



Common Stock Code:6451

# ShunSin Technology Holdings Limited

## 2022 Annual Report

Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.shunsintech.com>

Print Date: April 30, 2022

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## **2. Contact Information of the Head Office, Branch Offices and Factories**

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Name: ShunSin Technology (Zhong Shan) Limited

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**6. Trading places name of overseas securities flotation and the method of inquire the information of this overseas securities: none.**

**7. Company Website:** <http://www.shunsintech.com>

**8. Roster of Board of Directors:**

Title	Name	Nationality or Place of Registration	Main Working (Educational)Experience
Chairman	Foxconn (Far East) Limited Representative: Hsu, Wen-Yi	Cayman Islands R.O.C.	Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd.

Title	Name	Nationality or Place of Registration	Main Working (Educational)Experience
Director	Foxconn (Far East) Limited Representative: Ho, Chia-Hua	Cayman Islands R.O.C.	Doctor's degree in physics, National Taiwan University Winbond Electronics Corporation R & D director National Nano Device Laboratories Factory Chief / Deputy Account Manager Taiwan Semiconductor Manufacturing Co., Ltd. R & D assistant manager IBM R & D manager
Director	Foxconn (Far East) Limited Representative: Yu, Che-Hung	Cayman Islands R.O.C.	Master Degree in Law, American University Supervisor of Foxconn Technology Co., Ltd
Director	Mou, Chung-Hsin	R.O.C.	Master Degree in Management, National Taiwan University of Science and Technology Engineer, Corporate Synergy Development Center Motorola Electronics Taiwan Ltd. Manufacturing manager CTS Components Taiwan Production manager Nanning Fu Tai Hong Precision Industrial Co.Ltd. Director /General Manager Director of Manufacture, Hon Hai Precision Industry Company Ltd
Independent Director	Chiu, Huang-Chuan	R.O.C.	Master Degree in Law, University of Cambridge Lawyer, Baker & McKenzie Lawyer, TAIWAN COMMERCIAL LAW OFFICE Director,WATERLAND SECURITIES
Independent Director	Ting, Hung-Hsun	R.O.C.	Bachelor Degree in Accounting, Chinese Culture University Independent Director, Test Rite Retail Co., Ltd. Independent Director, Test Rite Internaional Co., Ltd. Supervisor, TIEN LIANG BIOTECH CO., LTD Independent Director / Member of the Compensation Committee & Chairman of the Audit Committee, ICARES Medicus,Inc Supervisor, Emerging Display Technologies

Title	Name	Nationality or Place of Registration	Main Working (Educational)Experience
Independent Director	Lin, Ying-Shan	R.O.C.	EMBA, Sun Yat-sen University Master of Management Science, Kaohsiung Polytechnic Institute Manager of Underwriting Department, Yuanta Core Pacific Securities Co., Ltd. Director, Emerging Display Technologies Legal Persons as Corporate Director, Mildex Optical Inc.

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# I. Letter to Shareholders

## i. Operation Results of 2021

The operating performance indicators of the Group in 2021 are as follows:

Currency: NT\$ thousand, %

Item		FY2021		FY2020		Diff.	Note
Profitability	Consolidated Revenue	4,270,400		4,849,689		(579,289)	Mainly due to changes in product mix, repeated COVID-19 outbreaks and semiconductor shortages
	Consolidated Gross Profit (margin)	922,452	21.60%	1,580,357	32.59%	(657,905)	Mainly due to changes in product mix and semiconductor shortages
	Consolidated Net Income (margin)	378,607	8.86%	719,556	14.84%	(340,949)	Mainly due to changes in product mix and semiconductor shortages, which led to a decline in gross profit and revenue
	Return on Asset	4.64%		5.91%		(21.50%)	Same as above
	Return on Equity	5.93%		12.08%		(50.93%)	Same as above
	Earnings per share	\$3.77		\$6.88		(\$3.11)	Same as above
Capital Structure	Debts ratio	56.38%		57.51%		(1.96%)	Mainly due to a decrease in short-term borrowings
Liquidity	Current ratio	215.66%		167.43%		28.81%	Same as above
	Quick ratio	189.27%		162.22%		16.68%	Same as above
Operating Performance	Average collection turnover (times)	4.61		4.41		0.20	Mainly due to a decline in consolidated revenue compared to the previous fiscal year
	Average collection days	79.10		82.73		(3.63)	Same as above
	Average inventory turnover (times)	4.56		9.91		(5.35)	The ratio declined mainly due to the increase in raw materials inventory according to customer requirements and the prolonged inventory cycle due to the COVID-19 pandemic, which led to a higher average inventory compared with that of the previous year.
	Average inventory turnover days	79.94		36.80		43.14	Same as above

The overall operating performance of 2021 was tepid compared to that of 2020 mainly due to the impact of COVID-19 pandemic and global semiconductor shortage. However, the Group gradually commenced mass production in its Vietnam plant and has been dedicating its efforts on product diversification to maintain the Group's operating performance. In 2022, we expect that Vietnam plant's production capacity will gradually increase, while the Zhongshan plant will continue to provide clients with more diversified products and build a stronger and closer cooperation with clients, all to continue to drive the Group's operating performance in 2022.



### **Income Share of Product Sales in 2021 and 2020**

	FY 2021	FY 2020
High-speed optical transceiver	39.86%	41.46%
SiP	31.92%	13.77%
Biometric ID	18.75%	34.48%
Automotive Electronics	8.74%	8.53%
Other	0.73%	1.76%
Total	100%	100%

## **ii. Summary of Operational Plans for the Year**

The Group's product sales portfolio is primarily composed of SiP products, and the high-speed optical transceiver module. These two types of products can connect with both current and future market trends of product rising momentum.

The construction of 5G and the excessive data transmission demand brought about by big data have driven the continuous growth of the Group's SiP products and high-speed optical fiber transceiver modules. The Group's customers are all leading companies in the industry, and currently we are working with customers on the project research and development of related products. Although the deployment in Vietnam in 2021 was behind schedule due to the impact of the pandemic, various projects have entered the mass production stage after overcoming difficulties. The Group will continue to establish closer cooperation with customers and develop forward-looking and competitive products.

The Group has established a production base in Vietnam due to the Sino-US trade war. Since the start of its production in the fourth quarter of 2020, the operation of the Vietnam plant has gradually been on track. It is expected that with the production capacity of the Vietnam factory and the existing momentum of the Zhongshan factory, the Group will be able to carry out better planning and regulation to provide customers with more comprehensive business services.

In 2021, the Group actively implemented the strict pandemic prevention policy, and there was no suspension of production in the factory area due to pandemic prevention. However, under the influence of many unfavorable factors in the global economy, the Group is still affected by the general environment. It is expected that the semiconductor material shortage will gradually decline, and it is believed that the future of Shunsin will gradually improve after the uncertainty of the global economy weakens.

## **iii. Future Development Strategies of the Company**

The Group's short-term future development strategy will focus on the development of three terminal markets:

- **5G and smartphone market:**

With the gradual increase in 5G and commercial services, we see a rising demand for cloud services and mobile devices, which led to a shortage of semiconductor raw materials and equipment. According to the Groupe Speciale Mobile Association (GSMA), the number of 5G connections worldwide will exceed 1 billion in 2022, and reach 2 billion (20% of the total mobile connections) by the end of 2025 and the 5G service will cover 40 percent of the world's population. The outbreak of COVID-19 pandemic has led to an increased number of people in

remote working, learning and entertainment, while continuous 5G innovations have driven constant updates and iterations in semiconductor product categories and applications, such as electric vehicles, PCs and servers. For semiconductor products, data is collected by sensors and connected to smartphones, high-speed transmissions or act as serial port to connect with other semiconductor devices, in order to provide more convenient applications. With that, the demands for semiconductor components such as sensors, PAs and high-speed optical fiber transceiver modules continue to rise and we believe that the Group will gain competitive advantage with its niche products.

The Group specializes in SiP product technology, which is one of the key technologies for miniature smartphones. According to IDC, global smartphone shipments have been dragged down by material shortages in the second half of 2021. Although smartphone shipment volume did not exhibit double-digit growth as in the first half of 2021, the overall smartphone shipment in 2021 still increased by 5.7% YoY to 1.35 billion units. In addition, as the materials shortage may gradually ease, we forecast stability in the smartphone market.

- **Optical Communication Market:**

The demands for high-speed transmission also beat expectations in the AI computing market. At the Optical Fiber Communication (OFC) Conference, USA, AI applications have become the main driver and account for more than 50% of Google's search traffic and high-speed transmissions will be one of the key technologies to determine the effectiveness of AI learning, as it is more widely used in various application scenarios in the cloud market, as well as quick storage of large amount of data in big data centers. The Group's optical transceiver module technology achieved good yield rate in the past, and its production technology has continued to advance from 10G to the current capacity of producing 400G high-speed optical fiber transceiver modules. In 2022, optical fiber and high-fiber transceiver module products are expected to continue to drive the Group's growth momentum.

The Group already has successful experience of establishing the product in the above-mentioned terminal market, among which, good products have been developed in 5G RF, optical communication and smartphone market based on the steady packaging experience for many years, stood out from the industry and won many clients; the Group will continue to develop SiP process, become the pioneer in the trend of the times and break through the technical barriers, to bring better services to the clients of the Group.

#### **iv. Impacts of External Competition Environment, Regulatory Environment and Overall Operation Environment**

The OECD Economic Outlook 2021 pointed out that despite strong economic rebound in China and the U.S. which helped drive global economic recovery in 2021, many countries are still affected by the surge in the rate of COVID-19 infections in various countries amid stagnating vaccination coverage rates. As such, the momentum of the gradual recovery will differ significantly between countries. Meanwhile, global inflation may climb faster than expected and the global price surge could last longer. This indicates that the companies may face rapid cost increases and high inflation thus has become a significant risk factor for the global economy in 2021. Due to various factors such as port congestion, stringent COVID-19 prevention strategies and natural and man-made disasters, the raw materials are in short supply in the semiconductor industry, which has disrupted the semiconductor supply chain and caused significant global economic fluctuations.

Given the influence of various unfavorable factors, the Group has also been affected by the global economy. The semiconductor shortage has affected the Group's production, while port congestion and the impact of COVID-19 pandemic have caused delays in the construction of the Group's Vietnam plant and production lines. In response, our team have dedicated efforts to overcome all difficulties and improve the overall business performance. In 2022, as the

semiconductor shortage will gradually ease, the Group is expected to benefit from completion of production lines at the Vietnam plant. It is believed that ShunSin's sales will gradually grow in the next year.

The World Bank, International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) have successively lowered their expectations for economic growth in 2022 under slow post-pandemic recovery and economic disruption caused by China's zero-COVID strategy. However, looking at the present situation, China announced that it would phase out its zero-COVID policy gradually. Under the influence of the Omicron variant, which causes more infections but is less lethal than other COVID-19 variants and bring on herd immunity. After various countries ease border controls, it is less likely that the impact of COVID-19 pandemic may cause supply chain disruptions. In 2022, we project that the global economic output will gradually return to pre-pandemic levels and promote prosperity and stability in the global market. As the semiconductor shortage has eased thanks to various factors, we expect that the overall supply chain will gradually return to normal. Looking into 2022, after various external threats have gradually alleviated, the Group will keep in line with 5G and metaverse market trends thanks to diversified product mix, while the high-speed optical fiber transceiver modules and SiP sensors show great potential. Relying on rich packaging and testing experience, high-yield packaging technology, while the production capacity of the Vietnam plant is in place, we have great confidence and believe that the Group will have outstanding performance and contribute to shareholders' interest in the coming year.

