenses increased, leading the profitability to decrease in this period.
5. Cash flow ratio and cash reinvestment ratio: Due to increased inventory purchases in the previous period required by business activities, the net cash inflow from operating activities had decreased, leading to reduced cash flow ratio and cash reinvestment ratio.

(II) Company Only Financial Analysis

Analysis Item		Financial Analysis for the Most Recent 5 Years (Year)				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt-to-asset ratio	43.71	32.80	25.89	24.96	30.46
	Ratio of long-term capital to property, plant, and equipment	3,578.07	7,070.78	8,852.90	10,317.50	8,053.78
Solvency (%)	Current ratio	212.78	283.25	305.88	389.32	306.50
	Quick ratio	123.86	167.12	154.29	171.68	122.71
	Interest coverage ratio	326.47	858.18	468.92	79.26	103.03
Operating Ability	Accounts receivable turnover rate (times)	4.97	4.14	3.61	4.73	4.44
	Average days for cash receipts	73	88	101	77	82
	Inventory turnover rate (times)	3.26	2.71	2.04	2.02	1.43
	Accounts payable turnover rate (times)	4.44	3.61	3.49	5.33	3.65
	Average days for sale of goods	112	135	179	181	256
	Property, plant, and equipment turnover rate (times)	94.60	104.29	105.16	126.79	90.17
	Total asset turnover ratio (times)	1.58	1.25	0.94	1.02	0.77
Profitability	Return on Assets (ROA) (%)	14.39	11.60	8.20	10.04	5.23
	Return on Equity (ROE) (%)	24.24	18.45	11.61	13.29	7.17
	Ratio of Net Profit Before Tax to Paid-in Capital (%)	66.47	65.52	52.34	62.53	36.80
	Net Profit Margin (%)	9.11	9.23	8.68	9.74	6.74
	Earnings per share (NT$)	5.61	5.42	4.28	5.29	3.00

Analysis Item \ Year		Financial Analysis for the Most Recent 5 Years				
		2017	2018	2019	2020	2021
Cash Flows	Cash Flow Ratio (%)	19.59	(6.61)	15.70	(7.02)	19.73
	Cash Flow Adequacy Ratio (%)	70.73	41.89	37.45	13.06	13.27
	Cash Reinvestment Ratio (%)	(6.08)	(12.83)	(3.90)	(7.96)	(1.54)
Leverage	Operating leverage	1.04	1.04	1.12	1.10	1.20
	Financial leverage	1.00	1.00	1.00	1.02	1.01

Describe changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%.)

1. Debt-to-asset ratio, current ratio, quick ratio: Due to raw material inflation and material shortage, which led the market demand for spot goods, the accounts payables increased, leading to increased debt-to-asset ratio and decreased current ratio and quick ratio.
2. Ratio of long-term capital to property, plant, and equipment: Due to constructions associated with relocation and new plant expansion, the property, plant, and equipment had increased, leading the ratio of long-term capital to PPE to decrease.
3. Interest coverage ratio: Since the corporate bond from the previous period has mostly been converted, related financial costs have decreased in this period, leading the interest coverage ratio to increase.
4. Inventory turnover rate and average days of sale of goods: Due to material shortage in the market, lead time is extended, leading to shortage in raw materials and the market to demand for spot goods, leading inventories to increase and inventory turnover rate to decrease and the average days of sale of goods to increase accordingly.
5. Accounts payable turnover rate: The balance of accounts payable in 2021 increased from the raw material inflation and the fees associated with purchasing spot goods, leading accounts payable turnover rate to decrease.
6. Property, plant, and equipment turnover rate and total asset turnover ratio: Business has declined due to material shortage and effects from exchange rate, leading the property, plant, and equipment turnover rate and total asset turnover ratio to decrease.
7. Profitability: Due to disruptions in the supply chain from the pandemic, total inflation in the supply chain, disruptions in global logistics and inflation of the NTD, business has declined and operating expenses increased, leading the profitability to decrease in this period.
8. Cash flow ratio and cash reinvestment ratio: Due in increased inventory purchases in the previous period required by business activities, the net cash inflow from operating activities had decreased, leading to reduced cash flow ratio and cash reinvestment ratio in the previous period.

Note 1. Calculation formulas adopted are as follows:

1. Financial structure
   (1) Debt-to-asset ratio = Total liabilities/Total assets.
   (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio = Earnings before interest and taxes/Interest expenses.
3. Operating Ability
   (1) Accounts receivable turnover rate (including accounts receivable and notes receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from business activities).
   (2) Average days for cash receipts = 365/Accounts receivable turnover.
   (3) Inventory turnover rate= Cost of sales/Average inventory.
   (4) Payables turnover rate (including accounts payable and notes payable from business activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and notes payable from business activities).
   (5) Average days for sale of goods = 365/Inventory turnover.
   (6) Turnover rate for property, plant and equipment = Net sales/Average net property, plant, and equipment.
   (7) Total asset turnover rate = Net sales/Average total assets.
4. Profitability
   (1) Return on Assets = [Profit or loss after tax + Interest expenses × (1 - Tax rate)]/Average total assets.
   (2) Return on Equity = Profit or loss after tax/Average total equity.
   (3) Net Profit Margin = Profit or loss after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends)/Weighted average number of shares issued.
5. Cash Flows
   (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
   (2) Financial leverage = Operating income/ (Operating income - Interest expense).

III. Audit Committee's Review Report for the Financial Statements in the Most Recent Period

Please refer to Page 152.

IV. Most Recent Financial Statements:

Please refer to Pages 155-214.

V. CPA Audited Parent Company-only Financial Statements for the Most Recent Year:

Please refer to pages 215 to 271 of this annual report.

VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation:None.

Chapter 7. Review and Analysis of Financial Status and Financial Performance and Risk Matters

I Financial Status

Unit: NT$ thousand

Item \ Year-end	2020	2021	Difference	
			Amount	%
Current assets	4,302,458	4,357,648	55,190	1.28
Property, plant and equipment, net	86,358	92,827	6,469	7.49
Intangible assets, net	356,718	352,098	(4,620)	(1.30)
Other Assets	119,869	153,372	33,503	27.95
Total Assets	4,865,403	4,955,945	90,542	1.86
Current liabilities	1,345,361	1,446,133	100,772	7.49
Non-current liabilities	273,281	283,411	10,130	3.71
Total Liabilities	1,618,642	1,729,544	110,902	6.85
Share capital	730,678	731,889	1,211	0.17
Capital surplus	1,412,389	1,431,140	18,751	1.33
Retained earnings	982,304	935,163	(47,141)	(4.80)
Other Equity	121,390	128,209	6,819	5.62
Total Equity	3,246,761	3,226,401	(20,360)	(0.63)

Explanations for significant changes (greater than 20% and reaching NTD 10 million between the two periods):Other Assets:

(1) Increase in holding fund limited partnerships in this period.
(2) The relocation of the new plants in this period, resulted in an increase in the right to use assets.

II. Financial Performance

(I) Comparative analysis of operating results

Unit: NT$ thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Sales revenue	5,465,855	4,673,944	(791,911)	(14.49)
Operating Costs	4,317,359	3,749,078	(568,281)	(13.16)
Gross Profit	1,148,496	924,866	(223,630)	(19.47)
Operating Expenses	600,358	619,119	18,761	3.12
Operating Profit	548,138	305,747	(242,391)	(44.22)
Non-operating income and expenses	3,244	17,073	13,829	426.29
Profit before income tax	551,382	322,820	(228,562)	(41.45)
Income Tax	134,545	82,755	(51,790)	(38.49)
Net Profit	416,837	240,065	(176,772)	(42.41)
Other comprehensive income (loss) for the year	3,953	(23,576)	(27,529)	(696.41)
Total comprehensive income for the year	420,790	216,489	(204,301)	(48.55)

Analysis of changes (greater than 20% and reaching NTD 10 million between the two periods):

1. Operating profit, net profit before and after tax, income tax=:Under the impact of the pendemic, the turbulent supply chain with prevailing price increase and the disruption occurred in the global logistic industry resulted in an decrease in business performance, as well as an increase in operating cost and expenses.
2. Non-operating income and expenses: Due to the increase in income from maintenance and testing in the period.
3. Total other comprehensive gains and losses in the current period: mainly due to the exchange loss of recognized financial statements of foreign operating institutions due to exchange rate fluctuations.

(II) Expected sales volume and its basis, the possible impact on the company's future financial business and the response plan

According to the industry trends, future new market development and corporate M&A policies, and taking into account the operating objectives drawn up by the operating profiles over the years, the Company expects that the sales volume will increase in the coming year, which will drive revenue growth and increase profits.

III. Analysis cash flows

(I) Cash flow analysis for the most recent year

Unit: NT$ thousand

Year/Item	2020	2021	Change, by Amount
Operating activities	41,859	275,400	233,541
Investing activities	(239,000)	(56,587)	182,413
Financing activities	250,644	(305,325)	(555,969)

Notes to increase/decreasein cash flow:

1. Business activities: the main reason is that although the revenue decreased, lowering the amount of contribution from net profit in this period, the Inventory increment decreased from the previous period, resulting in an increase in net cash inflow from business activities.
2. Investment activities: no financial assets obtained in the current period, resulting in the decrease of net cash outflow for investment activities compared to that of previous period..
3. Financing activities: the main reason is that no net cash inflow from financing activites of Corporate Bonds issuance held in the previous period occurred in this period.

(II) Improvement plans for liquidity shortage

There was no shortage of cash in the Company.

(III) Liquidity analysis for the coming year

The Company expects that the revenue in the coming year will keep stable growth and the receivables will be collected in good condition, so there should be no shortage of cash flow.

IV. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company：None

V. Company reinvestment policy for the most recent fiscal year, main reasons for profits/losses generated thereby, plan for improving reinvestment profitability, and investment plans for coming year

(I) Reinvestment policy for the most recent year

In accordance with the "Guidelines for the Processing of Acquisition or Disposal of Assets by Public Issuing Companies" stipulated by the competent authorities, the Company has formulated the "Procedures for Acquisition or Disposal of Assets", which serves as the basis for the Company's reinvestment undertakings to grasp the relevant business and financial conditions. To enhance the supervision and management of the reinvestment companies, the Company has also formulated "Measures for Subsidiary Monitoring and Management" in its internal control system to stipulate relevant norms for information disclosure, finance, business, inventory and financial management. The Company also regularly carries out audit operations and establishes relevant operational risk mechanisms to maximize the effectiveness of the Company's reinvestment undertakings.

(II) Major reasons for profit or loss of reinvestments and improvement plan:

Explanation	Recognized Investment Gain or Loss in 2021 (NTD 1,000)	Main reasons for profit or loss	Improvement plan	Other future investment plans
CASO, Inc.	NTD: 27,128	Robust operation	-	Depending on its operating conditions
Caswell International Investment Co., Lt CASWELL INTERNATIONAL INVESTMENT CO., LTD.	NT$: 36,902	Robust operation.	-	Depending on its operating conditions
Beijing Caswell Ltd. Beijing Caswell Ltd.	NT$: 36,935	Robust operation.	-	Depending on its operating conditions
Caswell Americas, Inc.	NTD: 4,870	Robust operation.	-	Depending on its operating conditions
APLIGO GmbH	NTD: 2,635	Robust operation.	-	Depending on its operating conditions
HAWKEYE TECH, CO., LTD	NT$: 16,655	Robust operation.	-	Depending on its operating conditions

(III) Investment plans for the next 12 months:

The Company will carefully evaluate the investment plans in a long-term strategic way to respond to future market demand and strengthen its competitiveness.

VI. Risk management and evaluation

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

(1) Interest rate change

(Unit: NT$ thousand)

Item \ Year	2020	2021
Net interest revenue	(6,441)	(3,251)
Profit before income tax	551,382	322,820
Ratio to net profit before income tax	(1.17)%	(1.01)%

The Company's interest expense was amortized due to the bank loan of operating turnover and the interest of issuing convertible corporate bonds. The net interest income (expense) in 2020 and 2021 was NTD (6,441,000) and NTD (2,251,000) respectively, accounting for (1.17)% and (1.01)% of the net profit before tax in each year, with a small ratio. In addition, to avoid the impact of interest rate fluctuations on the Company's capital cost, the Company maintains a good relationship with banks to obtain a more favorable financing interest rate, and keeps an eye on the impact of interest rate changes in financial markets on the Company's capital allocation, so interest rate changes should not have a significant impact on the Company.

(2) Exchange rate

(Unit: NT$ thousand)

Year / Item	2020	2021
Net exchange gain (loss)	(7,298)	(529)
Profit before income tax	551,382	322,820
Ratio to net profit before income tax	(1.32)%	(0.16)%

The net (losses) gains of the Company in 2020 and 2021 were NTD (7,298,000) and NTD (529,000) respectively, accounting for (1.32)% and (0.16)% of the net profit before tax in each year. Due to the high proportion of the Company's export, the exchange rate changes have a certain impact on the Company's revenue and profit. Therefore, the management of the Company pays close attention to the exchange rate trends and strengthens the management of exchange rate fluctuation risks. The relevant measures taken are as follows:

1) The Company opens a foreign currency deposit account to manage the foreign exchange position. The special staff of the Finance Department keeps in touch with financial institutions according to the daily foreign currency balance and the weekly capital forecast table, and according to the international political and economic situation, so as to collect real-time exchange rate information and fully grasp the exchange rate fluctuation trend. In addition to keeping certain foreign currency according to the foreign currency capital demand, the rest will be sold at an appropriate time to reduce the exchange risk.
2) The Company's Business Department has considered the influence of exchange rate fluctuations on the sales price when making quotation, and adjusted the product price by measuring the changes in the exchange rate, ensuring the reasonable profits of the Company’s products.
3) As the Company mainly sells goods for export, it directly repays the purchase price of raw materials or commodities in foreign currency generated from sales, so as to reduce the impact of exchange rate changes (although the Company mainly gives priority to domestic purchases, some of them are denominated and paid in foreign currency) and achieve the effect of natural hedging.

4) Depending on the position of foreign currency, the Company will engage in relevant foreign exchange hedging operations in accordance with the "Procedures for Disposal or Acquisition of Assets" when necessary.

To sum up, the Company should take appropriate measures to control the exchange rate risk, which could effectively reduce the impact caused by exchange rate changes.

(3) Inflation

In order to prevent the international raw material prices from rising in the future, which will lead to an increase in product costs, the Company keeps abreast of the global political and economic changes and the pulse of market prices, establishes long-term good relations with suppliers, actively carries out cost control plans and adjusts purchasing strategies in a timely manner, so as to reduce the impact of inflation on the Company's operations and strengthen the competitiveness of its products.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

The Company and its subsidiaries has not engaged in any high risk, highly leveraged investment as of the publication date of this report. In addition, with regard to the loan of funds to others, endorsement guarantee and derivative commodity transactions, the Company has separately formulated operational measures such as "Administrative Measures for Loan of Funds to Others", "Administrative Measures for Endorsement Guarantee" and "Processing Procedures for Obtaining or Disposing Assets", which serve as the basis for the Company to comply with relevant behaviors.

(III) Future R&D Plans and Expected R&D Spending:

1. Future R&D plans

The Company is committed to the market of Netcom products, and constantly pursues R&D and innovation. Its products cover high-end network cards, Netcom security architecture platform, cloud application network server platform and telecommunications uCPE products, etc. In recent years, the Company has strengthened the development of software strength, enhanced product differentiation and flexibility and increased added value. Future R&D plans are as follows:

Type of Product	Future Development
Netcom security architecture products	With the development of cloud high-speed computing demand, the Company researched and developed new generation of Intel/AMD platform to provide Cloud Computing applications and high-end network security appliances in data centers with high performance and high availability requirements. Platforms include: 1. Coffee lake PlatformIntel 4th Gen Xeon-SP Eagle Stream Platform 2. Intel 3rd Gen Xeon-SP Whitley Platform 3. Intel Xeon-D Ice Lake-D and P5000 Snow ridge-NS Platform 4. Intel 12th Gen Core Alder Lake Series Platform 5. AMD EPYC 7000 Series Platform
Network module products	Developed 10/25/40/100/200Gbps Ethernet network cards to enable faster data transmission in data centers or enterprises. Continued to develop various network card modules to support the needs of all customers, including time packet synchronization, PoE powered by network port, side recording network card and packet bypass network card, and support of LTE/Wifi network module.
Telecom Ucpe computing products	In response to the effective use and security control of Broad band network information flow by enterprises, a series of software-defined wide area network (SD-WAN) systems are developed to make the data access and management of enterprises on the Internet more flexible, faster and more secure. Adopted Intel's new generation integrated SOC (Xeon-D/P5000, Denverton), and developed the micro server or endpoint processing equipment with endpoint computing capability and data encryption acceleration processing. In response to the vigorous development of IoT and wireless network applications, a series of micro endpoint computing and security control devices were developed. The main design platforms are 1. Intel Denverton platform 2. Intel Rangeley platform 3. Intel Broadwell-DE platform 4. Intel Skylake-DE Xeon-D Platform 5. Intel Apollo lake platform 6. Intel Elkhart Lake platform 7. Intel Snow ridge-NS platform
Cloud storage computing server	Using Intel's new and fast memory architecture and fast storage management software, the cloud storage server is developed, which makes the access and calculation of cloud data faster and more effective. A series of Universal Customer Premise Equipment (uCPE) are developed by using Network Function Virtualization (NFV) technology and open software architecture, so that service providers can provide various economical software services based on cloud computing completely and quickly.
Work-regulated wide-temperature network security products	Wide-temperature DIN-RAIL products for industrial information security management are developed. In response to the development of wireless network and the trend of Industry 4.0, the network security gateway related to the hardware requirements of products is developed for safe operation and management The fanless industrial firewall system reduces maintenance cost, supports normal operation in a wide temperature range from-40°C to a temperature as high as 75°C, and ensures safety and reliability in severe and harsh environment.

2. Estimated investment in R&D

The amounts of R&D expenses estimated by the Company are budgeted step by step according to the development progress of each new product and technology as well as the future operating conditions to maintain a certain growth rate to ensure the Group's competitive advantages. R&D expenditure accounted for 4%~5% of operating income

(IV) Impact of Important Policies and Laws Changes at Home and Abroad on the Company's Financial Business and Its Countermeasures:

The management and operation of the Company comply with relevant laws and regulations at home and abroad, and keep an eye on the development trend of important policies and changes in laws and regulations at home and abroad, so as to fully grasp relevant information to cope with possible impacts and ensure smooth operation of the Company. The Company's finances and businesses have not been affected by major changes in policies and laws of domestic or foreign governments in the most recent year and up to the publication date of the annual report.

(V) Effect on the Financial Operations of Developments in Science and Technology (Iincluding Information Security) and Industrial Change, and Measures to Be Taken in Response

The Company keeps an eye on the technological changes and technological development and evolution of the industry in which it is engaged, grasps the market pulsation and peer information, and starts to develop products to meet the market demand and maintain the competitiveness of the Company and its subsidiaries. Besides, to implement information security policies, event report and countermeasures, the Company conducts regular risk assessment against information security, providing relevant education and training with rigid information security risk management. In the recent year and up to the publication date of the annual report, there has been no significant impact on the financial business of the Company due to technological changes and industrial changes.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response

Since its establishment, the Company has adhered to professional, honest and down-to-earth business principles, complied with relevant laws and regulations at home and abroad, maintained harmonious labor-capital and external relations, and built a good corporate image. It also plans to enter the capital market to attract more outstanding talents to take posts in the Company, reinforce the strength of the management team, and feed back the operating results to shareholders and fulfill the corporate social responsibility. Therefore, in recent years, there has been no incident affecting the corporate image of the Company.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response

In the most recent year and up to the publication date of this Annual Report, the Company did not have plans to acquire other companies. In the future, if there is a plan for mergers and acquisitions, it will adopt a prudent assessment attitude and take full consideration of the synergies to ensure the best interests of shareholders.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response

In the most recent year and up to the publication date of the prospectus, the Company has no plan to expand its plant. However, if there is any plan to expand its factory in the future, it will take a prudent assessment attitude and handle it in accordance with the relevant internal control regulations.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response

1. Risk assessment and countermeasures for centralized purchase
   The Company maintains more than two suppliers for the purchase of main raw materials, pays attention to the market trends at any time, actively develops other suppliers, and maintains good cooperative relations with all suppliers to ensure stable supply sources. In the most recent year and up to the publication date of the prospectus, the proportion of purchases from a single manufacturer by the Company did not exceed 30%, indicating no risk of centralized purchases.
2. Sales concentration risk assessment and countermeasures
   The Company's main sales targets are distributed in Europe, America and Asia and other global regions. The Company has close transactions and good relations with customers; in addition to continuing to stabilize existing customers, the Company also actively develops other international customers. In the most recent year and up to the publication date of the prospectus, the sales ratio of the Company to a single customer did not exceed 30%, indicating no risk of excessive concentration of sales.

(X) The impact of directors, supervisors or major shareholders holding more than 10% of shares on the Company, risks and countermeasures: .

In the most recent year and up to the publication date of the annual report, the directors, supervisors or major shareholders holding more than 10% shares of the Company did not have any substantial transfer or replacement of their shares.

(XI) The Impact, Risks and Countermeasures of the Change of Management Right on the Company:

As of the publication date of the annual report, there is no change in the management right of the Company.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other Significant Risks: None.

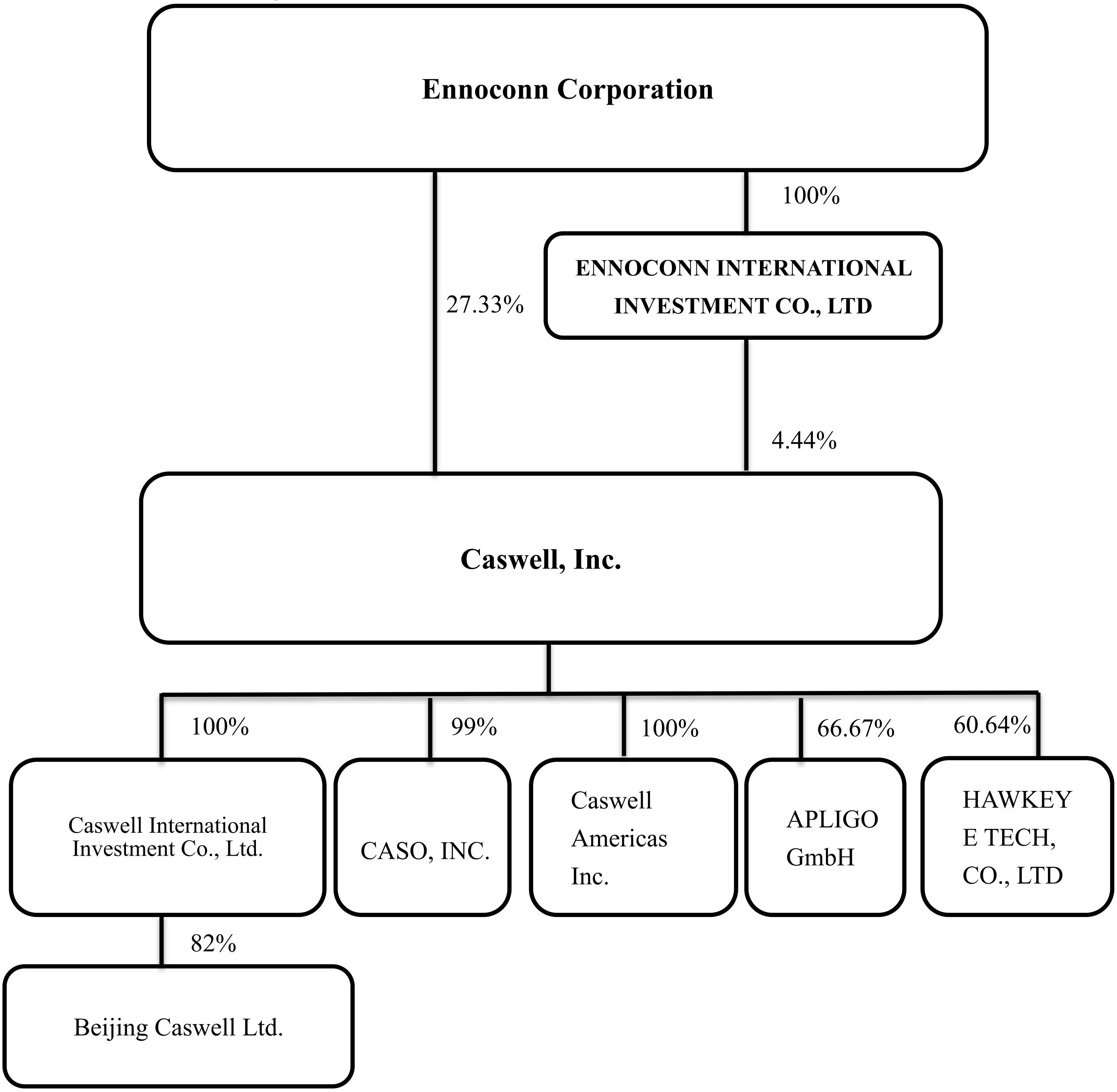
VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Information on Affiliates

(I) The Consolidated Operating Report

1. Organizational chart of affiliates



2. Basic information of affiliates

December 31, 2021

Name of Company	Date of Incorporation	Address	Paid-in Capital (NTD 1,000)	Main business or production items
CASO, INC.	2014.8.1	3rd Floor, Takisei Bldg 3-2-9 Iwamoto-choa, Chiyoda-ku, Tokyo, Japan	JPY$95,000	Network machines and computer peripherals and other imports and sales
Caswell International Investment Co., Lt Caswell International Investment Co., Ltd.	2015.6.11	TMF Chambers, P.O. Box 3269,Apia, Samoa.	USD$3,206	Overseas investment
Beijing Caswell Ltd.	2003.9.23	East to the 6th Floor, Building 3, Qunying Science and Technology Park, No. 8 Shangdi Road, Haidian District, Beijing	USD$3,800	Production of electronic monitoring and network communication products
APLIGO GmbH	1999.6.4	Building 5112/4 Werner-von-Siemens-Str. 2-6 76646 Bruchsal Germany	EUR 36	Hub and SI Service
HAWKEYE TECH, CO., LTD	2011.11.02	13F.-5, No. 736, Zhongzheng Rd., Zhonghe Dist., New Taipei City	NT$ 150,000	Design and manufacturing of computers, network and computing equipment

3. Industries covered by the business operation of the affiliated enterprises:
The Company and its affiliates, Caso, Inc., Caswell Americas, Inc and Beijing Caswell Ltd., mainly engage in the network communication industry. The Company is responsible for product research and development, production and sales, while Caso, Inc. is mainly responsible for customer development, maintenance and sales in Japan. Caswell Americas, Inc is mainly responsible for customer development, maintenance and sales in the United States. Beijing Caswell Ltd. is mainly responsible for customer development, maintenance, production and sales in Chinese mainland, and has the ability to research and develop products. Caswell International Investment Co., Lt is mainly engaged in overseass investment APLIGO GmbH helps to promote the products developed by the Company in European market. Its services include system integration, Hub service, warranty maintenance and technical support. HAWKEYE TECH, CO., LTD is mainly engaged in customer development, maintenance, production and sales of integrated communication systems.

