

**NEOUSYS TECHNOLOGY INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Representation Letter

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

Company name: NEOUSYS TECHNOLOGY INC.

Chairman: Kao, Ming-Ho

Date: April 15, 2022



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of NEOUSYS TECHNOLOGY INC.:

Opinion

We have audited the consolidated financial statements of NEOUSYS TECHNOLOGY INC. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020 and January 1, 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and January 1, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Yi Kuo and Hui-Chih Ko.

KPMG

Taipei, Taiwan (Republic of China)
April 15, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020 and January 1, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		January 1, 2020		Liabilities and equity		December 31, 2021		December 31, 2020		January 1, 2020			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:								Current liabilities:									
1100	Cash and cash equivalents (notes 6(a) and (o))	\$	236,414	34	222,128	45	182,157	39	2170	Accounts payable (note 6(o))	\$	119,083	17	53,008	11	72,276	16
1150	Notes receivable, net (notes 6(b), (l) and (o))		-	-	-	-	504	-	2200	Other payables (note 6(o))		75,646	11	47,974	10	42,776	9
1170	Accounts receivable, net (notes 6(b), (l) and (o))		68,725	10	61,421	12	69,267	15	2230	Current tax liabilities (note (h))		23,867	4	19,746	4	16,893	4
1200	Other receivables (note 6(o))		4,965	1	1,827	-	2,502	1	2130	Current contract liabilities (note 6(l))		38,308	6	7,905	1	3,272	1
130X	Inventories (note 6(c))		326,944	47	160,474	33	168,521	36	2250	Current provisions (note 6(o))		1,537	-	1,216	-	1,276	-
1410	Prepayments		3,259	1	3,933	1	3,604	1	2280	Current lease liabilities (notes 6(f) and (o))		16,330	2	13,922	3	7,452	1
1470	Other current assets		514	-	204	-	30	-	2300	Other current liabilities		2,499	-	938	-	714	-
Total current assets			640,821	93	449,987	91	426,585	92	Total current liabilities			277,270	40	144,709	29	144,659	31
Non-current assets:									Non-current liabilities:								
1600	Property, plant and equipment (note 6(d))		8,462	1	2,369	-	3,248	1	2527	Non-current contract liabilities (note 6(l))		2,600	-	2,983	1	2,913	1
1755	Right-of-use assets (note 6(e))		21,596	3	28,385	6	23,119	5	2580	Non-current lease liabilities (notes 6(f) and 6(o))		5,708	1	14,867	3	15,667	3
1780	Intangible assets		1,245	-	2,154	-	1,227	-	Total non-current liabilities			8,308	1	17,850	4	18,580	4
1840	Deferred tax assets (note (h))		12,699	2	8,035	2	6,649	2	Total liabilities			285,578	41	162,559	33	163,239	35
1900	Other non-current assets		7,740	1	4,272	1	1,803	-	Equity attributable to owners of parent (notes 6(i) and (j)):								
Total non-current assets			51,742	7	45,215	9	36,046	8	3100	Ordinary shares		202,735	29	190,000	38	169,910	37
									3200	Capital surplus		7,839	1	5,316	1	3,202	1
										Retained earnings:							
									3310	Legal reserve		37,438	6	30,150	6	19,570	4
									3350	Unappropriated retained earnings		160,120	23	107,291	22	103,920	22
										Total retained earnings		197,558	29	137,441	28	123,490	26
									3400	Other equity		(1,147)	-	(114)	-	-	-
									Total equity attributable to owners of parent:			406,985	59	332,643	67	296,602	64
									36XX	Non-controlling interests		-	-	-	-	2,790	1
									Total equity			406,985	59	332,643	67	299,392	65
Total assets		\$	692,563	100	495,202	100	462,631	100	Total liabilities and equity		\$	692,563	100	495,202	100	462,631	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(l) and 7)	\$ 976,885	100	715,452	100
5000	Operating costs (notes 6(c), (d), (e), (g), (m) and 7)	<u>576,672</u>	<u>59</u>	<u>404,700</u>	<u>57</u>
	Gross profit from operations	<u>400,213</u>	<u>41</u>	<u>310,752</u>	<u>43</u>
	Operating expenses (notes 6(d), (e), (g), (m) and 7):				
6100	Selling expenses	114,180	12	85,915	12
6200	Administrative expenses	51,784	5	64,709	9
6300	Research and development expenses	62,109	6	57,416	8
6450	Impairment loss determined in accordance with IFRS 9 (note 6(b))	<u>3,726</u>	<u>-</u>	<u>717</u>	<u>-</u>
	Total operating expenses	<u>231,799</u>	<u>23</u>	<u>208,757</u>	<u>29</u>
	Net operating income	<u>168,414</u>	<u>18</u>	<u>101,995</u>	<u>14</u>
	Non-operating income and expenses (note 6(n)):				
7100	Interest income	151	-	785	-
7010	Other income	103	-	9,225	1
7020	Other gains and losses, net	(5,135)	(1)	(8,308)	(1)
7050	Finance costs	<u>(541)</u>	<u>-</u>	<u>(612)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(5,422)</u>	<u>(1)</u>	<u>1,090</u>	<u>-</u>
7900	Income before income tax	162,992	17	103,085	14
7951	Less: Income tax expenses (note 6(h))	<u>37,375</u>	<u>4</u>	<u>24,705</u>	<u>3</u>
	Profit	<u>125,617</u>	<u>13</u>	<u>78,380</u>	<u>11</u>
8300	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	(1,033)	-	63	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(1,033)</u>	<u>-</u>	<u>63</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>(1,033)</u>	<u>-</u>	<u>63</u>	<u>-</u>
	Total comprehensive income	<u>\$ 124,584</u>	<u>13</u>	<u>78,443</u>	<u>11</u>
	Profit, attributable to:				
	Profit, attributable to owners of parent	\$ 125,617	13	72,480	10
	Profit, attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>5,900</u>	<u>1</u>
		<u>\$ 125,617</u>	<u>13</u>	<u>78,380</u>	<u>11</u>
	Comprehensive income attributable to:				
	Comprehensive income, attributable to owners of parent	\$ 124,584	13	72,366	10
	Comprehensive income, attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>6,077</u>	<u>1</u>
		<u>\$ 124,584</u>	<u>13</u>	<u>78,443</u>	<u>11</u>
	Earnings per share (note 6(k))				
	Basic earnings per share (NT Dollars)	<u>\$ 6.27</u>		<u>3.64</u>	
	Diluted earnings per share (NT Dollars)	<u>\$ 5.92</u>		<u>3.41</u>	

See accompanying notes to consolidated financial statements.