Chairman: Hsu, Wen-Yi

## II. Introduction to the Company

### i. Profile of the Company and Group:

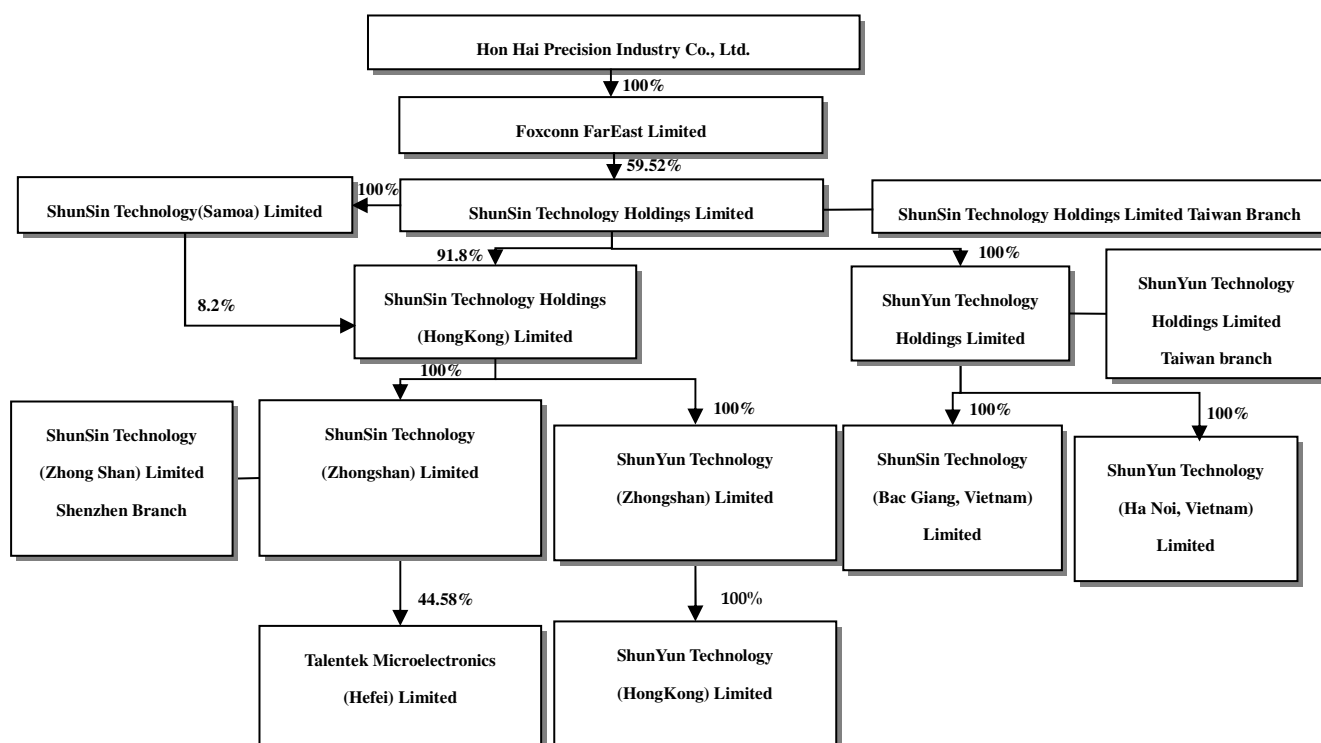
#### 1. Establishment Date and the Profile of the Group:

ShunSin Technology Holdings Limited (hereinafter referred to as “the Company” or “ShunSin”) was established on January 8, 2008 as an overseas holding Company registered in the Cayman Islands, formerly known as Amtec Holdings Limited. On August 28, 2013, the shareholders’ meeting adopted a resolution to change the name of the Company; as of the date of publication of the annual report, the Company has affiliated investment companies including ShunSin Technology Holdings (HongKong) Limited (hereinafter referred to as “ShunSin HongKong”), ShunSin Technology (Zhong Shan) Limited (hereinafter referred to as “ShunSin Zhongshan”), ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as “ShunSin Samoa”), ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as “ShunYun Ha Noi”), ShunSin Technology (Bac Giang, Vietnam) Limited (hereinafter referred to as “ShunSin Bac Giang”), ShunYun Technology Holdings Limited (hereinafter referred to as “ShunYun Cayman”) and ShunYun Technology (Zhong Shan) Limited (hereinafter referred to as “ShunYun Zhongshan”), and ShunYun Technology Holdings (HongKong) Limited (hereinafter referred to as “ShunYun HongKong”), Talentek Microelectronics (Hefei) Limited. The above subsidiaries are except for Talentek Microelectronics (Hefei) Limited is 45.42% indirectly held, and the rest are both directly and indirectly 100% owned subsidiaries.

The Group is mainly engaged in System in Package (hereinafter referred to as “SiP”) product, high-speed Optical transceiver ((hereinafter referred to as “Optical TXR”) and other integrated circuit modules for packaging, testing and sales. The Group has advanced semiconductor packaging technology and semiconductor research and development capabilities and nearly thousands of square meters high level of clean production workshop. The Group has successfully cooperated with customers to develop various products, and obtained the product verification of major international mobile phone, wireless communication and optical transmission manufacturers, so that the industrial scale and technical level of the Group can continue to lead the industry, and become an important partner of many internationally renowned enterprises.

#### 2. Structure of the Group:

Date: March 31, 2022



### 3. Risks

#### <1> The Impact of Interest Rate, Exchange Rate Change and Inflation on Corporate Damage and Countermeasures

##### (1) Interest rate change

The interest expense of the Group in 2021 is (NT\$73,220) thousand, accounting for (1.7%) of the annual operating revenue. Therefore, future interest rate changes have no significant impact on the operation of the Group.

##### (2) Exchange rate change

The main import and sales of the Group are denominated in US dollars, so the foreign currency positions of receivables and payables of import and sales can offset each other. However, as the receivables denominated in foreign currency are larger than the payables, the risk aversion cannot be completely realized. In order to reduce the impact of exchange rate fluctuations on the profit of the Group, the financial department will collect exchange rate data at any time, make trend judgment and risk assessment, keep close contact with the bank, and timely adjust foreign currency positions to avoid exchange risk.

The Group's net exchange gains and (losses) in 2021 and 2020 are NT\$ (13,178) and NT\$ (45,107) thousand respectively, accounting for (0.3%) and (0.9%) of its operating revenue in the current year. On December 31, 2021, when the new Taiwan dollar depreciates or appreciates by 0.25% against the US dollar and all other factors remain unchanged, the profit/(loss) before tax will increase or decrease by NT\$ (1,337) thousand.

##### (3) Inflation

The Group's past profits has not yet been significantly affected by inflation. The Group will keep an eye on fluctuations in market prices and maintain good interaction with customers and suppliers. In case of higher purchase costs due to inflation, the Group will adjust its sales prices appropriately when necessary to minimize its impact on the Group's operations.

#### <2> Main Reasons for Policies, Profits or Losses in High Risk and High Leverage Investment, Lending funds to Others, Endorsements and Guarantees and Derivative Commodity Transactions and Countermeasures

Based on the prudent principles and pragmatic business concepts, the Group does not engage in high-risk, highly leveraged investment transactions, except for the businesses of the Group

The Group has stipulated "Procedures for Lending Funds to Others", "Procedures for Endorsements & Guarantees", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Dealing with Derivatives Trade". The Group will comply with the above procedures, so the relevant risks should be limited.

#### <3> Future R&D plan and Estimated R&D cost

In view of the future expansion due to the demand of 5G related applications and products, as 5G construction is gradually completed, the demand and technology for sensors and optical fiber transceiver modules needed by the product, combined with relevant 5G applications, will continue to rise, and in order to meet the present market and product needed trend of high integration and high speed transmission, the Group will invest 300 million to 600 million be dedicated to improving the existing packaging technology to rapidly meet the specifications of the products on the market. The Group will also continue to design and develop packaging technology in the fields of sensors, thick films, optical transceiver modules, automotive electronics, and various other products to expand the customer market.

The R&D expenses in 2021 and 2020 accounted for 10.09% and 5.61% of the operating revenue respectively. The Group actively engaged in technology development, continuously invested

R&D resources and personnel, developed advanced packaging technology, including optimization process and high automation, and actively developed diversified products. The ratio of R&D expenses in 2021 was lower than that in 2020, mainly because the large-scale projects of 2020 entered mass production in 2021, and the related R&D expenses were transferred into the cost.

<4> Impacts of Important Policy and Law Changes at Home and Abroad on Corporate Financial Business and Countermeasures

The Company is incorporated in the Cayman Islands and operates mainly in Hong Kong, Samoa, Taiwan, Vietnam and China. The Group carries out all business in accordance with important domestic and foreign policies and laws and regulations, keeps an eye on important domestic and foreign policy development trends and legal changes, and takes appropriate measures in response to changes in the market environment. The Group has also discussed with external experts about the economic substance identification regulations promulgated by the Cayman Islands recently, and preliminarily determined that there is no significant impact on the Group. Therefore, there is no case that there is a significant impact on the financial business due to important domestic and foreign policies and laws.

<5> The Impact of Technological Change and Industrial Change on Corporate Financial Business and Countermeasures

The Group keeps abreast of the market trends of terminal products and assesses the impact of market changes on the Group's operations. In addition, most of the clients of the Group are leading manufacturers of terminal products or their major suppliers. The Group maintains close cooperation with the clients, and can grasp the market dynamics of the brand factories, and actively develop diversified products to reduce the impact of market fluctuations of single products. Therefore, technological and industrial changes will not have a material adverse impact on the Group's financial business.

<6> Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The Group focuses on the operation of its own industry, continuously pursues the sustainable operation and growth of the enterprise, actively strengthens internal management, and improves product quality and production efficiency. In addition, the Group constantly introduces excellent talents, cultivates the strength of the business team, and returns the business results to shareholders and the public, so as to fulfill the social responsibility of the enterprise. The Group's business results and the Company's good reputation, as of the date of publication of the annual report, there is no corporate image change caused by the enterprise crisis.

<7> Expected Effectiveness, Possible Risks and Countermeasures of Mergers and Acquisitions

As of the recent years and the print date of annual report, there is no merger plan. Any merger plans in the future, if any shall be subject to the Procedures for Acquisition or Disposal of Assets. Moreover, in order to reduce the possible risks, if the Company finds the potential merger target, it will take a prudent assessment attitude, consider the integration effect of the merger, and consult relevant professionals, and deal with the merger process with reasonable conditions, so as to ensure the interests of the Company and the overall shareholders' rights and interests.

<8> Anticipated Efficiency, Possible Risks and Countermeasures of the Expanded Plant:

In response to the continuous growth of operation scale and risks related to the trade war, the Board of Directors approved the establishment of a second production base in Vietnam on October 17, 2019, and brought into production in the fourth quarter of 2020. The Group also started integrating local resources to form a Vietnamese operation team based on the successful experience of China to meet local manpower needs and policies. The Vietnamese production base will help the Group increase order capacity and productivity, disperse geopolitical risks, and reduce the proportion of management and production costs, thus enabling the expansion of

operation scale and enhancement of overall competitiveness, while still limiting the risks thereof.

<9> Risks and Countermeasures Encountered in Purchasing or Marketing Concentration

(1) Purchasing Concentration Risks

The top 10 suppliers in the Group in 2021 and 2020 account for 25.36% and 42.88% of purchases respectively; the decrease in purchase concentration in 2021 was primarily due to the change in the Group's sales mix and the fact that customers have designated suppliers for key raw materials to ensure quality.

(2) Marketing Concentration Risks

The top 10 customers of the Group in 2021 and 2020 account for 96.01% and 98.86% of sales respectively; the Top 2 customers accounted for about 40% and 62% of total revenue in 2021 and 2020, the decrease in purchase concentration in 2021 was primarily due to the change in the Group's sales mix and continue to develop new customers. Customers are also industry leaders. In addition, the Group also actively researchs and grows new products and improves packaging technology, develops new customers and strives to diversify the product portfolio, supports customers in developing new design concepts, and reduces the risk of transfer of important customers.

<10> The impact, risks and countermeasures of the transfer or exchange of shareholdings of directors, supervisors or major shareholders holding more than 10% of the shares on the Company

The directors or major shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of the publication of the annual report of the Company have no substantial transfer or change of shares.

<11> The Impact, Risks and Countermeasures of the Change of Management Right on the Company

The Company has not changed its management rights in recent years or as of the date of publication of the annual report. The Company has strengthened various corporate governance measures, introduced independent directors and established Audit Committee in order to enhance the protection of the rights of the overall shareholders. In addition, the Company relies on professional managers for its operation, and its good performance should be supported by shareholders. Moreover, the Company has formulated a complete internal control system and relevant management rules. Therefore, the change of the right to operate should not result in the significant impact on the Company's operation.

<12> Other Important Risks and Countermeasures

(1) The impact of changing demand for consumer electronics

One of the Group's main sales products is high frequency wireless communication module, ambient light sensor and other proximity sensor for consumer electronic products, and its products are used in mobile phones (smart phones), wearable devices, wireless network and other communication products. In terms of consumer electronic products, they are characterized by short life cycle, ever-changing functions and easy to be affected by the consumption habit of shopping during the Christmas and New Year. The peak shipping period is mostly concentrated in the fourth quarter. As a result, demand for suppliers is anticipated in the third to fourth quarters, so revenue in the second half of the year is typically significantly higher than in the first half.

The terminal application market of the Group's main cooperative customer is high-level smart phones, and the Group's revenue is closely related to sales in this market. Therefore, from the perspective of market demand, the industry where the group is has considerable relevance to the demand change of the downstream terminal application market.