4. Where there is considered to be a controlled and subordinate relation, information of the same shareholders: None.

5. Information on directors, supervisors, and presidents of affiliates

December 31,2021

Name of Company	Position	Name or Representative	Shareholding	
			Shares (Unit: share)	%
CASO, INC.	Director	CASwell, Inc.-Reaforl Hung	1,881	99%
	Director	CASwell, Inc.-Pomah Yen		
	Director and President	Takeda Kazuhiro	19	1%
Caswell International Investment Co., Lt	Director	CASwell, Inc.-Frank HsuFrank Hsu	3,205,760	100%
Beijing Caswell Ltd.	Executive Director	Ray Lin	0	0%
	President	Liu, Jen-Hao	0	0%
	Supervisors	Hsu, Fu-Sung	0	0%
Caswell Americas, Inc.	Director and President	CASwell, Inc.-Pomah Yen	3,000,000	100%
Apligo GmbH	Chairman	CASwell, Inc.-Liu I-Hsin	24,000	66.67%
HAWKEYE TECH, CO., LTD	Chairman	CASwell, Inc.-Reaforl Hung	9,096,667	60.64%
	Director	CASwell, Inc.-Hans Chen	9,096,667	60.64%
	Director	Liu Yung-Nian	0	0%
	Director	Tsao Jui-Hua	0	0%
	Director	Dai,Xue-Wen	111,444	0.74%
	Supervisor	Hsu I-Hsiang	20,000	0.13%

6. Operating status of affiliates

December 31, 2021

Unit: NTD 1,000; Currency: in addition to items explicitly indicated otherwise, the remainder in NTD

Name of Company	Capital	Total Assets	Total Liabilities	Net Worth	Sales revenue	Operating Profit	Profit or loss for the period (after Tax)	Earnings per Share (NTD, (After tax)
CASO, INC.	JPY$95,000	134,794	49,363	85,431	281,864	37,674	27,402	14,422.26
Caswell International Investment Co., Lt	USD$3,206	229,854	394	229,460	-	(33)	36,902	11.51
Beijing Caswell Ltd.	US$3,800	521,895	241,825	280,070	613,867	33,775	45,043	—
Caswell Americas, Inc.	US$3,000	108,746	51,187	57,559	237,884	4,628	4,870	1.62
HAWKEYE TECH, CO., LTD	150,000	452,119	196,817	255,302	483,504	42,099	33,178	2.21
APLIGO GmbH	EUR36	215,760	155,615	60,145	399,845	9,079	4,311	119.76

(II) Consolidated financial statement of affiliates

In 2021, the companies that should be included in the preparation of consolidated financial statements of related enterprises in accordance with the Standards for the Preparation of Consolidated Business Reports, Consolidated Financial Statements and Relationship Reports of Affiliated Enterprises are the same as those that should be included in the preparation of consolidated financial statements of parent and subsidiary companies in accordance with the Standards for the Preparation of Financial Reports of Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Explanatory Announcements recognized by the Financial Regulatory Commission. Moreover, the relevant information that should be disclosed in the consolidated financial statements of related enterprises has been disclosed in the consolidated financial statements of parent and subsidiary companies mentioned above, so no consolidated financial statements of affiliated enterprises will be prepared

(III) Affiliate reports：

1. Statement:

The preparation of the Company's affiliates consolidated financial statement in 2021 (From January 1st, 2021, to December 31st, 2021) in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and "Regulations Governing the Preparation of Affiliation Reports". The information disclosed is not significant with the relevant information disclosed in the notes to the financial statements of the previous period.

Sincerely,

CASwell, Inc.

Chairman: Steve Chu

March 17, 2022

2. Opinions issued by CPAs for financial reporting CPAs:

Review opinion on the Related Party Report

March 17, 2021
An Jian (2022) Shen (2) Zi No.00200

Receiver: CASwell, Inc.

Subject: Opinion on the Company's 2021 Affiliation Report which has been stated to contain no material discrepancies. Please check.

Note: I. The Company has prepared the 2021 Affiliation Report (from January 1, 2021 to December 31, 2021) on March 17, 2022 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. No material inconsistency has been found between the information disclosed and the relevant information disclosed in the notes to the financial statements for the aforementioned period. The statement is attached to this letter.

II. We have prepared the Company's Affiliation Report in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises", and compared it with the Notes to Financial Statements in the Company's 2021 Financial Statements. No material inconsistencies have been found in the aforementioned statement.

KPMG

Kou Hui-Chih

CPA：

Kuo Hsin-I

3. The relationship between the controlling company and its subsidiaries:

Unit: Share; %

Name of company	Reason	Shareholding and pledges			Directors, supervisors or managers appointed to the subordinate company by the controlling company	
		Shares Held	Percentage of Ownership	Number of Shares	Position	Name
Ennoconn Corporation	Shareholding control and assigned personnel is the Chairman of the Company	20,000,000	27.33%	-	Chairman	Steve Chu
					Director	Aven Lou
					Director	Nelson Tsay

4. Description of transactions

(1) Sales and purchase transactions:

Unit: NT$ thousand

Transaction with the controlling company (Ennoconn Corporation)				Trading terms with the controlling company		General trading terms		Reason for Deviation	Accounts Receivable (Payable), Notes Receivable (Payable)		Accounts receivable			Note
Purchases (Sales)	Amount	Ratio to Total Purchase (sell)	Net sales	Unit price (NTD)	Credit Period	Unit price (NTD)	Credit Period		Balance	Ratio to Accounts or Notes Receivable (payable)	Amount	Handling	Allowance for Bad Debts	
Purchases	2,392	0.07%	-	-	Monthly statement for 60 days	-	-	No significant difference from general transaction conditions	465	0.04%	-	-	-	-
Sales	(10)	0%	0	-	Monthly statement for 60 days	-	-	No significant difference from general transaction conditions	-	-	-	-	-	-

(2) Financial transactions: None

(3) Financing capital: None

(4) Asset lease: None

(5) Other material transactions: None

(V) Endorsement and guarantee status: None.

II. Handling of private placement of securities: no such situation occurred in the most recent year and up to the publication date of the annual report.

III. Holding or disposition of the Company's shares by subsidiaries: no such situation occurred in the most recent year and up to the publication date of the annual report.

IV. Other Necessary Additional Notes: None.

V. Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities: None.

CASwell, Inc.
Audit Committee Review Report

The Board of Directors has prepared and submitted the Company's 2021 Business Report, Financial Statements and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Kou Hui-Chih and Kuo Hsin-I, of KPMG. And an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2021 shareholders' meeting of CASwell, Inc.

Audit Committee of CASwell, Inc.

Convener: Jennifer Shao

Member: James Huang

Member: Benny Wang

March 17, 2022

CASwell, Inc.
Statement on Internal Control

Date：March 17, 2022

The Company makes the following statement according to the self-evaluation conducted of the internal control system in 2021:

I. The Company acknowledge that it is the responsibility of the Board of Directors and managers of the Company to establish, implement and maintain the internal control system, which has been established by the Company. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.

V. In accordance with the aforementioned evaluation, Aurora has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2021, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

VI. This statement is an integral part of Aurora's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement has been approved on March 17, 2022, by the Board of Directors. Out of the 7 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

CASwell, Inc.

Chairman: Steve Chu

President: Reaforl Hung

Statement of Declaration

The entities that are required to be included in the combined financial statements of the Company for 2021 (from January 1 to 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 of the parent company and subsidiaries prepared in conformity with International Financial Reporting Standards No. 27 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, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company Name: CASwell, Inc.

Chairman: Steve Chu

Date: March 17, 2022

Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the consolidated balance sheets of CASwell, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020, and related consolidated statements of comprehensive income, of changes in equity and of cash flows for the period from January 1 to December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinions, the consolidated financial statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China in all material aspects, and are considered to present fairly the consolidated financial conditions of the Group as of December 31, 2021 and 2020, as well as the consolidated financial performance and consolidated cash flows of the Group from January 1 to December 31, 2021 and 2020.

Basis for Audit Opinions

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. Key audit matters for the company's financial statements of the current period are stated as follows:

I. Inventory valuation

Please refer to Note IV(VIII) for the accounting policy regarding the inventory valuation. Please refer to Note V(I) for the uncertainties of accounting estimates and assumptions regarding the allowance for price decline in inventories. Please refer to Note VI(III) for an explanation of the inventories.

Notes on key audit matters:

The inventory amount of the Group has been presented in the financial statements as cost and net realizable value whichever was lower. With the rapid changes of sciences and technologies, new product launch might cause changes in consumer demands and significant fluctuations in sales of related products, so the inventory cost might exceed the realizable value. Losses of obsolete and slow-moving inventories shall be separately evaluated dependent upon inventory classification and how many days the inventories have become obsolete. The presentation of such inventories involves subjective judgment, so inventory valuation was one of our important audit matters particularly audited for the financial statements of the Group.

Audit processes:

The main audit processes we adopted for the above key audit matters included performing inventory valuation to evaluate if the Group had presented its inventories based on the predetermined policies for presenting write-downs of inventories; auditing basis of selling prices and net realizable value adopted by the management, in order to verify appropriateness of the estimated writedowns of inventories and expediency of the net realizable value; implementing the sampling procedure to verify rationality of inventory age; and analyzing the ratio of the current inventory writedowns to the balance of normal inventories, in order to evaluate if the writedowns of general inventories are appropriate.

II. Recognition and Cutoff of Revenues

For detailed accounting policies for revenue recognition, refer to Note IV(XIV); for details of revenues, refer to Note VI(XVII).

Notes on key audit matters:

The revenues of the Group are mainly from R&D, production and sales of equipment related to safe network communication platforms. The revenues are what investors are concerned about, so their recognition and cutoff have been listed as one of important matters to be evaluated in auditing financial statements of the Group.

Audit processes:

Our main audit processes for the above key audit matter included testing revenue related internal control systems; reviewing new material contracts and understanding impacts of contractual terms upon revenue recognition; sampling sales transactions concluded over a period before and after the date of the balance sheet, and evaluating if revenues were accounted at the right time points.

III. Assessment of Impairment of Goodwill

For the detailed accounting policy regarding assessment of impairment of goodwill, please refer to Note IV(XII) Impairments of non-financial assets; for the uncertainties of accounting estimates and assumptions regarding goodwill, please refer to Note V(II); for relevant disclosures of goodwill, please refer to Note VI(VII).

Notes on key audit matters:

The consolidated goodwill of the Group generated by M&A is material. According to the International Financial Reporting Standards, the management must perform annual impairment test, because this process involves hypotheses about future potential operating cash flow and weighted average cost of capital considered in estimating the value in use. As an evaluation of the results of the impairment test, the above process, which is complicated, covers many hypotheses and estimates. Hence, goodwill impairment assessment has been one of our important evaluations in auditing the financial statements of the Group.

Audit processes:

Our main audit processes for the above key audit matters include evaluating forecast future cash flow and discount rate in hypotheses adopted by impairment models, comparing historical performances with the forecast of future cash flow, and making comparisons between the discount rate and related external data, in order to test goodwill impairment.

Other Matters

CASwell, Inc. has prepared the parent company only financial statements as of and for the years ended December 31, 2021 and 2020 on which we have issued an audit report with unqualified opinion for reference.

Responsibilities of management and governing bodies for the consolidated financial statements

To ensure that the consolidated financial statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing fair consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, their interpretations and announcements recognized and announced by the Financial Supervisory Commission, and for maintaining necessary internal control procedures pertaining to the consolidated financial statements.

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.

The governing bodies, 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 auditor’s report. 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 in the consolidated financial statements when it exists. Misstatements might arise from fraud or error The misstatements may be considered material if they are individually or in the aggregate could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 ability of the Group to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit and for expressing an opinion on the financial statements of the Group.

We communicate with those governing bodies 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 governing bodies 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 governing bodies, we determine the key audit matters of the consolidated financial statements of the Group for 2021. We describe these matters in our auditor’s 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.

KPMG

CPA:

Securities Competent Authority Approval No.:	Tai-Cai-Zheng-6 No.0930106739 Jin-Guang-Zheng-Shen No.1040003949

March 17, 2022

CASwell, Inc. and its subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NTD Thousand

Code	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note VI(I))	$ 643,403	13	750,334	16
1110	Financial assets at fair value through profit or loss - current (Note VI(X))	-	-	373	-
1136	Financial assets at amortized cost - current	11,436	-	-	-
1170	Notes receivables and accounts receivables - net (Note VI(II)(XVII))	787,796	16	989,287	20
1180	Accounts receivables from related parties - net (Note VI(II)(XVII) and VII)	41,961	1	67,374	1
1200	Other receivables (including related parties) (Note VII)	135,665	3	84,900	2
130X	Inventories (Note VI(III))	2,481,708	50	2,338,486	48
1470	Other current assets (Note VIII)	255,679	5	71,704	1
	Total current assets	4,357,648	88	4,302,458	88
	Non-current assets:				
1510	Financial assets at fair value through profit or loss - non-current	26,473	1	14,400	-
1517	Financial assets at fair value through other comprehensive income - non-current	8,009	-	8,011	-
1600	Property, plant and equipment (Note VI(V), VII & VIII)	92,827	2	86,358	2
1755	Right-of-use assets (Note VI(VI))	105,636	2	90,513	2
1780	Intangible assets (Note VI(VII))	352,098	7	356,718	8
1840	Deferred tax assets (Note VI(XIII)	2,404	-	-	-
1900	Other non-current assets	10,850	-	6,945	-
	Total non-current assets	598,297	12	562,945	12
	Total assets	**$ 4,955,945**	**100**	**4,865,403**	**100**

Code	Liabilities and equity	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note VI(VIII))	$ 21,427	-	15,000	-
2120	Financial liabilities at fair value through profit or loss - current (Note VI(X))	116	-	-	-
2170	Notes and accounts payable	978,315	20	806,626	17
2180	Accounts payable - related parties (Note VII)	97,306	2	154,972	3
2200	Other payables (including related parties) (Note VII)	168,290	3	183,243	4
2230	Current income tax liabilities	24,218	1	72,802	2
2252	Short-term provisions for warranty	7,665	-	8,000	-
2280	Lease liabilities - current (Note VI(XI))	53,237	1	42,147	1
2300	Other current liabilities	94,175	2	61,204	1
2320	Lease liabilities due within one year (Note VI(IX))	1,384	-	1,367	-
	Total current liabilities	1,446,133	29	1,345,361	28
	Non-current liabilities:				
2530	Bonds payable (Note VI(X))	165,088	3	175,040	4
2540	Long-term loans (Note VI(IX))	23,822	1	25,206	-
2552	Long-term provisions for warranty	13,196	-	11,911	-
2570	Deferred tax liabilities (Note VI(XIII))	27,283	1	12,239	-
2580	Lease liabilities - non-current (Note VI(XI))	53,954	1	48,811	1
2670	Other non-current liabilities - others	68	-	74	-
	Total non-current liabilities	283,411	6	273,281	5
	Total liabilities	1,729,544	35	1,618,642	33
	Equity attributable to the owners of the parent company (Notes VI(XIV))				
3100	Share capital	731,889	15	730,678	15
3200	Capital surplus (Note VI(X))	1,431,140	29	1,412,389	29
3300	Retained earnings:				
3310	Legal reserve	287,689	6	265,232	5
3320	Special reserve	30,068	1	32,749	1
3350	Unappropriated retained earnings	617,406	12	684,323	14
	Total retained earnings	935,163	19	982,304	20
3400	Other equity	(50,872)	(1)	(30,068)	(1)
3500	Treasury shares (Note VI(XV))	-	-	(17,856)	-
	Subtotal equity attributable to owners of parent company	3,047,320	62	3,077,447	63
36XX	Non-controlling interests	179,081	3	169,314	4
	Total equity	3,226,401	65	3,246,761	67
	Total liabilities and equity	**$ 4,955,945**	**100**	**4,865,403**	**100**

(Please read the notes to the consolidated financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc. and its subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (Note VI(XVII) and VII)**	$ 4,673,944	100	5,465,855	100
5000	**Operating costs (Note VI(III)(XI)(XII)(XV)(XVIII), VII and XII)**	3,749,078	80	4,317,359	79
	Gross profit	924,866	20	1,148,496	21
	Operating expenses (Note VI(XI)(XII)(XV)(XVIII), VII and XII):				
6100	Selling and marketing expenses	169,639	4	153,256	3
6200	General and administrative expenses	203,853	4	211,467	4
6300	Research and development expenses	245,627	5	235,509	4
6450	Expected credit loss (Note VI(II))	-	-	126	-
	Total operating expenses	619,119	13	600,358	11
	Operating income	305,747	7	548,138	10
	Non-operating income and expenses (Note VI(XIX)):				
7100	Interest income	2,536	-	2,770	-
7010	Other income	20,802	-	14,785	-
7020	Other gain and loss	(478)	-	(5,100)	-
7050	Finance costs (Note VI(X)(XI))	(5,787)	-	(9,211)	-
	Total non-operating income and expenses	17,073	-	3,244	-
7900	**Net pretax profit of current period**	322,820	7	551,382	10
7950	**Less: Income tax expense (Note VI(XIII))**	82,755	2	134,545	2
	Net profit of current period	240,065	5	416,837	8
8300	**Other comprehensive income/(loss):**				
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences arising from the translation of foreign operations	(23,576)	(1)	3,953	-
8399	Income tax relating to items that may be reclassified	-	-	-	-
	Total of items that may be reclassified subsequently to profit or loss	(23,576)	(1)	3,953	-
8300	**Other comprehensive income/(loss) of current period**	(23,576)	(1)	3,953	-
8500	**Total comprehensive income/(loss) of current period**	**$ 216,489**	**4**	**420,790**	**8**
	Net profit in current period attributable to:				
8610	Owners of the parent company	$ 219,556	5	372,353	7
8620	Non-controlling interests	20,509	-	44,484	1
	Net profit of current period	**$ 240,065**	**5**	**416,837**	**8**
	Comprehensive income attributable to:				
8710	Owners of the parent company	$ 198,752	4	375,034	7
8720	Non-controlling interests	17,737	-	45,756	1
	Total comprehensive income/(loss) of current period	**$ 216,489**	**4**	**420,790**	**8**
	Earnings per share (Note VI(XVI))				
9750	Basic earnings per share (NTD)	**$**	**3.00**		**5.29**
9850	Diluted earnings per share (NTD)	**$**	**2.95**		**5.18**

(Please read the notes to the consolidated financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

	Equity attributable to owners of parent company										
			Retained earnings			Other equity items					
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising from the translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Treasury shares	Total equities attributable to owners of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2020	$ 680,357	934,426	236,334	13,066	711,812	(22,299)	(10,450)	(17,856)	2,525,390	224,003	2,749,393
Net profit of current period	-	-	-	-	372,353	-	-	-	372,353	44,484	416,837
Other comprehensive income/(loss) of current period	-	-	-	-	-	2,681	-	-	2,681	1,272	3,953
Total comprehensive income/(loss) of current period	-	-	-	-	372,353	2,681	-	-	375,034	45,756	420,790
Earnings appropriation and distribution:											
Appropriation of legal reserve	-	-	28,898	-	(28,898)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	19,683	(19,683)	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(203,477)	-	-	-	(203,477)	-	(203,477)
Stock options of equity components recognized due to issuance of convertible bonds-	-	18,830	-	-	-	-	-	-	18,830	-	18,830
Corporate bond conversion into ordinary shares	50,321	459,133	-	-	-	-	-	-	509,454	-	509,454
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(147,784)	-	-	-	(147,784)	-	(147,784)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	(100,445)	(100,445)
Balance as of December 31, 2020	730,678	1,412,389	265,232	32,749	684,323	(19,618)	(10,450)	(17,856)	3,077,447	169,314	3,246,761
Net profit of current period	-	-	-	-	219,556	-	-	-	219,556	20,509	240,065
Other comprehensive income/(loss) of current period	-	-	-	-	-	(20,804)	-	-	(20,804)	(2,772)	(23,576)
Total comprehensive income/(loss) of current period	-	-	-	-	219,556	(20,804)	-	-	198,752	17,737	216,489
Earnings appropriation and distribution:											
Appropriation of legal reserve	-	-	22,457	-	(22,457)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,681)	2,681	-	-	-	-	-	-
Stock dividends for ordinary shares	-	-	-	-	(266,697)	-	-	-	(266,697)	-	(266,697)
Corporate bond conversion into ordinary shares	1,211	11,041	-	-	-	-	-	-	12,252	-	12,252
Transfer of treasury stocks to employees	-	7,710	-	-	-	-	-	17,856	25,566	-	25,566
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,970)	(7,970)
Balance as of December 31, 2021	**$ 731,889**	**1,431,140**	**287,689**	**30,068**	**617,406**	**(40,422)**	**(10,450)**	**-**	**3,047,320**	**179,081**	**3,226,401**

(Please read the notes to the consolidated financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

-

CASwell, Inc. and its subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

	2021	2020
Cash flows from operating activities:		
Net pretax profit of current period	$ 322,820	551,382
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	72,714	74,455
Amortization expenses	7,730	8,735
Expected credit loss	-	126
Net gain on financial assets at fair value through profit or loss	(811)	(2,214)
Interest expense	5,787	9,211
Interest income	(2,536)	(2,770)
Loss (gain) on disposal and scrap of property, plant and equipment	(339)	2
Compensation cost relating to share-based payment	7,764	-
Total adjustments for reconcile profit (loss)	90,309	87,545
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Decrease in notes and accounts receivable (including related parties)	226,865	11,708
Increase in other receivables (including related parties)	(50,806)	(15,157)
Increase in inventories	(143,222)	(607,842)
Decrease (increase) in other current assets	(183,975)	10,350
Total net changes in operating assets	(151,138)	(600,941)
Net changes in operating liabilities:		
Increase in notes and accounts payable (including related parties)	114,023	45,132
(Decrease) increase in other payables (including related parties)	(14,956)	34,875
Increase in warranty provisions	950	275
Increase in other current liabilities	32,971	10,074
Total net changes in operating liabilities	132,988	90,356
Total net changes in operating assets and liabilities	(18,150)	(510,585)
Total adjustments for reconcile profit (loss)	72,159	(423,040)
Cash inflow generated from operations	394,979	128,342
Interest received	2,577	2,941
Interest paid	(3,457)	(3,811)
Income tax paid	(118,699)	(85,613)
Net cash generated from operating activities	275,400	41,859
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive gains and losses	-	(8,000)
Acquisition of financial assets at amortized cost	(11,436)	-
Acquisition of financial assets at fair value through profit or loss	(10,800)	(14,400)
Acquisition of subsidiaries (less cash obtained)	-	(197,041)
Acquisition of property, plant and equipment	(26,150)	(20,632)
Disposal of property, plant and equipment	1,714	1
Acquisition of intangible assets	(6,010)	(746)
Increase in other non-current assets	(3,585)	1,818
Increase in prepayments for business facilities	(320)	-
Net cash used in investing activities	(56,587)	(239,000)
Cash flows from financing activities:		
Increase (decrease) of short-term borrowings	6,427	(138,264)
Issuance of convertible corporate bonds	-	699,700
Repayments of long-term borrowings	(1,367)	(1,242)
Repayment of lease principal	(53,514)	(54,925)
Decrease (increase) in other non-current liabilities	(6)	40
Cash dividends paid	(266,697)	(203,477)
Share issuance costs	(54)	-
Transfer costs of treasury stocks	17,856	-
Changes in non-controlling interests	(7,970)	(51,188)
Net cash (outflow) inflow generated from financing activities	(305,325)	250,644
Effect of exchange rates on cash and cash equivalents	(20,419)	2,772
(Decrease) increase in cash and cash equivalents	(106,931)	56,275
Cash and cash equivalents at beginning of period	750,334	694,059
Cash and cash equivalents at end of period	**$ 643,403**	**750,334**

(Please read the notes to the consolidated financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
2021 and 2020

(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

CASwell, Inc. (hereinafter referred to as "the Company") was established on April 19, 2007 with the approval of the Ministry of Economic Affairs at the registered address of Principal business of the Company, F8, No.242, Bo'ai Street, Shulin District, New Taipei City, The principal business of the Company and its subsidiaries (the "Group") includes manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services.