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

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

	<u>Retained earnings</u>				<u>Other equity</u>			
	<u>Ordinary</u>	<u>Capital</u>	<u>Legal</u>	<u>Unappropriated</u>	<u>Total retained</u>	<u>Exchange</u>	<u>Total equity</u>	<u>Non-controlling</u>
	<u>shares</u>	<u>surplus</u>	<u>reserve</u>	<u>retained</u>	<u>earnings</u>	<u>differences on</u>	<u>attributable to</u>	<u>interests</u>
				<u>earnings</u>		<u>translation of</u>	<u>owners of parent</u>	
						<u>foreign financial</u>		<u>Total equity</u>
						<u>statements</u>		
Balance on January 1, 2020	\$ 169,910	3,202	19,570	103,920	123,490	-	296,602	2,790
Profit for the year ended December 31, 2020	-	-	-	72,480	72,480	-	72,480	5,900
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(114)	(114)	177
Comprehensive income for the year ended December 31, 2020	-	-	-	72,480	72,480	(114)	72,366	6,077
Legal reserve	-	-	10,580	(10,580)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(39,019)	(39,019)	-	(39,019)	-
Stock dividends on ordinary shares	19,510	-	-	(19,510)	(19,510)	-	-	-
Share-based payment transactions	-	1,681	-	-	-	-	1,681	-
New shares issued through employees' compensation	580	433	-	-	-	-	1,013	-
Changes in non-controlling interests	-	-	-	-	-	-	-	(8,867)
Balance on December 31, 2020	190,000	5,316	30,150	107,291	137,441	(114)	332,643	-
Profit for the year ended December 31, 2021	-	-	-	125,617	125,617	-	125,617	-
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	(1,033)	(1,033)	-
Comprehensive income for the year ended December 31, 2021	-	-	-	125,617	125,617	(1,033)	124,584	-
Legal reserve	-	-	7,288	(7,288)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(56,050)	(56,050)	-	(56,050)	-
Stock dividends on ordinary shares	9,450	-	-	(9,450)	(9,450)	-	-	-
Share-based payment transactions	-	1,644	-	-	-	-	1,644	-
New shares issued through employees' compensation	550	414	-	-	-	-	964	-
Changes in non-controlling interests	2,735	465	-	-	-	-	3,200	-
Balance on December 31, 2021	\$ 202,735	7,839	37,438	160,120	197,558	(1,147)	406,985	-

See accompanying notes to consolidated financial statements.

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

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 162,992	103,085
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	17,356	14,846
Amortization expense	1,091	1,291
Expected credit loss	3,726	717
Interest expense	541	612
Interest revenue	(151)	(785)
Share-based payments	1,644	1,681
Loss from disposal of property, plant and equipment	9	-
Unrealized foreign exchange loss	1,199	5,108
Total adjustments to reconcile profit	25,415	23,470
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	-	504
(Increase) decrease in accounts receivable	(11,009)	7,118
(Increase) decrease in other receivables	(3,138)	493
(Increase) decrease in inventories	(166,470)	7,444
Decrease (increase) in prepayments	674	(392)
Increase in other current assets	(310)	(174)
Total changes in operating assets	(180,253)	14,993
Changes in operating liabilities:		
Increase (decrease) in accounts payable	66,075	(19,268)
Increase in other payables	27,672	5,702
(Decrease) increase in other financial liabilities	(383)	70
Increase in other current liabilities	32,285	4,811
Total changes in operating liabilities	125,649	(8,685)
Total changes in operating assets and liabilities	(54,604)	6,308
Total adjustments	(29,189)	29,778
Cash inflow generated from operations	133,803	132,863
Interest received	151	785
Interest paid	(541)	(612)
Income taxes paid	(37,918)	(23,238)
Net cash flows from operating activities	95,495	109,798
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(7,895)	(509)
Proceeds from disposal of property, plant and equipment	2	-
Increase in refundable deposits	(739)	(1,692)
Acquisition of intangible assets	(182)	(2,218)
Increase in other non-current assets	(2,729)	(777)
Net cash flows used in investing activities	(11,543)	(5,196)
Cash flows from (used in) financing activities:		
Net cash outflow on loss control of subsidiaries	-	(8,537)
Payments of lease liabilities	(15,525)	(13,045)
Cash dividends paid	(56,050)	(39,019)
Exercise of employee share options	3,200	-
New shares issued through employees' compensation	964	1,013
Net cash flows used in financing activities	(67,411)	(59,588)
Effect of exchange rate changes on cash and cash equivalents	(2,255)	(5,043)
Net increase in cash and cash equivalents	14,286	39,971
Cash and cash equivalents at beginning of period	222,128	182,157
Cash and cash equivalents at end of period	\$ 236,414	222,128

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

NEOUSYS TECHNOLOGY INC. (the “Company”). was incorporated in July 9, 2010 as a company limited by shares under the approval of Ministry of Economic Affairs. Its registration address is 15F., No. 868-3, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.). The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The main business activities of the Company are the manufacturing, processing and trading of industrial control products, computer applications and industrial computers.

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 15, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

(b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “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 Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements and the opening consolidated balance sheet at 1 January 2020 prepared in accordance with first-time adoption of Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(a) Statement of compliance

These consolidated financial statements were the first financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”). For further information of the effect of first-time adoption of International Financial Reporting Standards on the Group’s financial position, financial performance, and cash flows in the financial statements, please refer to note 15.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			December 31, 2021	December 31, 2020	January 1, 2020	
The Company	Neousys Technology America Inc.	Sale of industrial computers	100 %	100 %	100 %	
The Company	INNOVATION PATH INT'L LTD.	General investing	100 %	100 %	100 %	
The Company	Hai Yao Development (Shanghai) Co., Ltd.	Sale of industrial computers	- %	- %	- %	Note
INNOVATION PATH INT'L LTD.	SYSTEM INNOVATION ENTERPRISE LTD.	General investing	100 %	100 %	100 %	
SYSTEM INNOVATION ENTERPRISE LTD.	Shanghai Neousys Technology Co., Ltd.	Sale of industrial computers	100 %	100 %	100 %	

Note: Since the key management personnel of Hai Yao Development (Shanghai) Co., Ltd. (original name: Shanghai Chen Yao Technology Development Co., Ltd.) were the same as those of Shanghai Neousys Technology Co., Ltd. (the "NTC"), hence, although the Group did not hold shares in Hai Yao Development (Shanghai) Co., Ltd., the Group was assessed to have substantial control over the personnel, financial and operational decisions of Hai Yao Development (Shanghai) Co., Ltd., and therefore considered it as a subsidiary.

Since Hai Yao Development (Shanghai) Co., Ltd. changed its key management personnel on December 14, 2020, the Group lost its substantial control over the Hai Yao Development (Shanghai) Co., Ltd., and no longer included Hai Yao Development (Shanghai) Co., Ltd. in the consolidated financial statements.

The carrying amount of assets and liabilities of Hai Yao Development (Shanghai) Co., Ltd. on December 14, 2020 was as follow:

Cash and cash equivalents	\$ 8,537
Other receivables	182
Inventories	603
Prepayments	63
Other payables	(504)
Other current liabilities	<u>(14)</u>
Carrying amount of net assets	<u>\$ 8,867</u>

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. Excluding foreign operations in hyperinflationary economies, the income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Financial assets

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Impairment of financial assets

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

The Group 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 allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

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

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group 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.