Global shipments of smart phones are expected to grow again in the future due to the application of 5G, which will bring a new wave of replacement opportunities in the high-level smart phone market and consequently rising shipments. The Group will keep an eye on the market demand at all times and work closely with end-brand manufacturers to grasp market opportunities, develop more innovative and advanced products, and launch new products in line with consumers' tastes and preferences earlier than competitors. At the same time, the Group will closely monitor the changes in government policies to reduce the adverse effects of policy changes, while actively maintaining the diversification of product layout so as to reduce the risk caused by the change of demand for consumer electronic products.

## (2) Relevant Risks of Market Competition

The Group mainly engages in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module. It is a professional semiconductor packaging and testing Company. SiP products include high frequency wireless communication module and the wireless module and so on, main products are applied to the mobile phone of the Radio Frequency Power Amplifier (RFPA), domestic and foreign packaging factory, such as ASE's South Korea Plant, Amkor Technology's South Korea Plant, Jiangsu Changjiang Electronics Technology Co., Ltd., Tong Hsing Electronic Industries, Ltd. and LINGSEN PRECISION INDUSTRIES, LTD. all provide such module sealing and testing services. Our high-speed optical transceiver module is in competition with Fabrinet Co., Ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses on diversification of products and diversification of operating risks, but also maintains the leading technology and quality of the process, and continuously obtains orders of new products from customers to reduce risks.

The Group has SiP, Flip Chip technology and other assemble and testing technology capabilities, and provide customized services, according to customer demand development and production of related module products, to provide customers with one-stop service. In addition, the Group has achieved heterogeneous integration through SiP in order to accelerate the integration of more functions in the module. Therefore, the Group will improve the difficulty of manufacturing process to increase and meet the order demand of customers, which has the advantages of economies of scale and improving the barriers for new manufacturers to enter. In the future, we will continue to deepen the cooperation with customers, expand product diversification and develop new customers, so as to consolidate the source of orders.

## (3) Risk of concentrating production base in a single area

The main production base of the Group is located in mainland China, where production costs and price level have been increasing annually. Furthermore, the recent global trade war has also exerted additional tariff costs on foreign businesses in mainland China, all of which have led to the gradual increase of the Group's overall production costs.

In the face of rising production costs in mainland China due to the impact of domestic consumption and trade war, the Group has not only made continuous improvement of production and process management and taken countermeasures like introducing automation equipment, but has also established a second production base in Vietnam in order to reduce the impact of increased production costs in mainland China on operation.

## (4) Risk of novel coronavirus effects on operation

The main production base of the Group is located in Zhongshan City, Guangdong Province, Mainland China, which does not have a serious pandemic situation at present. The pandemic situation in Vietnam, the second production base, has also gradually stabilized. Under the active response measures such as local government's anti-pandemic measures and adjustment



of production schedules in line with customer needs, there has been no work suspension due to the pandemic, and the impact of the pandemic risk on the Group is limited.

The Group's factories in mainland China and Vietnam actively comply with the local government's anti-pandemic policies, and has continued improving and implementing anti-pandemic measures so far: If employees have the need to comply with the local government's requirement of home isolation/home monitoring, then they may enter the factory area after completion of the requirement, and each of them needs to clock in and report the whereabouts every day. The Group has set up entry quarantine stations and implemented disinfection procedures for disinfecting incoming vehicles and personnel, taking body temperatures and issuing masks. The factory area is fully disinfected every day at fixed time, and the Group publicizes and inspects employees' correct wearing of masks at any time and continues promoting various pandemic prevention rules, in order to reduce the possible impact of the pandemic.

(5) Risks of Shareholders' Rights and Interests Protection

There are many differences between the Company Law of the Cayman Islands and the Company Law of the Republic of China. Although the Company has amended its Articles of Association in accordance with the "Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation" stipulated by the Taiwan Stock Exchange. However, there are still many differences between the two laws and regulations regarding the operation of the Company, and investors are not able to take the legal rights and safeguards of investing in a Taiwan Company as the case may be. In comparison with the Cayman Islands Company in which they have invested, investors should really know and consult with experts to discover whether the Cayman Islands Company has shareholders' rights and safeguards that are not available to them.

(6) Risks Associated with the Presentation of this Annual Report

A. Facts and Statistics

Some of the data and statistics in this annual report are drawn from different statistical publications. However, such information may be inaccurate, incomplete or not up to date. The Company makes no representations as to the truth or accuracy of such statements, and investors shall not rely excessively on such information for investment judgment.

B. Forward-looking Statements and Risks and Uncertainties Contained in this Annual Report

The annual report contains a number of forward-looking statements and information about our Company and related enterprises. These statements and information are based on the beliefs, assumptions and information available to the management of the Company. In this annual report, "estimate", "believe", "can" and "expect", "future", "intentionally", "or", "must", "plan", "forecast" and "seek", "should" and "will", "may" and "could" and similar words, when used in the Company or the Company's management, namely the forward-looking statements. Such statements reflect the current views of the Company's management regarding future events, operations, working capital, sources of funds, etc. Some of these views may not be realized or may change. These statements are subject to a number of risks, uncertainties and assumptions, including other risk factors described in this annual report. Investors should carefully consider and rely on any forward-looking statement involving known and unknown risks and uncertainties. The risks and uncertainties faced by the Company may affect the accuracy of the forward-looking statements, including but not limited to:

(A) The statements in V. Operation Overview of this annual report.

(B) A number of statements in this annual report on price, volume, operating, profit trends, overall market trends, risk management and exchange rates.

The Company will not update the forward-looking statements in this annual report or modify them in light of future events or information. In view that such risks and other risks, uncertainties and assumptions, the forward-looking statements and circumstances of this annual report may not occur in the manner anticipated by the Company. Therefore, investors should not rely on any forward-looking statements.

## ii. Historical Evolution of the Company:

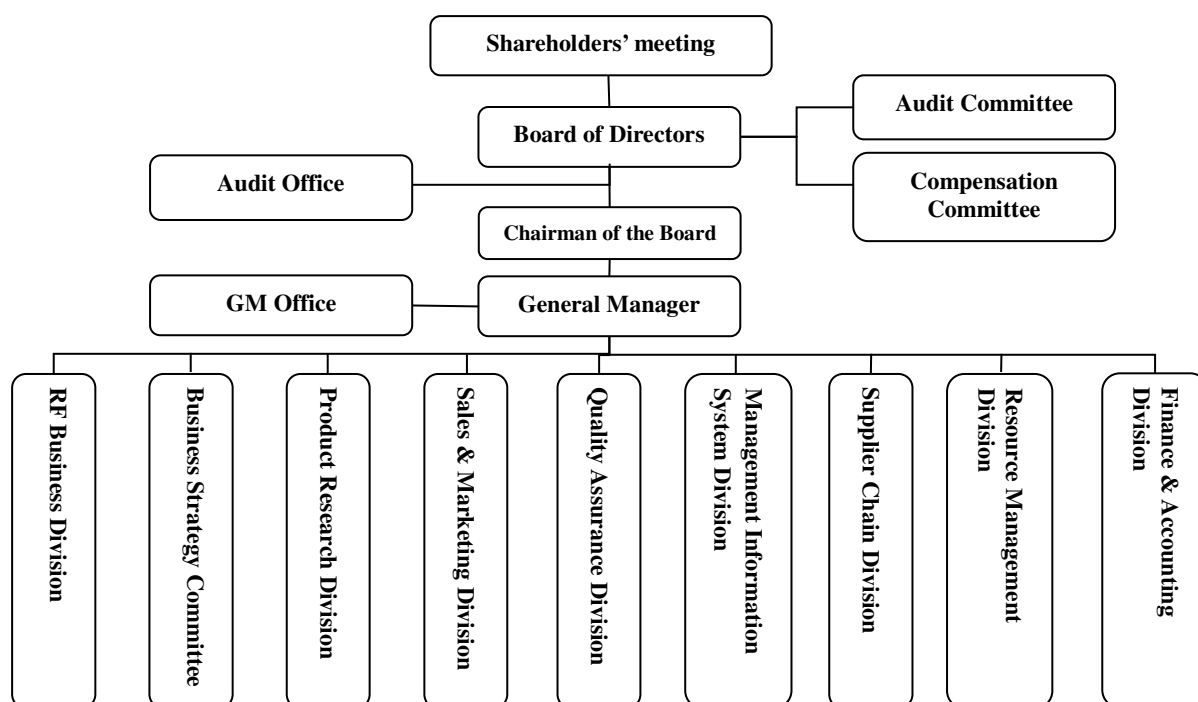
Time	Milestones
1998	ShunSin Techology (Zhongshan) Limited (hereinafter referred to as “Shunsin Zhongshan”), which was previously named Ambit Microsystems (Zhongshan) Corporation, was established in Guangdong Province, China in June.
2000	ShunSin Zhongshan began its formal operation.
2004	Became the “Best Supplier” among customers.
2005	ShunSin Zhongshan set up Municipal Enterprise Technology Center.
2006	Implemented 6Sigma/ROHS management.
	Won the Customer’s “Best Supplier Award of the Year”.
2007	Established SD/Micro SD memory card production line.
	Won the Customer’s “Best Supplier Award of the Year”.
2008	Establishment of ShunSin Technology Holdings Limited as the primary listing applicant in the Cayman Islands in January, originally named Amtec Holdings Limited.
	Set up ShunSin Technology (Hongkong) Holding Limited (hereinafter referred to as “ShunSin Hongkong”), originally named Amtec Holdings Limited in February.
	After reorganization, the Company acquired 100% equity in Unique Logistics Limited from Hon Hai Precision Industry Co., Ltd. (hereinafter referred to as “Hon Hai”).
	After reorganization, ShunSin Hongkong revested in Hon Hai to acquire 100% equity of ShunSin Zhongshan
	ShunSin Zhongshan passed the qualification of “High and New Technology Enterprise of Guangdong Province” and got project approval of State Torch Plan.
	ShunSin Zhongshan establish Enterprise Engineering Research and Development Center
	Won the Customer’s “Best Supplier Award of the Year”.
2009	Set up optical transceiver production line above 120Gb/s and qualified by the customer.
	Set up QFN Packaging Capability and qualified by customer
2010	120Gb/s optical transceiver module products qualified by the international factory.
	The cable TV hybrid amplifier module qualified by the customer.
	Set up pv concentrated photovoltaic module production line and qualified by the American customer.
2011	Established the WiFi module automatic testing line, and imported the surface sputtering process.
	The fiber optic transceiver module products qualified by the terminal customer in the United States.
2012	RFPA (radio frequency power amplifier) products qualified by the Japanese customer.
	Established Ambit Microsystems Corporation Limited (hereinafter referred to as Ambit Hongkong) in August, which was 100% invested and held by ShunSin Zhongshan.
2013	The antenna switch module qualified by the customer.
	Passed the end-user corporate social responsibility system certification in the United States.
	Established ShunSin Zhongshan Phase II Plant.
	ShunSin Technology Holdings Limited Taiwan Branch was established in July.
	The Company was renamed ShunSin Technology Holdings Limited by the resolution

Time	Milestones
	of shareholders in August.
	In November, Amtec Holdings Limited changed its name to ShunSin Technology Holdings (Hongkong) Limited.
	In December, Ambit Microsystems (Zhongshan) Corporation changed its name to ShunSin Technology (Zhong Shan) Limited.
2014	The shareholders' meeting changed the Company's par value per share to NT\$10. The Company has been approved for listing on the Taiwan Stock Exchange.
2015	ShunSin Zhongshan Phase II Plant was completed and put into production in January. Stocks were officially listed on the Taiwan Stock Exchange in January. Established ShunSin Technology (Samoa) Corporation Limited in February. Import fingerprint identification module product assembling and testing technology.
2016	The fingerprint identification module qualified by the customer. Imported automotive electronic product assembling and testing technology, passed the automotive electronic product certification by the customer.
2017	The fingerprint identification module qualified by customer. Construction of the second floor coverings of the ShunSin Zhongshan Phase II plant. The 100Gb/s multi-mode optical transceiver product qualified by the customer.
2018	Started the construction of ShunSin Zhongshan Phase III plant. ShunSin Technology (Zhong Shan) Limited Shenzhen branch was established in January. The 100Gb/s multi-mode optical transceiver product qualified by the customer. ShunSin Zhongshan was honored as one of the Made in China 2025 Green Manufacturing Enterprise. The biometric module product qualified by the customer. The 100Gb/s multi-mode optical transceiver product qualified by the American customer. Complete the sample build of the 400 Gb/s multimode optical transceiver by the end of 2018.
2019	Passed product certification and started mass production of 100Gb/s single-module optical transceivers for Chinese customers. Light source photosensitizer products passed end-customer certification and started mass production. Introduced the high - order packaging technology of double-sided plastic seal. In December, the plant construction of ShunSin Zhongshan Phase III was completed. Established ShunSin Technology (Ha Noi, Vietnam) Limited in December.
2020	Fan-out System in a Package pilot production. Wearable Technology System in a Package pilot production. ShunYun Technology (Zhong Shan) Limited was established. Started the production product on ShunSin Zhongshan Phase III plant. ShunYun Technology (Ha Noi, Vietnam) Limited started production in November
2021	ShunYun Vietnam passed product certification and started mass production of 100Gb/s silicon photonics optical transceivers for USA customers. Shunyun Vietnam passed the US customer's certification of 200Gb/s silicon optical transceivers and started mass production. 800Gb/s silicon optical transceiver engineering trial production. Shungsin Zhongshan passed the European customer's trial production of laser scanning emission modules. Shungsin Zhongshan passed the European customer's light source sensor product certification and started mass production. Shungsin Zhongshan started the mass production of the Chinese customer's ToF module.