II. Date of Approval of Financial Statements and Approval Procedures

The consolidated financial statements have been approved by the Board of Directors on March 17, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission.

The Group has adopted the revised IFRSs since January 1, 2021, without any material impact on the consolidated financial statements.

(II) Effect of IFRSs endorsed by the FSC but not yet adopted by the Company

The Group has evaluated that the adoption of the revised IFRSs, effective from January 1, 2022, will not have a material impact on the consolidated financial statements.

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

(III) New and amended IFRSs, not yet endorsed by the FSC, and their interpretations

The Group has evaluated that the below standards released and amended but not yet endorsed do not have a material impact on the 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 IAS 17
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 “Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction”

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IV. Summary of Significant Accounting Policies

The significant accounting policies applied to the consolidated financial statements are as follows. These policies, excluding Note 3, have been consistently applied to all the periods presented in the consolidated financial statements.

(I) Compliance Declaration

The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" (hereinafter referred to as "Preparation Regulations"), as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and issued to take effect by the Financial Supervisory Commission (FSC) (hereinafter referred to as "IFRS as endorsed by the FSC").

(II) Preparation basis

1. Basis of measurement

Except for the following significant items provided in the balance sheet, the consolidated financial statements are prepared based on historical cost convention:

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

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

2. Functional currency and presentation currency

The functional currency of every individual entity of the Group should be the currency of the primary economic environment in which it operates as the functional currency. The consolidated financial statements are presented in the New Taiwan, Dollars, the functional currency of the Company. The amount of financial information in New Taiwan Dollars shall be dominated in thousands of NTD.

(III) Basis of Consolidation

1. Principles for Preparing the Consolidated Financial Statements

The consolidated financial statements are mainly specific to the Company and other entities under the control of the Company (i.e. subsidiaries of the Company).

The Company includes the financial statements of a subsidiary in the consolidated financial statements from the date of gaining control over the subsidiary until the date of loss of control. The transactions, balances and any unrealized income, expenses and losses within the Group have all been eliminated at the time of preparation of the consolidated financial statements. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group.

When a change in the Group's ownership interests in a subsidiary does not cause the loss of control over the subsidiary, it shall be treated as an equity transaction between owners. The difference between the adjusted amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	**Name of Subsidiary**	**Business Nature**	**Ownership %** 2021.12.31	**Ownership %** 2020.12.31	**Remarks**
The Company	CASO, INC. ("CASO")	Imports and sales of network machines and computer peripherals, etc.	99%	99%	-
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD. ("CASWELL INTERNATIONAL")	Overseas investment	100%	100%	-
The Company	CASWELL AMERICAS, INC. (“CAI”)	Sales of network communication products	100%	100%	-
CASWELL INTERNATIONAL	Beijing Caswell Ltd. ("Beijing Caswell")	Manufacturing and sales of network communication products	82%	82%	-
The Company	APLIGO GmbH (“APLIGO”)	Hub and SI Service	66.67%	66.67%	-
The Company	Hawkeye Tech, Co., Ltd. (Hawkeye)	Design and manufacturing of telecommunications, network and computing equipment	60.64%	60.64%	-

3. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currency

1. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign non-currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Exchange differences resulting from translating the foreign currency are generally recognized as profit and loss, but the following items are recognized as other comprehensive income:

a) Exchange differences identified as equity instruments at fair value through other comprehensive income;

b) Exchange differences identified as financial liabilities designated as hedges of net investments of foreign operations within the effective hedging range; or

c) Qualified cash flow hedge within the effective hedging range.

2. Foreign operation

The assets and liabilities of a foreign operation, including the goodwill and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the revenue and expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive income.

When the disposal of a foreign operation causes loss of control, joint control or material impact, all cumulative exchange differences that are attributable to such foreign operation are to be reclassified to profit or loss. In the case of partial disposal of a subsidiary with a foreign operation, the accumulated exchange difference is reclassified into non-controlling interest in proportion. In the case of partial disposal of investments in an affiliated enterprise or joint venture with a foreign operation, the accumulated exchange difference is reclassified into profit or loss in proportion.

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, the related gains and losses arising from the foreign currency exchange are regarded as part of the net investment in that foreign operation and recognized as other comprehensive income.

(V) Standards for classification of current and non-current assets and liabilities

Assets that meet any of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

1) Assets expected to be realized, or intended to be sold or consumed within the normal operating cycle;

2) Assets held primarily for exchange;

3) Assets expected to be realized within 12 months after the end of the reporting period; or

4) Cash or cash equivalents, excluding restricted cash or cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the reporting period.

Liabilities that meet any of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

1) Liabilities expected to be paid off within the normal operating cycle;
2) Liabilities held primarily for exchange;
3) Liabilities to be paid off within 12 months after the end of the reporting period; or
4) Liabilities with a repayment schedule that the repayment cannot be unconditionally deferred till at least 12 months after the end of the reporting period. Terms of liabilities, settled by issuance of equity instruments at the option of the counterparty, do not affect the classification of such liability.

(VI) Cash and Cash Equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the foregoing definition and are held for short-term cash commitments other than investment or other purposes are presented as cash equivalents.

(VII) Financial Instruments

Account receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Group becomes a party of the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than account receivables that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. Account receivable that do not contain a significant financing component are measured at transaction prices.

1) Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the Group consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date.

Financial assets, when initially recognized, may be classified into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- It is held within a business model with an aim to hold assets to collect contractual cash flows.
- The terms and conditions of the contract of such financial assets, generate a cash flow on a specified date, that are solely for the payment of interest on the principal and the amount of principal outstanding.

Such financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. When performing derecognition, profit or loss is recognized as profit or loss.

b) Financial assets at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably opt to present subsequent changes in the investment's fair value in other comprehensive income. This option is made on an instrument-by-instrument basis.

An investment through equity instrument is subsequently measured at fair value. Dividend income (unless it clearly represents the return on part of the investment cost) is recognized as profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

Dividend income derived from equity investments is recognized on the date (normally the ex-dividend date) that the Group is entitled to receive dividend.

c) Financial assets at fair value through profit or loss

Financial assets that are not at amortized cost or at fair value through other comprehensive income as mentioned above are measured at fair value through profit or loss, 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 or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net profits or losses (including any dividends and interest income) are recognized as profit or loss.

d) Impairment of financial assets

The expected credit loss for financial assets at amortized cost by the Group (including cash and cash equivalents, financial assets at amortized cost, notes receivable, account receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The Company measures loss allowances at an amount equal to lifetime 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 allowances of account receivables are recognized based on the expected credit loss during the term of duration.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition 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.

Time deposits held by the Group are traded with and performed by financial institutions of investment grade or above, and therefore are deemed to have low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

If the contract payment is more than 180 days overdue or the borrower is unlikely to fulfill its credit obligation to pay the Group in full, the Group considers that default occurs on the financial asset.

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

The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date (or within a shorter period, if the period of existence of financial instruments 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.

ECLs are a probability-weighted estimate of credit losses during the period of existence of financial instruments. Credit losses are measured as the present value of all cash shortfalls. 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.

The Group evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of a credit impairment of a financial asset includes the observable information for the following events:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 180 days;
- The Group may make a concession for the borrower that would not have been considered for economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is most likely to file for bankruptcy or conduct other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance loss of financial assets at amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off directly provided that that there is no realistic prospect of recovery either partially or in full. For companies, the Group analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The Group expects that the amount written off will not be materially reversed. 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.

e) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Group transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises, or does not transfer nor retain almost all risk and rewards of ownership nor retain right to control such financial assets.

When the Group enters into a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

The debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

b) Equity transactions

Equity instruments refer to any contracts containing the Group's residual interests after subtracting liabilities from assets. The equity instrument issued by the Group shall be recognized by the payment net of the direct cost of issuance.

c) Treasury shares

When buying back the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury shares. For subsequent sales or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

d) Composite instruments

The composite financial instruments issued by the Group refer to corporate bonds (denominated in NTD) for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value. For the components of composite financial instruments liability, the initially recognized amount is measured at fair value through liabilities excluding those similar to equity conversion option. For the components of equity, the initially recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity. After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

e) Financial liabilities

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial assets at fair value through profit or loss are measured at fair value; and profit or loss, including any interest expense, arising from such financial assets are recognized as profit or loss.

Other subsequent financial liabilities are measured at amortized cost using the effective interest method. Interest expense and profit or loss from foreign currency exchange are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

f) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are derecognized and the new financial liabilities are recognized at fair value based on the revised terms.

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

g) Offset of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the it has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VIII) Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are measured at standard cost generally, but when compared against actual cost during the reporting period, necessary adjustment should be made to ensure the inventories are approximate to the weighted average cost. The net realizable value is the estimated selling price in the ordinary course of business less the estimated additional cost required for completion and the estimated cost necessary to offer for sale.

(IX) Property, plant and equipment

1) Recognition and measurement

Property, plant and equipment shall be measured by deducting accumulated depreciation or any accumulated impairment from cost (including capitalized borrowing costs).

The material components of property, plant and equipment with different service lives are treated as separate items (major components) of property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment shall be recognized as profit and loss.

2) Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Group.

3) Depreciation

Depreciation is calculated based on the cost deducting the residual value, and depreciation measured using the straight-line method is recognized in profit or loss within the estimated service life of each component.

The estimated service lives of equipment for the current and comparative periods:

a) Houses and buildings: 32 years
b) Machinery equipment: 3～8 years
c) R&D equipment: 2～5 years
d) Other equipment: 2～10 years

Depreciation methods, useful lives, and residual values are reviewed by Group at each reporting date and adjusted when necessary.

(X) Lease

The Group evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

The Group, as a lessee, recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the Group regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the Group is used. Generally speaking, the Group adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

1) Fixed benefits, including substantial fixed benefits;
2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
3) The residual value guarantee expected to be paid; and
4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

1) Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
2) Changes in the residual value guarantee expected to be paid;

3) Changes in the evaluation of the underlying asset purchase option;
4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
5) Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

For the short-term lease of machinery equipment and other equipment and the lease of low-value underlying assets leased, the Group chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

(XI) Intangible Assets

1) Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured as cost less cumulative impairment.

Intangible assets acquired by the Group with a limited-service life are measured by deducting accumulated amortization and accumulated impairment from cost.

2) Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, amortization, measuring with the straight-line method, is recognized as profit or loss within their estimated service life.

The estimated service lives of equipment for the current and comparative periods:

a) Computer software: 2~ 5 years

d) Other: 5 years

The residual value, service life and amortization method of intangible assets are reviewed by the Group on each reporting date, and adjusted when necessary.

(XII) Impairments of Non-financial Assets

On each reporting date, the Group assesses whether there is any indication that the carrying amount of non-financial assets (other than inventory and deferred tax assets) is impaired. If any such indication is found, the recoverable amount of the asset is estimated. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill derived from the merger is apportioned to the cash generating units or groups of cash generating units that are expected to benefit from the general effect of the merger.

The recoverable amount is measured by deducting disposal cost and value in use of an individual asset or cash generating unit from its fair value, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

If loss from impairment is recognized in current profit and loss, carrying amount of goodwill allocated to the cash generating unit should be reduced first, and then carrying amount of other assets within the unit should be reduced in proportion.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will be reversed only to the extent not exceeding the carrying amount (less depreciation or amortization) determined if the impairment loss had not been recognized in the previous year.

(XIII) Provisions

The recognition of provisions means that the Group has a present obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of which can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

Provision for warranty liabilities is recognized at the time of sale of goods or services and is measured on a weighted basis according to its relative probability based on historical warranty information and all possible outcomes.

(XIV) Revenue Recognition

1) Revenue from contracts with customers

Revenue is measured at the consideration to which it is expected to be entitled in transferring the goods or services. The Group recognizes revenue only when the control of goods or services is transferred to customers and the obligations are fulfilled. Major sources of revenue of the Group are as follows:

a) Sales of goods

The Group manufactures and sells to customers network communication products. The Group recognizes revenue when control of the products has transferred. The control of the products has transferred 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 means conveying the product to designated place, whereby its obsolescence and loss risk has been transferred to customer, and the customer has accepted the product according to sales contract while the acceptance inspection term goes invalid, or the Group has objective evidences to believe that all acceptance inspection conditions have been met.

The Group provides standard warranty on clients' products and therefore assumes the obligation to refund defects, and has recognized the obligation as provisions for warranty.

Account receivable are 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.

b) Financial components

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment for such goods or services by the customer is not exceed one year. Therefore, the Group does not adjust the time value of money of the transaction price.

(XV) Employee benefits

1) Defined contribution scheme

Obligations for contribution to defined pension contribution scheme are recognized as expenses for the periods during which services are rendered by employees.

2) Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered by employees. 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.

(XVI) Share-based Payment Transactions

The share-based payment agreement for equity delivery is recognized as expenses and increase in relative interest at the fair value of the date of conclusion during accrued period of the award. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Non-vesting conditions of share-based payment rewards have been reflected in measurement of fair value of share-based payment on the date payment is made, and there is no need to verify and adjust difference between estimate and actual values.

The date on which the share-based payment is made is the base date for capital increase approved by the Board of Directors.

(XVII) Income taxes

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

Current income tax includes the estimated income tax payable or tax refunds receivable based on tax gains (losses) for the current year and any adjustments to income taxes payable or tax refunds receivable for the previous year. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is measured and recognized based on the temporary difference between the amount of assets and liabilities on the books for financial reporting purposes and the tax basis. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

1) Assets or liabilities, other than those initially recognized in merger, which do not affect accounting profits and tax gains (losses) at the time of the transaction;
2) Temporary differences, associated with investments in subsidiaries, that the Group is able to control the time of reversal and may not be reversed in the foreseeable future; and
3) Taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences using the statutory or substantive legislative tax rate on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1) The entity has the legal right to offset current tax liabilities with current tax assets; and
2) Deferred tax assets and deferred tax liabilities relate to one of the following tax payers whose income tax is levied by the same tax authority:
    a) The same tax payer; or
    b) Other tax payers, but such tax payers intend to settle current income tax liabilities and assets of significant amount on a net basis in each future period when the deferred income tax assets of a significant amount are expected to be recovered and the deferred income tax liabilities are expected to be paid, or to acquire assets and liquidate liabilities at the same time.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

(XVIII) Business Combinations

The Group shall deal with all business combinations using the acquisition approach. Goodwill is measured at the fair value of the transfer price on the acquisition date (including the amount attributable to any non-controlling interests of the acquiree) less the net amount of identifiable assets acquired and liabilities assumed (generally as fair value). If the difference is negative, the Group shall reevaluate to confirm whether to recognize bargain purchase gains as profit or loss after all assets acquired and liabilities assumed have been correctly identified.

Except for those related to the issuance of debt or equity instruments, all other transaction costs associated with business combinations shall be recognized as business combination costs right after they are incurred.

If an acquiree's non-controlling interests are current ownership interests, and their owner has the right to receive net corporate assets on a pro rata basis at the time of liquidation, the Group shall choose to measure the recognized amount of the acquiree's net identifiable assets at fair value or according to current ownership tools on the acquisition date on a transaction-by-transaction basis. Other non-controlling interests shall be measured at the fair value on the date of acquisition or on other basis stipulated by the international financial reporting standards recognized by the Financial Supervisory Commission.

(XIX) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share of the Group is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the current period. The calculation of diluted earnings per share is based on the profit and loss attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares. Potential diluted ordinary shares of the Group include convertible bonds and stock options for employees.

(XX) Segment Information

As integral parts of the Group, operations departments engage in business activities which might earn revenues and incur expenses. The business results of all operations departments are regularly reviewed by the Group's main business decision makers, in order to determine resource allocation to the departments and evaluate their performances.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations 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.

Management continually reviews estimates and underlying assumptions, and recognizes the changes in accounting estimates in the period of change and in the affected future periods.

The Group has no accounting policies that involve material judgments and have material impact on the amounts recognized in the consolidated financial statements.

For the uncertainties in the assumptions and estimates, the information related to the material risk that will not result in a material adjustment in the next fiscal period is as follows:

(I) Inventory Valuation

As inventories are measured at the cost or net realizable value, whichever comes lower, the Group estimates the net realizable value of inventories that are normally worn and torn, obsolescent or unmarketable on the reporting date and then writes down the cost of inventories to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes.

(II) Assessment of Goodwill Impairment

The evaluation process of goodwill impairment is dependent upon the subjective judgment of the Group, and in determining whether goodwill is impaired, it is necessary to estimate the value of the cash-generating unit to be allocated to the goodwill. To calculate the value in use, the management shall estimate the future cash flow expected to be generated from the cash-generating unit, and determine the appropriate discount rate used to calculate the present value. Significant impairment loss may occur if actual cash flows are lower than the forecasts.

VI. Details of Significant Accounts

(I) Cash and Cash Equivalents

	2021.12.31	2020.12.31
Cash on hand and petty cash	$ 802	801
Foreign currency and demand deposits	589,545	524,771
Time deposits	53,056	224,762
Cash and cash equivalents reported in the consolidated cash flow statement	**$ 643,403**	**750,334**

Refer to Note 6(t) for the details on interest rate risk and sensitivity analysis of financial assets of the Group.

(II) Notes receivable and account receivable (including related parties)

		2021.12.31	2020.12.31
Notes receivables - operating	$	176	212
Account receivables - measured at amortized cost		832,315	1,059,144
Less: Loss allowance		(2,734)	(2,695)
	$	**829,757**	**1,056,661**

The Group applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes receivable and account receivable were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward-looking information was incorporated as well, including macroeconomy and related industry information. The expected credit loss of notes receivable and account receivable of the Group is analyzed as follows:

	2021.12.31			
		Carrying amount of notes receivable and account receivable	Weighted average expected credit loss rate	Expected credit losses during the lifetime of loss allowance
Not overdue	$	765,362	0.12%	881
Less than 30 days overdue		41,532	0.15%	63
31 - 120 days overdue		6,927	1.08%	75
121 - 365 days overdue		17,179	1.30%	224
More than 366 days overdue		1,491	100.00%	1,491
	$	832,491		2,734

	2020.12.31			
		Carrying amount of notes receivable and account receivable	Weighted average expected credit loss rate	Expected credit losses during the lifetime of loss allowance
Not overdue	$	969,466	0.05%	441
Less than 30 days overdue		43,925	0.90%	396
31 - 120 days overdue		21,088	0.19%	40
121 - 365 days overdue		23,374	1.35%	315
More than 366 days overdue		1,503	100%	1,503
	$	**1,059,356**		**2,695**

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Changes in loss allowances for notes receivable and account receivable of the Group are as follows:

		2021	2020
Beginning balance	$	2,695	2,727
Impairment loss recognized		-	126
Unrecoverable write-off of current year		-	(192)
Foreign currency translation gain or loss		39	34
Ending balance	**$**	**2,734**	**2,695**

None of the aforesaid financial assets is used as a guarantee for borrowing and financing.

Please refer to Note 6(t) for further information on other credit risks.

(III) Inventories

		2021.12.31	2020.12.31
Raw materials and consumables	$	1,662,689	1,126,282
Work-in-progress		226,918	231,195
Finished goods		592,101	981,009
	$	**2,481,708**	**2,338,486**

Details of cost of goods sold in 2021 and 2020 are as follows:

		2021	2020
Inventory cost of goods sold	$	3,654,539	4,148,096
Loss on inventory valuation		842	6,874
Loss for inventory obsolescence		9,731	5,275
Others		83,966	157,114
	$	**3,749,078**	**4,317,359**

No inventory of the Group was pledged as collateral as of December 31, 2021 and 2020.

(IV) Acquisition of non-controlling interests

The Group acquired equity shares of Hawkeye at the price of NT$197,041 thousand in cash on July 15, 2020, respectively, resulting in the shareholding ratio increased from 40% to 60.64%, respectively. The Group conducted no transaction with non-controlling interests from January 1, 2020 to July 14, 2020.

The above changes in the ownership interest of the subsidiaries have produced the following impact on the owners' equity attributable to the parent company:

Carrying amount of non-controlling interests acquired	$	53,707
Consideration paid for non-controlling interests		(197,041)
Retained earnings - the difference between the price paid to acquire	**$**	**(143,334)**

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equities in a subsidiary and its carrying amount

(V) Property, plant and equipment

		Land	Houses and buildings	Machinery equipment	R&D equipment	Other equipment	Total
Cost:							
Balance on January 1, 2021	$	22,048	25,098	23,377	34,967	49,721	155,211
Additions		-	-	6,123	1,151	18,876	26,150
Disposal		-	-	(4,621)	(16,131)	(11,842)	(32,594)
Effect of exchange rates		-	-	(8)	(16)	(1,118)	(1,142)
Balance on December 31, 2021	**$**	**22,048**	**25,098**	**24,871**	**19,971**	**55,637**	**147,625**
Balance on January 1, 2020	$	22,048	25,098	29,166	29,793	49,422	155,527
Additions		-	-	4,565	6,594	9,473	20,632
Disposal		-	-	(10,885)	(1,453)	(9,597)	(21,935)
Reclassification		-	-	514	-	-	514
Effect of exchange rates		-	-	17	33	423	473
Balance on December 31, 2020	**$**	**22,048**	**25,098**	**23,377**	**34,967**	**49,721**	**155,211**
Depreciation and impairment loss:							
Balance on January 1, 2021	$	-	2,360	11,681	21,173	33,639	68,853
Depreciation		-	794	5,310	6,030	5,972	18,106
Disposal		-	-	(4,621)	(16,131)	(10,467)	(31,219)
Effect of exchange rates		-	-	(7)	(15)	(920)	(942)
Balance on December 31, 2021	**$**	**-**	**3,154**	**12,363**	**11,057**	**28,224**	**54,798**
Balance on January 1, 2020	$	-	1,567	16,384	16,184	36,432	70,567
Depreciation		-	793	6,167	6,411	6,447	19,818
Disposal		-	-	(10,885)	(1,453)	(9,594)	(21,932)
Effect of exchange rates		-	-	15	31	354	400
Balance on December 31, 2020	**$**	**-**	**2,360**	**11,681**	**21,173**	**33,639**	**68,853**
Carrying Amount:							
December 31, 2021	**$**	**22,048**	**21,944**	**12,508**	**8,914**	**27,413**	**92,827**
December 31, 2020	**$**	**22,048**	**22,738**	**11,696**	**13,794**	**16,082**	**86,358**

Please refer to Note 8 for property, plant or equipment of the Group pledged as collateral for financing limit as of December 31, 2021 and 2020.

(VI) Right-of-use assets

Changes in cost and depreciation of leased houses and buildings, machines and transportation equipment by the Group are as follows:

	Houses and buildings	Machinery equipment	Transportation equipment	Total
Cost of right-of-use assets:				
Balance on January 1, 2021	$ 183,229	152	5,236	188,617
Additions	68,407	91	2,822	71,320
Decrease	(63,484)	(144)	(1,030)	(64,658)
Effect of exchange rates	(2,907)	(13)	(329)	(3,249)
Balance on December 31, 2021	**$ 185,245**	**86**	**6,699**	**192,030**
Balance on January 1, 2020	$ 111,095	101	2,867	114,063
Additions	76,321	83	2,678	79,082
Decrease	(6,265)	(39)	(373)	(6,677)
Effect of exchange rates	2,078	7	64	2,149
Balance on December 31, 2020	**$ 183,229**	**152**	**5,236**	**188,617**
Depreciation of right-of-use assets:				
Balance on January 1, 2021	$ 95,005	88	3,011	98,104
Provision for depreciation	52,819	84	1,705	54,608
Other decrease	(63,484)	(144)	(1,030)	(64,658)
Effect of exchange rates	(1,519)	(6)	(135)	(1,660)
Balance on December 31, 2021	**$ 82,821**	**22**	**3,551**	**86,394**
Balance on January 1, 2020	$ 45,794	45	1,446	47,285
Provision for depreciation	52,655	77	1,905	54,637
Other decrease	(4,155)	(39)	(373)	(4,567)
Effect of exchange rates	711	5	33	749
Balance on December 31, 2020	**$ 95,005**	**88**	**3,011**	**98,104**
Carrying Amount:				
December 31, 2021	**$ 102,424**	**64**	**3,148**	**105,636**
December 31, 2020	**$ 88,224**	**64**	**2,225**	**90,513**

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(VII) Intangible Assets

	Goodwill	Computer software and others	Total
Cost:			
Balance on January 1, 2021	$ 331,970	38,843	370,813
Purchase	-	6,010	6,010
Disposal	-	(2,187)	(2,187)
Effect of exchange rates	(2,708)	(285)	(2,993)
Balance on December 31, 2021	**$ 329,262**	**42,381**	**371,643**
Balance on January 1, 2020	$ 330,924	43,683	374,607
Purchase	-	746	746
Disposal	-	(5,696)	(5,696)
Effect of exchange rates	1,046	110	1,156
Balance on December 31, 2020	**$ 331,970**	**38,843**	**370,813**
Amortization and impairment loss:			
Balance on January 1, 2021	**$ 812**	**13,283**	**14,095**
Amortization in the period	-	7,730	7,730
Disposal	-	(2,187)	(2,187)
Effect of exchange rates	-	(93)	(93)
Balance on December 31, 2021	$ 812	18,733	19,545
Balance on January 1, 2020	$ 812	10,221	11,033
Amortization in the period	-	8,735	8,735
Disposal	-	(5,696)	(5,696)
Effect of exchange rates	-	23	23
Balance on December 31, 2020	**$ 812**	**13,283**	**14,095**
December 31, 2021	**$ 328,450**	**23,648**	**352,098**
December 31, 2020	**$ 331,158**	**25,560**	**356,718**

(VIII) Short-term borrowings

Details of the Group's short-term borrowings are as follows:

	2021.12.31	2020.12.31
Unsecured loans	**$ 21,427**	**15,000**
Unused limit	**$ 1,249,305**	**1,970,020**
Range of interest rate	**0.88%~5.5%**	**1.6005%**

The Group had not used its assets as collateral for guaranteeing any bank loans as of December 31, 2021 and 2020.