(iii) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if it falls on the following conditions:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply the policies on accounting for modifications to the additional changes.

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) machinery	1~3 years
2) office equipment	1~3 years
3) leasehold improvement	1~3 years
4) other equipment	1~3 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Leases

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------|-----------|
| 1) Computer software cost | 1~3 years |
|---------------------------|-----------|

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

At each reporting date, the Group reviews the accumulated impairment of its non-financial assets to determine whether there is any indication of reversal of impairment. If any such indication that the asset's recoverable amount is changed exists, the impairment loss will be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

No element of financing is deemed present as the sales of goods are made with a credit term of 100 days, which is consistent with the market practice.

The Group reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as a provision for warranty.

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

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(q) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020	January 1, 2020
Cash on hand	\$ 82	90	442
Demand deposits	236,332	222,038	177,410
Time deposits	-	-	4,305
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 236,414</u>	<u>222,128</u>	<u>182,157</u>

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

(b) Notes and accounts receivable, net

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	<u>\$ -</u>	<u>-</u>	<u>504</u>
Accounts receivable	\$ 73,123	62,114	69,352
Less: Loss allowance	(4,398)	(693)	(85)
Accounts receivable, net	<u>\$ 68,725</u>	<u>61,421</u>	<u>69,941</u>

(Continued)

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

December 31, 2021			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 24,394	0.32%	77
1 to 30 days past due	1,361	1.18%	16
31 to 90 days past due	562	16.55%	93
91 to 180 days past due	299	62.48%	187
More than 180 days past due	83	100%	83
	\$ 26,699		456

December 31, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 23,368	0.02%	4
1 to 30 days past due	1,644	0.38%	6
91 to 180 days past due		46.90%	
More than 180 days past due	76	100%	76
	\$ 25,088		86

January 1, 2020			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 29,273	0.02%	5
1 to 30 days past due	7,485	0.11%	8
31 to 90 days past due	264	9.47%	25
91 to 180 days past due	83	55.21%	46
More than 180 days past due	1	100%	1
	\$ 37,106		85

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provisions of the overseas entities of the Group were determined as follows:

December 31, 2021			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Low risk	\$ 42,482	-	-
Loss	3,942	100%	3,942
Total	<u>\$ 46,424</u>		<u>3,942</u>

December 31, 2020			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Low risk	\$ 36,419	-	-
Loss	607	100%	607
Total	<u>\$ 37,026</u>		<u>607</u>

January 1, 2020			
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Low risk	32,750	-	-
Loss	-	100%	-
Total	<u>\$ 32,750</u>		<u>-</u>

The aging analyses of accounts and notes receivable of the overseas entities of the Group were determined as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Current	\$ 21,626	24,200	19,624
1 to 30 days past due	14,046	6,612	5,305
31 to 120 days past due	8,017	4,351	7,684
31 to 120 days past due	2,212	1,854	137
More than 180 days past due	523	9	-
	<u>\$ 46,424</u>	<u>37,026</u>	<u>32,750</u>

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2021	2020
Balance at January 1	\$ 693	85
Impairment losses recognized	3,726	717
Amounts written off	-	(120)
Foreign exchange (losses) gains	(21)	11
Balance at December 31	<u><u>\$ 4,398</u></u>	<u><u>693</u></u>

As of December 31, 2021 and 2020 and January 1, 2020, the aforementioned notes and accounts receivables of the Group had not been pledged as collateral.

For further credit risk information, please refer to note 6(o).

(c) Inventories

	December 31, 2021	December 31, 2020	January 1, 2020
Raw materials	\$ 189,578	70,800	70,230
Work in progress	56,199	56,946	64,203
Finished goods	81,167	32,728	34,088
	<u><u>\$ 326,944</u></u>	<u><u>160,474</u></u>	<u><u>168,521</u></u>

For the years ended December 31, 2021 and 2020, the write-down of inventories amounted to \$13,043 thousand and \$8,525 thousand, respectively. The write-downs are included in cost of sales.

For the years ended December 31, 2021 and 2020, raw material, and changes in the finished goods, merchandise inventory and work in progress recognized as cost of sales and expenses amounted to \$563,629 thousand and \$396,175 thousand, respectively.

As of December 31, 2021 and 2020 and January 1, 2020, the Group did not provide any inventories as collateral for its loans.

(d) Property, plant and equipment

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

	Machinery	Office equipment	Leasehold improvement	Other equipment	Total
Cost:					
Balance on January 1, 2021	\$ 2,907	1,530	2,026	444	6,907
Additions	1,922	718	5,255	-	7,895
Disposals	(32)	(8)	-	-	(40)
Effect of movements in exchange rates	(21)	(17)	-	-	(38)
Balance on December 31, 2021	<u><u>\$ 4,776</u></u>	<u><u>2,223</u></u>	<u><u>7,281</u></u>	<u><u>444</u></u>	<u><u>14,724</u></u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Machinery</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Other equipment</u>	<u>Total</u>
Balance on January 1, 2020	\$ 2,945	1,225	1,836	444	6,450
Additions	-	319	190	-	509
Effect of movements in exchange rates	(38)	(14)	-	-	(52)
Balance on December 31, 2020	<u>\$ 2,907</u>	<u>1,530</u>	<u>2,026</u>	<u>444</u>	<u>6,907</u>
Depreciation:					
Balance on January 1, 2021	\$ 1,875	857	1,575	231	4,538
Depreciation for the year	660	310	736	83	1,789
Disposals	(24)	(5)	-	-	(29)
Effect of movements in exchange rates	(21)	(15)	-	-	(36)
Balance on December 31, 2021	<u>\$ 2,490</u>	<u>1,147</u>	<u>2,311</u>	<u>314</u>	<u>6,262</u>
Balance on January 1, 2020	\$ 1,451	675	956	120	3,202
Depreciation for the year	463	204	619	111	1,397
Effect of movements in exchange rates	(39)	(22)	-	-	(61)
Balance on December 31, 2020	<u>\$ 1,875</u>	<u>857</u>	<u>1,575</u>	<u>231</u>	<u>4,538</u>
Carrying amounts:					
Balance on December 31, 2021	<u>\$ 2,286</u>	<u>1,076</u>	<u>4,970</u>	<u>130</u>	<u>8,462</u>
Balance on January 1, 2020	<u>\$ 1,494</u>	<u>550</u>	<u>880</u>	<u>324</u>	<u>3,248</u>
Balance on December 31, 2020	<u>\$ 1,032</u>	<u>673</u>	<u>451</u>	<u>213</u>	<u>2,369</u>

As of December 31, 2021, and 2020 and January 1, 2020, the Group did not provide any property, plant and equipment as collaterals for its loans.