## III. Corporate Governance Report

### i. Organizational Structure

#### 1. Organization Chart



#### 2. Business Operated by Major Divisions

Divisions	Responsibilities
Chairman	To formulate business plans and strategies for the operation and management of the Company.
Audit Committee	Supervise the Group's business and financial situation, the fair presentation of financial statements, and the effective implementation of internal control.
Compensation Committee	To formulate and regularly review the policies, systems, standards and structures for the performance appraisal and remuneration of directors and managers, and to periodically evaluate and determine the remuneration of directors and managers.
Audit Office	Responsible for the evaluation and implementation of the Company's audit business and internal control, and put forward improvement suggestions, and continuously follow up the improvement progress.
General Manager	Implement the decisions of the Board of Directors and manage the affairs of the Company.
GM Office	Assist the general manager in daily affairs, project management, Board of Directors and shareholders meeting convening and assist in the discussion preparation.
RF Business Division	Responsible for the manufacturing of the Company's products (consumer electronics, automotive electronics, sensors).
Business Strategy Committee	Semiconductor industry analysis, and collection and analysis of related information of companies suitable for investment/M&A; planning of future company business and product development strategies.
Product Research Division	Coordinate the Company's research and development resources and formulate research and development direction.
Sales & Marketing Division	Responsible for the Company's products (RF Business Division and Fiber & Optical Business Division) sales, customer service, market development business strategy and development direction formulation.
Quality Assurance Division	Responsible for product quality inspection, production line inspection and failure analysis of customer complaint cases.

Divisions	Responsibilities
Supply Management Division	Responsible for the raw material procurement and customs logistics for the Company's production and manufacturing and adjust the purchasing strategies in line with the economic status.
Management Information System Division	Responsible for computer system and information security management, software and hardware and system purchases, management and maintenance, system development and maintenance.
Resource Management Division	Responsible for the management of the Company's human and administrative resources and plant affairs and safety.
Finance & Accounting Division	Responsible for the accounting work of the Company and the formulation and implementation of accounting policies and regulations, as well as the capital planning and scheduling and foreign exchange hedging operations.

## ii. The Information of Director, Supervisor, General Manager, Vice General Manager, Assistant Manager and the Director of Each Department and Branch

### 1. Information of Directors and Supervisors

#### <1> Information of Directors

April 27, 2021

Title	Nationality or registration place	Name	Gender & Age	Selection date	Term of office	First elected date	Shares held when elected		Current shareholding		Current holding of shares of spouse, under-age children		Shares held in the name of others		Main working (educational) experience	Concurrent positions in the Company or other enterprise	Note
							Number	%	Number	%	Number	%	Number	%			
Chairman	KY	Foxconn (Far East) Limited	-	2020/06/15	3	2014/05/20	63,964,800	60.05	63,964,800	59.52	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	Note 2
	R.O.C.	Representative: Hsu, Wen-Yi	Male & 61 ~ 70	2017/06/22		2014/05/20	1,794,200	1.68	1,873,200	1.74	-	-	-	-	Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd.	Manager, ShunSin Technology Holdings Limited Taiwan Branch Director, ShunSin Technology Holdings (Hongkong) Limited Director, ShunSin Technology (Samoa) Corporation Limited Executive Director / General Manager, ShunSin Technology (Zhong Shan) Limited	
Director	KY	Foxconn (Far East) Limited	-	2020/06/15	3	2014/05/20	63,964,800	60.05	63,964,800	59.52	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	-
	R.O.C.	Representative: Ho, Chia-Hua	Male & 41 ~ 50	2020/12/31		2020/12/31	-	-	-	-	-	-	-	-	Doctor's degree in physics, National Taiwan University Winbond Electronics Corporation R & D director National Nano Device Laboratories Factory Chief / Deputy Account Manager Taiwan Semiconductor Manufacturing Co., Ltd. R & D assistant manager IBM R & D manager	Director of S BG., Hon Hai Precision Industry Company Ltd	
Director	KY	Foxconn (Far East) Limited	-	2020/06/15	3	2014/05/20	63,964,800	60.05	63,964,800	59.52	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	-
	R.O.C.	Representative: Yu, Che-Hung	Male & 51 ~ 60	2020/06/15		2020/06/15	-	-	-	-	-	-	-	-	Master Degree in Law, American University Supervisor of Foxconn Technology Co., Ltd	Legal Persons as Corporate Director, Zhen Ding Technology Holdings Limited Legal Persons as Corporate Supervisor, Zhen Ding Technology Holdings Limited Head of Department of Legal Planning and Management in Finance and Investment, Hon Hai Precision Industry Company Ltd Director, Avary Holding (Shenzhen) Company Ltd Supervisor, Avary Technology Company Ltd	

Title	Nationality or registration place	Name	Gender&Age	Selection date	Term of office	First elected date	Shares held when elected		Current shareholding		Current holding of shares of spouse, under-age children		Shares held in the name of others		Main working (educational) experience	Concurrent positions in the Company or other enterprise	Note
							Number	%	Number	%	Number	%	Number	%			
Director	R.O.C.	Mou, Chung-Hsin	Male & 51 ~ 60	2020/06/15	3	2020/12/31	-	-	-	-	-	-	-	-	Master Degree in Management, National Taiwan University of Science and Technology Engineer, Corporate Synergy Development Center Motorola Electronics Taiwan Ltd. Manufacturing manager CTS Components Taiwan Production manager Nanning Fu Tai Hong Precision Industrial Co.Ltd. Director /General Manager Director of Manufacture, Hon Hai Precision Industry Company Ltd	Sky joint electronic light stock company as Vice present if operation (Vietnam)	-
Independent director	R.O.C.	Chiu, Huang-Chuan	Male & 61 ~ 70	2020/06/15	3	2014/05/20	-	-	-	-	-	-	-	-	Master Degree in Law, University of Cambridge Lawyer, Baker & McKenzie Lawyer, TAIWAN COMMERCIAL LAW OFFICE Director, WATERLAND SECURITIES	Partner, Kew & Lord Director, JU-KAO ENGINEERING CO., LTD Independent Director / Member of the Compensation Committee, Taiwan High Speed Rail Corporation Independent Director, Chunghwa Precision Test Tech. Co., Ltd. Independent Director, Lung Teh Shipbuilding Co., Ltd	-
Independent director	R.O.C.	Ting, Hung-Hsun	Male & 51 ~ 60	2020/06/15	3	2014/05/20	-	-	-	-	-	-	-	-	Bachelor Degree in Accounting, Chinese Culture University Independent Director, Test Rite Retail Co., Ltd. Independent Director, Test Rite Internaional Co., Ltd. Supervisor, & TIEN LIANG BIOTECH CO., LTD Independent Director / Member of the Compensation Committee & Chairman of the Audit Committee, ICARES Supervisor, Emerging Display Technologies	Partner, BAKER TILLY CLOCK & CO Independent Director / Member of the Compensation Committee / Chairman of the Audit Committee, CyberTAN Technology, Inc. Director , CEN LINK CO.,LTD. Independent Director / Chairman of the Compensation Committee / Chairman of the Audit Committee, M POWER Information Co., Ltd	-

Title	Nationality or registration place	Name	Gender&Age	Selection date	Term of office	First elected date	Shares held when elected		Current shareholding		Current holding of shares of spouse, under-age children		Shares held in the name of others		Main working (educational) experience	Concurrent positions in the Company or other enterprise	Note
							Number	%	Number	%	Number	%	Number	%			
Independent director	R.O.C.	Lin, Ying-Shan	Male & 51 ~ 60	2020/06/15	3	2014/05/20	-	-	-	-	-	-	-	-	EMBA, Sun Yat-sen University Master of Management Science, Master Degree in Management Science, Kaohsiung Polytechnic Institute Manager of Underwriting Department, Yuanta Core Pacific Securities Co., Ltd. Director, Emerging Display Technologies Representative Director, TRIOTEK-M CO., LTD.	General Manager / Director, Mildex Optical Inc. Independent Director / Chairman of the Compensation Committee, TAYIH LUN AN CO., LTD. Independent Director / Chairman of the Compensation Committee / Member of the Audit Committee, CyberTAN Technology, Inc.	-

Note 1: The Company has set up an Audit Committee and no Supervisor.

Note 2: General Manager Hsu, Wen-Yi has managed the Company for many years and achieved outstanding performance. Therefore, the legal chairman of the Company has appointed the General Manager to concurrently be the representative of the Company directors and the Chairman of the Board of Directors in order to strengthen the understanding of the board members on operation status and set business objectives that are more in line with the market to thus improve operation and management efficiency. The Board of Directors of the Company has three independent directors and seven directors in total, which is effective for supervision and management.



## <2> Principal Shareholders of Corporate Shareholders

April 2, 2022

Name of corporate shareholder	Principal Shareholders of Corporate Shareholders	Shareholding ratio
Foxconn (Far East) Limited	Hon Hai Precision Industry Co., Ltd.	100%

## <3> Principal Shareholders of Corporate Shareholders as Legal Person

April 2, 2022

Name of legal person	Principal shareholders of corporate shareholders	Shareholding ratio
Hon Hai Precision Industry Co., Ltd.	Terry Gou	12.57%
	Citibank Hosting Government of Singapore Investment Account	2.37%
	Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account	1.28%
	New Labor Pension Fund	1.26%
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.20%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.11%
	Norges Bank - internal - NBIM PF EQ INTERNAL CFD	1.02%
	Fidelity Puritan Trust : Fidelity Low - Priced Stock Fund	0.96%
	LGT Bank AG	0.82%
	SAUDI CENTRAL BANK - State Street Global Advisors as external fund manager	0.79%

## <4> Professional Knowledge and Independence of Directors or Supervisors

April 2, 2022

Name		Conditions	Major professional qualifications and experience	Conform to independence situation (Note)												Concurrent independent director position in other publicly traded companies	Whether there are any matters related to Article 30 of the Company Act.
				1	2	3	4	5	6	7	8	9	10	11	12		
Chairman	Foxconn (Far East) Limited Representative: Hsu, Wen-Yi		Graduated from Chinese Culture University with a Bachelor of Chemistry; served as Vice General Manager, Siliconware Precision Industries Co., Ltd, Senior VP of Hon Hai Precision Industry Co., Ltd,	-	✓	-	✓	✓	✓	-	✓	✓	✓	✓	-	-	None.
Director	Foxconn (Far East) Limited Representative: Ho, Chia-Hua		Graduated from National Taiwan University with a Ph.D. in Physics, served as R&D Director of Winbond Electronics Co., Ltd., Plant Director/Deputy Director of Taiwan Nano Component Laboratory, Deputy R&D Manager of Taiwan Semiconductor Manufacturing Co., Ltd., and R&D Manager of IBM.	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	None.
Director	Foxconn (Far East) Limited Representative: Yu, Che-Hung		Graduated from American University with a Master of Laws degree, and possessing a certificate of passing the national bar exam.	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	None.
Director	Mou, Chung-Hsin		Graduated from National Taiwan University of Science and Technology with a master's degree in management; previously worked as Engineer of Chungwei Development Center, Deputy Manager of the Manufacturing Department of Motorola Electronics Co., Ltd., Production Manager of Taiwan Boshi Electronics Co., Ltd., Director and President of Nanning Futaihong Precision Industry Co., Ltd., and Manufacturing Division Director of Hon Hai Precision Industry Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None.