Please refer to Note 6(t) for details of critical risk information on interest rate, foreign currency and mobility risk of the Group.

(IX) Long-term borrowings

Details of the Group's long-term borrowings are as follows:

	2021.12.31	2020.12.31
Secured bank loans	$ 25,206	26,573
Less: Loans matured within one year	(1,384)	(1,367)
Total	$ 23,822	25,206
Unused limit	$ 210	210
Range of interest rate	1.2%	1.2%

Please refer to Note 8 for details of guarantee for the Group to use assets to pledge for guaranteeing bank loans as of December 31, 2021 and 2020.

Please refer to Note 6(t) for details of critical risk information on interest rate, foreign currency and mobility risk of the Group.

(X) Bonds payable

Bonds payable of the Group are as follows:

	2021.12.31	2020.12.31
Amount of unsecured convertible bonds initially issued	$ 710,553	710,553
Unamortized discount on bonds payable	(2,501)	(5,136)
Cumulative converted amount	(542,964)	(530,377)
Bonds payable due, ending balance	$ 165,088	175,040
Embedded derivatives - right of redemption (presented in financial assets at fair value through profit or loss)	$ (116)	373
Equity components - right of conversion (presented in capital surplus - right of subscription)	$ 4,441	4,775

	2021	2020
Interest expenses	$ 2,326	5,465

Item	First domestic unsecured convertible bonds
1) Total amount of bonds issued	NT$700,000 thousand
2) Face value	NT$100 thousand
3) Issuance period	2020.2.10~2023.2.10
4) Term of bonds	3 years
5) Nominal interest rate	0%
6) Repayment upon maturity	At maturity of the convertible bonds, the Company will make a lump sum payment in cash on the face value of the bonds plus interest (101.5075% of the face value with actual ROI of 0.5%).

7) Ways of redemption	(1) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the closing price of the Company's ordinary shares at the business premises of a securities firm exceeds the conversion price by more than 30 (inclusive) percent for 30 consecutive business days, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash in 30 business days thereafter. (2) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the amount of the convertible bonds outstanding is lower than 10% of total value of bonds issued, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash at any time thereafter. (3) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice," the Company shall redeem the convertible bonds held by the bondholder in cash at the price equivalent to their par value within five business days after the base date of recalling the bonds.
8) Conversion period	The bondholders may, from the day following 3 months after such convertible bond are issued to the maturity date, except for when the ownership transfer of ordinary shares are terminated from transferring by law, from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or cash capital increase subscription to the base date of the distribution of rights, or from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation, to convert the convertible bonds held into the Company's ordinary shares in accordance with regulations.
9) Conversion price and adjustment	The price of conversion was set at NT$104.1 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance. The conversion price was changed to NT$98.7 per share on September 14, 2021.

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(XI) Lease liabilities

Carrying amounts of lease liabilities of the Group are as follows:

	2021.12.31	2020.12.31
Current	$ 53,237	42,147
Non-current	$ 53,954	48,811

Please refer to Note 6(t) financial instruments for details of maturity analysis.

The amounts recognized in profit or loss are as follows:

	2021	2020
Interest expenses of lease liabilities	$ 1,846	1,906
Short-term lease expenses	$ 6,837	5,013
Expenses for leases of low-value assets	$ 91	105

The amounts recognized in the statements of cash flows are:

	2021	2020
Total cash outflow of lease	$ 62,288	61,949

1) Lease of houses and buildings

The Group leases houses and buildings for office purpose with a term of 1 to 4 years generally, some leases include an option to renew the lease for another term of same length with the original lease upon expiration.

The lease benefit of some agreements depends on changes in the local price index. Some agreements also stipulate that the Group shall advance the Lessor's taxes and insurance expenses related to the property. These fees are usually incurred once a year.

The tenancy agreement of some equipment includes options for a lease extension or lease termination. These agreements are managed by corresponding jurisdictions. Therefore, the individual terms and conditions agreed are different for the Group. These options are only enforceable by the Group, not the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

2) Other lease

The lease term of the transportation equipment rented by the Group is 6 months to 4 years. According to some lease contracts, the Group is authorized to buy the rented assets at discretion upon expiry of the lease term, but in some other contracts, the Group shall guarantee residual value of the rented assets when the lease term expires.

The lease term of machines and equipment rented by the Group is 1 to 5 year(s). Such lease is short-term lease and/or lease of low-value subjects. The Group chooses to follow the rules for recognition exemption, in order not to recognize related right-of-use assets and lease liabilities.

(XII) Employee benefits

As per the defined contribution scheme of the Group developed according to regulations on employee pension, a contribution of 6% of monthly salary of each employee is made to their personal pension account registered at the Bureau of the Labor Insurance. Under this scheme, the Company has no legal or constructive obligation to pay additional expenses after making contributions of fixed amount to the Bureau of the Labor Insurance.

The cost of the pension contributions to the Bureau of Labor Insurance under this scheme for 2021 and 2020 amounted to NT$8,323 thousand and NT$8,081 thousand, respectively.

The pensions under the defined pension plan of Hawkeye, a subsidiary of the Company, in 2021 and 2020 amounted to NT$3,458 thousand and NT$3,838 thousand, respectively, and all of which was paid to the Bureau of Labor Insurance.

CASO, a subsidiary of the Company in Japan, was established on August 1, 2014. The recognized pensions of this subsidiary in 2021 and 2020 amounted to NT$643 thousand and NT$644 thousand, respectively, which were paid to the related competent authority.

Beijing Caswell, a subsidiary of the Company in mainland China, is bound by related rules of mainland China. According to local government rules, it shall contribute employee pensions at certain ratio of the employees' monthly wages. The amount of pensions contributed in 2021 and 2020 were NT$5,875 thousand and NT$449 thousand, respectively, which were paid to the related competent authority.

CAI, a subsidiary of the Company in the United States, was established on January 10, 2017, and no pension was incurred.

APLIGO, a subsidiary of the Company in Germany, was acquired on April 1, 2019, and no pension was incurred.

(XIII) Income taxes

1) Income tax expenses

Income tax expenses of the Group are as follows:

		2021	2020
Current income tax expenses	$	70,115	121,817
Deferred income tax expenses		12,640	12,728
Income tax expenses	$	82,755	134,545

The reconciliation of income tax expenses and income before income tax is as follows:

		2021	2020
Income before income tax	$	322,820	551,382
Income tax at the Company's domestic tax rate	$	64,564	110,276
Amount affected by the tax rate differences in foreign jurisdictions		21,993	31,085
Non-deductible expenses		(4,344)	(4,873)
Book-tax difference		(7,614)	(6,242)
Difference verified		6,042	3,125
Surtax on unappropriated earnings		5,231	2,369
Investment allowances		(3,117)	(1,195)
Income tax expenses	$	82,755	134,545

2) Deferred tax assets and liabilities recognized

Changes in deferred tax assets (liabilities) are as follows:

		Loss on inventory valuation	Unrealized profit and loss from exchange	Others	Total
Balance on January 1, 2021	$	2,673	467	(15,379)	(12,239)
Debit (credit) income statement		(781)	(542)	(11,317)	(12,640)
Balance on December 31, 2021	**$**	**1,892**	**(75)**	**(26,696)**	**(24,879)**
Balance on January 1, 2020	$	1,780	2,984	(4,275)	489
Debit (credit) income statement		893	(2,517)	(11,104)	(12,728)
Balance on December 31, 2020	**$**	**2,673**	**467**	**(15,379)**	**(12,239)**

3) Income tax examination

Business income tax returns of the Company and its subsidiary, Hawkeye, through

2019 have been assessed by the tax authority with examination.

(XIV) Capital and other equity

As of December 31, 2021 and 2020, the total nominal share capital of the Company amounted NT$1,000,000 thousand with 100,000 thousand shares of par value of NT$10. The Company has issued 73,189 thousand and 73,068 thousand ordinary shares, respectively, received stock capital for all shares issued.

Changes in the number of outstanding shares in 2021 and 2020 are as follows:

	Ordinary shares	
(presented in thousands shares)	**2021**	**2020**
Balance on January 1	$ 72,858	67,826
Exercise of employee share options	210	-
Conversion of convertible bonds	121	5,032
Balance on December 31	**$ 73,189**	**72,858**

1) Issuance of ordinary shares

In 2021 and 2020, the Company issued 121 thousand and 5,032 thousand new shares, respectively, due to the conversion rights of convertible bonds exercised by bondholders. The shares were issued in denominations with a total amount of NT$1,211 thousand and NT$50,321 thousand, respectively, and all shares were registered as required by law.

2) Capital surplus

Balance of the Company's capital surplus is as follows:

	2021.12.31	**2020.12.31**
Share premium	$ 1,403,907	1,392,532
Treasury share transactions	22,792	15,082
Right of subscription of convertible bonds-	4,441	4,775
	$ 1,431,140	**1,412,389**

Capital surplus shall be allocated to new shares or cash with realized capital surplus in proportion to original shareholdings of shareholders after loss is covered. The above-mentioned realized capital surplus includes amount in excess of the nominal value during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3) Retained earnings

According to the Articles of Association of the Company, where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's

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legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. Certain amount shall be further allocated as special reserve or the special reserve. The balance (if any) together with unappropriated earnings at the beginning of the reporting period can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.

The dividend of the shareholders of the Company can be distributed in cash or shares, the amount of such dividends shall be no less than 10% of surplus after tax of the year, and dividends in cash shall account for at least 10% of total dividends of the shareholders. The Company is at a growing stage. Division of such surplus depends on future needs for capital and long-term operation planning of the Company. The Board of Directors should develop surplus distribution plan based on equities of shareholders, balance of dividend policies and planning for needs for capital, and propose it to the shareholders' meeting for resolution and adjustment.

a) Legal reserve

If there is no loss, the Company may, by resolution of the shareholders' meeting, distribute new shares or cash from legal reserves, but legal reserves distributed cannot exceed 25% of the paid-in capital.

b) Special reserve

Pursuant to FSC regulations, the Company shall make a special reserve from the current profit and loss and the unappropriated earnings of the previous year by deducting the net amount of other shareholders' equity in the accounts incurred in the current year. If the amount of other shareholders' equity accumulated in the preceding period is reduced, the special reserve set aside from the unappropriated earnings in the preceding period shall not be distributed. If other shareholders' equity deductions are reversed afterward, the reversal may be applicable for distribution of earnings.

c) Surplus distribution

The plans for distribution of earnings for 2020 and 2019 were passed at the shareholders' meetings held on August 5, 2021 and June 16, 2020, respectively. Dividends paid to owners of the Company are as follows:

	2020		2019	
	Dividends Paid to Per Share (NT$)	**Amount**	**Dividends Paid to Per Share (NT$)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 3.64	266,697	2.82	203,477

4) Treasury shares

a) The treasury shares that the Company redeemed from employees to which shares of the Company were transferred to according to Article 28-2, Securities and Exchange Act amounted to 603 thousand shares with total redemption price of NT$51,269 thousand. Changes in treasury shares in 2021 and 2020 are as follows (unit: thousand shares):

	Number of shares (thousand shares)	Amount
January 1, 2021	210	$ 17,856
Transfer in the period	(210)	(17,856)
December 31, 2021	-	**$ -**
Balance on December 31, 2020 (Same with January 1, 2020)	**210**	**$ 17,856**

b) Treasury shares held by the Company may be neither pledged nor carry rights of shareholders before assignment in accordance with the Securities and Exchange Act.

5) Other equity (net equity after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
January 1, 2021	$ (19,618)	(10,450)	(30,068)
Exchange differences on translating the net assets of foreign operations	(20,804)	-	(20,804)
December 31, 2021	**$ (40,422)**	**(10,450)**	**(50,872)**
January 1, 2020	$ (22,299)	(10,450)	(32,749)
Exchange differences on translating the net assets of foreign operations	2,681	-	2,681
December 31, 2020	**$ (19,618)**	**(10,450)**	**(30,068)**

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(XV) Share-based payment

No share-based payment occurred within the Group in 2020, and share-based payments in 2021 are as follows:

	Delivery of equities
	Treasury shares transferred to employees
Grant date	2021.1.6
Number of shares granted	210 thousand shares
Contract term	-
Granted to	All employees
Vesting conditions	Immediate vesting

1) Measurement parameters of fair value on the date transferred

The Group adopts the Black-Scholes option pricing model to estimate the fair value of share-based payment at date transferred. The input value of this model is as follows:-

	2021
	Treasury shares transferred to employees
Fair value on the grant date (NT$)	$ 122.00
Share price on the grant date (NT$)	122.00
Grant price (NT$)	85.02

The determination of fair value does not take into account the services and non-market performance conditions included in the transaction.

2) Information on methods used in transfer of treasury shares

Details of methods used in transfer of treasury shares are as follows:

(presented in thousands shares)

	2021	
	Treasury shares transferred to employees	
	Weighted Average Striking Price (NT$)	**Number of stock options**
Outstanding as of January 1	$ -	-
Granted in this period	85.02	210
Expired in this period	-	-
Exercised in this period	(85.02)	(210)
Outstanding as of December 31	-	-

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Executable stock options on December 31	-	-

3) Employee expenses

Remuneration recognized, arising from transfer of treasury shares to employees, in 2021 amounted to NT$7,764 thousand.

(XVI) Earnings per share

The amounts of basic earnings per share and diluted earnings per shares are as follows:

	2021	2020
Basic earnings per share:		
Net profit attributable to owners of ordinary shares of the Company	$ 219,556	372,353
Weighted average number of outstanding ordinary shares (thousand shares)	73,146	70,369
Basic earnings per share (NT$)	$ 3.00	5.29
Diluted earnings per share:		
Net profit attributable to owners of ordinary shares of the Company	$ 219,556	372,353
Impact of potentially diluted ordinary shares		
Conversion of convertible bonds	1,860	2,272
Net profit attributable to owners of (diluted) ordinary shares of the Company	$ 221,416	374,625
Weighted average number of outstanding (basic) ordinary shares (thousand shares)	73,146	70,369
Impact of potentially diluted ordinary shares (thousand shares)		
Share-based remuneration for employees	125	117
Conversion of convertible bonds	1,661	1,815
Weighted average number of outstanding (diluted) ordinary shares (thousand shares)	74,932	72,301
Diluted earnings per share (NT$)	$ 2.95	5.18

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(XVII) Revenue from contracts with customers

1) Breakdown of revenue

	2021			
	Domestic Operation Office	Mainland China Operation Office	Others	Total
Major regional markets:				
Taiwan	$ 150,471	-	10	150,481
Asia	1,354,374	613,867	296,226	2,264,467
America	1,049,695	-	444,037	1,493,732
Europe	597,018	-	168,246	765,264
	$ 3,151,558	613,867	908,519	4,673,944
Main products/services:				
Communication products	$ 2,438,364	478,866	778,084	3,695,314
Network communication hosts	119,768	2,890	11,910	134,568
Other communication products	593,426	132,111	118,525	844,062
	$ 3,151,558	613,867	908,519	4,673,944

	2020			
	Domestic Operation Office	Mainland China Operation Office	Others	Total
Major regional markets:				
Taiwan	$ 156,625	-	-	156,625
Asia	1,374,707	475,053	223,344	2,073,104
America	1,801,539	-	384,354	2,185,893
Europe	721,548	-	326,461	1,048,009
Australia	2,166	-	-	2,166
Africa	-	-	58	58
	$ 4,056,585	475,053	934,217	5,465,855
Main products/services:				
Communication products	$ 2,862,020	373,270	818,739	4,054,029
Network communication hosts	114,448	454	3,103	118,005
Other communication products	1,080,117	101,329	112,375	1,293,821
	$ 4,056,585	475,053	934,217	5,465,855

2) Contract balance

		2021.12.31	2020.12.31	2020.1.1
Notes receivable and account receivable	$	832,491	1,059,356	1,071,256
Less: Loss allowance		(2,734)	(2,695)	(2,727)
Total	$	829,757	1,056,661	1,068,529

Please refer to Note 6(b) for details of account receivable as well as their impairment.

(XVIII) Compensation to employees and directors

Pursuant to the Articles of Association, the Company shall allocate 2% - 15% of profit (if any) for compensation to employees, and a maximum of 2% profit (if any) for remuneration to directors. When there are accumulated losses, the Company shall retain profit for loss recovery before distribution of remuneration. The above remuneration to the employees may be allotted in cash or stock to eligible employees at subsidiaries. The above remuneration to the directors shall be paid in cash only.

Appropriated compensation/remuneration to employees and directors of the Company is as follows:

		2021	2020
Compensation to employees	$	10,500	12,000
Remuneration to directors		3,600	3,600
	$	14,100	15,600

It is estimated on the basis of the Company's net profit before deducting the compensation to employees and directors for each period multiplied by the proportion of the compensation to employees and directors as stipulated in the Articles of Association, and is recognized as the operating costs or expenses for the period. Relevant information can be inquired at the TWSE MOPS. No difference between amount of compensation or remuneration actually paid to employees and directors and compensation to employees and directors listed in parent company only financial statements in 2021 and 2020.

(XIX) Non-operating income and expenses

1) Interest income

The details of interest income of the Group are as follows:

		2021	2020
Interest on bank deposit	$	2,309	2,770
Financial assets at amortized cost		217	-
Others		10	-
Total interest income	$	2,536	2,770

2. Other income

The details of other income of the Group are as follows:

	2021	2020
Other income	$ 20,802	14,785

3. Other gains and losses

The details of other gains and losses of the Group are as follows:

	2021	2020
Gain (loss) on disposal and retirement of property, plant and equipment	$ 339	(2)
Loss on foreign currency exchange	(529)	(7,298)
Gains on financial assets (liabilities) at fair value through profit or loss	811	2,214
Other loss	(1,099)	(14)
Other gains and losses, net	$ (478)	(5,100)

4) Finance costs

Details of financial costs of the Group are as follows:

	2021	2020
Bank loans	$ (1,615)	(1,840)
Bonds payable	(2,326)	(5,465)
Lease liabilities	(1,846)	(1,906)
Total finance costs	$ (5,787)	(9,211)

(XX) Financial Instruments

1) Credit risk

a) Maximum credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

b) Credit risk concentration

Account receivable and notes receivable are major sources of potential credit risks facing the Group. In order to reduce the credit risk of account receivables, the Group continuously assesses the financial conditions of its clients and requires them to provide collaterals or guarantees when necessary. The Group still regularly evaluates the possibility of recovery of account receivable and provides the allowance for bad debts, also the loss of bad debts is within the expectation of the management. 48.61% and 48.87% of balance of account receivable as of December 31, 2021 and 2020, respectively, were composed of three clients. This causes credit risk concentration.

c) Credit risk of account receivables

Please refer to Note 6(b) for information on the credit risk exposure of notes receivables and account receivables. Other financial assets at amortized cost include account receivable and time deposit certificates.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4(g) for details on how the Group determines the level of credit risk). There is no allowance for losses on other receivables in 2021 and 2020.

2) Liquidity risk

The following table shows the contractual maturity of financial liabilities, including impact of estimated interest.

	Carrying amount	Cash flow of the contract	Less than 6 months	6 - 12 months-	12 years-	25 years-	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Bank loans (including short-term and long-term)	$ 46,633	50,047	18,123	5,741	1,675	5,071	19,437
Notes payable and account payable (including related parties)	1,075,621	1,075,621	1,075,621	-	-	-	-
Other payables (including related parties)	168,290	168,290	168,290	-	-	-	-
Lease liabilities	107,191	109,006	28,137	26,385	39,051	15,433	-
Convertible corporate bonds	165,088	165,088	-	-	165,088	-	-
Total	$1,562,823	1,568,052	1,290,171	32,126	205,814	20,504	19,437
December 31, 2020							
Non-derivative financial liabilities							
Bank loans (including short-term and long-term)	$ 41,573	44,616	15,882	845	1,690	5,071	21,128
Notes payable and account payable (including related parties)	961,598	961,598	961,598	-	-	-	-
Other payables (including related parties)	183,243	183,243	183,243	-	-	-	-
Lease liabilities	90,958	93,318	27,036	16,559	29,601	20,122	-
Convertible corporate bonds	175,040	175,040	-	-	-	175,040	-
Total	$1,452,412	1,457,815	1,187,759	17,404	31,291	200,233	21,128

The Group does not expect that the cash flow for the due date analysis will occur significantly earlier or that the actual amount may vary significantly.

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3) Exchange rate risks

a) Exposure to exchange rate risks

The Group's financial assets and liabilities exposing to significant exchange rate risk are as follows:

	2021.12.31				
	Foreign currency		Exchange rate		NTD
Financial assets					
Monetary items					
USD	$ 36,208	USD/NTD=		27.68	1,002,237
JPY	8,595	JPY/NTD=		0.2405	2,067
Financial liabilities					
Monetary items					
USD	23,624	USD/NTD=		27.68	653,912

	2020.12.31				
	Foreign currency		Exchange rate		NTD
Financial assets					
Monetary items					
USD	$ 31,762	USD/NTD=		28.48	904,582
JPY	169,902	JPY/NTD=		0.2763	46,944
Financial liabilities					
Monetary items					
USD	16,057	USD/NTD=		28.48	457,303

b) Sensitivity Analysis

Cash and cash equivalents, account receivables and other receivables denominated in foreign currency, account receivables and other receivables are major sources of foreign exchange risks that the Group exposed to, and such risks arise from foreign currency exchange during translation. If the NT dollar depreciates or appreciates by 10% against the US dollar and the Japanese yen as of December 31, 2021 and 2020, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT$28,031 thousand and NT$39,538 thousand, respectively, for 2021 and 2020 on the same basis of analysis.

c) Exchange gain or loss of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign currency exchange of monetary items were summarized as a single amount. Loss on foreign currency exchange (including realized and unrealized) for 2021 and 2020 are NT$529 thousand and NT$7,298 thousand, respectively.

d) Interest rate analysis

The interest risk exposure from financial assets and liabilities of the Group has been disclosed in this note of liquidity risk management.

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments on the reporting date. For liabilities at floating interest rates, the analysis assumes that they are outstanding throughout the reporting period if they are outstanding on the reporting date. The rate of change used internally to report interest rates to key management is a 1% increase or decrease in interest rates, and this figure also represents the management's assessment on the reasonably possible scope of the interest rate.

If the interest rate increases/decreases by 1%, the Group's after-tax net income will decrease/increase by NT$373 thousand and NT$333 thousand in 2021 and 2020, respectively, assuming all other variable factors remain constant.

4) Information on fair value

a) Category of financial instruments and fair value

The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, but the carrying amount of financial instruments not measured at fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 26,473	-	-	26,473	26,473
Financial assets at fair value through other comprehensive income					
Equity instrument at fair value without quotation in market	$ 8,009	-	-	8,009	8,009
Financial assets at amortized cost					
Cash and Cash Equivalents	$ 643,403	-	-	-	-
Financial assets at amortized cost	11,436	-	-	-	-
Notes receivable and account receivable (including related parties)	829,757	-	-	-	-
Other receivables (including related parties)	135,665	-	-	-	-
Other current assets	1,040	-	-	-	-
Refundable deposits	10,530	-	-	-	-
Total	$ 1,631,831	-	-	-	-
Financial liabilities at fair value through profit or loss					
Financial liabilities designated at fair value through profit or loss	$ 116	-	116	-	116
Financial liabilities at amortized cost					
Bank loans (including short-term and long-term)	$ 46,633	-	-	-	-
Notes payable and account payable (including related parties)	1,075,621	-	-	-	-
Other payables (including related parties)	168,290	-	-	-	-
Lease liabilities	107,191	-	-	-	-
Convertible corporate bonds	165,088	-	165,088	-	165,088
Total	$ 1,562,823	-	165,088	-	165,088

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	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 14,400	-	-	14,400	14,400
Financial assets designated at fair value through profit or loss	373	-	373	-	373
Total	$ 14,773	-	373	14,400	14,773
Financial assets at fair value through other comprehensive income					
Equity instrument at fair value without quotation in market	$ 8,011	-	-	8,011	8,011
Financial assets at amortized cost					
Cash and Cash Equivalents	$ 750,334	-	-	-	-
Notes receivable and account receivable (including related parties)	1,056,661	-	-	-	-
Other receivables	84,900	-	-	-	-
Other current assets	1,037	-	-	-	-
Refundable deposits	6,890	-	-	-	-
Total	$ 1,899,822	-	-	-	-
Financial liabilities at amortized cost					
Bank loans (including short-term and long-term)	$ 41,573	-	-	-	-
Notes payable and account payable (including related parties)	961,598	-	-	-	-
Other payables (including related parties)	183,243	-	-	-	-
Lease liabilities	90,958	-	-	-	-
Convertible corporate bonds	175,040	-	175,040	-	175,040
Total	$ 1,452,412	-	175,040	-	175,040

b) Valuation techniques of financial instruments measured at fair value

Fair value of financial instrument is obtained through application of valuation techniques or reference to quotation from counterparties. The fair value obtained through application of evaluation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, use of the discounted cash flow method, or by other evaluation techniques, including using models based on available market information on the reporting date.

c) Quantitative information of fair value of significant unobservable inputs (Level 3)

Level 3 fair value measurement, as defined by the Group, refers to financial assets at fair value through profit or loss - investment in private equity.