(e) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance at January 1, 2021	\$ 41,805
Additions	8,849
Effect of movements in exchange rates	(116)
Balance at December 31, 2021	<u>\$ 50,538</u>
Balance at January 1, 2020	\$ 23,119
Additions	18,865
Effect of movements in exchange rates	(179)
Balance at December 31, 2020	<u>\$ 41,805</u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2021	\$ 13,420
Depreciation for the year	15,567
Effect of movements in exchange rates	(45)
Balance at December 31, 2021	<u>\$ 28,942</u>

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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	Buildings
Balance at January 1, 2020	\$ -
Depreciation for the year	13,449
Effect of movements in exchange rates	(29)
Balance at December 31, 2020	<u><u>\$ 13,420</u></u>
Carrying amount:	
Balance at December 31, 2021	<u><u>\$ 21,596</u></u>
Balance at January 1, 2020	<u><u>\$ 23,119</u></u>
Balance at December 31, 2020	<u><u>\$ 28,385</u></u>

(f) Lease liabilities

Group's lease liabilities were as follow:

	December 31, 2021	December 31, 2020	January 1, 2020
Current	<u><u>\$ 16,330</u></u>	<u><u>13,922</u></u>	<u><u>7,452</u></u>
Non-current	<u><u>\$ 5,708</u></u>	<u><u>14,867</u></u>	<u><u>15,667</u></u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u><u>\$ 541</u></u>	<u><u>609</u></u>
Expenses relating to leases of low-value assets	<u><u>\$ 136</u></u>	<u><u>439</u></u>

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

	2021	2020
Total cash outflow for leases	<u><u>\$ 16,202</u></u>	<u><u>14,093</u></u>

(i) Real estate leases

The Group leases land and buildings for its office space. The leases of office space typically run for a period of 2 to 3 years.

(ii) Other leases

The Group leases office equipment such as photocopiers, which are leases of low-value items. The Group elects to apply the exemption from recognition and does not recognize the related right-of-use assets and lease liabilities for these leases.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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(g) Employee benefits

(i) Defined contribution plans

The Group allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The domestic companies of the Group which pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$5,726 thousand and \$5,279 thousand for the years ended December 31, 2021 and 2020, respectively.

The overseas subsidiaries of the Group which pension costs recognized in accordance with local government regulations amounted to \$1,397 thousand and \$145 thousand for the years ended December 31, 2021 and 2020, respectively.

(h) Income taxes

(i) Income tax expense

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

	2021	2020
Current tax expense	\$ 42,039	26,091
Deferred tax expense	(4,664)	(1,386)
Income tax expense	<u><u>\$ 37,375</u></u>	<u><u>24,705</u></u>

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows.

	2021	2020
Profit excluding income tax	<u><u>\$ 162,992</u></u>	<u><u>103,085</u></u>
Income tax using the Company's domestic tax rate	\$ 35,598	20,617
Effect of tax rates in foreign jurisdiction	1,882	2,193
Non-deductible expenses	-	81
Over-estimation from prior periods	(110)	(20)
Additional tax on undistributed earnings	5	1,834
Total	<u><u>\$ 37,375</u></u>	<u><u>24,705</u></u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

Deferred Tax Assets:

	Allowance for inventory valuation and obsolescence losses	Unrealized gain from downstream transaction	Unrealized foreign exchange loss	Others	Total
Balance at January 1, 2021	\$ 4,897	1,671	1,027	440	8,035
Recognized in profit or loss	1,973	3,329	(798)	160	4,664
Balance at December 31, 2021	<u>\$ 6,870</u>	<u>5,000</u>	<u>229</u>	<u>600</u>	<u>12,699</u>
Balance at January 1, 2020	\$ 3,768	2,022	462	397	6,649
Recognized in profit or loss	1,129	(351)	565	43	1,386
Balance at December 31, 2020	<u>\$ 4,897</u>	<u>1,671</u>	<u>1,027</u>	<u>440</u>	<u>8,035</u>

2) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021, and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 83,806</u>	<u>47,390</u>	<u>22,792</u>
Unrecognized deferred tax liabilities	<u>\$ 16,761</u>	<u>9,478</u>	<u>4,558</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the R.O.C. tax authority.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020 and January 1, 2020, the Company's authorized capital all amounted to \$300,000 thousand, and the paid-in capital amounted to \$202,735 thousand, \$190,000 thousand and \$169,910 thousand, respectively, with a par value of \$10 per share and 20,274 thousand, 19,000 thousand and 16,991 thousand shares, respectively.

On May 14, 2020, the Board of Directors resolved to issue 58 thousand shares to employees for compensation of \$1,013 thousand, and on June 30, 2020, the shareholders' meeting resolved to issue 1,951 thousand shares with a par value of \$10 per share, for a total of \$19,510 thousand. The base date of the capital increase was July 15, 2020, and the paid-in capital after the capital increase was \$190,000 thousand.

On April 28, 2021, the Board of Directors resolved to issue 55 thousand shares to employees for compensation of \$964 thousand, and on June 25, 2021, the shareholders' meeting resolved to issue 945 thousand shares with a par value of \$10 per share, for a total of \$9,450 thousand. The base date of the capital increase was July 16, 2020.

In addition, the Company's employees subscribed 274,000 shares of common stock at an exercise price of \$11.7 per share for a total of \$3,200 thousand in 2021. The base date of the capital increase was December 24, 2021, and the paid-in capital after the capital increase was \$202,735 thousand.

(ii) Capital surplus

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

	December 31, 2021	December 31, 2020	January 1, 2020
Share capital	\$ 6,655	3,635	3,202
Employee share options	1,184	1,681	-
	<u>\$ 7,839</u>	<u>5,316</u>	<u>3,202</u>

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

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The distribution of retained earnings of the Company should not be less than 15% of the net income. In addition, the stock dividends shall not be more than 80% of total dividends and the cash dividends shall not be less than 20% of total dividends when distributing the dividends.

1) Legal reserve

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

2) Earnings distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 25, 2021 and June 30, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.95	<u>56,050</u>	2.2965	<u>39,019</u>
Shares	\$ 0.4973	<u>9,450</u>	1.1483	<u>19,510</u>

(iv) Other equity accounts, net of tax

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2021	\$ (114)
Exchange differences on translation of foreign financial statements, net of tax	(1,033)
Balance on December 31, 2021	<u>\$ (1,147)</u>
Balance on January 1, 2020	\$ -
Exchange differences on translation of foreign financial statements, net of tax	(114)
Balance on December 31, 2020	<u>\$ (114)</u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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(j) Share-based payment

Employee stock option plan

In April 2020, the Group decided to award 563 units of employee stock options to employees of the Company and its subsidiaries who meet the requirements. Each unit of employee stock options is granted the right to subscribe 1 thousand common shares of the Company through new shares issuance. The options are valid for 4 years with exercise price of \$19 and can be vested of a certain percentage with the condition that these employees continue to provide service to the Group. After the issuance, when there is a change to the number of the Group's common shares outstanding, the exercise price shall be adjusted accordingly using the prescribed formula.