Name		Conditions	Major professional qualifications and experience	Conform to independence situation (Note)												Concurrent independent director position in other publicly traded companies	Whether there are any matters related to Article 30 of the Company Act.
				1	2	3	4	5	6	7	8	9	10	11	12		
Independent director	Chiu, Huang-Chuan		Graduated from the University of Cambridge with a Master of Laws degree; possessing a certificate of passing the national examination for lawyers; previously served Lawyer of Baker & McKenzie, Lawyer of Taiwan Commerce Law Offices, and Director of International Bills Finance Securities.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	None.
Independent director	Ting, Hung-Hsun		Graduated from Chinese Culture University with a Bachelor of Accounting; possessing a certificate of passing the national examination for accountants; previously Supervisor of Tien Liang Biotech Co., Ltd., Independent Director of HOLA, Independent Director of Test Rite International Co., Ltd., and Independent Director and Chairman of the Remuneration Committee and Audit Committee of Applied Nano Medical Technology Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None.
Independent director	Lin, Ying-Shan		Graduated from Sun Yat-Sen University with a Master's Degree in Advanced Business Management, and a Master's Degree from the Institute of Management Science of National Kaohsiung Institute of Science and Technology; previously Manager of the Underwriting Department of Yuanta Core Pacific Securities, Director of Emerging Display Technologies Corp., and Corporate Director Representative of Triotek-M Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None.

Note: please check "✓" in the blank under each condition code if the directors and supervisors meet the conditions 2 years before the selection or during the term of office.

1. He/she is not the employee of Company or affiliated enterprises.
2. He/she is not the director or supervisor of Company or affiliated enterprises. (Independent directors of the Company, the parent or the subsidiary corporation who is appointed through Corporation Law or in accordance with the national laws are not included).
3. He/she is not the natural person shareholder who holds over 1% issued capital stock by himself, his spouse, underaged children or in the name of other people or the top ten shareholders.
4. He/she is not the spouse, second-degree relative or third-degree relative of those listed in the above three items.
5. He/she is not the director, supervisor, or employee of corporate shareholders who directly hold more than 5% of the total number of shares issued by the Company, or is one of the top five shareholders, or appoints a representative as the director or supervisor of the Company in accordance with Article 27 (1) or (2) of the Corporation Law (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
6. He/she is not the director, supervisor, or employee of other companies where more than half of the director seats or voting shares are controlled by the same person (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
7. He/she is not the director, supervisor, or employee of other company or institution where the chairman, general manager, or equivalent are the same person or spouse (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
8. He/she is not the director, supervisor, manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business transactions with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company and independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
9. He/she is not a professional, sole proprietor, partnership, company or institution owner, partner, director, supervisor,

manager, or spouse of such that provides audit services for the Company or affiliated enterprises or whose cumulative amount of remuneration for business, legal affairs, finance, accounting, and other related services in the past two years does not exceed NT \$500,000. However, this does not apply to members of the Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Enterprise Merger and Acquisition Law.

10. Not a spouse or a second-degree relative of any other Director of the Company.

11. No violations of Article 30 of the Company Act.

12. Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act (R.O.C).

## <5> Board diversity and independence

### A.Board diversity policy

Professional qualifications and experience		2019	2020	2021	2022
Accounting	Goal	1	1	1	1
	Execution	1	1	1	1
Business and Finance	Goal	1	1	1	1
	Execution	1	1	1	1
Legal professional	Goal	1	1	1	1
	Execution	2	2	2	2
Industry management experience	Goal	4	4	4	4
	Execution	4	4	4	4
Independent directors as a percentage of board seats	Goal	3	3	3	3
	Execution	3	3	3	3

The Company has no restrictions on the age, nationality, gender and cultural composition ratio when selecting directors. At present, the age ratio of the board of directors of the Company is one director under 50 years old, three between 50~59 years old, three between 60~69 years old. The seven members of the board of directors are all male and of the Republic of China nationality.

### B.Independence of the Board of Directors

The Company has three independent directors, accounting for 42.86% of the board of directors. When selecting directors, it has been confirmed that the candidates have no circumstances stipulated in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

## 2.Information of General Manager, Deputy General Manager, Assistant Manager and the Director of Each Department and Branches

April 27, 2021

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		Current holding of shares of spouse, under-age children		Shareholdings in the name of others		Primary experience	Current part-time position in the company or other enterprise	Other managers, directors or supervisors within the relations of spouse or parents			Note
					Number	%	Number	%	Number	%			Title	Name	Relation	
General Manager	R.O.C.	Hsu, Wen-Yi	Male	2013/12/27	1,873,200	1.74	-	-	-	-	Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd.	Manager, ShunSin Technology Holdings Limited Taiwan Branch Director, ShunSin Technology Holdings (Hongkong) Limited Director, ShunSin Technology (Samoa) Corporation Limited Excutive Director / General Manager, ShunSin Technology (Zhong Shan) Limited	-	-	-	Note
Vice-general Manager of Sales & Marketing Division	R.O.C.	Weng, Yin-Huang	Male	2016/01/11	52,000	0.05	-	-	-	-	Master Degree in Engineering, Michigan State University. Marketing Director of GCG, VIA Technologies, Inc. Marketing Director of FPC BU, ICHIA TECHNOLOGIES, INC. General manager of Taiwan area, Vimicro Corp. Head of IT Sales team in Taiwan/Senior Marketing and Sales director, Samsung SDI (Li-ion battery solution) / Neihu Taipei	Vice General Manager of Marketing, ShunSin Technology (Zhong Shan) Limited	-	-	-	-
Vice-general Manager of Resource Management Division	R.O.C.	Fan, Chen-Piao	Male	2018/11/14	82,000	0.08	-	-	-	-	Bachelor Degree in Electrical Engineering, Ta Hwa University of science and Technology Manager of Factory Affairs Department, Ambit Corporation Senior Manager of Factory Affairs Department, Hon Hai Precision Industry Company Ltd.	Supervisor / Associate Manager of Resource Management division , ShunSin Technology (Zhong Shan) Limited Supervisor of Talentek Microelectronics (He fei) Limited Director of ShunYun Technology (Ha Noi, Vietnam) Limited Director of ShunSin Technology (Bac Giang, Vietnam) Limited Director of ShunYun Technology Holdings Limited Excutive Director, ShunYun Technology (Zhong Shan) Limited Director of ShunYun Technology Holdings (Hongkong) Limited	-	-	-	-
Director of Finance&Accounting Division	R.O.C.	Wang, Chieh-Min	Male	2018/07/12	48,000	0.04	-	-	-	-	Master Degree in Accounting, Ohio State University Finance manager, United Microelectronics Corporation Senior Deputy Manager of Financial Division, Hon Hai Precision Industry Company Ltd.	Financial Manager, ShunSin Technology Holdings (Hongkong) Limited Financial Manager, ShunSin Technology (Zhong Shan) Limited Director of Talentek Microelectronics (He fei) Limited	-	-	-	-
Director of Audit Office	R.O.C.	Wang, Jin-Liang	Male	2020/05/14	21,000	0.02	-	-	-	-	Bachelor of Accounting, Jingdezhen Ceramic Institute Finance, Fengshun Xintai Changdiansheng Yuanjian Manufacture Limited Company Auditor, ShunSin Technology (Zhongshan) Limited	Audit Supervisor, ShunSin Technology (Zhongshan) Limited	-	-	-	-
Senior Assistant Manager of RF Business Division	Hongkong.	Lo, Chi-Wah	Male	2019/07/15	20,000	0.02	-	-	-	-	Bachelor Degree in Electronic Engineering, Vocational Training Council, Hongkong Director of Testing Department, Ambit Corporation Manager of Testing Department, Hon Hai Precision Industry Company Ltd.	Chairman of Talentek Microelectronics (He fei) Limited Director of RF Business Division, ShunSin Technology (Zhong Shan) Limited	-	-	-	-
Senior Assistant Manager of business strategy committee	R.O.C.	Cheng, James	Male	2017/12/05	28,000	0.03	-	-	-	-	Bachelor of Information Science, Tung Hai University Manager of Sales Department, SPIL Precision Ltd. Manager of Purchasing Department, Hon Hai Precision Industry Company Ltd.	Representative of Shunsin Technology (Zhong Shan) Ltd. Shenzhen Branch	-	-	-	-
Director of Product Research Division	R.O.C.	Gan, Zhen-chang	Male	2020/12/21	-	-	-	-	-	-	Mechanical Engineering Bachelor,Universiti Sains Malaysia Carsen, NPI manger Carsen, EQL manger Carsen, business manger	Director of product Research Division ,ShunSin Technology (Zhong Shan) Limited	-	-	-	-
Director of Supplier Chain Division	P.R.C.	Li, Qiu-mei	Female	2016/09/09	24,000	0.02	-	-	-	-	Bachelor of marketing, Zhejiang University Director of Purchasing Materials Department, Ambit Corporation Deputy manager of Purchasing Department,Hon Hai Precision Industry Company Ltd.	Director of Purchasing/material department, ShunSin Technology (Zhong Shan) Limited	-	-	-	-

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		Current holding of shares of spouse, under-age children		Shareholdings in the name of others		Primary experience	Current part-time position in the company or other enterprise	Other managers, directors or supervisors within the relations of spouse or parents			Note
					Number	%	Number	%	Number	%			Title	Name	Relation	
Director of Quality Assurance Division	P.R.C.	Zhu, Jian-fang	Male	2017/05/12	47,000	0.04	-	-	-	-	Bachelor of Mechanical Design, Manufacturing and Automation, Xiangfan University Deputy Manager of Quality Assurance Division, Hon Hai Precision Industry Company Ltd	Director of Quality Assurance Division, ShunSin Technology (Zhong Shan) Limited	-	-	-	-
Director of Management Information System Division	R.O.C.	Niu, Willam	Male	2019/09/17	-	-	-	-	-	-	Doctor of Information, University of Sydney, Australia Software Development Manager, Sonic Healthcare Software Development Manager, National Cancer Institute of Australia	Director of Management Information System Division, ShunSin Technology (Zhong Shan) Limited	-	-	-	-

Note : General Manager Hsu, Wen-Yi has managed the Company for many years and achieved outstanding performance. Therefore, the legal chairman of the Company has appointed the General Manager to concurrently be the representative of the Company directors and the Chairman of the Board of Directors in order to strengthen the understanding of the board members on operation status and set business objectives that are more in line with the market to thus improve operation and management efficiency. The Board of Directors of the Company has three independent directors and seven directors in total, which is effective for supervision and management.

### iii. Remuneration of the Director, Supervisor, General Manager, Vice General Manager, etc. in Recent Years (2021)

#### 1. Remuneration of Directors (including Independent Directors)

Unit: NT\$ thousands; %

Title			Chairman	Director	Director	Director	Independent director	Independent director	Independent director
Name			Foxconn (Far East) Limited Representative : Hsu, Wen-Yi	Foxconn (Far East) Limited Representative : Ho, Chia-Hua (Note1)	Foxconn (Far East) Limited Representative : Yu, Che-Hung	Mou, Chung-Hsin (Note2)	Chiu, Huang -Chuan	Ting, Hung-Hsun	Lin, Ying-Shan
Director's Compensation	Reward (A)	The Company	1,680				1,260		
		All the companies within the consolidated financial reports	1,680				1,260		
	Pension (B)	The Company	-				-		
		All the companies within the consolidated financial reports	-				-		
	Remuneration (C)	The Company	266				199		
		All the companies within the consolidated financial reports	266				199		
	Business execution expenses (D)	The Company	56				42		
		All the companies within the consolidated financial reports	56				42		
The proportion of the four items A, B, C and D total amount on the profit after tax		The Company	0.53				0.40		
		All the companies within the consolidated financial reports	0.53				0.40		
Part-time employees remuneration	Salary, awards and special expenses (E)	The Company	3,263				-		
		All the companies within the	4,625				-		

Title				Chairman	Director	Director	Director	Independent director	Independent director	Independent director		
Name				Foxconn (Far East) Limited Representative : Hsu, Wen-Yi	Foxconn (Far East) Limited Representative : Ho, Chia-Hua (Note1)	Foxconn (Far East) Limited Representative : Yu, Che-Hung	Mou, Chung-Hsin (Note2)	Chiu, Huang -Chuan	Ting, Hung-Hsun	Lin, Ying-Shan		
	Pension (F)	consolidated financial reports										
		The Company		108				-				
		All the companies within the consolidated financial reports		108				-				
	Employee's Compensations (G)	The Company	Cash amount	17,751				-				
			Stock amount	-				-				
		All the companies within the consolidated financial reports	Cash amount	17,751				-				
			Stock amount	-				-				
		The proportion of the seven items A, B, C, D, E, F and G total amount on the profit after tax		The Company		6.11				0.40		
				All the companies within the consolidated financial reports		6.46				0.40		
Is there any remuneration from other invested businesses apart from subsidiaries or parent company				20,776				-				
Note 1 : Due to the replacement of the representative by the corporate director, Ching-Yu Ni was released of his duties on December 31, 2020, and Jia-Hua Ho is the new representative of the corporate director.												
Note 2 : Since the three year tenure of the third term of the board of directors of the Company expired in 2020, the shareholders' meeting on June 15, 2020 resolved to re-elect the board of directors of the fourth term. Except the new director Chung-Shin Mu, all other directors are members of the the board of directors of the third term.												
1. Please describe the remuneration policy, system, standard and structure of independent directors, and describe the correlation between the remuneration amount and factors such as responsibilities, risks and time invested: The Company conducts a performance evaluation of the board of directors every year which is based on the degree of participation and responsibilities of the board of directors. In addition to the monthly fixed remuneration of independent directors, the performance evaluation of directors will affect the remuneration they receive as directors.												
2. Other than as disclosed in the table above, the remuneration received by the directors of the Company in the most recent year for providing services (such as serving as non-employee consultants of the parent company/all companies in the financial report/reinvested enterprises, etc.): None.												