Level 3 fair value, defined by the Group, only refers to individually significant

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unobservable input. Quantitative information of fair value of significant unobservable inputs is listed as below:

Item	Valuation techniques	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets at fair value through profit or loss - investment in private equity	Net asset valuation	• Net asset value	N/A

d) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements at Level 3

The Group's valuation of the fair value of financial instruments is reasonable, but the use of different valuation models or parameters may lead to different results. For financial instrument at Level 3, if there are changes in valuation parameters, the impact on current profit and loss is as follows:

	Inputs	Upwards or downwards change	Changes of fair value reflected in current profit or loss	
			Positive changes	Negative changes
December 31, 2021				
Financial assets at fair value through profit or loss				
Investment in private equity	26,473	1%	$ 265	(265)
December 31, 2020				
Financial assets at fair value through profit or loss				
Investment in private equity	14,400	1%	144	(144)

(XXI) Financial risk management

1) Summary

The Group is exposed to the following risks arising from use of financial instruments:

a) Credit risks

b) Liquidity risks

c) Market risks

This note presents information about the Group's exposure to each of the above risks, the Group's purpose, policies and procedure of risk measurement and control. Please refer to relevant notes to the financial statements for details of further quantitative disclosure.

2) Purpose of risk control

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The purpose of risk control of the Group is to control exchange rate risks, interest rate risks, credit risks and liquidity risks related to operating activities. To reduce related financial risks, the Group is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable impact of market changes on its financial performance.

The Group's major financial activities are reviewed and approved by the Board of Directors and the internal control system. While the financial plan is underway, the Group shall comply with relevant financial operation procedures on the overall financial risk control and segregation of duties at all times.

3) Credit risks

Credit risks refer to risks that cause financial loss of the Group due to a counterparty's failure to perform contractual obligations. Account receivable arising from operating activities are major sources of credit risks facing the Group. Operation-related credit risks and financial credit risks are controlled separately.

Operation-related credit risks

To maintain the quality of account receivable, the Group has established the procedures for control of operation-related credit risks. Risk assessment on individual clients includes factors that could affect clients' ability to pay, such as financial conditions, rating by a credit rating institution, transaction history and current financial resources. The Group may also use certain credit risk reduction tools, such as prepaid payments or credit insurance, when appropriate, to reduce the credit risk of specific clients.

Financial credit risks

The credit risks of bank deposits and other financial instruments are measured and monitored by the finance department of the Group. The Group's counterparties and other performing parties are banks with good credit ratings and financial institutions with investment grade and above, corporate organizations and government agencies without significant performance concerns, and thus there is no material credit risks.

4) Liquidity risks

Liquidity risks refer to risks that the Group is unable to deliver cash or other financial assets to pay off its financial liabilities and fail to meet its obligations.

The method of the Group adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. In addition, the unused loan amounts of the Group as of December 31, 2021 and 2020 amounted to NT$1,249,515 thousand and NT$1,970,230 thousand, respectively.

5) Market risks

Market risks refer to risks that changes in market prices, such as exchange rate, interest rate, and equity instrument price, will affect the earnings of the Group or the value of the financial instruments held by the Group. The purpose of market risk control is to maximize return on investment by keeping market risks the Company exposed to at an acceptable level.

The Group manages market risks. All transactions are concluded as instructed by the Board of Directors.

a) Exchange rate risks

The Group's cash inflows and outflows are partially in foreign currencies, so some risks can be avoided. The purpose of the Group's control of exchange rate risks is to avoid risk rather than making profit.

The exchange rate risk control strategy is to periodically review net parts of assets and liabilities in various currencies and to control their risks. The selection of tools to avoid exchange rate risks depends on the cost and duration of risk avoiding.

b) Interest rate risks

The Group holds assets and liabilities with floating rates, resulting in exposure of the Group to cash flow interest rate risks. Assets and liabilities with floating rates of the Group are disclosed in the notes of liquidity risk management.

(XXII) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans working capital, research and development expenses and dividends to safeguard its ability to continue as a going concern and to maintain an optimal capital structure, so as to provide more returns for shareholders in a long term.

In order to maintain or adjust its capital structure, the Group may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders or redeeming its shares.

The Group monitors its capital by regularly reviewing its debt to asset ratio. The Group's capital is represented by "total equity" as indicated in its consolidated balance sheets, which is also equal to total assets minus total liabilities.

Debt-to-capital ratio of the Group as of December 31, 2021 and 2020 are as follows:

	2021.12.31	**2020.12.31**
Total liabilities	$ 1,729,544	1,618,642
Less: Cash and cash equivalents	643,403	750,334
Net liabilities	**$ 1,086,141**	**868,308**
Total equity	**$ 3,226,401**	**3,246,761**
Debt-to-capital ratio	**33.66%**	**26.74%**

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VII. Related Party Transactions

(I) The parent company and the ultimate controlling party

Ennoconn Corporation (Ennoconn), as the parent company of the Company and the ultimate controller of the group, holds 27.32% of the outstanding ordinary shares of the Company. Ennoconn has prepared consolidated financial statements for public use.

(II) Names of related parties and relations

During the reporting period of these consolidated financial statements, related parties engaged in transactions with the Group are as follows:

Name of related party	Relationship with the Group
Ennoconn	The Group's parent company
Thecus Technology Corp.	The Group's affiliate
Hon Hai Precision Industry Co., Ltd.	The Group's affiliate
Hon Lin Technology CO., LTD.	The Group's affiliate
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	The Group's affiliate
Kangzhun Electronics Technology (Kunshan) Co., Ltd.	The Group's affiliate
Ennoconn (Kunshan) Intelligent Technology Co., Ltd.	The Group's affiliate
Ennoconn (Suzhou) Technology Co.,Ltd.	The Group's affiliate
Vecow Co., Ltd.	The Group's affiliate
WT Microelectronics Co., Ltd.	The Group's affiliate
Foxconn Industrial Internet Co.,Ltd.	The Group's affiliate
Thecus NL B.V.	The Group's affiliate
Goldtek Technology Co., Ltd.	The Group's affiliate
Shenzhen Fugui Precision Industry Co., Ltd.	The Group's affiliate
Thecus U.S.A., Inc.	The Group's affiliate
HighAim Technology Inc.	The Group's affiliate
FORTUNEBAY TECHNOLOGY PTE. LTD.	The Group's affiliate
Cloud Network Technology Singapore Pte.	The Group's affiliate
American Industrial Systems Inc.	The Group's affiliate
All directors, general manager and deputy general manager and other major officers in management of the Company	

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(III) Substantial Transaction with Related Party

1) Operating revenue

The amount of goods and services sold by the Group to related parties are as follows:

		2021	2020
Parent company	$	10	48
Affiliates		276,462	258,616
	$	276,472	258,664

The terms and conditions of sale to the above companies are not significantly different from the common selling prices. Payment term: O/A 60 days, or end of month 30 - 90 days. Account receivable among the related parties, for which no collateral security has been received, do not need to be recognized as expected credit impairment loss after evaluation

2) Purchases

The amount of goods and services purchased by the Group from related parties are as follows:

		2021	2020
Parent company	$	2,392	7,158
Affiliates		243,507	553,283
	$	245,899	560,441

The terms and conditions of purchase from the above companies are not significantly different from purchasing prices from other common suppliers. The payment term of O/A 60 - 90 days, or end of month 30 - 90 days is not significantly different from payment term accepted by other common suppliers.

3) account receivables from related parties

The details of the Group's account receivables from related parties are as follows:

Type of trades	Type of related parties		2021.12.31	2020.12.31
Account receivables	Affiliates	$	41,961	67,374
Other receivables	Affiliates		156	-
		$	42,117	67,374

4) Account payables to related parties

The details of the Group's account payables to related parties are as follows:

Type of trades	Type of related parties		2021.12.31	2020.12.31
Account payables	Parent company	$	465	1,174
Account payables	Affiliates - Hon Hai Precision Industry Co., Ltd.		-	101,941
Account payables	Affiliate - others		96,841	51,857
Other payables	Affiliates - Thecus NL B.V.		20,410	-
Other payables	Affiliate - others		7,313	9,430

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	$	125,029	164,402

5) Acquisition of property, plant and equipment

The prices the Group paid to acquire property, plant and equipment from related parties are as follows:

		2021	2020
Affiliates	$	-	545

The Group purchased mechanical equipment from related parties at a total price of NT$545 thousand in November 2020, as of December 31, 2020, the payment was paid by the Group in full. Refer to Note 6(e) for more information about property, plant and equipment.

(IV) Transactions with key management officers

1) Remuneration to key management officers

Remuneration to key management officers includes:

		2021	2020
Short-term employee benefits	$	51,446	60,370
Retirement benefits		729	786
	$	52,175	61,156

The Group provides vehicles key management officers. The original costs and period-specific depreciation expenses of such vehicles in 2021 and 2020 are as follows:

		2021	2020
Original cost	$	7,904	7,971
Depreciation expenses	$	975	997

VIII. Pledged Assets

The carrying amount of the Group's pledged assets are as follows:

Description of asset	Subject matter of pledge		2021.12.31	2020.12.31
Other current assets (pledged fixed deposits)	Tariff Guarantee	$	1,040	1,037
Property, plant and equipment	Long-term borrowings		42,877	43,345
		$	43,917	44,382

IX. Significant contingent liabilities and unrecognized contract commitments: None.

X. Significant loss from disasters: None.

XI. Subsequent significant events: None.

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XII. Others

(I) Employee Benefits, Depreciation and Amortization Expenses by Function:

By Function / By Nature	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	82,705	279,802	362,507	87,465	310,206	397,671
Labor and health insurance expenses	9,354	33,680	43,034	8,913	32,437	41,350
Pension expenses	5,156	13,143	18,299	3,626	9,406	13,032
Remuneration to directors	-	7,044	7,044	-	8,855	8,855
Other employee benefit expenses	5,222	12,537	17,759	6,022	13,291	19,313
Depreciation expenses	29,362	43,352	72,714	30,421	44,034	74,455
Amortization expenses	-	7,730	7,730	25	8,710	8,735

XIII. Supplementary Disclosures

(I) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial statements by Securities Issuers, the Group shall disclose the following information concerning significant transactions in 2021:

1) Loans to others:

Unit: NTD/USD thousand

No.	Creditor	Debtor	Transaction item	If they are related to each other	Maximum amount of the period	Ending balance	Actual amount drawn	Range of interest rate	Nature of capital loan (Note 1)	Business transaction amount	Necessity for short-term financing	Amount of allowance loss appropriated	Collateral		Limit on loans granted to a single party (Note 2)	Total loan limit (Note 3)
													Investor	Value		
0	The Company	APLIGO GMBH	Other receivables	Yes	22,144 (USD800)	22,144 (USD800)	22,144 (USD800)	2.45%	2	-	Working capital for operation	-	-	-	304,732	609,464

Note 1: 1. The companies with which the Company engaged in transactions.
2. Necessity for short-term financing

Note 2: 1. The amount of loans to specific companies shall not exceed the total amount of the Company's business transactions with the Company in the most recent year.
2. The amount of loans to specific companies shall not exceed 10% of the net worth of the Company as stated in its latest financial statements audited or reviewed by an accountant.

Note 3: Total amount of loans shall not be more than 20% of the Company's net worth as stated in its latest financial statement audited or reviewed by an accountant.

Note 4: The above transactions have been fully eliminated as preparing the consolidated financial statements.

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT$ thousand/thousand shares

Name of Held Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	End of Period				Maximum shareholding or capital contribution during the period	Remarks
				Number of Shares	Carrying amount	Shareholding %	Fair value		
The Company	Zhuo I Erh Investment LP	-	Financial assets at fair value through profit or loss - non-current-	-	26,473	- %	26,473	- %	-
The Company	Min Chieh Industrial Holdings Corp.	-	Financial assets at fair value through other comprehensive income - non-current-	1,045	-	19.00 %	-	19.00%	-
The Company	Jui Neng Information Corp.	-	Financial assets at fair value through other comprehensive income - non-current-	800	8,000	16.00 %	8,000	16.00%	-
APLIGO GMBH	Shares in Volksbank Karlsruhe	-	Financial assets at fair value through other comprehensive income - non-current-	-	9	- %	9	- %	-

4) Marketable securities acquired and disposed of amounting to NT$300 million or 20% of the paid-in capital or more: None.

5) Acquisition of property amounting to NT$300 million or 20% of paid-in capital or more: None.

6) Disposal of property amounting to NT$300 million or 20% of paid-in capital or more: None.

7) Purchases from or sales to related parties amounting to NT$100 million or 20% of the paid-in capital or more:

Unit: NT$ thousand

Buyer (seller)	Counterparty	Relationship	Transaction Details				Unusual Transaction Terms and Reasons		Notes and account receivable (payable)		Remarks
			Purchases (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit Period	Unit Price	Credit Period	Balance	Ratio to Total Notes or Account Receivable (Payable)	
The Company	Beijing Caswell Ltd.	Subsidiary	(Sales)	(168,970)	(5.19) %	O/A 90 days	- (Note 1)	- (Note 1)	74,539	11.59%	(Note 2)
Beijing Caswell Ltd.	The Company	Parent company	Purchases	168,970	38.30 %	O/A 90 days	- (Note 1)	- (Note 1)	(74,539)	(40.61)%	(Note 2)
The Company	CASO, INC.	Subsidiary	(Sales)	(177,449)	(5.45) %	O/A 70 days	- (Note 1)	- (Note 1)	26,624	4.14%	(Note 2)
CASO, INC.	The Company	Parent company	Purchases	177,449	89.16 %	O/A 70 days	- (Note 1)	- (Note 1)	(26,624)	(76.30)%	(Note 2)
The Company	CASWELL AMERICAS, INC.	Subsidiary	(Sales)	(186,436)	(5.72) %	O/A 90 days	- (Note 1)	- (Note 1)	41,464	6.45%	(Note 2)
CASWELL AMERICAS, INC.	The Company	Parent company	Purchases	186,436	99.41 %	O/A 90 days	- (Note 1)	- (Note 1)	(41,464)	(96.15)%	(Note 2)
The Company	Thecus NL B.V.	Affiliates	Purchases	129,547	4.58 %	End of month 60 days	- (Note 1)	- (Note 1)	(70,485)	(8.11)%	-
APLIGO GMBH	American Industrial Systems Inc.	Affiliates	(Sales)	(262,841)	(65.74) %	O/A 60 days	- (Note 1)	- (Note 1)	34,380	45.72%	-

Note 1: Compared against general terms and conditions.

Note 2: The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

8) Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more: None.

9) Derivatives transactions: None.

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10) Business relations and significant transactions between the parent company and its subsidiaries:

Unit: NT$ thousand

No.	Name of Company	Counterparty	Relationship with the counterparty	Transaction Details			
				Ledger Account	Amount	Transaction terms	Ratio to total revenue or total assets
0	The Company	APLIGO GMBH	1	Sales revenue	32,175	Compared against general terms and conditions.	0.69%
0	The Company	Hawkeye Tech, Co., Ltd.	1	Sales revenue	618	Compared against general terms and conditions.	0.01%
0	The Company	Beijing Caswell Ltd.	1	Sales revenue	168,970	Compared against general terms and conditions.	3.62%
0	The Company	CASO, INC.	1	Sales revenue	177,449	Compared against general terms and conditions.	3.80%
0	The Company	CASWELL AMERICAS, INC.	1	Sales revenue	186,436	Compared against general terms and conditions.	3.99%
1	Hawkeye Tech, Co., Ltd.	The Company	2	Sales revenue	20,940	Compared against general terms and conditions.	0.45%
2	CASWELL AMERICAS, INC.	The Company	2	Sales revenue	2,213	Compared against general terms and conditions.	0.05%
3	APLIGO GMBH	The Company	2	Sales revenue	5,081	Compared against general terms and conditions.	0.11%
0	The Company	CASO, INC.	1	Account receivables	26,624	Compared against general terms and conditions.	0.54%
0	The Company	CASWELL AMERICAS, INC.	1	Account receivables	41,464	Compared against general terms and conditions.	0.84%
0	The Company	Beijing Caswell Ltd.	1	Account receivables	74,539	Compared against general terms and conditions.	1.50%

Note 1: The number is filled as follows:
1. Fill in 0 for parent company
2. Subsidiary are numbered in order starting from 1 by each company.

Note 2: Relationships with counterparties are listed as follows:
1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: For business relations and important transactions between the parent company and its subsidiaries, only information on sales and account receivables will be disclosed. Corresponding purchase and account payables won't be repeated.

(II) Information on reinvestments (excluding invested companies in mainland China):

The information on reinvestments in 2021:

Unit: NT$ thousand/thousand shares

Name of Investor	Name of investee	Region	Principal Business Activities	Initial Investment Amount		Held at the End of Period			Maximum shareholding or capital contribution during the period	Profit and loss of Investee for the Period	Current Profit (Loss) on Investment Recognized	Remarks
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying amount (Note 1)				
The Company	CASO, INC.	Japan	Imports and sales of network machines and computer peripherals	27,062	27,062	2	99.00%	82,197	99.00%	27,402	27,128	Subsidiary (Note 2)
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Samoa	Overseas investment	101,135	101,135	3,206	100.00%	206,356	100.00%	36,902	36,902	Subsidiary (Note 2)
The Company	CASWELL AMERICAS, INC.	USA	Sales of network communication products	92,460	92,460	3,000	100.00%	55,610	100.00%	4,870	4,870	Subsidiary (Note 2)
The Company	APLIGO GMBH	Germany	Hub and SI Service	60,275	60,275	24	66.67%	63,990	66.67%	4,311	2,635	Subsidiary (Note 2)
The Company	Hawkeye Tech, Co., Ltd.	Taiwan	Design and manufacturing of computers, network and computing equipment	602,041	602,041	9,097	60.64%	470,676	60.64%	33,178	16,655	Subsidiary (Note 2)

Note 1: Including adjustments for foreign currency translation.
Note 2: The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

(III) Information on investments in mainland China:

1) Information on reinvestments in mainland China:

Unit: NTD/USD/RMB thousand

Investee in mainland China	Principal Business Activities	Paid-in Capital	Way of Investment (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2)	Amount of Investments Remitted or Repatriated for the Period (Note 2)		Accumulated Amount of Investments Remitted from Taiwan at End of Period (Note 2)	Profit and loss of Investee for the Period	The Company's Direct or Indirect Shareholding %	Maximum shareholding or capital contribution during the period	Investment Profit (Loss) Recognized for the Period	carrying amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated							
Beijing Caswell Ltd.	Manufacturing and sales of network communication products	105,184 (USD3,800)	(2)	86,251 (USD3,116)	-	-	86,251 (USD3,116)	45,043	82%	82%	36,935	229,792	-

Note 1: There are three ways of investment:
1. Direct investment in mainland China.
2. Investment in mainland China through a company in another region.
3. Others, direct investment in a company in mainland China by subsidiary, KAISWAY.

Note 2: The exchange rate at end of period is used for foreign currency translation
Note 3: The above transactions have been fully eliminated as preparing the consolidated financial statements.

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2) Limits on Amount of Investments in Mainland China

Unit: NTD/USD thousand

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Limits on Amount of Investments in Mainland China as Stipulated by Investment Commission, M.O.E.A.
86,251 (USD3,116)	86,251 (USD3,116)	1,828,392

Exchange rates at end of period: USD：27.68；RMB 4.344.
Average exchange rates: USD：28.0079；RMB 4.3413.

3) Significant Transactions

Please refer to the "Information on significant transactions" for direct or indirect material transactions in 2021 between the Group and its investees in mainland China(which have been eliminated during the preparation of consolidated financial statements).

(IV) List of major shareholders:

Name of Major Shareholder	The Number of Shares Held	Shareholding %
Ennoconn	20,000,000	27.32%

Note: (1) The information of major shareholders in this table refers to the information calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter on the total number of ordinary shares and preferred shares (including treasury shares) of the Company held by shareholders which have been delivered with book-entry registration at least 5 percent in total. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

Note: (2) If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10% of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to TWSE MOPS for information on insider equity registration.

XIV. Segment Information

(I) General information

The Group has three segments to be reported, namely the domestic business office and the mainland China business office, which mainly engage in manufacturing and selling various computers and peripherals.

The Group’s other business segments mainly specialize in selling various computers and peripherals. The above segments didn't reach any quantitative thresholds for reporting in 2021 and 2020.

(II) Information involving profit or loss, asset, liability, and measurement basis and adjustment of reportable segments

The pretax profits (losses) of departments listed in internal management reports and audited by main business decision makers of the Group are reckoned as basis for resource allocation and performance appraisal of the management. As tax expenses (income), extraordinary profit or loss and exchange gain or loss are recognized on the group level, the Group does not allocate tax expenses (income), extraordinary profit or loss and exchange gain or loss to the reportable segments. Thus, not every reportable segment includes material non-monetary items besides depreciation and amortization in the profit or loss. The amounts reported are aligned with the amount recorded in the report used by the business decision makers.

The accounting policies of the business segments are the same as the "Summary of Significant Accounting Policies" in Note 4.

The Group deems the inter-segment sales and transfer as transaction with third parties. And such transactions are measured at current market price.

Information and adjustments of the Group's operating segments are as follows:

	2021				
	Domestic Operation Office	**Mainland China Operation Office**	**All Other Departments**	**Adjustments and elimination**	**Total**
Revenue:					
Revenue from external clients	$ 3,151,558	613,866	908,520	-	4,673,944
Inter-segment revenue	589,846	-	11,074	(600,920)	-
Total revenue	$ 3,741,404	613,866	919,594	(600,920)	4,673,944
Profits (losses) of reportable segments	$ 252,734	45,043	36,550	(94,262)	240,065
Assets of reportable segments	$ 4,776,476	521,895	411,436	(753,862)	4,955,945
Liabilities of reportable segments	$ 1,473,854	241,825	208,499	(194,634)	1,729,544

	2020				
	Domestic Operation Office	**Mainland China Operation Office**	**Others**	**Adjustments and elimination**	**Total**
Revenue:					
Revenue from external clients	$ 4,056,585	475,053	934,217	-	5,465,855
Inter-segment revenue	540,761	-	18,141	(558,902)	-
Total revenue	$ 4,597,346	475,053	952,358	(558,902)	5,465,855
Profits (losses) of reportable segments	$ 432,347	33,723	69,100	(118,333)	416,837
Assets of reportable segments	$ 4,513,286	533,371	537,086	(718,340)	4,865,403

Liabilities of reportable segments	$ 1,193,466	296,586	351,780	(223,190)	1,618,642

(III) Product and service information

The information of revenue from external customers for the Group was as follows:

Products and services	2021	2020
Network communication systems	$ 3,695,314	4,054,029
Network communication hosts	134,568	118,005
Other communication products	844,062	1,293,821
Total	$ 4,673,944	5,465,855

(IV) Geographical information

The region information of the Group is as follows, in which the income is classified based on the geographical location of customers, while the non-current assets are classified based on the geographical location of the assets.

By region	2021	2020
Revenue from external customers:		
Taiwan	$ 150,481	156,625
USA	1,492,670	2,184,921
Israel	1,133,783	1,133,559
China	614,757	475,245
United Kingdom	139,830	333,205
France	185,243	274,009
Other Countries	957,180	908,291
	$ 4,673,944	5,465,855
Non-current assets:		
Taiwan	$ 180,555	138,653
China	35,596	50,306
Japan	2,242	4,611
USA	5,297	2,126
Other Countries	9,271	13,680
Total	$ 232,961	209,376

(V) Major customer information

Client code	2021	2020
Client A	$ 848,430	893,477
Client B	498,501	919,508
Total	$ 1,346,931	1,812,985

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Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the balance sheets of CASwell, Inc. as at December 31, 2021 and 2020, and related statements of comprehensive income, of changes in equity and of cash flows for the period from January 1 to December 31, 2021 and 2020, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinions, the parent company only financial statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and are considered to present fairly the financial conditions of CASwell, Inc. as of December 31, 2021 and 2020, as well as the financial performance and cash flows of CASwell, Inc. from January 1 to December 31, 2021 and 2020.

Basis for Audit Opinions

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CASwell, Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant ("the Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of CASwell, Inc. for 2021. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinions thereon, we do not provide separate opinions on these matters. Key audit matters for the company's financial statements of the current period are stated as follows:

I. Inventory valuation

Please refer to Note IV(VII) to the financial statements for the accounting policy regarding the inventory valuation. Please refer to Note V(I) to the financial statements for the uncertainties of accounting estimates and assumptions regarding the realizability of inventory assessment. Please refer to Note VI(IV) to the financial statement for an explanation of the inventory valuation.

Notes on key audit matters:

Inventory amount of CASwell, Inc.is presented in the financial statements as costs or net realizable value whichever is lower. Due to rapid changes of sciences and technologies, new product launch might cause changes in consumer demands and significant fluctuations in sales of related products, so the costs of inventories might exceed their net realizable value. Losses of obsolete and slow-moving inventories shall be separately evaluated dependent upon inventory classification and how many days the inventories have become obsolete. The presentation of such inventories involves subjective judgment, so inventory valuation was one of our important audit matters particularly audited for the financial statements of CASwell, Inc.