Details of the employee stock options are as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	\$ 19.00	563	-	-
Granted during the year	-	-	19.00	563
Forfeited during the year	-	(48)	-	-
Exercised during the year	-	(274)	-	-
Outstanding at December 31	19.00	<u>241</u>	19.00	<u>563</u>
Exercisable at December 31	-	<u>8</u>	-	-

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

	<u>April, 2019</u>
Share price at grant date	\$25.47
Exercise price	\$19
Expected volatility (%)	24.54%~24.63%
Expected life (years)	2.75~3.5 years
Risk-free interest rate (%)	0.40 %

The expected volatility was calculated based on historical stock prices of similar companies.

For the years ended December 31, 2021, and 2020, the share-based payment expenses are amounted to \$1,644 thousand and \$1,681 thousand, respectively.

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Notes to the Consolidated Financial Statements

(k) Earnings per share

	2021	2020
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 125,617</u></u>	<u><u>72,480</u></u>
Issued ordinary shares at 1 January	\$ 19,000	16,991
Effect of shares dividends	945	2,896
Effect of employee share bonus	38	37
Effect of exercise of share options	56	-
Weighted average number of ordinary shares at 31 December	<u><u>\$ 20,039</u></u>	<u><u>19,924</u></u>
Basic earnings per share	<u><u>\$ 6.27</u></u>	<u><u>3.64</u></u>
Profit attributable to ordinary shareholders of the Company (basic)	<u><u>\$ 125,617</u></u>	<u><u>72,480</u></u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 125,617</u></u>	<u><u>72,480</u></u>
Weighted average number of ordinary shares (basic)	20,039	19,924
Effect of shares dividends	1,125	1,277
Effect of employee share bonus	41	24
Weighted average number of ordinary shares (diluted) at December 31	<u><u>21,205</u></u>	<u><u>21,225</u></u>
Diluted earnings per share	<u><u>\$ 5.92</u></u>	<u><u>3.41</u></u>

(l) Revenue from contracts with customers

(i) Details of revenue

	2021	2020
Primary regional markets:		
Europe	\$ 285,887	218,049
Mainland China	253,025	165,086
America	227,629	169,504
Other Asia	130,106	97,290
Taiwan	80,172	65,463
Others	66	60
	<u><u>\$ 976,885</u></u>	<u><u>715,452</u></u>
Major products:		
Revenue from sales of industrial computers	\$ 813,308	626,783
Revenue from sales of peripheral products and services	163,577	88,669
	<u><u>\$ 976,885</u></u>	<u><u>715,452</u></u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ -	-	504
Accounts receivable	73,123	62,114	69,352
Less: allowance for impairment	(4,398)	(693)	(85)
Total	<u><u>\$ 68,725</u></u>	<u><u>61,421</u></u>	<u><u>69,771</u></u>
Contract liabilities	<u><u>\$ 40,908</u></u>	<u><u>10,888</u></u>	<u><u>6,185</u></u>

The contract liabilities primarily relate to the advance consideration received from product sales, which will be transferred to revenue when the related products are delivered to customers.

For details on accounts receivables and allowance for impairment, please refer to note 6(b).

(m) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$23,412 thousand and \$16,522 thousand, and directors' and supervisors' remuneration amounting to \$500 thousand and \$400 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. The remuneration in shares was calculated based on the net value of the financial statements of \$20.07 and \$17.53 for the years ended December 31, 2021 and 2020, respectively, and 170 thousand and 55 thousand shares were distributed, respectively. There was no difference between the actual distribution of employees', directors' and supervisors' remuneration in the financial statements for 2021 and 2020 and the estimated amounts in the parent-company-only financial statements for 2021 and 2020.

(n) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2021	2020
Interest income from bank deposits	\$ 151	752
Other interest income	-	33
	<u><u>\$ 151</u></u>	<u><u>785</u></u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Other income

The details of other income were as follows:

	<u>2021</u>	<u>2020</u>
Other income	\$ 103	602
Gains on write-off of payables	<u>-</u>	<u>8,623</u>
	<u>\$ 103</u>	<u>9,225</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Losses on disposals of property, plant and equipment	\$ (9)	-
Foreign currency exchange losses	(5,049)	(8,293)
Others	<u>(77)</u>	<u>(15)</u>
	<u>\$ (5,135)</u>	<u>(8,308)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2021</u>	<u>2020</u>
Interest expense	\$ -	3
Amortization interest of lease liabilities	<u>541</u>	<u>609</u>
	<u>\$ 541</u>	<u>612</u>

(o) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Financial assets at amortized cost (loans and receivables)			
Cash and cash equivalents	\$ 236,414	222,128	182,157
Notes and accounts receivable	68,725	61,421	69,771
Other receivables	<u>4,965</u>	<u>1,827</u>	<u>2,502</u>
Subtotal	<u>310,104</u>	<u>285,376</u>	<u>254,430</u>
Total	<u>\$ 310,104</u>	<u>285,376</u>	<u>254,430</u>

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2) Financial liabilities

	December 31, 2021	December 31, 2020	January 1, 2020
Financial liabilities at amortized cost			
Accounts payable	\$ 119,083	53,008	72,276
Other payables	75,646	47,974	42,776
Lease liabilities	22,038	28,789	23,119
Total	<u>\$ 216,767</u>	<u>129,771</u>	<u>138,171</u>

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. December 31, 2021 and 2020 and January 1, 2020, the Group's exposure to credit risk and the maximum exposure were mainly from notes and accounts receivable and other receivables, the amount is \$73,690 thousand, \$63,248 thousand and \$72,273 thousand respectively.

2) Concentration of credit risk

The major customers of the Group are centralized in the high-tech computer industry. To minimize credit risk, the Group periodically evaluates the Group's financial positions and the possibility of collecting accounts receivables. Besides, the Group monitors and reviews the recoverable amount of the accounts receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2021 and 2020 and January 1, 2020, the notes and accounts receivable of the Group were from multiple customers. Thus, credit risk is not significantly centralized.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables.