## Remuneration Scale

Range of the remuneration paid to directors	Name of Directors			
	The total remuneration of the first four ones (A+B+C+D)		The total remuneration of the first seven ones (A+B+C+D+E+F+G)	
	The Company	All the companies within the consolidated financial reports	The Company	All the companies within the consolidated financial reports
Below NTD 1,000,000	Hsu, Wen-Yi, Yu, Che-Hung, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan, Ho, Chia-Hua, Mou, Chung-Hsin	Hsu, Wen-Yi, Yu, Che-Hung, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan, Ho, Chia-Hua, Mou, Chung-Hsin	Yu, Che-Hung, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan, Ho, Chia-Hua, Mou, Chung-Hsin	Yu, Che-Hung, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan, Ho, Chia-Hua, Mou, Chung-Hsin
NTD 1,000,000 (included) ~2,000,000 (excluded)	Foxconn (Far East) Limited	Foxconn (Far East) Limited	Foxconn (Far East) Limited	Foxconn (Far East) Limited
NTD 2,000,000 (included) ~3,500,000 (excluded)	-	-	-	-
NTD 3,500,000 (included) ~5,000,000 (excluded)	-	-	-	-
NTD 5,000,000 (included) ~10,000,000 (excluded)	-	-	-	-
NTD 10,000,000 (included) ~15,000,000 (excluded)	-	-	-	-
NTD 15,000,000 (included) ~30,000,000 (excluded)	-	-	Hsu, Wen-Yi	Hsu, Wen-Yi
NTD 30,000,000 (included)~50,000,000 (excluded)	-	-	-	-
NTD 50,000,000 (included) ~100,000,000 (excluded)	-	-	-	-
Over NTD 100,000,000	-	-	-	-
Total amount	8	8	8	8

### 2. Remuneration of Supervisors

The Company's Audit Committee was set up by all independent directors on May 20, 2014, so it is not applicable.

### 3. Remuneration of General Manager and Vice general Manager

Unit: NT\$ thousands; %

Title	Name	Salary (A)		Pension (B)		Award and special expenses (C)		Employee's Compensations (D)				The proportion of the total amount of A, B, C and D on the profit after tax		Remuneration from other invested businesses apart from subsidiaries or parent company
		The Company	All the companies within the consolidated financial reports	The Company	All the companies within the consolidated financial reports	The Company	All the companies within the consolidated financial reports	The Company		All the companies within the consolidated financial reports		The Company	All the companies within the consolidated financial reports	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Hsu, Wen-Yi	5,831	7,104	294	294	1,893	2,601	24,646	-	24,646	-	8.63	9.15	-
Vice-general Manager of Resource Management Division	Fan, Chen-Piao													
Vice General Manager of Sales & Marketing Division	Weng, Yin-Huang													

### Remuneration Scale

Range of remuneration paid to General Managers and Vice General Managers	General Manager and Vicegeneral Manager's name	
	TheCompany	All the companies in financial reports
Below NTD 1,000,000	-	-
NTD 1,000,000 (included) ~2,000,000 (excluded)	-	-
NTD 2,000,000 (included) ~3,500,000 (excluded)	-	-
NTD 3,500,000 (included) ~5,000,000 (excluded)	-	-
NTD 5,000,000(included) ~10,000,000 (excluded)	Weng, Yin-Huang, Fan, Chen-Piao	Weng, Yin-Huang, Fan, Chen-Piao
NTD 10,000,000 (included) ~15,000,000 (excluded)	-	-
NTD 15,000,000 (included) ~30,000,000 (excluded)	Hsu, Wen-Yi	Hsu, Wen-Yi
NTD 30,000,000 (included)~50,000,000 (excluded)	-	-
NTD 50,000,000 (included) ~100,000,000 (excluded)	-	-
Over NTD 100,000,000	-	-
Total Amount	3	3



4. Remuneration of the top five directors of listed and OTC companies :

The Company has no requirement to disclose this information.

5.The Manager's Name of Distributing Employee's Compensations and the Distribution Situation

Unit: NT\$ thousands; %

Title	Name	Stock amount	Cash amount	Total amount	The ratio of total amount on the profit after tax (%)
General Manager	Hsu, Wen-Yi	-	33,242	33,242	8.78
Vice General Manager of Sales & Marketing Division	Weng, Yin-Huang				
Vice-general Manager of Resource Management Division	Fan, Chen-Piao				
Director of Finance & Accounting Division	Wang, Chieh-Min				
Senior Assistant Manager of RF Business Division	Lo, Chi-Wah				
Senior Assistant Manager of business strategy committee	Wang, Jin-Liang				

6. Comparing and explaining the proportion of total remuneration paid to directors, supervisors, general managers, vice general managers, etc. of the Company in net profit after tax of financial report in the last two years, and explaining the policy, standard and combination of remuneration payment, procedures for setting remuneration, and its relevance to business performance and future risks.

<1> The analysis of ratio of the total compensation paid to the directors, supervisors, general managers and deputy general managers of the Company to the net profit after tax in the consolidated financial statements in the last two years

Unit: NT\$ thousands

Items	2020		2021	
	Amount	%	Amount	%
Board of Directors	49,905	6.94	38,021	10.04
General manager and vice-general manager				
Net profit after tax	719,556	100.00	378,607	100.00

<2> Policies, standards and combinations of remuneration payments, procedures for determining remuneration, and their relevance to operation performance and risks

The Company has set up a Compensation Committee, with all independent directors as members. The remuneration policy of directors and managers shall be formulated by the Compensation Committee after examining their positions, contribution to operations and the reference of the same trade concerned. The Compensation Committee shall regularly review the policies, systems, standards and structures governing the performance appraisal and remuneration of directors and managers, and shall periodically evaluate and determine the remuneration of directors and managers.

#### iv. Implementation of Corporate Governance

##### 1. Information of the operation of Board of Directors:

###### <1> Directors' Attendance in the Most Recent Year (2021)

The Fourth Board of Directors held 8 meetings, and the directors were absent as follows:

Title	Name	Practical attendance	Commissioned attendance	Time of leaves	Practical attendance ratio	Remarks
Chairman	Foxconn (Far East) Limited Representative: Hsu, Wen-Yi	8	-	-	100.00	-
Director	Foxconn (Far East) Limited Representative: Yu, Che-Hung	6	2	-	75.00	-
Director (Note)	Foxconn (Far East) imited Representative: Ho, Chia-Hua	7	1	-	87.5	Tenure 2020/12/31- 2023/06/14
Director	Mou, Chung-Hsin	8	-	-	100.00	-
Independent director	Chiu, Huang-Chuan	8	-	-	100.00	-
Independent director	Ting, Hung-Hsun	8	-	-	100.00	-
Independent director	Lin, Ying-Shan	6	2	-	75.00	-

Note: This is due to the replacement of the representative of the director of legal person of Foxconn (Far East) limited

###### <2> Other Matters to Be Recorded

(1) If the Board of Directors operates in any of the following circumstances, it shall specify the date, session, proposal contents, the opinions of all independent directors and the Company's actions in responses to the opinions:

A. Matters specified in Article 14 (3) of Taiwan's Securities and Exchange Law are listed as following:

Date	Session	Proposal Contents	Attendance of Independent Director	Opinion of Independent Director	The Company's actions in responses Independent Director's Opinions
2021.03.24	5 <sup>th</sup> session of the 4 <sup>th</sup> BOD	1. The distribution of employees' compensations and directors' remuneration in 2020.	3/3	Adoption of resolution	None
		2. 2020 performance evaluation of the Company's managers, performance bonus, and employee compensation issuing.		Adoption of resolution	None
		3. The Company' s consolidated financial statements for 2020.		Adoption of resolution	None
		4. To issue the Company' s 2020 business report.		Adoption of resolution	None
		5. Appoint of the principal and assessment of competence and independence.		Adoption of resolution	None
		6. To discuss the Company "2020 Internal Control System Effectiveness Assessment" and issue the Company' s "2020 Internal Control System Statements" .		Adoption of resolution	None
		7. Convened the Company' s 2021 General Meeting of Shareholders.		Adoption of resolution	None
		8. The Company applied to financial institutions for short-term quotas and signed contracts.		Adoption of resolution	None

Date	Session	Proposal Contents	Attendance of Independent Director	Opinion of Independent Director	The Company's actions in responses Independent Director's Opinions
		9. ShunSin Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunSin Hanoi) changed its name to ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunYun Hanoi) and carried out the change of its investment license.		Adoption of resolution	None
2021. 04.16	6 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	Handled the Company's buying back of shares and transferring to employees.	3/3	Adoption of resolution	None
2021. 05.13	7 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	1. The Company's 2020 earnings allocation plan.	3/3	Adoption of resolution	None
		2. The Company intends to indirectly increase the capital of its Chinese subsidiary, ShunYun Technology (Zhongshan) Co., Ltd. by USD10 million.		Adoption of resolution	None
2021. 07.22	8 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	1. The Company's 2021 General Meeting of Shareholders and changed the venue and time of the meeting.	3/3	Adoption of resolution	None
		2. The Company's application for banking facilities from a financial institution and signing of contract.		Adoption of resolution	None
2021. 08.26	9 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	1. The Company's consolidated financial statements for 2021 Q2.	3/3	Adoption of resolution	None
		2. The Company's application for banking facilities from a financial institution and signing of contract.		Adoption of resolution	None
		3. Sale of the shares of the British Cayman Islands ShunYun Technology Holdings Co., Ltd. held by the Company to its subsidiary ShunYun Technology (Hong Kong) Co., Ltd.		Adoption of resolution	None
2021. 10.28	10 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	Proposal to sell machinery and equipment for business use to a related party.	3/3	Adoption of resolution	None
2021. 11.11	11 <sup>th</sup> session of the 4 <sup>rd</sup> BOD	1. The Company's 2020 Directors' Remuneration Distribution Plan.	3/3	Adoption of resolution	None
		2. Sale of the shares of the ShunSin Technology (Bac Giang, Vietnam) Limited and ShunYun Technology (Ha Noi, Vietnam) Limited held by the Company to its subsidiary ShunYun Technology Holdings Limited.		Adoption of resolution	None
		3. Proposal to provide endorsements/guarantees for the Company's wholly-owned subsidiary ShunYun Technology Holdings Limited and its branches.		Adoption of resolution	None
		4. Manager salary adjustment plan in 2021 of the Company.		Adoption of resolution	None
		5. The Company's promotion of managers.		Adoption of resolution	None
		6. The Company's 2020 remuneration distribution plan for managers and employees.		Adoption of resolution	None
2021. 12.29	12 <sup>th</sup> session of the 4 <sup>th</sup> BOD	1. Formulated the 2022 Operation Plan of the Company.	3/3	Adoption of resolution	None
		2. Formulated 2022 Audit Plan of the Company.		Adoption of resolution	None

Date	Session	Proposal Contents	Attendance of Independent Director	Opinion of Independent Director	The Company's actions in responses Independent Director's Opinions
		3. The Company intends to indirectly increase the capital of its Chinese subsidiary ShunYun Technology (Zhongshan) Co., Ltd. by up to USD26 million.		Adoption of resolution	None

B. Other than the foregoing matters, other matters that the independent directors has a dissenting opinion or qualified opinion and recorded or written statement: none

(2) The execution of the directors' recusal of an interest proposal shall specify the names of the directors, proposal contents, the reasons for the recusal of interest and the situation of voting:

A. During the Board meeting of the Company held on March 24, 2021, the Company discussed the amount of performance bonus and employee compensation for managers and Chairman's execution of recusal was as follows:

Director	Proposal Contents	Reasons for interests recusal	Voting Situation
Hsu, Wen-Yi (Note)	Performance evaluation and bonus payment for managers of the Company in 2020.	Due to the discussion on his own performance and the amount of performance bonus, he would recuse due to interest and not express opinions.	Conducted individual interest recusal according to law and not participated in discussion and voting.