Audit processes:

The main audit processes we adopted for the above key audit matters included performing inventory valuation to evaluate if CASwell, Inc. had presented its inventories based on the predetermined policies for presenting write-downs of inventories; auditing basis of selling prices and net realizable value adopted by the management, in order to verify appropriateness of the estimated writedowns of inventories and expediency of the net realizable value; implementing the sampling procedure to verify rationality of inventory age; and analyzing the ratio of the current inventory writedowns to the balance of normal inventories, in order to evaluate if the writedowns of general inventories are appropriate.

II. Recognition and Cutoff of Revenues

For detailed accounting policies for revenue recognition, refer to Note IV(XIV); for details of revenues, refer to Note VI(XVI).

Notes on key audit matters:

The revenues of CASwell, Inc. have mainly been earned from R&D, production and sales of related equipment related to safe network communication platforms. They were recognized as investors' concerns, so recognition and cutoff of revenues were one of important items we evaluated in auditing the financial reports of CASwell, Inc.

Audit processes:

Our main audit processes for the above key audit matter included testing revenue related internal control systems; reviewing new material contracts and understanding impacts of contractual terms upon revenue recognition; sampling sales transactions concluded over a period before and after the date of the balance sheet, and evaluating if revenues were accounted at the right time points.

III. Evaluation of Investment Impairment Accounted for Using the Equity Method

For the detailed accounting policy regarding investment impairment accounted for using the equity method, refer to Note IV(VIII) Investment in Subsidiaries; for the uncertainties of accounting estimates and assumptions regarding investment impairment accounted for using the equity method, refer to Note V(II); for details of the financial reports on investments accounted for using the equity method, refer to Note VI(V).

Notes on key audit matters:

The goodwill generated by merger and acquisition of CASwell, Inc. is material. The management has evaluated and tested impairment according to the international accounting standards, and estimated the future cash flows expected from the asset's cash-generating unit. Calculation of future cash flows involves several assumptions and estimates, with a high level of uncertainty, so evaluating investment impairment using equity method has been listed as a key audit matter by us in auditing the financial reports of CASwell, Inc.

Audit processes:

Our main audit processes for the above key audit matter included evaluating future cash flow forecasts and discount rate of hypotheses adopted by the impairment model, comparing historical performances with future cash flow forecasts, and comparing discount rate against related external data, so as to perform impairment test of goodwill.

Responsibilities of Management and Governing Bodies for Financial Statements

To ensure that the financial reports do not contain material misstatements caused by fraud or errors, the management is responsible for preparing fair financial reports in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintaining necessary internal control related to preparation of financial reports.

In preparing financial reports, the management is responsible for evaluating the ability of CASwell, Inc. to continue as a going concern, disclosing, as applicable, matters related to the going concern, and use the going concern basis of accounting, unless the management either intends to liquidate CASwell, Inc. ceases operations, or has no realistic alternative but to do so.

The governing bodies of CASwell, Inc. (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 might arise from fraud or error The misstatements may be considered material if they are individually or in the aggregate could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the parent company only financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of CASwell, Inc.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 ability of CASwell, Inc. to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CASwell, Inc. to cease to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investee companies under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit of these investee companies and for expressing an opinion on the financial statements of CASwell, Inc.

We communicate with those governing bodies 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 governing bodies 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 governing bodies, we determine the key audit matters of the parent company only financial statements of CASwell, Inc. for 2021. We describe these matters in our auditor's 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.

KPMG

CPA:

Securities Competent Authority Approval No.:	Tai-Cai-Zheng-6 No.0930106739 Jin-Guang-Zheng-Shen No.1040003949

March 17, 2022

CASwell, Inc.
Balance Sheets
December 31, 2021 and 2020

Unit: NTD Thousand

Code	Assets	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note VI(I))	$ 386,988	9	465,892	11
1110	Financial assets at fair value through profit or loss - current (Note VI(IX))	-	-	373	-
1170	Notes receivables and accounts receivables - net (Note VI(II)(XVI))	492,891	12	631,757	15
1180	Accounts receivables from related parties - net (Note VI(II)(XVI) and VII)	150,095	3	194,357	5
1200	Other receivables (including related parties) (Note VI(III) and VII)	144,313	3	75,790	2
1220	Current income tax assets	465	-	-	-
130X	Inventories (Note VI(IV))	2,012,021	46	1,781,602	43
1470	Other current assets (Note VIII)	183,956	4	60,897	2
	Total current assets	3,370,729	77	3,210,668	78
	Non-current assets:				
1510	Financial assets at fair value through profit or loss - non-current	26,473	1	14,400	1
1517	Financial assets at fair value through other comprehensive income - non-current	8,000	-	8,000	-
1550	Investment accounted for using the equity method (Note VI(V))	878,829	20	823,277	20
1600	Property, plant and equipment (Note VI(VII))	40,607	1	31,655	1
1755	Right-of-use assets (Note VI(VIII))	51,576	1	11,270	-
1780	Intangible assets	1,142	-	1,566	-
1900	Other non-current assets	4,463	-	238	-
	Total non-current assets	1,011,090	23	890,406	22
	Total assets	**$ 4,381,819**	**100**	**4,101,074**	**100**

Code	Liabilities and equity	2021.12.31 Amount	%	2020.12.31 Amount	%
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note VI(IX))	$ 116	-	-	-
2170	Notes and accounts payable	783,803	18	502,641	12
2180	Accounts payable - related parties (Note VII)	85,499	2	111,361	3
2200	Other payables (including related parties) (Note VII)	112,223	3	99,126	3
2230	Current income tax liabilities	-	-	42,628	1
2252	Short-term provisions for warranty	4,597	-	4,914	-
2280	Lease liabilities - current (Note VI(X))	21,182	-	10,304	-
2300	Other current liabilities	92,317	2	53,711	1
	Total current liabilities	1,099,737	25	824,685	20
	Non-current liabilities:				
2530	Bonds payable (Note VI(IX))	165,088	3	175,040	4
2552	Long-term provisions for warranty	11,685	-	10,383	-
2570	Deferred tax liabilities (Note VI(XII))	27,407	1	12,379	1
2580	Lease liabilities - non-current (Note VI(X))	30,515	1	1,066	-
2670	Other non-current liabilities - others	67	-	74	-
	Total non-current liabilities	234,762	5	198,942	5
	Total liabilities	1,334,499	30	1,023,627	25
	Equity (Note VI(XIII)):				
3100	Share capital	731,889	17	730,678	18
3200	Capital surplus (Note VI(IX))	1,431,140	33	1,412,389	35
3300	Retained earnings:				
3310	Legal reserve	287,689	6	265,232	6
3320	Special reserve	30,068	1	32,749	1
3350	Unappropriated earnings (Note VI(VI))	617,406	14	684,323	17
	Total retained earnings	935,163	21	982,304	24
3400	Other equity	(50,872)	(1)	(30,068)	(1)
3500	Treasury shares (Note VI(XIII)(XIV))	-	-	(17,856)	(1)
	Total equity	3,047,320	70	3,077,447	75
	Total liabilities and equity	**$ 4,381,819**	**100**	**4,101,074**	**100**

(Please read the notes to the parent company only financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc.
Statements of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

Code	Item	2021 Amount	2021 %	2020 Amount	2020 %
4000	**Operating revenue (Note VI(XVI) and VII)**	$ 3,257,900	100	3,821,434	100
5000	**Operating costs (Note VI(IV)(VII)(VIII)(X)(XI)(XIV)(XVII) and XII)**	2,708,363	83	3,116,556	82
	Gross profit	549,537	17	704,878	18
	Operating expenses (Note VI(VII)(VIII)(X)(XI)(XIV)(XVII) and XII):				
6100	Selling and marketing expenses	111,797	3	92,852	2
6200	General and administrative expenses	52,261	2	55,770	1
6300	Research and development expenses	201,216	6	183,430	5
6450	Expected credit loss (Note VI(II))	-	-	60	-
	Total operating expenses	365,274	11	332,112	8
	Net operating income	184,263	6	372,766	10
	Non-operating income and expenses (Note VI(XVIII)):				
7100	Interest income	1,349	-	2,256	-
7010	Other income	15,220	-	10,560	-
7020	Other gain and loss	(17,030)	(1)	(7,469)	-
7050	Finance costs (Note VI(IX)(X))	(2,640)	-	(5,838)	-
7070	Shares of profit of subsidiaries accounted for using the equity method	88,190	3	84,603	2
	Total non-operating income and expenses	85,089	2	84,112	2
7900	**Net pretax profit of current period**	269,352	8	456,878	12
7950	**Less: Income tax expense (Note VI(XII))**	49,796	1	84,525	2
8200	**Net profit of current period**	219,556	7	372,353	10
8300	**Other comprehensive income/(loss):**				
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences arising from the translation of foreign operations	(20,804)	(1)	2,681	-
8399	Less: Income tax relating to items that may be reclassified	-	-	-	-
	Total of items that may be reclassified subsequently to profit or loss	(20,804)	(1)	2,681	-
8300	**Other comprehensive income/(loss) of current period**	(20,804)	(1)	2,681	-
8500	**Total comprehensive income/(loss) of current period**	$ 198,752	6	375,034	10
	Earnings per share (Note VI(XV))				
9750	Basic earnings per share (NTD)	$ 3.00		5.29	
9850	Diluted earnings per share (NTD)	$ 2.95		5.18	

(Please read the notes to the parent company only financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc.
Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

			Retained earnings			Other equity items			
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising from the translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Treasury shares	Total equity
Balance as of January 1, 2020	$ 680,357	934,426	236,334	13,066	711,812	(22,299)	(10,450)	(17,856)	2,525,390
Net profit of current period	-	-	-	-	372,353	-	-	-	372,353
Other comprehensive income/(loss) of current period	-	-	-	-	-	2,681	-	-	2,681
Total comprehensive income/(loss) of current period	-	-	-	-	372,353	2,681	-	-	375,034
Earnings appropriation and distribution:									
Appropriation of legal reserve	-	-	28,898	-	(28,898)	-	-	-	-
Appropriation of special reserve	-	-	-	19,683	(19,683)	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(203,477)	-	-	-	(203,477)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(147,784)	-	-	-	(147,784)
Stock options of equity components recognized due to issuance of convertible bonds-	-	18,830	-	-	-	-	-	-	18,830
Corporate bond conversion into ordinary shares	50,321	459,133	-	-	-	-	-	-	509,454
Balance as of December 31, 2020	730,678	1,412,389	265,232	32,749	684,323	(19,618)	(10,450)	(17,856)	3,077,447
Net profit of current period	-	-	-	-	219,556	-	-	-	219,556
Other comprehensive income/(loss) of current period	-	-	-	-	-	(20,804)	-	-	(20,804)
Total comprehensive income/(loss) of current period	-	-	-	-	219,556	(20,804)	-	-	198,752
Earnings appropriation and distribution:									
Appropriation of legal reserve	-	-	22,457	-	(22,457)	-	-	-	-
Reversal of special reserve	-	-	-	(2,681)	2,681	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(266,697)	-	-	-	(266,697)
Corporate bond conversion into ordinary shares	1,211	11,041	-	-	-	-	-	-	12,252
Transfer of treasury stocks to employees	-	7,710	-	-	-	-	-	17,856	25,566
Balance as of December 31, 2021	$ 731,889	1,431,140	287,689	30,068	617,406	(40,422)	(10,450)	-	3,047,320

(Please read the notes to the parent company only financial statements attached here below carefully)

Chairman: Steve Chu **Manager: Reaforl Hung** **Accounting Supervisor: Helen Chang**

CASwell, Inc.
Statements of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NTD Thousand

	2021	2020
Cash flows from operating activities:		
Net pretax profit of current period	$ 269,352	456,878
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	34,415	35,969
Amortization expenses	1,646	2,651
Expected credit loss	-	60
Net gain on financial assets at fair value through profit or loss	(811)	(2,214)
Interest expense	2,640	5,838
Interest income	(1,349)	(2,256)
Shares of profit of subsidiaries accounted for using the equity method	(88,190)	(84,603)
Loss (gain) on disposal and scrap of property, plant and equipment	(339)	-
Gain (loss) on unrealized sales	(446)	698
Compensation cost relating to share-based payment	7,764	-
Total adjustments for reconcile profit (loss)	(44,670)	(43,857)
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Decrease (increase) in notes and accounts receivable (including related parties)	183,128	(37,573)
(Increase) decrease in other receivables (including related parties)	(68,487)	5,136
Increase in inventories	(230,419)	(474,165)
Decrease (increase) in other current assets	(123,059)	3,989
Total net changes in operating assets	(238,837)	(502,613)
Net changes in operating liabilities:		
Increase in notes and accounts payable (including related parties)	255,300	59,003
Increase in other payable (including related parties)	13,079	15,490
Increase in warranty provisions	985	199
Increase in other current liabilities	38,606	9,192
Total net changes in operating liabilities	307,970	83,884
Total net changes in operating assets and liabilities	69,133	(418,729)
Total adjustments for reconcile profit (loss)	24,463	(462,586)
Net cash inflows from operating activities	293,815	(5,708)
Interest received	1,313	2,427
Interest paid	(295)	(431)
Income tax paid	(77,861)	(54,190)
Net cash outflows from operating activities	216,972	(57,902)
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive gains and losses	-	(8,000)
Acquisition of financial assets at fair value through profit or loss	(10,800)	(14,400)
Acquisition of investments accounted for under the equity method	-	(224,929)
Acquisition of property, plant and equipment	(24,427)	(17,974)
Disposal of property, plant and equipment	1,714	-
Acquisition of intangible assets	(1,222)	(639)
Increase in other non-current assets	(4,225)	(87)
Dividends received	12,280	34,125
Net cash used in investing activities	(26,680)	(231,904)
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(130,000)
Issuance of convertible corporate bonds	-	699,700
Repayment of lease principal	(20,294)	(20,568)
Decrease (increase) in other non-current liabilities	(7)	40
Cash dividends paid	(266,697)	(203,477)
Share issuance costs	(54)	-
Transfer costs of treasury stocks	17,856	-
Net cash (outflow) inflow generated from financing activities	(269,196)	345,695
(Decrease) increase in cash and cash equivalents	(78,904)	55,889
Cash and cash equivalents at beginning of period	465,892	410,003
Cash and cash equivalents at end of period	$ **386,988**	**465,892**

(Please read the notes to the parent company only financial statements attached here below carefully)

Chairman: Steve Chu   Manager: Reaforl Hung   Accounting Supervisor: Helen Chang

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

I. Company History

CASwell, Inc. (hereinafter referred to as "the Company") was established on April 19, 2007 with the approval of the Ministry of Economic Affairs at the registered address of Principal business of the Company, F8, No.242, Bo'ai Street, Shulin District, New Taipei City, includes manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services.

II. Date of Approval of Financial Statements and Approval Procedures

The parent company only financial statements have been approved by the Board of Directors on March 17, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission.

The Company has adopted the revised IFRSs since January 1, 2021, without any material impact on the parent company only financial statements.

(II) Effect of IFRSs endorsed by the FSC but not yet adopted by the Company

The Company has evaluated that the adoption of the revised IFRSs, effective from January 1, 2022, will not have a material impact on the parent company only financial statements.

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

(III) New and amended IFRSs, not yet endorsed by the FSC, and their interpretations

The Company has evaluated that the below standards released and amended but not yet endorsed do not have a material impact on the parent company only 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 IAS 17
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 “Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction”

IV. Summary of Significant Accounting Policies

The significant accounting policies applied to the parent company only financial statements are as follows. These policies, excluding Note 3, have been consistently applied to all the periods presented in the parent company only financial statements.

(I) Compliance Declaration

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

(II) Preparation basis

1) Basis of measurement

Except for the following significant items provided in the balance sheet, the parent company only financial statements are prepared based on historical cost convention:

a) Financial assets at fair value through profit or loss measured at fair value.

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

2) Functional currency and presentation currency

The functional currency of the Company should be the currency of the primary economic environment in which it operates as the functional currency. The parent company only financial statements of the Company are presented in the New Taiwan, Dollars, the functional currency of the Company. The amount of financial information in New Taiwan Dollars shall be dominated in thousands of NTD.

(III) Foreign Currency

1) Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign non-currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Exchange differences resulting from translating the foreign currency are generally recognized as profit and loss, but the following items are recognized as other comprehensive income:

a) Exchange differences identified as equity instruments at fair value through other comprehensive income;

b) Exchange differences identified as financial liabilities designated as hedges of net investments of foreign operations within the effective hedging range; or

c) Qualified cash flow hedge within the effective hedging range.

2) Foreign operation

The assets and liabilities of a foreign operation, including the goodwill and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the revenue and expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive income.

When the disposal of a foreign operation causes loss of control, joint control or material impact, all cumulative exchange differences that are attributable to such foreign operation are to be reclassified to profit or loss. In the case of partial disposal of a subsidiary with a foreign operation, the accumulated exchange difference is reclassified into non-controlling interest in proportion. In the case of partial disposal of investments in an affiliated enterprise or joint venture with a foreign operation, the accumulated exchange difference is reclassified into profit or loss in proportion.

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, the related gains and losses arising from the foreign currency exchange are regarded as part of the net investment in that foreign operation and recognized as other comprehensive income.

(IV) Standards for classification of current and non-current assets and liabilities

Assets that meet any of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

1) Assets expected to be realized, or intended to be sold or consumed within the normal operating cycle;

2) Assets held primarily for exchange;

3) Assets expected to be realized within 12 months after the end of the reporting period; or

4) Cash or cash equivalents, excluding restricted cash or cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the reporting period.

Liabilities that meet any of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

1) Liabilities expected to be paid off within the normal operating cycle;

2) Liabilities held primarily for exchange;

3) Liabilities to be paid off within 12 months after the end of the reporting period; or

4) Liabilities with a repayment schedule that the repayment cannot be unconditionally deferred till at least 12 months after the end of the reporting period. Terms of liabilities, settled by issuance of equity instruments at the option of the counterparty, do not affect the classification of such liability.

(V) Cash and Cash Equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the foregoing definition and are held for short-term cash commitments other than investment or other purposes are presented as cash equivalents.

(VI) Financial Instruments

Account receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Company becomes a party of the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than account receivables that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. Account receivable that do not contain a significant financing component are measured at transaction prices.

1) Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the Company consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date. Financial assets, when initially recognized, may be classified into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- It is held within a business model with an aim to hold assets to collect contractual cash flows.
- The terms and conditions of the contract of such financial assets, generate a cash flow on a specified date, that are solely for the payment of interest on the

principal and the amount of principal outstanding.

Such financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. When performing derecognition, cumulative profit or loss is recognized as profit or loss.

b) Financial assets at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably opt to present subsequent changes in the investment’s fair value in other comprehensive income. This option is made on an instrument-by-instrument basis.

An investment through equity instrument is subsequently measured at fair value. Dividend income (unless it clearly represents the return on part of the investment cost) is recognized as profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

Dividend income derived from equity investments is recognized on the date (normally the ex-dividend date) that the Company is entitled to receive dividend.

c) Financial assets at fair value through profit or loss

Financial assets that are not at amortized cost or at fair value through other comprehensive income as mentioned above are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net profits or losses (including any dividends and interest income) are recognized as profit or loss.

d) Impairment of financial assets

The expected credit loss for financial assets at amortized cost by the Company (including cash and cash equivalents, financial assets at amortized cost, notes receivable and account receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The Company measures loss allowances at an amount equal to lifetime 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 allowances of account receivables are recognized based on the expected credit loss during the term of duration.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

Time deposits held by the Company are traded with and performed by financial institutions of investment grade or above, and therefore are deemed to have low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

If the contract payment is more than 180 days overdue or the borrower is unlikely to fulfill its credit obligation to pay the Company in full, the Company considers that default occurs on the financial asset.

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

The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date (or within a shorter period, if the period of existence of financial instruments is less than 12 months).

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

ECLs are a probability-weighted estimate of credit losses during the period of existence of financial instruments. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The Company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of a credit impairment of a financial asset includes the observable information for the following events:

- ・Major financial difficulties of the borrower or issuer;
- ・Default, such as delay or overdue for more than 180 days;
- ・The Company may make a concession for the borrower that would not have been considered for economic or contractual reasons related to the borrower's financial difficulties;
- ・The borrower is most likely to file for bankruptcy or conduct other financial restructuring; or
- ・The active market for the financial asset disappears due to financial difficulties.

The allowance loss of financial assets at amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off directly provided that that there is no realistic prospect of recovery either partially or in full. For companies, the Company analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The Company expects that the amount written off will not be materially reversed. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

e) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises, or does not transfer nor retain almost all risk and rewards of ownership nor retain right to control such financial assets.

When the Company enters into a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2) Financial liabilities and equity instruments

a) Classification of liabilities or equities

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

b) Equity transactions

Equity instruments refer to any contracts containing the Company’s residual interests after subtracting liabilities from assets. The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

c) Treasury shares

When buying back the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury shares. For subsequent sales or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

d) Composite instruments

The composite financial instruments issued by the Company refer to corporate bonds (denominated in NTD) for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the initially recognized amount is measured at fair value through liabilities excluding those similar to equity conversion option. For the components of equity, the initially recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity.

After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

e) Financial liabilities

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial assets at fair value through profit or loss are measured at fair value; and profit or loss, including any interest expense, arising from such financial assets are recognized as profit or loss.

Other subsequent financial liabilities are measured at amortized cost using the effective interest method. Interest expense and profit or loss from foreign currency exchange are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

f) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are derecognized and the new financial liabilities are recognized at fair value based on the revised terms.

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

g) Offset of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the it has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VII) Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are measured at standard cost generally, but when compared against actual cost during the reporting period, necessary adjustment should be made to ensure the inventories are approximate to the weighted average cost. The net realizable value is the estimated selling price in the ordinary course of business less the estimated additional cost required for completion and the estimated cost necessary to offer for sale.

(VIII) Investments in Subsidiaries

In preparation of parent company only financial statements, the Company uses equity method for investments with controlling interests. Under equity method, allocated amount in income (loss) of parent company only financial statements, consolidated financial statements prepared, and other comprehensive income (loss) attributable to shareholders of the parent company are the same. Shareholders' equity in parent company only financial statements and equity attributable to shareholders of the parent Company in consolidated financial statements are the same.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction.

(IX) Property, Plant and Equipment

1) Recognition and measurement

Property, plant and equipment shall be measured by deducting accumulated depreciation or any accumulated impairment from cost (including capitalized borrowing costs).

The material components of property, plant and equipment with different service lives are treated as separate items (major components) of property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment shall be recognized as profit and loss.

2) Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Company.

3) Depreciation

Depreciation is calculated based on the cost deducting the residual value, and depreciation measured using the straight-line method is recognized in profit or loss within the estimated service life of each component.

The estimated service lives of equipment for the current and comparative periods:

a) Machinery equipment: 3～5 years

b) R&D equipment: 2～5 years

c) Other equipment: 2～10 years

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

(X) Lease

The Company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

The Company, as a lessee, recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the Company is used. Generally speaking, the Company adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

1) Fixed benefits, including substantial fixed benefits;
2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
3) The residual value guarantee expected to be paid; and
4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

1) Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
2) Changes in the residual value guarantee expected to be paid;
3) Changes in the evaluation of the underlying asset purchase option;
4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
5) Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

For the short-term lease of office and other equipment and the lease of low-value underlying assets leased, the Company chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

(XI) Intangible Assets

1) Recognition and measurement

Intangible assets acquired by the Company with a limited-service life are measured by deducting accumulated amortization and accumulated impairment from cost.

2) Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, amortization, measuring with the straight-line method, is recognized as profit or loss within their estimated service life.

The estimated service lives of equipment for the current and comparative periods:

Computer software: 2~ 5 years

The residual value, service life and amortization method of intangible assets are reviewed by the Company on each reporting date, and adjusted when necessary.

(XII) Impairments of Non-financial Assets

On each reporting date, the Company assesses whether there is any indication that the carrying amount of non-financial assets (other than inventory and deferred tax assets) is impaired. If any such indication is found, the recoverable amount of the asset is estimated. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill derived from the merger is apportioned to the cash generating units or groups of cash generating units that are expected to benefit from the general effect of the merger.

The recoverable amount is measured by deducting disposal cost and value in use of an individual asset or cash generating unit from its fair value, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

If loss from impairment is recognized in current profit and loss, carrying amount of goodwill allocated to the cash generating unit should be reduced first, and then carrying amount of other assets within the unit should be reduced in proportion.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will be reversed only to the extent not exceeding the carrying amount (less depreciation or amortization) determined if the impairment loss had not been recognized in the previous year.

(XIII) Provisions

The recognition of provisions means that the Company has a present obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of which can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

Provision for warranty liabilities is recognized at the time of sale of goods or services and is measured on a weighted basis according to its relative probability based on historical warranty information and all possible outcomes.

(XIV) Revenue Recognition

1) Revenue from contracts with customers

Revenue is measured at the consideration to which it is expected to be entitled in transferring the goods or services. The Company recognizes revenue only when the control of goods or services is transferred to customers and the obligations are fulfilled. Major sources of revenue of the Company are as follows:

a) Sales of goods

The Company manufactures and sells to customers network communication products. The Company recognizes revenue when control of the products has transferred. The control of the products has transferred 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 means conveying the product to designated place, whereby its obsolescence and loss risk has been transferred to customer, and the customer has accepted the product according to sales contract while the acceptance inspection term goes invalid, or the Company has objective evidences to believe that all acceptance inspection conditions have been met.