All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). For the years ended December 31, 2021 and 2020, no allowance for impairment were provided because there was no indication of credit-impaired for other receivables.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable	\$ 119,083	(119,083)	(119,083)	-	-	-	-
Other payables	75,646	(75,646)	(75,646)	-	-	-	-
Lease liabilities	22,038	(22,494)	(8,775)	(7,892)	(4,479)	(1,348)	-
	<u>\$ 216,767</u>	<u>(217,223)</u>	<u>(203,504)</u>	<u>(7,892)</u>	<u>(4,479)</u>	<u>(1,348)</u>	<u>-</u>
December 31, 2020							
Non-derivative financial liabilities							
Accounts payables	\$ 53,008	(53,008)	(53,008)	-	-	-	-
Other payables	47,974	(47,974)	(47,974)	-	-	-	-
Lease liabilities	28,789	(29,311)	(7,180)	(7,129)	(14,368)	(634)	-
	<u>\$ 129,771</u>	<u>(130,293)</u>	<u>(108,162)</u>	<u>(7,129)</u>	<u>(14,368)</u>	<u>(634)</u>	<u>-</u>
January 1, 2020							
Non-derivative financial liabilities							
Accounts payables	\$ 72,276	(72,276)	(72,276)	-	-	-	-
Other payables	42,776	(42,776)	(42,776)	-	-	-	-
Lease liabilities	23,119	(23,771)	(3,826)	(3,987)	(7,935)	(8,023)	-
	<u>\$ 138,171</u>	<u>(138,823)</u>	<u>(118,878)</u>	<u>(3,987)</u>	<u>(7,935)</u>	<u>(8,023)</u>	<u>-</u>

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

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 5,976	27.680	165,416	5,188	28.480	147,754
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	950	27.680	26,296	249	28.480	7,092

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings and accounts and other payables that are denominated in foreign currency. A weakening of 1% of the NTD against the USD as of December 31, 2021 and 2020 would have increased the net income before tax by \$1,391 thousand and \$1,407 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021 and 2020.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange loss (including realized and unrealized portions) amounted to \$5,049 thousand and \$8,293 thousand, respectively.

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

Since the Group does not have any borrowing at variable rates, the Group's net income would not be affected by the change in interest rates for the years ended December 31, 2021 and 2020.

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

		December 31, 2021			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 236,414	-	-	-	-
Notes and accounts receivable	68,725	-	-	-	-
Other receivables	4,965	-	-	-	-
Total	<u>\$ 310,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Accounts payable	\$ 119,083	-	-	-	-
Other payables	75,646	-	-	-	-
Lease liabilities	22,038	-	-	-	-
Total	<u>\$ 216,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 222,128	-	-	-	-
Notes and accounts receivable	61,421	-	-	-	-
Other receivables	1,827	-	-	-	-
Total	<u>\$ 285,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Accounts payable	\$ 53,008	-	-	-	-
Other payables	47,974	-	-	-	-
Lease liabilities	28,789	-	-	-	-
Total	<u>\$ 129,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
January 1, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 182,157	-	-	-	-
Notes and accounts receivable	69,771	-	-	-	-
Other receivables	2,502	-	-	-	-
Total	<u>\$ 254,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Accounts payable	\$ 72,276	-	-	-	-
Other payables	42,776	-	-	-	-
Lease liabilities	23,119	-	-	-	-
Total	<u>\$ 138,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Chairman's office and Group operations center, which are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

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

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Group; these limits are reviewed regularly. No collateral required for accounts and other receivable. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Clients who transaction with the Group has few experiences on default losses. When monitoring customers' credit risk, customers are grouped according to its credit characteristics, including whether it is an individual or a legal entity, geographical distinction, industry, aging schedule, maturity date and previously existing financial difficulties. Customers who are rated as high risk are classified as restricted and these customers may transact with the Group only on a prepayment basis.

The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts and other receivables, as well as investments. Major components of this impairment allowance are specific losses related to individually significant exposure and collective losses which have incurred but have not been identified. The collective losses are based on historical payment experience of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

As of December 31, 2021 and 2020, the Group did not provide financial guarantees to other third parties.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group depend its accounting policy to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, USD, and CNY. The currencies used in these transactions are the NTD, USD, and CNY.

Loan interest is denominated in the currency of the loan. Generally, the currency of the borrowings is the same as the currency of the cash flows from operating activities, which is mainly NTD and USD. As a result, economic hedging is provided, and without signing derivatives, so the Group doesn't apply hedge accounting.

2) Interest rate risk

The Group holds floating interest rate of assets and liabilities, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rate of the Group's assets and liabilities, please refer to note "liquidity risk management".

3) Other market price risk

The Group doesn't sign merchandise contract except for meeting the expected consumption and sales demand.

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes ordinary shares, capital surplus and retained earnings. The Board monitors the return on capital and controls the level of common stock dividends.

The Group monitors funds by regularly review debt-to-equity ratio. As of December 31, 2021 and 2020, the Group's debt-to-equity ratio is as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Total liabilities	\$ 285,578	162,559	163,239
Less: cash and cash equivalents	(236,414)	(222,128)	(182,157)
Net debt	<u>\$ 49,164</u>	<u>(59,569)</u>	<u>(18,918)</u>
Total equity	<u>\$ 406,985</u>	<u>332,643</u>	<u>296,602</u>
Adjusted equity	<u>\$ 456,149</u>	<u>273,074</u>	<u>277,684</u>
Debt-to-equity ratio	<u>10.78 %</u>	<u>(21.81)%</u>	<u>(6.81)%</u>

(r) Investing and financing activities not affecting current cash flow

	January 1, 2021	Cash flows	Acquisition	Non-cash changes Foreign exchange movement	December 31, 2021
Lease liabilities	\$ 28,789	(15,525)	8,849	(75)	22,038
Total liabilities from financing activities	<u>\$ 28,789</u>	<u>(15,525)</u>	<u>8,849</u>	<u>(75)</u>	<u>22,038</u>

	January 1, 2020	Cash flows	Acquisition	Non-cash changes Foreign exchange movement	December 31, 2020
Lease liabilities	\$ 23,119	(13,045)	18,865	(150)	28,789
Total liabilities from financing activities	<u>\$ 23,119</u>	<u>(13,045)</u>	<u>18,865</u>	<u>(150)</u>	<u>28,789</u>

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Shanghai Cheer Technology Co., Ltd	The Group's other related parties (Note 1)
Hai Yao Development (Shanghai) Co., Ltd.	The Group's other related parties (Note 2)

Note 1: The company was no longer listed as one of the Group's other related parties since August 28, 2020.

Note 2: The company was no longer listed as one of the Group's other related parties since December 14, 2020.

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties and the balance of accounts receivable were as follows:

	<u>Sales</u>		<u>Accounts receivable</u>		
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Shanghai Cheer Technology Co., Ltd	\$ -	22,344	-	-	-

The selling price for related parties approximated the market price. The accounts receivables arising from sales of related parties are collected in 30 days after the account day. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>Purchases</u>		<u>Accounts payable</u>		
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Hai Yao Development (Shanghai) Co., Ltd	\$ -	262	-	-	-

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms are 30 days, which were no different from the payment terms given by other vendors.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 9,662	8,657
Post-employment benefits	260	259
	<u>\$ 9,922</u>	<u>8,916</u>

(8) Pledged assets:None

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:None

(12) Other:

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

	For the year ended December 31					
	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item						
Employee benefits						
Salary	30,233	144,994	175,227	9,829	129,926	139,755
Labor and health insurance	2,363	10,205	12,568	819	9,545	10,364
Pension	1,155	5,968	7,123	408	5,016	5,424
Remuneration of directors	-	500	500	-	400	400
Others	1,046	6,962	8,008	493	5,428	5,921
Depreciation	8,242	9,114	17,356	6,840	8,006	14,846
Amortization	8	1,083	1,091	-	1,291	1,291