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

B. During the Board meeting of the Company held on April 16, 2021, Case of Policy Governing third Share Repurchases and Transfer of Employees to the Company, Chairman's execution of recusal was as follows:

Director	Proposal Contents	Reasons for interests recusal	Voting Situation
Hsu, Wen-Yi (Note)	The Company transfers the treasury stocks to employees for the third time.	Due to the discussion of the allocation and transfer of shares to its own managers, he would recuse due to interest and not express opinions.	Conducted individual interest recusal according to law and not participated in discussion and voting.

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

C. During the Board meeting held on November 11, 2021, the Company discussed the directors' remuneration distribution in 2020 and the Company discussed the managers' compensations distribution in 2020, directors' execution of recusal was as follows:

Director	Proposal Contents	Reasons for interests recusal	Voting Situation
Hsu, Wen-Yi (Note)	Managers' compensations Distribution in 2020	Due to the discussion on his own compensation, he would recuse due to interest and not express opinions.	Conducted individual interest recusal according to law and not participated in discussion and voting.
Hsu, Wen-Yi (Note)	Directors' remuneration Distribution in 2020	Due to the discussion on their own remuneration, they would recuse due to interest and not express opinions.	Conducted individual interest recusal according to law and not participated in discussion and voting.
Ho, Chia-Hua			
Yu, Che-Hung			
Mou, Chung-Hsin			
Chiu, uang-Chuan			
Ting, Hung-Hsun			
Lin, Ying-Shan			

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

(3)Evaluation and implementation of the Board of Directors:

A.Evaluation and implementation of the Board of Directors:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2021	Board of Directors	The Chairman of the Board of Directors shall evaluate the actual operation of the Board of Directors in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	45 items in total
				Decision quality of the Board of Directors	
				Composition and structure of the Board of Directors	
				Election and continuing education of directors	
				Internal controls	
				Evaluation results	95.11

B.Evaluation and implementation of directors:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2021	Individual directors	Individual directors shall submit a report to the Board of Directors after self-assessment according to their personal participation in the Board of Directors in the previous year.	Controlling of the objectives and tasks of the Company	23 items in total
				Cognition of the responsibilities of directors	
				Participation in the operation of the Company	
				Management and communication of internal relationships	
				Professional level and continuing education of directors	
				Internal controls	
				Evaluation results	92.71

C.Performance of functional committees

a. Evaluation and implementation of the Audit Committee:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2021	Audit Committee	The convener shall evaluate the actual operation of the Audit Committee in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	22 items in total
				Cognition of the responsibilities of the Audit Committee	
				Decision quality of the Audit Committee	
				Composition and member election of the Audit Committee	
				Internal controls	
				Evaluation results	98.86

b. Evaluation and implementation of the Compensation Committee:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2021	Compensation Committee	The convener shall evaluate the actual operation of the Compensation Committee in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	19 items in total
				Cognition of the responsibilities of the Remuneration Committee	
				Decision quality of the Remuneration Committee	
				Composition and member election of the Remuneration Committee	
				Internal controls	
				Evaluation results	100

(4) The objectives of strengthening the functions of the Board of Directors in the current and recent years (e.g. setting up Audit Committee, enhancing information transparency, etc.) and the assessment of implementation:

	Objective	Execution
1	Constitute and operate the Board of Directors according to law	The Company has formulated the Rules of the Board of Directors Meeting and the Rules for the Election of Directors. The operation of the Board of Directors is carried out in accordance with the rules and regulations in force.
2	Diversify the members of the Board of Directors	The Company has elected three independent directors, who have a background in finance, law, and business, and set up an Audit Committee and held a meeting to improve the effectiveness of corporate governance.
3	Disclose the information of board members and operations according to law	The Company has a spokesman and deputy spokesman, and has a person responsible for public information disclosure and other related matters.

2. The operation of the Audit Committee or the involvement of the supervisor in the operation of the Board of Directors

Since May 20, 2014, the Company has set up an Audit Committee, which was composed of all independent directors and had no supervisors.

<1> Operation of Audit Committee:

In the most recent year (2021), the attendance of independent directors was as follows:

The third Audit Committee held 6 meetings and the independent directors were absent as follows:

Title	Name	Practical attendance	Commissioned attendance	Practical attendance ratio (%)	Remarks
Independent director	Chiu, Huang-Chuan	6	-	100	-
Independent director	Ting, Hung-Hsun	6	-	100	-
independent director	Lin, Ying-Shan	4	2	67	-

<2> Other Matters to Be Recorded:

(1) In case of any of the following circumstances in the operation of the Audit Committee, the date, session, proposal contents, the results of the resolutions of the Audit Committee and

the Company's actions in responses to the Audit Committee's opinions shall be specified:

A. The matters specified in Article 14 (5) of Taiwan's Securities and Exchange Law are listed as following:

Date	Session	Proposal contents	Resolutions of Audit Committee	The Company' actions in responses to the Audit Committee's opinions
2021. 03.24	5 <sup>th</sup> session of the 3 <sup>rd</sup> A.C.	1. The Company's consolidated financial statements for 2020.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. To issue the Company's 2020 business report.	Adoption of resolution	Submit to the Board of Directors for resolution
		3. Appoint of the principal and assessment of competence and independence.	Adoption of resolution	Submit to the Board of Directors for resolution
		4. To discuss the Company "2020 Internal Control System Effectiveness Assessment" and issue the Company's "2020 Internal Control System Statements".	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 05.13	6 <sup>st</sup> session of the 3 <sup>rd</sup> A.C.	1. The Company's 2020 earnings allocation plan.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. The Company intends to indirectly increase the capital of its Chinese subsidiary ShunYun Technology (Zhongshan) Co., Ltd. by USD10 million	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 08.26	7 <sup>nd</sup> session of the 3 <sup>rd</sup> A.C.	1. The Company's consolidated financial statements for 2021 Q2.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. Sale of the shares of the British Cayman Islands ShunYun Technology Holdings Co., Ltd. held by the Company to its subsidiary ShunYun Technology (Hong Kong) Co., Ltd.	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 10.28	8 <sup>st</sup> session of the 3 <sup>rd</sup> A.C.	Proposal to sell machinery and equipment for business use to a related party.	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 11.11	9 <sup>st</sup> session of the 3 <sup>rd</sup> A.C..	1. Sale of the shares of the ShunSin Technology (Bac Giang, Vietnam) Limited and ShunYun Technology (Ha Noi, Vietnam) Limited held by the Company to its subsidiary ShunYun Technology Holdings Limited.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. Proposal to provide endorsements/guarantees for the Company's wholly-owned subsidiary ShunYun Technology Holdings Limited and its branches.	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 12.29	10 <sup>rd</sup> session of the 3 <sup>rd</sup> A.C.	The Company intends to indirectly increase the capital of its Chinese subsidiary ShunYun Technology (Zhongshan) Co., Ltd. by up to USD26 million.	Adoption of resolution	Submit to the Board of Directors for resolution

B. Except for the foregoing matters, other matters that are not approved by the Audit Committee but agreed by more than two-thirds of all the directors: none.

(2) The execution of independent directors' recusal of an interest proposal shall specify the name of the independent director, proposal contents, the reasons for the recusal of interest and the situation of voting: none.

(3) Communications between independent directors, internal auditors and accountants (including major matters, methods and results of corporate finance and business conditions): The Company's Audit Committee could investigate the Company's financial situation at any time. In addition, the director of audit office regularly carries out audit reports and discussions with the Audit Committee. The Company's Audit Committee communicates well with the internal auditors and accountants.

(4) Annual key tasks and operations of the Audit Committee:

	Annual key tasks	Operation situation
1	Review financial statements audited by an accountant	Completed at the 5th session of the 3rd Audit Committee meeting
2	Review annual business report	Completed at the 5th session of the 3rd Audit Committee meeting
3	Review earnings distribution statement	Completed at the 6th session of the 3rd Audit Committee meeting
4	Review the effectiveness of the Company's internal control	Completed at the 5th session of the 3rd Audit Committee meeting
5	Review the formulation and amendment of the Company's internal control measures	In accordance with the regulations, the Audit Committee of the Company shall complete the formulation and amendment of various internal control measures and submit them to the Company's Board of Directors for discussion.
6	Other matters specified in Article 14-5 of the Securities and Exchange Law	The Company's Audit Committee shall complete reviewing all matters in accordance with the regulations and submit them to the Company's Board of Directors for discussion.

3. The differences between implementation of corporate governance and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM Listed companies?	✓		The Company has set a "Corporate Governance Code of Practice". There are relevant norms in order to protect shareholders' rights, strengthen the functions of the Board of Directors, respect the interests of the stakeholders, and enhance the transparency of information. For the corporate governance code of practice, please consult the Company's official website.	No significant differences.
2. Equity Structure and Shareholders Rights				
(1) Does the Company set internal operating procedures for dealing with shareholders' suggestions, doubts, disputes and lawsuits and implement them in accordance with the procedures?	✓		(1) The Company has formulated the "Management of Shareholding Operations". It has set up special personnel responsible for dealing with such issues as shareholders' suggestions or disputes, and coordinates the implementation of relevant units of the Company.	No significant differences.
(2) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders?	✓		(2) Actual information can be provided through the agent for stock affairs, and the Company will disclose the list of the ultimate controllers of the major shareholders and major shareholders in accordance with the law.	No significant differences.
(3) Does the Company establish and implement risk control and firewall mechanisms between related enterprises?	✓		(3) The financial management accountabilities and responsibilities of the assets among the related enterprises are independent, and they are handled according to the internal control system of the Company, and risk control and	No significant differences.



Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
(4) Does the Company have internal regulations that prohibit insiders from trading securities using unpublished information in the market?	✓		firewall mechanisms are indeed implemented. (4) The Company has formulated “The Management of Preventing Insider Trading” and implemented relevant regulations.	No significant differences.
3. The Organization and Duties of the Board of Directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		(1) In the Corporate Governance Code of Practice and the Rules for the Election of Directors, the Company has formulated and implemented the diversification policy of board members. The Board of Directors of the Company has set a minimum number of seats for personnel of the diversification policy with a professional background in accounting, business and finance, law, or industry and has disclosed the official policies and implementation on the Company's official website. The members of the Board of Directors will give suggestions and guidelines for the operation and development of the Company based on their own professional expertise. The independent directors of the Company, according to their own professional expertise, will serve as convenor of the functional committee of the Company respectively, so as to improve the corporate governance function of the Board of Directors and implement the diversification policy.	No significant differences.
(2) Does the Company voluntarily set up other functional committees besides Compensation Committee and Audit Committee according to law?		✓	(2) At present, the Company has set up Compensation Committee and Audit Committee according to law, while other functional committees would authorized by the Board of Directors separately according to the Company's business needs.	No significant differences.
(3) Does the Company have a performance evaluation system for the Board of Directors and its evaluation methods, which are evaluated annually and regularly, report the performance evaluation results to the Board of Directors, and use it as a reference for compensation and remuneration, as well as the nomination and renewal of individual directors?	✓		(3) The Company has stipulated in the “Performance Appraisal Method for Board of Directors” that the performance evaluation of the Board of Directors members of the Board of Directors and the Functional Committee as a whole shall be carried out on a regular basis every year. According to the appraisal method, the Company has completed the 2021 performance evaluation of the Board of Directors and submitted it to the Board of Directors on March 22, 2022; with a full score being 100, the performance	No significant differences.