The Company provides standard warranty on clients' products and therefore assumes the obligation to refund defects, and has recognized the obligation as provisions for warranty.

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

b) Financial components

The Company expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment for such goods or services by the customer is not exceed one year. Therefore, the Company does not adjust the time value of money of the transaction price.

(XV) Employee Benefits

1) Defined contribution scheme

Obligations for contribution to defined pension contribution scheme are recognized as expenses for the periods during which services are rendered by employees.

2) Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered by employees. A liability is recognized for the amount expected to be paid if the Company 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.

(XVI) Share-based Payment Transactions

The share-based payment agreement for equity delivery is recognized as expenses and increase in relative interest at the fair value of the date of conclusion during accrued period of the award. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Non-vesting conditions of share-based payment rewards have been reflected in measurement of fair value of share-based payment on the date payment is made, and there is no need to verify and adjust difference between estimate and actual values.

The date on which the share-based payment is made is the base date for capital increase approved by the Board of Directors.

(XVII) Income Taxes

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

Current income tax includes the estimated income tax payable or tax refunds receivable based on tax gains (losses) for the current year and any adjustments to income taxes payable or tax refunds receivable for the previous year. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is measured and recognized based on the temporary difference between the amount of assets and liabilities on the books for financial reporting purposes and the tax basis. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

1) Assets or liabilities, other than those initially recognized in merger, which do not affect

accounting profits and tax gains (losses) at the time of the transaction;

2) Temporary differences, associated with investments in subsidiaries, that the Company is able to control the time of reversal and may not be reversed in the foreseeable future; and

3) Taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences using the statutory or substantive legislative tax rate on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1) The entity has the legal right to offset current tax liabilities with current tax assets; and

2) Deferred tax assets and deferred tax liabilities relate to one of the following tax payers whose income tax is levied by the same tax authority:

a) The same tax payer; or

b) Other tax payers, but such tax payers intend to settle current income tax liabilities and assets of significant amount on a net basis in each future period when the deferred income tax assets of a significant amount are expected to be recovered and the deferred income tax liabilities are expected to be paid, or to acquire assets and liquidate liabilities at the same time.

(XVIII) Earnings Per Share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share of the Company is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the current period. The calculation of diluted earnings per share is based on the profit and loss attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares. Potential diluted ordinary shares of the Company include convertible bonds and stock options for employees.

(XIX) Segment Information

The Company has disclosed information of operating segments in consolidated financial statements. Therefore, related information is not disclosed in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires the management to make judgments, estimations 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.

Management continually reviews estimates and underlying assumptions, and recognizes the changes in accounting estimates in the period of change and in the affected future periods.

The Company has no accounting policies that involve material judgments and have material impact on the amounts recognized in the parent company only financial statements.

For the uncertainties in the assumptions and estimates, the information related to the material risk that will result in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year and reflect the impact of COVID-19 is as follows:

(I) Inventory Valuation

As inventories are measured at the cost or net realizable value, whichever comes lower, the Company estimates the net realizable value of inventories that are normally worn and torn, obsolescent or unmarketable on the reporting date and then writes down the cost of inventories to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes.

(II) Valuation of Impairment of Investments Accounted for Using the Equity Method

Valuation of impairment of investments using equity method relies on subjective judgment of the Company, and the Company has to judge if the goodwill in invested subsidiaries has been impaired, goodwill that acquired through merger on the acquisition date shall be amortized into the cash-generating unit the Company expects to benefit from the comprehensive effects of the merger to evaluate the value in use of the goodwill amortized in the cash-generating unit. To calculate the value in use, the management shall estimate the future cash flow expected to be generated from the cash-generating unit goodwill is amortized to, and determine the appropriate discount rate used to calculate the present value. Significant impairment loss may occur if actual cash flows are lower than the forecasts.

VI. Details of Significant Accounts

(I) Cash and Cash Equivalents

		2021.12.31	2020.12.31
Cash on hand and petty cash	$	608	630
Foreign currency and demand deposits		386,380	285,262
Time deposits		-	180,000
Cash and cash equivalents reported in the cash flow statement	$	386,988	465,892

Refer to Note 6(s) for the details on interest rate risk and sensitivity analysis of financial assets and liabilities of the Company.

(II) Notes receivable and account receivable (including related parties)

		2021.12.31	2020.12.31
Notes receivables - operating	$	84	211
Account receivables - measured at amortized cost		643,782	826,783
Less: Loss allowance		(880)	(880)
	$	642,986	826,114

The Company applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes receivable and account receivable were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward-looking information was incorporated as well. The expected credit loss of notes receivable and account receivable of the Company is analyzed as follows:

	2021.12.31		
	Carrying amount of account receivables	Weighted average expected credit loss rate	Expected credit losses during the lifetime of loss allowance
Not overdue	$ 628,235	0.14%	880
Less than 30 days overdue	15,631	0%	-
	$ 643,866		880

	2020.12.31		
	Carrying amount of account receivables	Weighted average expected credit loss rate	Expected credit losses during the lifetime of loss allowance

Not overdue	$ 777,630	0.10%	787
Less than 30 days overdue	26,924	0.29%	77
31 - 120 days overdue	22,440	0.07%	16
	$ 826,994		880

Changes in loss allowances for notes receivable and account receivable of the Company are as follows:

	2021	2020
Beginning balance	$ 880	820
Impairment loss recognized	-	60
Ending balance	$ 880	880

None of the aforesaid financial assets is used as a guarantee for borrowing and financing.

Please refer to Note 6(s) for further information on other credit risks.

(III) Other receivables

	2021.12.31	2020.12.31
Other receivables - loans to subsidiaries	$ 22,144	22,784
Other receivables - related parties	12,437	5,085
Others	109,732	47,921
Less: Loss allowance	-	-
	$ 144,313	75,790

Please refer to Note 6(s) for further information on other credit risks.

(IV) Inventories

	2021.12.31	2020.12.31
Raw materials and consumables	$ 1,403,222	906,965
Work-in-process	218,916	218,794
Finished goods	389,883	655,843
	$ 2,012,021	1,781,602

Details of cost of goods sold in 2021 and 2020 are as follows:

	2021	2020
Inventory cost of goods sold	$ 2,647,750	3,040,327
Loss on inventory valuation (gains on inventory valuation)	(3,902)	4,462
Loss for inventory obsolescence	9,731	5,275
Others	54,784	66,492
	$ 2,708,363	3,116,556

No inventories of the Company was pledged as collateral as of December 31, 2021 and 2020.

(V) Investments accounted for using the equity method

The Company's investments accounted for using the equity method on the reporting date are listed below:

	2021.12.31	2020.12.31
Subsidiary	$ 878,829	823,277

Please refer to the consolidated financial statements for 2021.

No investments accounted for using the equity method were pledged as collateral as of December 31, 2021 and 2020.

(VI) Changes in ownership equities in subsidiaries

The Company acquired equity shares of Hawkeye and APLIGO at the price of NT$197,041 thousand and NT$27,888 thousand in cash on July 15 and August 25, 2020, respectively, resulting in the shareholding ratio increased from 40% and 52% to 60.64% and 66.67%, respectively.

The above changes in the ownership interest of the subsidiaries have produced the following impact on the owners' equity attributable to the parent company:

	Hawkeye	APLIGO	Total
Carrying amount of additional equities acquired	$ 53,707	23,438	77,145
Consideration paid	(197,041)	(27,888)	(224,929)
Retained earnings - the difference between the price paid to acquire equities in a subsidiary and its carrying amount	$ (143,334)	(4,450)	(147,784)

(VII) Property, Plant and Equipment

Changes in cost and depreciation of property, plant and equipment of the Company are as follows:

	Machinery equipment	R&D equipment	Other equipment	Total
Cost:				
Balance on January 1, 2021	$ 11,143	32,952	29,340	73,435
Additions	6,000	1,062	17,365	24,427
Disposal	(4,621)	(16,131)	(10,826)	(31,578)
Balance on December 31, 2021	$ 12,522	17,883	35,879	66,284
Balance on January 1, 2020	$ 17,786	27,827	31,176	76,789
Additions	3,728	6,545	7,701	17,974
Disposal	(10,885)	(1,420)	(9,537)	(21,842)
Transferred from prepayments	514	-	-	514

for equipment					
Balance on December 31, 2020	**$**	**11,143**	**32,952**	**29,340**	**73,435**
Depreciation and impairment loss:					
Balance on January 1, 2021	$	5,900	19,306	16,574	41,780
Depreciation		3,832	5,952	4,316	14,100
Disposal		(4,621)	(16,131)	(9,451)	(30,203)
Balance on December 31, 2021	**$**	**5,111**	**9,127**	**11,439**	**25,677**
Balance on January 1, 2020	$	12,094	14,376	21,692	48,162
Depreciation		4,691	6,350	4,419	15,460
Disposal		(10,885)	(1,420)	(9,537)	(21,842)
Balance on December 31, 2020	**$**	**5,900**	**19,306**	**16,574**	**41,780**
Carrying Amount:					
December 31, 2021	**$**	**7,411**	**8,756**	**24,440**	**40,607**
December 31, 2020	**$**	**5,243**	**13,646**	**12,766**	**31,655**

No property, plant or equipment of the Company was pledged as collateral as of December 31, 2021 and 2020.

(VIII) Right-of-use assets

Changes in cost and depreciation of houses and buildings leased by the Company are as follows:

	Houses and buildings
Cost of right-of-use assets:	
Balance on January 1, 2021	$ 50,642
Additions	60,621
Decrease	(47,862)
Balance on December 31, 2021	**$ 63,401**
Balance on January 1, 2020	$ 49,421
Additions	2,780
Decrease	(1,559)
Balance on December 31, 2020	**$ 50,642**
Depreciation of right-of-use assets:	
Balance on January 1, 2021	$ 39,372
Provision for depreciation	20,315
Decrease	(47,862)
Balance on December 31, 2021	**$ 11,825**
Balance on January 1, 2020	$ 20,422
Provision for depreciation	20,509
Decrease	(1,559)
Balance on December 31, 2020	**$ 39,372**
Carrying Amount:	
December 31, 2021	**$ 51,576**
December 31, 2020	**$ 11,270**

(IX) Bonds payable

Bonds payable of the Company are as follows:

		2021.12.31	2020.12.31
Amount of unsecured convertible bonds initially issued	$	710,553	710,553
Unamortized discount on bonds payable		(2,501)	(5,136)
Cumulative converted amount		(542,964)	(530,377)
Bonds payable due, ending balance	$	165,088	175,040
Embedded derivatives - right of redemption (presented in financial assets at fair value through profit or loss)	$	(116)	373
Equity components - right of conversion (presented in capital surplus - right of subscription)	$	4,441	4,775

		2021	2020
Interest expenses	$	2,326	5,465

Item	First domestic unsecured convertible bonds
1) Total amount of bonds issued	NT$700,000 thousand
2) Face value	NT$100 thousand
3) Issuance period	2020.2.10~2023.2.10
4) Term of bonds	3 years
5) Nominal interest rate	0%
6) Repayment upon maturity	At maturity of the convertible bonds, the Company will make a lump sum payment in cash on the face value of the bonds plus interest (101.5075% of the face value with actual ROI of 0.5%).
7) Ways of redemption	a) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the closing price of the Company's ordinary shares at the business premises of a securities firm exceeds the conversion price by more than 30 (inclusive) percent for 30 consecutive business days, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash in 30 business days thereafter. b) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the amount of the convertible bonds outstanding is lower than 10% of total

	value of bonds issued, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash at any time thereafter. c) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice," the Company shall redeem the convertible bonds held by the bondholder in cash at the price equivalent to their par value within five business days after the base date of recalling the bonds.
8) Conversion period	The bondholders may, from the day following 3 months after such convertible bond are issued to the maturity date, except for when the ownership transfer of ordinary shares are terminated from transferring by law, from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or cash capital increase subscription to the base date of the distribution of rights, or from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation, to convert the convertible bonds held into the Company's ordinary shares in accordance with regulations.
9) Conversion price and adjustment	The price of conversion was set at NT$104.1 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance. The conversion price was changed to NT$98.7 per share on September 14, 2021.

(X) Lease liabilities

Carrying amounts of lease liabilities of the Company are as follows:

	2021.12.31	2020.12.31
Current	$ 21,182	10,304
Non-current	$ 30,515	1,066

Please refer to Note 6(s) financial instruments for details of maturity analysis.

The amounts recognized in profit or loss are as follows:

	2021	2020
Interest expenses of lease liabilities	$ 298	224
Short-term lease expenses	$ 3,365	2,016
Expenses for leases of low-value assets	$ 18	6

The amounts recognized in the statements of cash flows are:

	2021	2020
Total cash outflow of lease	$ 23,975	22,814

1) Lease of houses and buildings

The Company leases houses and buildings for office purpose with a term of 2 to 3 years generally, some leases include an option to renew the lease for another term of same length with the original lease upon expiration.

Some leases set forth that the Company shall pay taxes for the lesser in advance, and such payment occurs once a year generally.

The Company anticipates that the ratios of fixed and variable rents for future years will be roughly the same as those in this reporting period.

2) Other lease

The Company has leased miscellaneous equipment with a period of one to three year(s). Such leases are short-term and/or leases of low-value subject matters, and the Company has selected to apply the provision of exemption from recognition and not recognized them as relevant right-of-use assets and lease liabilities.

(XI) Employee Benefits

As per the defined contribution scheme of the Company developed according to regulations on employee pension, a contribution of 6% of monthly salary of each employee is made to their personal pension account registered at the Bureau of the Labor Insurance. Under this scheme, the Company has no legal or constructive obligation to pay additional expenses after making contributions of fixed amount to the Bureau of the Labor Insurance.

The cost of the pension contributions to the Bureau of Labor Insurance under this scheme for 2021 and 2020 amounted to NT$8,323 thousand and NT$8,081 thousand, respectively.

(XII) Income Taxes

1) Income tax expenses

Income tax expenses of the Company are as follows:

		2021	2020
Current income tax expenses			
Incurred in current period	$	34,768	72,031
Deferred income tax expenses			
Origination and reversal of temporary differences		15,028	12,494
Income tax expenses	**$**	**49,796**	**84,525**

The reconciliation of income tax expenses and income before income tax is as follows:

		2021	2020
Income before income tax	**$**	**269,352**	**456,878**
Income tax at the Company's domestic tax rate	$	53,870	91,375
Non-deductible expenses		(3,677)	(4,873)
Book-tax difference		(7,616)	(6,276)
Difference verified		6,042	3,125
Surtax on unappropriated earnings		4,294	2,369
Investment allowances		(3,117)	(1,195)
Total	**$**	**49,796**	**84,525**

2) Deferred tax assets and liabilities recognized

Changes in deferred tax assets (liabilities) are as follows:

		Loss on inventory valuation	Unrealized profit and loss from exchange	Others	Total
Balance on January 1, 2021	$	2,673	327	(15,379)	(12,379)
Debit (credit) income statement		(781)	(526)	(13,721)	(15,028)
Balance on December 31, 2021	**$**	**1,892**	**(199)**	**(29,100)**	**(27,407)**
Balance on January 1, 2020	$	1,780	2,610	(4,275)	115
Debit (credit) income statement		893	(2,283)	(11,104)	(12,494)
Balance on December 31, 2020	**$**	**2,673**	**327**	**(15,379)**	**(12,379)**

3) Income tax examination

Business income tax returns of the Company through 2019 have been assessed by the tax authority with examination.

(XIII) Capital and other equity

As of December 31, 2021 and 2020, the total nominal share capital of the Company amounted NT$1,000,000 thousand with 100,000 thousand shares of par value of NT$10. The Company has issued 73,189 thousand and 73,068 thousand ordinary shares, respectively, received stock capital for all shares issued.

Changes in the number of outstanding shares in 2021 and 2020 are as follows:

	Ordinary shares	
(presented in thousands shares)	**2021**	**2020**
Balance on January 1	72,858	67,826
Exercise of employee share options	210	-
Conversion of convertible bonds	121	5,032
Balance on December 31	**73,189**	**72,858**

1) Issuance of ordinary shares

In 2021 and 2020, the Company issued 121 thousand and 5,032 thousand new shares, respectively, due to the conversion rights of convertible bonds exercised by bondholders. The shares were issued in denominations with a total amount of NT$1,211 thousand and NT$50,321 thousand, respectively, and all shares were registered as required by law.

2. Capital surplus

Balance of the Company's capital surplus is as follows:

	2021.12.31	**2020.12.31**
Share premium	$ 1,403,907	1,392,532
Treasury share transactions	22,792	15,082
Right of subscription of convertible bonds-	4,441	4,775
	$ 1,431,140	**1,412,389**

Capital surplus shall be allocated to new shares or cash with realized capital surplus in proportion to original shareholdings of shareholders after loss is covered. The above-mentioned realized capital surplus includes amount in excess of the nominal value during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3) Retained earnings

According to the Articles of Association of the Company, where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. Certain amount shall be further allocated as special reserve or the special reserve. The balance (if any) together with unappropriated earnings at the beginning of the reporting period can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.

The dividend of the shareholders of the Company can be distributed in cash or shares, the amount of such dividends shall be no less than 10% of surplus after tax of the year, and dividends in cash shall account for at least 10% of total dividends of the shareholders. The Company is at a growing stage. Division of such surplus depends on future needs for capital and long-term operation planning of the Company. The Board of Directors should develop surplus distribution plan based on equities of shareholders, balance of dividend policies and planning for needs for capital, and propose it to the shareholders' meeting for resolution and adjustment.

(1) Legal reserve

If there is no loss, the Company may, by resolution of the shareholders' meeting, distribute new shares or cash from legal reserves, but legal reserves distributed cannot exceed 25% of the paid-in capital.

(2) Special reserve

Pursuant to FSC regulations, when distributing earnings available for distribution, the Company shall make a special reserve from the current profit and loss and the unappropriated earnings of the previous year by deducting the net amount of other shareholders' equity in the accounts incurred in the current year. If the amount of other shareholders' equity accumulated in the preceding period is reduced, the special reserve set aside from the unappropriated earnings in the preceding period shall not be distributed. If other shareholders' equity deductions are reversed afterward, the reversal may be applicable for distribution of earnings.

c) Surplus distribution

The plans for distribution of earnings for 2020 and 2019 were passed at the shareholders' meetings held on August 5, 2021 and June 16, 2020, respectively. Dividends paid to owners of the Company are as follows:

	2020		2019	
	Dividends Paid to Per Share (NT$)	**Amount**	**Dividends Paid to Per Share (NT$)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 3.64	266,697	2.82	203,477

4) Treasury shares

a) The treasury shares that the Company redeemed from employees to which shares of the Company were transferred to according to Article 28-2, Securities and Exchange Act amounted to 603 thousand shares with total redemption price of NT$51,269 thousand. Changes in treasury shares in 2021 and 2020 are as follows:

	Number of shares (thousand shares)	Amount
January 1, 2021	210	$ 17,856
Transfer in the period	(210)	(17,856)
December 31, 2021	-	$ -
Balance on December 31, 2020 (Same with January 1, 2020)	**210**	**$ 17,856**

b) Treasury shares held by the Company may be neither pledged nor carry rights of shareholders before assignment in accordance with the Securities and Exchange Act.

5) Other equity (net equity after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
January 1, 2021	$ (19,618)	(10,450)	(30,068)
Exchange differences on translating the net assets of foreign operations	(20,804)	-	(20,804)
December 31, 2021	$ (40,422)	(10,450)	(50,872)
January 1, 2020	$ (22,299)	(10,450)	(32,749)
Exchange differences on translating the net assets of foreign operations	2,681	-	2,681
December 31, 2020	$ (19,618)	(10,450)	(30,068)

(XIV) Share-based payment

No share-based payment occurred within the Company in 2020, and share-based payments in 2021 are as follows:

	Delivery of equities
	Treasury shares transferred to employees
Grant date	2021.1.6
Number of shares granted	210 thousand shares
Contract term	-
Granted to	All employees
Vesting conditions	Immediate vesting

1) Measurement parameters of fair value on the date transferred

The Company adopts the Black-Scholes option pricing model to estimate the fair value of share-based payment at date transferred. The input value of this model is as follows:-

	2021
	Treasury shares transferred to employees
Fair value on the grant date (NT$)	122.00
Share price on the grant date (NT$)	122.00
Grant price (NT$)	85.02

The determination of fair value does not take into account the services and non-market performance conditions included in the transaction.

2) Information on methods used in transfer of treasury shares

Details of methods used in transfer of treasury shares are as follows:

(presented in thousands shares)

	2021	
	Treasury shares transferred to employees	
	Weighted Average Striking Price (NT$)	**Number of stock options**
Outstanding as of January 1	$ -	-
Granted in the period	85.02	210
Expired in the period	-	-
Exercised in the period	(85.02)	(210)
Outstanding as of December 31	-	-
Executable stock options on December 31	-	-

3) Employee expenses

Remuneration recognized, arising from transfer of treasury shares to employees, in 2021 amounted to NT$7,764 thousand.

(XV) Earnings Per Share

The amounts of basic earnings per share and diluted earnings per shares of the Company are as follows:

		2021	2020
Basic earnings per share:			
Net profit attributable to owners of ordinary shares of the Company	$	219,556	372,353
Weighted average number of outstanding ordinary shares (thousand shares)		73,146	70,369
Basic earnings per share (NT$)	$	3.00	5.29
Diluted earnings per share:			
Net profit attributable to owners of ordinary shares of the Company	$	219,556	372,353
Impact of potentially diluted ordinary shares			
Conversion of convertible bonds		1,860	2,272
Net profit attributable to owners of (diluted) ordinary shares of the Company	$	221,416	374,625
Weighted average number of outstanding (basic) ordinary shares (thousand shares)		73,146	70,369
Impact of potentially diluted ordinary shares (thousand shares)			
Share-based remuneration for employees		125	117
Conversion of convertible bonds		1,661	1,815
Weighted average number of outstanding (diluted) ordinary shares (thousand shares)		74,932	72,301
Diluted earnings per share (NT$)	$	2.95	5.18

(XVI) Revenue from contracts with customers

1) Breakdown of revenue

		2021	2020
Major regional markets:			
Taiwan	$	146,497	72,937
Asia		1,698,515	1,647,915
America		785,782	1,349,265
Europe		627,106	749,151
Australia		-	2,166
	$	3,257,900	3,821,434
Main products/services:			
Communication products	$	2,798,203	3,231,421
Hosts of communication equipment		291,977	250,588
Other communication products		167,720	339,425
Total	$	3,257,900	3,821,434

2) Contract balance

		2021.12.31	2020.12.31	2020.1.1
Notes receivable and account receivable	$	643,866	826,994	789,421
Less: Loss allowance		(880)	(880)	(820)
Total	$	642,986	826,114	788,601

Please refer to Note 6(b) for details of notes and account receivable as well as their impairment.

(XVII) Compensation to employees and directors

Pursuant to the Articles of Association, the Company shall allocate 2% - 15% of profit (if any) for compensation to employees, and a maximum of 2% profit (if any) for remuneration to directors. When there are accumulated losses, the Company shall retain profit for loss recovery before distribution of remuneration. The above remuneration to the employees may be allotted in cash or stock to eligible employees at subsidiaries. The above remuneration to the directors shall be paid in cash only.

Appropriated compensation/remuneration to employees and directors of the Company in 2021 and 2020 is as follows:

		2021	2020
Compensation to employees	$	10,500	12,000
Remuneration to directors		3,600	3,600
	$	14,100	15,600

It is estimated on the basis of the Company's net profit before deducting the compensation to employees and directors for each period multiplied by the proportion of the compensation to employees and directors as stipulated in the Articles of Association, and is recognized as the operating costs or expenses for the period. Relevant information can be inquired at the TWSE MOPS. No difference between amount of compensation or remuneration actually paid to employees and directors and compensation to employees and directors listed in parent company only financial statements in 2021 and 2020.

(XVIII) Non-operating income and expenses

1) Interest income

The details of interest income of the Company are as follows:

	2021	2020
Interest income on bank deposit	$ 799	1,593
Interest on loans	540	663
Other interest income	10	-
Total interest income	$ 1,349	2,256

2. Other income

The details of other income of the Company are as follows:

	2021	2020
Income from NRE and cargo transportation premium	$ 13,891	10,123
Other income	1,329	437
	$ 15,220	10,560

3) Other gains and losses

The details of other gains and losses of the Company are as follows:

	2021	2020
Gain on disposal and retirement of property, plant and equipment	$ 339	-
Loss on foreign currency exchange	(18,180)	(9,683)
Gains on financial assets at fair value through profit or loss	811	2,214
Other gains and losses, net	$ (17,030)	(7,469)

4) Finance costs

Details of financial costs of the Company are as follows:

		2021	2020
Interest expenses			
Bank loans	$	(16)	(149)
Bonds payable		(2,326)	(5,465)
Lease liabilities		(298)	(224)
Finance costs, net	$	(2,640)	(5,838)

(XIX) Financial Instruments

1) Credit risk

a) Maximum credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

b) Credit risk concentration

Account receivable and notes receivable are major sources of potential credit risks facing the Company. In order to reduce the credit risk of account receivables, the Company continuously assesses the financial conditions of its clients and requires them to provide collaterals or guarantees when necessary. The Company still regularly evaluates the possibility of recovery of account receivable and provides the allowance for bad debts, also the loss of bad debts is within the expectation of the management. 62.96% and 63.47% of balance of account receivable as of December 31, 2021 and 2020, respectively, were composed of three clients. This causes credit risk concentration.

c) Credit risk of account receivables

Please refer to Note 6(b) for information on the credit risk exposure of notes receivables and account receivables. Other financial assets at amortized cost include account receivable and time deposit certificates.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4(f) for details on how the Company determines the level of credit risk). There is no allowance for losses on other receivables in 2021 and 2020.