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase (Sale)	Amount	Percentage of total purchases(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Neousys Technology America Inc.	Parent-subsidiary	(Sales)	(126,771)	(15.11)%	O/A 60 days	-	-	24,553	38.31%	Note
Neousys Technology America Inc.	The Company	Parent-subsidiary	Purchase	126,771	90.06%	O/A 60 days	-	-	(24,553)	(98.98)%	Note
The Company	Shanghai Neousys Technology Co., Ltd.	Parent-subsidiary	(Sales)	(156,392)	(18.65)%	O/A 90 days	-	-	13,293	20.74%	Note
Shanghai Neousys Technology Co., Ltd.	The Company	Parent-subsidiary	Purchase	156,392	69.99%	O/A 90 days	-	-	(13,293)	(99.05)%	Note

Note: The transaction has already been written off in the consolidated financial statement.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(In Thousands of New Taiwan Dollars)

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (note1)	Name of company	Name of counter-party	Nature of relationship (note1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Neousys Technology America Inc.	1	Sales	126,771	On the basis of general conditions	12.98%
0	The Company	Neousys Technology America Inc.	1	Accounts receivable	24,553	O/A 60 days	3.55%
0	The Company	Shanghai Neousys Technology Co., Ltd.	1	Sales	156,392	On the basis of general conditions	16.01%
0	The Company	Shanghai Neousys Technology Co., Ltd.	1	Accounts receivable	13,293	O/A 90 days	1.92%

Note 1: Assigned numbers represent the following:

- 1. 0 represents the parent company.
- 2. The subsidiaries are represented numerically starting from 1.

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NIDEC CHAUN-CHOUNG TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 2: The terms of transactions are defined as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Intercompany relationships and significant intercompany transactions are only disclosed sales and accounts receivable. The corresponding purchases and accounts payables are not disclosed.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Neousys Technology America Inc.	U.S.A	Sale of industrial computers	6,974	6,974	220,000	100.00 %	24,504	100.00 %	11,067	11,067	Note 1 and Note 2
The Company	INNOVATION PATH INT'L LTD.	Belize	Investment activities	28,671	28,115	930,000	100.00 %	66,001	100.00 %	25,349	25,349	Note 1 and Note 2
INNOVATION PATH INT'L LTD.	SYSTEM INNOVATION ENTERPRISE LTD.	Seychelles	Investment activities	25,327 (USD915)	25,050 (USD905)	915,000	100.00 %	82,819 (USD2,992)	100.00 %	25,348 (USD905)	25,348 (USD905)	Note 1 and Note 2

Note 1: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2021 was 27.680 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2021 was 28.009 to 1.

Note 2: The transaction has already been written off in the consolidated financial statements.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021 (note 4)	Net income (losses) of the investee (note 4 and 7)	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 5, 6 and 7)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Shanghai Neousys Technology Co., Ltd.	Sale of industrial computers	24,912 (USD900) Note 2	2 Note 1	24,912 (USD900)	-	-	24,912 (USD900)	25,376 (USD906)	100.00%	100.00%	25,376 (USD906)	82,487 (USD2,980)	-

Note 1: Reinvest in Mainland China by establishing investing companies which is the Group 100% owned subsidiary in third region.

Note 2: The exchange rate of New Taiwan dollars to US dollars as of December 31, 2021 was 27.680 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2020 was 28.009 to 1.

Note 3: Investment income (losses) is recognized according to the financial statements audited by the CPA of the parent company.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
24,912 (USD900)	24,912 (USD900)	244,191

Note : The exchange rate of New Taiwan dollars to US dollars as of December 31, 2021 was 27.680 to 1.

(iii) Significant transactions:

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

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

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

The main operating activities of the Group are manufacturing, processing and trading of industrial computers, which is a single industry. The operating decision maker uses the region as the basis for the company's overall operating activities, decision making and performance evaluation, so the operating and reporting departments are distinguished by region.

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

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

December 31, 2021					
	Segment Taiwan	Segment United States	Segment Mainland China	Reconciliation and elimination	Total
Revenue					
Revenue from external customers	\$ 555,559	168,317	253,009	-	976,885
Intersegment revenues	283,163	-	-	(283,163)	-
Total revenue	\$ 838,722	168,317	253,009	(283,163)	976,885
Reportable segment profit or loss	\$ 147,786	16,017	35,606	(36,417)	162,992
December 31, 2020					
	Segment Taiwan	Segment United States	Segment Mainland China	Reconciliation and elimination	Total
Revenue					
Revenue from external customers	\$ 433,220	117,157	165,075	-	715,452
Intersegment revenues	155,313	-	262	(155,575)	-
Total revenue	\$ 588,533	117,157	165,337	(155,575)	715,452
Reportable segment profit or loss	\$ 86,773	10,946	29,963	(24,597)	103,085

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
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The measured amounts of the Group's assets/liabilities of the reportable segments are not available for operational decision making, and therefore the measured amounts of assets/liabilities are not disclosed.

(b) Product and service information

Revenue from the external customers of the Group was as follows:

Product and service	2021	2020
Industrial computers	\$ 813,308	626,783
Peripheral products and services	163,577	88,669
Total	<u>\$ 976,885</u>	<u>715,452</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographical information	2021	2020	2020
Taiwan	\$ 27,644	32,382	22,939
United States	1,772	2,894	4,173
Mainland China	9,627	1,904	2,285
Total	<u>\$ 39,043</u>	<u>37,180</u>	<u>29,397</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, refundable deposits, long-term prepayments for rents and other non-current assets, not including financial instruments, investments accounted for using equity method and deferred tax assets.

(d) Major customers

The Group's sales to a single customer did not reach more than 10% of operating revenues, therefore, no significant customer information was provided.

(15) First-time adoption of International Financial Reporting Standards have been applied:

For the year ended December 31, 2020, the Group prepared its financial statements in accordance with previously accepted Generally Accepted Accounting Principles. As described in Note 4(a), the consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accounting policies described in Note 4 have been applied in the preparation of the comparative consolidated financial statements for the year ended December 31, 2020, the balance sheet as of December 31, 2020, and the first IFRS balance sheet as of January 1, 2020 (the date of transition to IFRSs).

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NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In preparing the financial statements for the year ended December 31, 2020, the Company used the amounts reported in the financial statements prepared in accordance with the previous GAAP as the starting point for adjustments, and converted the previous GAAP to the IFRSs recognized by the FSC. The impact on the Company's financial position, financial performance and cash flows at each of these points or periods is stated as follows:

(a) Reconciliation of consolidated balance sheets

	December 31, 2020			January 1, 2020		
	As previously reported under GAAP	Impact of transition to IFRSs	IFRSs	As previously reported under GAAP	Impact of transition to IFRSs	IFRSs
Assets						
Cash and cash equivalents	\$ 222,128	-	222,128	182,157	-	182,157
Notes receivable, net	-	-	-	504	-	504
Accounts receivable, net	61,421	-	61,421	69,267	-	69,267
Other receivables	1,827	-	1,827	2,502	-	2,502
Inventories	160,474	-	160,474	168,521	-	168,521
Prepayments	3,933	-	3,933	3,604	-	3,604
Other current assets	204	-	204	30	-	30
Total current assets	449,987	-	449,987	426,585	-	426,585
Property, plant and equipment	2,369	-	2,369	3,248	-	3,248
Right-of-use assets	-	28,385	28,385	-	23,119	23,119
Intangible assets	2,154	-	2,154	1,227	-	1,227
Deferred tax assets	8,035	-	8,035	6,649	-	6,649
Other non-current assets	4,272	-	4,272	1,803	-	1,803
Total non-current assets	16,830	28,385	45,215	12,927	23,119	36,046
Total assets	<u>\$ 466,817</u>	<u>28,385</u>	<u>495,202</u>	<u>439,512</u>	<u>23,119</u>	<u>462,631</u>
Liabilities						
Accounts payable	\$ 53,008	-	53,008	72,276	-	72,276
Other payables	47,974	-	47,974	42,776	-	42,776
Current tax liabilities	19,746	-	19,746	16,893	-	16,893
Current contract liabilities	7,905	-	7,905	3,272	-	3,272
Current provisions	1,216	-	1,216	1,276	-	1,276
Current lease liabilities	-	13,922	13,922	-	7,452	7,452
Other current liabilities	938	-	938	714	-	714
Total current liabilities	130,787	13,922	144,709	137,207	7,452	144,659
Non-current contract liabilities	2,983	-	2,983	2,913	-	2,913
Non-current lease liabilities	-	14,867	14,867	-	15,667	15,667
Total non-current liabilities	2,983	14,867	17,850	2,913	15,667	18,580
Total liabilities	133,770	28,789	162,559	140,120	23,119	163,239
Equity						
Ordinary shares	190,000	-	190,000	169,910	-	169,910
Capital surplus	5,316	-	5,316	3,202	-	3,202
Legal reserve	30,150	-	30,150	19,570	-	19,570
Unappropriated retained earnings	110,493	(3,202)	107,291	106,718	(2,798)	103,920
Other equity	(2,912)	2,798	(114)	(2,798)	2,798	-
Non-controlling interests	-	-	-	2,790	-	2,790
Total equity	333,047	(404)	332,643	299,392	-	299,392
Total liabilities and equity	<u>\$ 466,817</u>	<u>28,385</u>	<u>495,202</u>	<u>439,512</u>	<u>23,119</u>	<u>462,631</u>

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Reconciliation of consolidated statements of comprehensive income

	2020		
	As previously reported under GAAP	Impact of transition to IFRSs	IFRSs
Operating revenues	\$ 715,452	-	715,452
Operating costs	(404,845)	145	(404,700)
Gross profit from operations	310,607	145	310,752
Selling expenses	(85,933)	18	(85,915)
Administrative expenses	(65,437)	728	(64,709)
Research and development expenses	(57,447)	31	(57,416)
Impairment loss determined in accordance with IFRS 9	-	(717)	(717)
Net operating income	101,790	205	101,995
Non-operating income and expenses:			
Other income	9,225	-	9,225
Finance costs	(3)	(609)	(612)
Interest income	785	-	785
Other gains and losses, net	(8,308)	-	(8,308)
Income before income tax	103,489	(404)	103,085
Income tax expenses	(24,705)	-	(24,705)
Profit	78,784	(404)	78,380
Exchange differences on translation	63	-	63
Other comprehensive income (after tax)	63	-	63
Total comprehensive income (after tax)	<u><u>\$ 78,847</u></u>	<u><u>(404)</u></u>	<u><u>78,443</u></u>
Profit attributable to:			
Owners of parent	\$ 72,884	(404)	72,480
Non-controlling interests	5,900	-	5,900
Profit	<u><u>\$ 78,784</u></u>	<u><u>(404)</u></u>	<u><u>78,380</u></u>
Comprehensive income (loss) attributable to:			
Owners of parent	\$ 72,770	(404)	72,366
Non-controlling interests	6,077	-	6,077
Total comprehensive income	<u><u>\$ 78,847</u></u>	<u><u>(404)</u></u>	<u><u>78,443</u></u>
Earnings per share			
Basic earnings per share (NT Dollars)	<u><u>\$ 3.84</u></u>	<u><u>(0.02)</u></u>	<u><u>3.82</u></u>
Diluted earnings per shar (NT Dollars)	<u><u>\$ 3.59</u></u>	<u><u>(0.02)</u></u>	<u><u>3.57</u></u>

(Continued)

NEOUSYS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant adjustments to the cash flow statement:

As of December 31 and January 1, 2020, the Group's cash flows classified as operating leases under GAAP were presented as cash flows from operating activities. However, in accordance with IFRSs recognized by the FSC, the amount of \$13,045 thousand of expenses for the principal amount of lease liabilities should be presented as cash flows from financing activities.

Except for the above differences, there are no other significant differences between the statement of cash flows prepared in accordance with IFRSs recognized by the FSC and those prepared in accordance with previously accepted GAAP.

(d) Notes to the reconciliation of the significant differences:

- (i) Under GAAP, leases in which the Group is the lessee are classified as finance leases or operating leases based on whether the leases have transferred substantially all the risks and rewards incidental to the ownership of an asset, and the related assets and liabilities are recognized under finance leases. Upon conversion to IFRSs recognized by the FSC, the Group recognizes right-of-use assets and lease liabilities on the balance sheet for contracts that meet the definition of a lease. The aforementioned lease liabilities are measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate at the date of conversion. The carrying amount of the right-of-use asset is discounted using the Group's incremental borrowing rate at the date of conversion as if IFRSs had been applied from the commencement date. The Group applies this method for the lease of the office.

The Group applies the following practical expedients to leases at the date of conversion:

- Apply a single discount rate to a portfolio of leases with similar characteristics.
- The original direct costs are excluded from the measurement of right-of-use assets at the date of conversion.

As of December 31, 2020, the Group's right-of-use assets, lease liabilities and retained earnings increased (decreased) by \$28,385 thousand, \$28,789 thousand and \$(404) thousand, respectively, due to the adjustment of the above differences. As of January 1, 2020, the Group's right-of-use assets and lease liabilities both increased by \$23,119 thousand. For the year ended December 31, 2020, the Group's operating costs and expenses and finance costs (decreased) increased by \$205 thousand and \$609 thousand, respectively.

- (ii) According to IFRS 1 endorsed by the FSC, the Group chose to recognize all foreign currency translation differences of all foreign operations as zero at the date of conversion. Therefore, as of December 31 and January 1, 2020, the foreign currency translation differences of the Group's foreign operations both increased by \$2,798 thousand. As of December 31 and January 1, 2020, the Group's retained earnings both decreased by \$2,798 thousand.