2) Liquidity risk

The following table shows the contractual maturity of financial liabilities, including impact of estimated interest.

	Carrying amount	Cash flow of the contract	Less than 6 months	6 - 12 months-	12 years-	25 years-	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Notes payable and account payable (including related parties)	$ 869,302	869,302	869,302	-	-	-	-
Other payables (including related parties)	112,223	112,223	112,223	-	-	-	-
Lease liabilities	51,697	52,263	10,953	10,595	20,477	10,238	-
Convertible corporate bonds	165,088	165,088	-	-	165,088	-	-
Total	$1,198,310	1,198,876	992,478	10,595	185,565	10,238	-
December 31, 2020							
Non-derivative financial liabilities							
Notes payable and account payable (including related parties)	$ 614,002	614,002	614,002	-	-	-	-
Other payables (including related parties)	99,126	99,126	99,126	-	-	-	-
Lease liabilities	11,370	11,421	9,636	714	1,071	-	-
Convertible corporate bonds	175,040	175,040	-	-	-	175,040	-
Total	$ 899,538	899,589	722,764	714	1,071	175,040	-

The Company does not expect that the cash flow for the due date analysis will occur significantly earlier or that the actual amount may vary significantly.

3) Exchange rate risks

a) Exposure to exchange rate risks

The Company's financial assets and liabilities exposing to significant exchange rate risk are as follows:

	2021.12.31			
	Foreign Currency	Exchange rate		NTD
Financial assets				
Monetary items				
USD	$ 33,148	USD/NTD=	27.68	917,537
JPY	121,869	JPY/NTD=	0.2405	29,309
Financial liabilities				
Monetary items				
USD	22,796	USD/NTD=	27.68	630,993

	2020.12.31				
	Foreign Currency		Exchange rate		NTD
Financial assets					
Monetary items					
USD	$ 34,461	USD/NTD=		28.48	981,449
JPY	313,849	JPY/NTD=		0.2763	86,716
Financial liabilities					
Monetary items					
USD	14,910	USD/NTD=		28.48	424,637

b) Sensitivity Analysis

Cash and cash equivalents, account receivables and other receivables denominated in foreign currency, account receivables and other receivables are major sources of foreign exchange risks that monetary items of the Company exposed to, and such risks arise from foreign currency exchange during translation. If the NT dollar depreciates or appreciates by 10% against the US dollar and the Japanese yen as of December 31, 2021 and 2020, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT$25,268 thousand and NT$51,482 thousand, respectively, for 2021 and 2020 on the same basis of analysis.

c) Exchange gain or loss of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign currency exchange of monetary items were summarized as a single amount. Loss on foreign currency exchange (including realized and unrealized) for 2021 and 2020 are NT$18,180 thousand and NT$9,683 thousand, respectively.

4) Interest rate analysis

The interest risk exposure from financial assets and liabilities of the Company has been disclosed in this parent company only financial statements' note of liquidity risk management.

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments on the reporting date. For liabilities at floating interest rates, the analysis assumes that they are outstanding throughout the reporting period if they are outstanding on the reporting date. The rate of change used internally to report interest rates to key management is a 1% increase or decrease in interest rates, and this figure also represents the management's assessment on the reasonably possible scope of the interest rate.

If interest rate increases/decreases by 1% and other variables remain unchanged, the Company's profit after tax for 2021 and 2020 remain unchanged as well.

5) Information on fair value

a) Category of financial instruments and fair value

The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, but the carrying amount of financial instruments not measured at fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

	2021.12.31				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	**$ 26,473**	**-**	**-**	**26,473**	**26,473**
Financial assets at fair value through other comprehensive income					
Equity instrument at fair value without quotation in market	**$ 8,000**	**-**	**-**	**8,000**	**8,000**
Financial assets at amortized cost					
Cash and Cash Equivalents	$ 386,988	-	-	-	-
Notes receivable and account receivable (including related parties)	642,986	-	-	-	-
Other receivables (including related parties)	144,313	-	-	-	-
Other current assets	1,040	-	-	-	-
Refundable deposits	4,143	-	-	-	-
Total	**$1,179,470**	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss					
Financial liabilities designated at fair value through profit or loss	**$ 116**	**-**	**116**	**-**	**116**
Financial liabilities at amortized cost					
Notes payable and account payable (including related parties)	$ 869,302	-	-	-	-
Other payables (including related parties)	112,223	-	-	-	-
Lease liabilities	51,697	-	-	-	-
Convertible corporate bonds	165,088	-	165,088	-	165,088
Total	**$1,198,310**	**-**	**165,088**	**-**	**165,088**

	2020.12.31				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through comprehensive income					
Financial assets at fair value through profit or loss	$ 14,400	-	-	14,400	14,400
Financial assets designated at fair value through profit or loss	373	-	373	-	373
Total	$ 14,773	-	373	14,400	14,773
Financial assets at fair value through other comprehensive income					
Equity instrument at fair value without quotation in market	$ 8,000	-	-	8,000	8,000
Financial assets at amortized cost					
Cash and Cash Equivalents	$ 465,892	-	-	-	-
Notes receivable and account receivable (including related parties)	826,114	-	-	-	-
Other receivables (including related parties)	75,790	-	-	-	-
Other current assets	1,037	-	-	-	-
Refundable deposits	238	-	-	-	-
Total	$1,369,071	-	-	-	-
Financial liabilities at amortized cost					
Notes payable and account payable (including related parties)	$ 614,002	-	-	-	-
Other payables (including related parties)	99,126	-	-	-	-
Lease liabilities	11,370	-	-	-	-
Convertible corporate bonds	175,040	-	175,040	-	175,040
Total	$ 899,538	-	175,040	-	175,040

b) Valuation techniques of financial instruments measured at fair value

Fair value of financial instrument is obtained through application of valuation techniques or reference to quotation from counterparties. The fair value obtained through application of evaluation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, use of the discounted cash flow method, or by other evaluation techniques, including using models based on available market information on the reporting date.

c) Quantitative information of fair value of significant unobservable inputs (Level 3)

Level 3 fair value measurement, as defined by the Company, refers to financial assets at fair value through profit or loss - investment in private equity.

Level 3 fair value, defined by the Company, only refers to individually significant unobservable input. Quantitative information of fair value of significant unobservable inputs is listed as below:

Item	Valuation techniques	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets at fair value through profit or loss - investment in private equity	Net asset valuation	• Net asset value	N/A

d) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements at Level 3

The Company's valuation of the fair value of financial instruments is reasonable, but the use of different valuation models or parameters may lead to different results. For financial instrument at Level 3, if there are changes in valuation parameters, the impact on current profit and loss is as follows:

	Inputs	Upwards or downwards change	Changes of fair value reflected in current profit or loss	
			Positive changes	Negative changes
December 31, 2021				
Financial assets at fair value through profit or loss				
Investment in private equity	26,473	1%	265	(265)
December 31, 2020				
Financial assets at fair value through profit or loss				
Investment in private equity	14,400	1%	144	(144)

(XX) Financial risk management

1) Summary

The Company is exposed to the following risks arising from use of financial instruments:

a) Credit risks

b) Liquidity risks

c) Market risks

This note presents information about the Company's exposure to each of the above risks, the Company's purpose, policies and procedure of risk measurement and control. Please refer to relevant notes to the financial statements for details of further quantitative disclosure.

2) Purpose of risk control

The purpose of risk control of the Company is to control exchange rate risks, interest rate risks, credit risks and liquidity risks related to operating activities. To reduce related financial risks, the Company is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable impact of market changes on its financial performance.

The Company's major financial activities are reviewed and approved by the Board of Directors and the internal control system. While the financial plan is underway, the Company shall comply with relevant financial operation procedures on the overall financial risk control and segregation of duties at all times.

3) Credit risks

Credit risks refer to risks that cause financial loss of the Company due to a counterparty's failure to perform contractual obligations. Account receivable arising from operating activities are major sources of credit risks facing the Company. Operation-related credit risks and financial credit risks are controlled separately.

<u>Operation-related credit risks</u>

To maintain the quality of account receivable, the Company has established the procedures for control of operation-related credit risks. Risk assessment on individual clients includes factors that could affect clients’ ability to pay, such as financial conditions, rating by a credit rating institution, transaction history and current financial resources. The Company may also use certain credit risk reduction tools, such as prepaid payments or credit insurance, when appropriate, to reduce the credit risk of specific clients.

<u>Financial credit risks</u>

The credit risks of bank deposits and other financial instruments are measured and monitored by the finance department of the Company. The Company's counterparties and other performing parties are banks with good credit ratings and financial institutions with investment grade and above, corporate organizations and government agencies without significant performance concerns, and thus there is no material credit risks.

4) Liquidity risks

Liquidity risks refer to risks that the Company is unable to deliver cash or other financial assets to pay off its financial liabilities and fail to meet its obligations.

The method of the Company adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. In addition, the unused loan amounts of the Company as of December 31, 2021 and 2020 amounted to NT$1,189,412 thousand and NT$1,900,000 thousand, respectively.

5) Market risks

Market risks refer to risks that changes in market prices, such as exchange rate, interest rate, and equity instrument price, will affect the earnings of the Company or the value of the financial instruments held by the Company. The purpose of market risk control is to maximize return on investment by keeping market risks the Company exposed to at an acceptable level.

a) Exchange rate risks

The Company's cash inflows and outflows are partially in foreign currencies, so some risks can be avoided. The purpose of the Company's control of exchange rate risks is to avoid risk rather than making profit.

The exchange rate risk control strategy is to periodically review net parts of assets and liabilities in various currencies and to control their risks. The selection of tools to avoid exchange rate risks depends on the cost and duration of risk avoiding.

b) Interest rate risks

The Company holds assets and liabilities with floating rates, resulting in exposure of the Company to cash flow interest rate risks. Assets and liabilities with floating rates of the Company are disclosed in the notes of liquidity risk management.

(XXI) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Company plans working capital, research and development expenses and dividends to safeguard its ability to continue as a going concern and to maintain an optimal capital structure, so as to provide more returns for shareholders in a long term.

In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders or redeeming its shares.

The Company monitors its capital by regular review of the debt-to-capital ratio, the same as its peers. The ratio is calculated as net liabilities divided by total capital. Net liabilities is the total liabilities shown on the balance sheet less cash and cash equivalents. Total capital is all the components of equity (ie share capital, capital surplus, retained earnings and other equity).

Debt-to-capital ratio of the Company as of December 31, 2021 and 2020 are as follows:

		2021.12.31	2020.12.31
Total liabilities	$	1,334,499	1,023,627
Less: Cash and cash equivalents		386,988	465,892
Net liabilities	$	947,511	557,735
Total equity	$	3,047,320	3,077,447
Debt-to-capital ratio		31.09%	18.12%

VII. Related Party Transactions

(I) The parent company and the ultimate controlling party

Ennoconn Corporation (Ennoconn), as the parent company of the Company and the ultimate controller of the group, holds 27.32% of the outstanding ordinary shares of the Company. Ennoconn has prepared consolidated financial statements for public use.

(II) Names of related parties and relations

During the reporting period of these parent company only financial statements, related parties engaged in transactions with the Company are as follows:

Name of related party	Relationship with the Company
Ennoconn	The Company's parent company
CASO, INC.	The Company's subsidiary
Beijing Caswell Ltd.	The Company's subsidiary
CASWELL INTERNATIONAL INVESTMENT CO., LTD.	The Company's subsidiary
CASWELL AMERICAS, INC.	The Company's subsidiary
APLIGO GMBH	The Company's subsidiary
Hawkeye Tech, Co., Ltd.	The Company's subsidiary
Hon Hai Precision Industry Co., Ltd.	The Company's affiliate
Thecus Technology Corp.	The Company's affiliate
Hon Lin Technology CO., LTD.	The Company's affiliate
Ennoconn (Kunshan) Intelligent Technology Co., Ltd.	The Company's affiliate
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	The Company's affiliate

Goldtek Technology Co., Ltd.	The Company's affiliate
WT Microelectronics Co., Ltd.	The Company's affiliate
Thecus NL B.V.	The Company's affiliate
Highaim Technology Inc.	The Company's affiliate
Cloud Network Technology Singapore PTE.	The Company's affiliate
FORTUNEBAY TECHNOLOGY PTE. LTD.	The Company's affiliate

All directors, general manager and deputy general manager and other major officers in management of the Company

(III) Substantial Transaction with Related Party

1) Operating revenue

The amount of goods and services sold by the Company to related parties are as follows:

	2021	2020
Parent company	$ -	48
Subsidiary	565,648	522,368
Other related parties	12,644	4,738
	$ 578,292	**527,154**

The terms and conditions of sale to the above companies are not significantly different from the common selling prices. Payment term: O/A 60 - 100 days, or end of month 30 - 60 days. Account receivable among the related parties, for which no collateral security has been received, do not need to be recognized as expected credit impairment loss after evaluation.

2) Purchases

The amount of goods and services purchased by the Company from related parties are as follows:

	2021	2020
Parent company	$ 496	3,608
Subsidiary	24,604	25,275
Affiliates		
Hon Hai Precision Industry Co., Ltd.	30,057	425,967
Other affiliates	173,321	40,491
	$ 228,478	**495,341**

The terms and conditions of purchase from the above companies are not significantly different from purchasing prices from other common suppliers. The payment term of O/A 60 - 90 days, or end of month 30 - 90 days is not significantly different from payment term accepted by other common suppliers.

3) account receivables from related parties

The details of the Company's account receivables from related parties are as follows:

Type of trades	Type of related parties	2021.12.31	2020.12.31
Account receivables	Subsidiary - Beijing Caswell Ltd.	$ 74,539	97,589
Account receivables	Subsidiary - others	68,088	95,788
Account receivables	Affiliates	7,468	980
Other receivables	Subsidiary	12,281	5,085
Other receivables	Affiliates	156	-
		$ 162,532	199,442

4) Account payables to related parties

The details of the Company's account payables to related parties are as follows:

Type of trades	Type of related parties	2021.12.31	2020.12.31
Account payables	Parent company	$ -	1,174
Account payables	Subsidiary	-	418
Account payables	Affiliates - Hon Hai Precision Industry Co., Ltd.	-	97,110
Account payables	Affiliate - others	85,499	12,659
Other payables	Subsidiary	736	1,164
Other payables	Affiliates - Thecus NL B.V.-	20,410	-
Other payables	Affiliates	2,351	2,267
		$ 108,996	114,792

5) Loans to related parties

Actual payment of the Company's loans to related parties (recognized as other receivables) is as follows:

	2021	2020
Subsidiary - APLIGO GMBH	$ 22,144	22,784

The interest on the Company's loans to related parties is based on the average interest rate of the Company's short-term borrowings from financial institutions in the year of appropriation, and they are all unsecured loans, and no expected credit impairment loss is required to be recognized after evaluation.

6) Acquisition of property, plant and equipment

The prices the Company paid to acquire property, plant and equipment from related parties are as follows:

		2021	2020
Affiliates	$	-	545

The Company purchased mechanical equipment from related parties at a total price of NT$545 thousand in November 2020, as of December 31, 2020, the payment was paid by the Company in full. Refer to Note 6(g) for more information about property, plant and equipment.

(IV) Transactions with key management officers

1) Remuneration to key management officers

Remuneration to key management officers includes:

		2021	2020
Short-term employee benefits	$	19,781	20,035
Retirement benefits		405	354
	$	20,186	20,389

The Company provides vehicles key management officers. The original costs and period-specific depreciation expenses of such vehicles in 2021 and 2020 are as follows:

		2021	2020
Original cost	$	7,904	7,971
Depreciation expenses	$	975	997

VIII. Pledged Assets

The carrying amount of the Company’s pledged assets are as follows:

Description of asset	Subject matter of pledge		2021.12.31	2020.12.31
Other current assets (pledged fixed deposits)	Tariff Guarantee	$	1,040	1,037

IX. Significant contingent liabilities and unrecognized contract commitments: None.

X. Significant loss from disasters: None.

XI. Subsequent significant events: None.

XII. Others

Employee Benefits, Depreciation and Amortization Expenses by Function:

By function / Type	2021 Operating costs	2021 Operating expenses	2021 Total	2020 Operating costs	2020 Operating expenses	2020 Total
Employee benefits expenses						
Salary expenses	44,593	141,690	186,283	44,702	159,564	204,266
Labor and health insurance expenses	4,281	13,695	17,976	3,955	12,774	16,729
Pension expenses	1,985	6,338	8,323	1,910	6,171	8,081
Remuneration to directors	-	4,835	4,835	-	4,710	4,710
Other employee benefit expenses	3,249	8,437	11,686	3,425	9,034	12,459
Depreciation expenses	12,595	21,820	34,415	13,487	22,482	35,969
Amortization expenses	-	1,646	1,646	-	2,651	2,651

Additional information on the number of employees and employee benefits expenses of the Company in 2021 and 2020 is as follows:

	2021	2020
Number of employees	266	269
Number of directors who do not serve as employees	6	6
Average employee benefit expenses	$ 863	918
Average employee salary expenses	$ 716	777
Adjustment to average employee salary expenses	(7.85)%	7.77%
Remuneration to supervisors	$ -	-

The Company's remuneration policy (including remuneration to directors, managers and employees) is as follows:

According to Articles of Association of the Company, the company may pay remuneration to the directors for performing their duties for the Company. The Remuneration Committee shall evaluate the remuneration according to directors' involvement in and contribution to operation of the Company, taking into account the domestic and international industry standards, and shall make recommendations to the Board of Directors for reference in making decisions.

For the performance evaluation and remuneration of managers, the Remuneration Committee shall take into account the remuneration standard in the industry, workload they are assigned, degree to which their performance objectives are achieved and the rationality of the correlation between business performance and future risks.

Compensation to employees mainly consists of basic salary and bonus, which is determined based on the employee's experience, professional knowledge and skills, years of professional experience, market conditions, business performance and organizational structure of the Company. The bonus will be adjusted and paid according to the market wage dynamics, individual performance, the overall economic and industrial climate changes, and the government decrees.

XIII. Supplementary Disclosures

(I) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial statements by Securities Issuers, the Company shall disclose the following information concerning significant transactions in 2021:

1) Loans to others:

Unit: NTD/USD thousand

No.	Creditor	Debtor	Transaction item	If they are related to each other	Maximum amount of the period	Ending balance	Actual amount drawn	Range of interest rate	Type of loan Nature of loan (Note 1)	Business transaction amount	Necessity for short-term financing	Amount of allowance loss appropriated	Collateral		Limit on loans granted to a single party (Note 2)	Total loan limit (Note 3)
													Name	Value		
0	The Company	APLIGO GMBH	Other receivables	Yes	22,144 (USD800)	22,144 (USD800)	22,144 (USD800)	2.45%	2	-	Working capital for operation	-	–	-	304,732	609,464

Note 1: 1. The companies with which the Company engaged in transactions.
2. Necessity for short-term financing

Note 2: 1. The amount of loans to specific companies shall not exceed the total amount of the Company's business transactions with the Company in the most recent year.
2. The amount of loans to specific companies shall not exceed 10% of the net worth of the Company as stated in its latest financial statements audited or reviewed by an accountant.

Note 3: Total amount of loans shall not be more than 20% of the Company's net worth as stated in its latest financial statement audited or reviewed by an accountant.

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT$ thousand/thousand shares

Name of Held Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	End of Period				Remarks
				Number of Shares	Carrying amount	Shareholding %	Fair value	
The Company	Zhuo I Erh Investment LP	-	Financial assets at fair value through profit or loss - non-current	-	26,473	- %	26,473	-
The Company	Min Chieh Industrial Holdings Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,045	-	19.00 %	-	-
The Company	Jui Neng Information Corp.	-	Financial assets at fair value through other comprehensive income - non-current	800	8,000	16.00 %	8,000	-
APLIGO GMBH	Shares in Volksbank Karlsruhe	-	Financial assets at fair value through other comprehensive income - non-current	-	9	- %	9	-

4) Marketable securities acquired and disposed of amounting to NT$300 million or 20% of the paid-in capital or more: None.

5) Acquisition of property amounting to NT$300 million or 20% of paid-in capital or more: None.

6) Disposal of property amounting to NT$300 million or 20% of paid-in capital or more: None.

7) Purchases from or sales to related parties amounting to NT$100 million or 20% of the paid-in capital or more:

Unit: NT$ thousand

			Transaction Details				Unusual Transaction Terms and Reasons		Notes and account receivable (payable)		
Buyer (seller)	Counterparty	Relationship	Purchases (Sales)	Amount	Ratio to Total Purchase (Sales)	Credit Period	Unit Price	Credit Period	Balance	Ratio to Total Notes or Account Receivable (Payable)	Remarks
The Company	Beijing Caswell Ltd.	Subsidiary	(Sales)	(168,970)	(5.19)%	O/A 90 days	- (Note)	- (Note)	74,539	11.59%	
Beijing Caswell Ltd.	The Company	Parent company	Purchases	168,970	38.30%	O/A 90 days	- (Note)	- (Note)	(74,539)	(40.61)%	
The Company	CASO, INC.	Subsidiary	(Sales)	(177,449)	(5.45)%	O/A 70 days	- (Note)	- (Note)	26,624	4.14%	
CASO, INC.	The Company	Parent company	Purchases	177,449	89.16%	O/A 70 days	- (Note)	- (Note)	(26,624)	(76.30)%	
The Company	CASWELL AMERICAS, INC.	Subsidiary	(Sales)	(186,436)	(5.72)%	O/A 90 days	- (Note)	- (Note)	41,464	6.45%	
CASWELL AMERICAS, INC.	The Company	Parent company	Purchases	186,436	99.41%	O/A 90 days	- (Note)	- (Note)	(41,464)	(96.15)%	
The Company	Thecus NL B.V.	Affiliates	Purchases	129,547	4.58%	End of month 60 days	- (Note)	- (Note)	(70,485)	(8.11)%	
APLIGO Gmbh	American Industrial Systems Inc.	Affiliates	(Sales)	(262,841)	(65.74)%	O/A 60 days	- (Note)	- (Note)	34,380	45.72%	

Note: Compared against general terms and conditions.

8) Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more: None.

9) Derivatives transactions: None.

(II) Information on Reinvestments

The information on reinvestments in 2021 (excluding invested companies in mainland China):

Unit: NT$ thousand/thousand shares

Name of Investor	Name of investee	Region	Principal Business Activities	Initial Investment Amount		Held at the End of Period			Profit and loss of Investee for the Period	Current Profit (Loss) on Investment Recognized	Remarks
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying amount (Note)			
The Company	CASO, INC.	Japan	Imports and sales of network machines and computer peripherals	27,062	27,062	2	99.00%	82,197	27,402	27,128	Subsidiary
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Samoa	Overseas investment	101,135	101,135	3,206	100.00%	206,356	36,902	36,902	Subsidiary
The Company	CASWELL AMERICAS, INC.	USA	Sales of network communication products	92,460	92,460	3,000	100.00%	55,610	4,870	4,870	Subsidiary
The Company	APLIGO GMBH	Germany	Hub and SI Service	60,275	60,275	24	66.67%	63,990	4,311	2,635	Subsidiary
The Company	Hawkeye Tech, Co., Ltd.	Taiwan	Design and manufacturing of computers, network and computing equipment	602,041	602,041	9,097	60.64%	470,676	33,178	16,655	Subsidiary

(Note): Including adjustments for foreign currency translation.

(III) Information on investments in mainland China:

1) Information on reinvestments in mainland China:

Unit: NTD/USD/RMB thousand

Investee in mainland China	Principal Business Activities	Paid-in Capital	Way of Investment (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2)	Amount of Investments Remitted or Repatriated for the Period (Note 2)		Accumulated Amount of Investments Remitted from Taiwan at End of Period (Note 2)	Profit and loss of Investee for the Period	The Company's Direct or Indirect Shareholding %	Investment Profit (Loss) Recognized for the Period	carrying amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Beijing Caswell Ltd.	Manufacturing and sales of network communication products	105,184 (USD3,800)	(2)	86,251 (USD3,116)	-	-	86,251 (USD3,116)	45,043	82.00%	36,935	229,792	-

Note 1: There are three ways of investment:

1. Direct investment in mainland China.
2. Investment in mainland China through a company in another region.
3. Others, direct investment in a company in mainland China by subsidiary, KAISWAY.

Note 2: The exchange rate at end of period is used for foreign currency translation

2) Limits on reinvestments in mainland China:

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Limits on Amount of Investments in Mainland China as Stipulated by Investment Commission, M.O.E.A.
86,251 (USD3,116)	86,251 (USD3,116)	1,828,392

Exchange rates at end of period: USD：27.68；RMB 4.344.
Average exchange rates: USD：28.0079；RMB 4.3413.

3) Significant Transactions

Please refer to Information relating to "Information on Significant Transactions" for details of significant transactions, direct or indirect, between the Company and its invested companies in mainland China in 2021.

(IV) List of major shareholders:

Shares / Name of Major Shareholder	The Number of Shares Held	Shareholding %
Ennoconn	20,000,000	27.32%

Note: (1) The information of major shareholders in this table refers to the information calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter on the total number of ordinary shares and preferred shares (including treasury shares) of the Company held by shareholders which have been delivered with book-entry registration at least 5 percent in total. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(2) If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10% of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to TWSE MOPS for information on insider equity registration.

XIV. Segment Information

Please refer to the consolidated financial statements for 2021 for details.