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
(4) Does the Company evaluate the independence of CPA on a regular basis?	✓		evaluation result of the Board of Directors was 95.11, the average performance evaluation result of the members of the Board of Directors was 92.71, the performance evaluation result of the Audit Committee was 98.86, and the performance evaluation result of the Compensation Committee was 100. The result shows that the Board of Directors of the Company has good participation in operations and high-quality decision-making. Relevant evaluation results will serve as a reference for the remuneration and nomination of the Board of Directors of the Company. (4) The Board of Directors of the Company regularly evaluates the independence of visa accountants every year.	No significant differences.
4. Does the listed and OTC company have an appropriate number of competent corporate governance personnel and has it designated a corporate governance director to be responsible for corporate governance related matters (including but not limited to providing data required by directors and supervisors for business, assisting directors and supervisors to comply with laws and regulations, handling matters related to the meeting of the Board of Directors and the shareholders in accordance with law, making minutes of the meetings of the Board of Directors and shareholders, etc.)?		✓	The stock affairs personnel of the Company are responsible full-time for the secretary business of the Board of Directors and evaluation of corporate governance. They are responsible for: (1) preparing for the meeting of the Board of Directors and the shareholders and providing information; (2) Improving and supervising the corporate governance evaluation. The stock affairs personnel works directly under the CFO of the Company and reports to him. At present, no special corporate governance director has been appointed, which may be proposed to the Board of Directors in the future for discussion and appointment according to legality.	No significant differences
5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and set up stakeholder section on its website, and properly respond to stakeholders' concerns on important issues of corporate social responsibility?	✓		The Company has a system of spokesman and deputy spokesmen, and designated personnel act as communication channels between the Company and stakeholders, and set up a stakeholder section on the Company's official website.	No significant differences
6. Does the Company appoint a professional agent for stock affairs to handle the affairs of the shareholder' meeting?	✓		The Company has appointed a professional agent for stock affairs to handle the affairs of the shareholders' meeting and exposed it to the MOPS	No significant differences
7. Information Disclosure				

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
(1) Does the Company set up a website to disclose financial business and corporate governance information?	✓		(1) The Company has set up a website and disclosed relevant information about the Company.	No significant differences
(2) Does the Company adopt other ways of disclosure of information (e.g. setting up English websites, appointing designated persons to be responsible for the collection and disclosure of Company information, implementing the spokesman system, the legal entities announcements uploaded to website, etc.)?	✓		(2) The Company has a website to introduce the Company's products and related information, and designates a dedicated person to be responsible for the work of disclosure on MOPS and disclosure of Company's website information, and the Company has a spokesman and deputy spokesman system.	No significant differences
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, as well as the financial report of the first, second, and third quarters and the operation of each month in advance before the specified time limit?		✓	(3) In order to fully communicate with the accountant and reduce the risk of financial report errors caused by the reduction of the accountant's audit time, the Company has not considered publicly announcing and declaring the annual financial report in advance, but will still complete it within the announcement period in accordance with laws and regulations. The Company's quarterly financial reports and monthly operations are announced and declared before the time limit prescribed by laws and regulations.	No significant differences
8. Does the Company have any other important information that is helpful to understand the operation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	✓		<p>(1) Employee Rights and Interests: The Company hires employees in accordance with the regulations of the local competent authorities, pays attention to the rights and interests of employees, communicates smoothly, and provides a good working environment for employees.</p> <p>(2) Employee Care: The Company provides adequate education and training and reasonable remuneration and welfare measures and difficult employees help.</p> <p>(3) Investor Relations: The Company maintains a smooth channel of communication and information exchange for investors and other stakeholders, and respects and safeguards their due rights and interests.</p> <p>(4) Supplier relations: The Company maintains good relations with suppliers and seeks win-win growth through mutual cooperation.</p> <p>(5) Interests of stakeholders: The Company keeps a smooth communication channel at all times, gives full play to the spokesman mechanism, and upholds the principle of good faith to publish public information promptly in order to</p>	<p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p>

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
			safeguard investor relations and interests of stakeholders.	
			(6) Continuing Education of Directors and Supervisors: The directors of the Company have relevant professional knowledge, and the Company arranges refresher courses for directors in accordance with the regulations.	No significant differences
			(7) Implementation of Risk Management Policies and Risk Measurement Standards: The Company has formulated various internal control systems and regulations in accordance with the law. In the future, the Audit Office will put forward an audit plan in accordance with the risk measurement and evaluation in the year, and submit it to the Board of Directors for approval, and then carry out the plan in order to ensure its implementation. The actual audit situation and reports will be submitted to the Audit Committee for review. In the future, the Company will regularly implement the Internal Control System Statements in accordance with the provisions of the Taiwan Stock Exchange and disclose it in the annual report of the shareholders' meeting after the relevant departments complete the internal control self-assessment in the year.	No significant differences
			(8) Implementation of Customer Policy: The Company has set up a customer complaint processing process, and good interaction and communication with customers.	No significant differences
			(9) Purchase of Liability Insurance for Directors and Supervisors: The Company has purchased liability insurance for all directors, and the Company has not set up supervisors.	No significant differences.
<p>9. Please specify the improvement of the corporate governance assessment issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in recent years, and put forward priorities and measures for strengthening the assessment of those who have not yet improved. (Those who are not included in the Company are not required to fill in):</p> <p>The Company has assessed the reasons for the failure to achieve and the costs incurred in the last year's corporate governance evaluation, and has further planned to improve the project and the completion time by referring to the guidelines for corporate governance evaluation in 2022. However, those who increase additional unnecessary cost after the evaluation are not included in the improvement plan.</p>				

#### 4. Composition, Responsibilities and Operation of the Compensation Committee

##### <1> Information of Compensation Committee Members

Identity	Conditions Name	Major professional qualifications and experience	Compliance with independence (Note)										the Compensation Committee of other public	Note
			1	2	3	4	5	6	7	8	9	10		
Independent director	Chiu, Huang-Chuan	Graduated from the University of Cambridge with a Master of Laws degree; possessing a certificate of passing the national examination for lawyers; previously served Lawyer of Baker & McKenzie, Lawyer of Taiwan Commerce Law Offices, and Director of International Bills Finance Securities.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent director	Ting, Hung-Hsun	Graduated from Chinese Culture University with a Bachelor of Accounting; possessing a certificate of passing the national examination for accountants; previously Supervisor of Tien Liang Biotech Co., Ltd., Independent Director of HOLA, Independent Director of Test Rite International Co., Ltd., and Independent Director and Chairman of the Remuneration Committee and Audit Committee of Applied Nano Medical Technology Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent director	Lin, Ying-Shan	Graduated from Sun Yat-Sen University with a Master's Degree in Advanced Business Management, and a Master's Degree from the Institute of Management Science of National Kaohsiung Institute of Science and Technology; previously Manager of the Underwriting Department of Yuanta Core Pacific Securities, Director of Emerging Display Technologies Corp., and Corporate Director Representative of Triotech-M Co., Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note: Please check “✓” in the blank under each condition code if the members meet the conditions 2 years before the selection or during the term of office.

- 1.He/she is not the employee of Company or affiliated enterprises.
- 2.He/she is not the director or supervisor of the Company or affiliated enterprises (excluding independent directors of the Company, the parent, or the subsidiary corporation who is appointed through the Corporation Law or in accordance with the national laws).
- 3.He/she is not a natural person shareholder who holds over 1% issued capital stock by himself, his spouse, underaged children, or in the name of other people or the top ten shareholders.
- 4.He/she is not the spouse, second-degree relative, or third-degree relative of those listed in the above three items.
- 5.He/she is not the director, supervisor, or employee of corporate shareholders who directly hold more than 5% of the total number of shares issued by the Company, or is one of the top five shareholders, or appoints a representative as the director or supervisor of the Company in accordance with Article 27 (1) or (2) of the Corporation Law (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 6.He/she is not the director, supervisor, or employee of other companies where more than half of the director seats or voting shares are controlled by the same person (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 7.He/she is not the director, supervisor, or employee of other company or institution where the chairman, general manager, or equivalent are the same person or spouse (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 8.He/she is not the director, supervisor, manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business transactions with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company and independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 9.He/she is not the professional, sole proprietor, partnership, company or institution owner, partner, director, supervisor, manager, or their spouse that provides audit services for the Company or affiliated enterprises or whose cumulative amount of remuneration for business, legal affairs, finance, accounting, and other related services in the past two years does not exceed NT \$500000. However, this does not apply to the members of the Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Enterprise Merger and Acquisition Law.
10. No violations of Article 30 of the Company Act.

## <2> Operation of Compensation Committee

- (1) There are three members of the Compensation Committee of the Company.
- (2) Term of office of the current member: The second Compensation Committee of the Company was from 22 June 2017 to 21 June 2020, due 3 years in this year. The third Compensation Committee was re-elected at the shareholders meeting on June 15, 2020. The third Compensation Committee of the Company was from 15 June 2020 to 14 June 2023. The Compensation Committee of (2021), the qualifications and attendance are as follows:

The third Compensation Committee was held the meeting 3 times, the qualifications and attendance are as follows:					
Title	Name	Actual attendance	Commissioned attendance	Actual attendance rate(%)	Remarks
Convener	Chiu, Huang-Chuan	3	-	100	-
Committee member	Ting, Hung-Hsun	3	-	100	-
Committee member	Lin, Ying-Shan	3	-	100	-
<p>Other Matters to Be Recorded:</p> <p>1. If the Board of Directors fails to adopt or amend the recommendations of the Compensation Committee, it shall specify the date, session, proposal contents, the results of the resolutions of the Board of Directors and the Company's actions in response to the Compensation Committee's opinions (if the Board of Directors adopts a proposal that the remuneration is better than that of the Compensation Committee, it shall state the differences and reasons): none.</p> <p>2. If a member has a dissenting opinion or qualified opinion and has a record or written statement, the date, session, proposal contents, the opinions of all members and the treatment of the opinions of the members shall be specified.: none</p> <p>3. Responsibilities of the Compensation Committee:</p> <p>The Committee shall faithfully perform the following functions and powers as a good administrator and submit its recommendations to the Board for discussion. However, the remuneration proposal for the supervisor shall be submitted to the Board of Directors for discussion only if the remuneration for the supervisor is stipulated in the Articles of Association of the Company or authorized by the Board of Directors by a resolution of the shareholders' meeting:</p> <p>(1) Regularly review this regulation and put forward suggestions for revision.</p> <p>(2) Formulate and regularly review the annual and long-term performance objectives and remuneration policies, systems, standards, and structures for the Company's directors, supervisors, and managers.</p> <p>(3) Regularly evaluate the achievement of performance objectives of the Company's directors, supervisors, and managers and determine the contents and amounts of their individual remuneration.</p>					

### <3> Other Matters to Be Recorded

Date of Board Meeting	Session	Proposal Contents	Resolution of Compensation Committee	The Company's actions in responses to the Compensation Committee's opinions
2021. 03.24	3 <sup>rd</sup> session of the 3 <sup>rd</sup> C.C.	1. 2020 remuneration payment to the Company's employees and directors.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. 2020 performance evaluation and payment of performance bonuses and employees' remuneration to the Company's managers.	Adoption of resolution	Submit to the Board of Directors for resolution
2021. 04.16	4 <sup>th</sup> session of the 3 <sup>rd</sup> C.C.	Handling of the third transfer of the Company's repurchased shares to employees.	Adoption of resolution	Submit to the Board of Directors for resolution
2020. 11.10	5 <sup>th</sup> session of the 3 <sup>rd</sup> C.C.	1. The Company's distribution of director's remuneration for 2020	Adoption of resolution	Submit to the Board of Directors for resolution
		2. The Company's plan for managers' salary increment for 2021.	Adoption of resolution	Submit to the Board of Directors for resolution
		3. The Company's promotion of managers.	Adoption of resolution	Submit to the Board of Directors for resolution
		4. The Company's distribution of employees' remuneration to managers for 2020.	Adoption of resolution	Submit to the Board of Directors for resolution

5. Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reason

Evaluation items	Operation situation			Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility
	Y	N	Summary	
1. Has the Company established a governance framework for promoting sustainable development, and established a dedicated (or ad-hoc) unit to be in charge of promoting sustainable development? Has the Board of Directors authorized senior management to handle related matters? How did the Board of Directors supervise the matters?	✓		The Company has established a dedicated unit to promote sustainable development, which is represented by a senior management delegated by the President. The Company strictly follows all RBA codes of conduct to implement and enforce sustainable development related regulations. In addition, the Company inspects relevant suppliers to ensure that they also comply with the Group's sustainable development related policies and codes of conduct. The Group competes and conducts its business based on the principles of fairness, honesty and integrity. At the same time, annual education and training on social responsibility are mandatory for all employees so as to ensure that they are in compliance with the RBA requirements. The unit responsible for supervising the internal audits conducts audit on an irregular basis, and proposes improvement plans in response to deficiencies in audit results.; furthermore, annual meetings for social responsibility management assessment are held regularly to report the promotion and fulfillment of sustainable development policies and systems to the senior management. Besides, the internal audit unit also incorporates them into the annual audit plan and reports the audit situation to the president on a regular basis to ensure the implementation of corporate social responsibility.	No significant differences.
2. Does the Company set up exclusively (or concurrently) dedicated units to promote CSR, which are authorized by the Board of Directors to deal with by senior management and report to the Board of Directors?	✓		The Company has set up a special unit to promote corporate social responsibility, and the General Manager has authorized senior management to act as the management representative. The Company strictly follows all RBA codes of conduct, implements CSR standards, and audits relevant suppliers to ensure that the suppliers also abide by the Group's CSR policies and codes of conduct. We compete and conduct business on the principles of fairness, honesty, and non-corruption. Social responsibility education and training are compulsory courses for all staff every year to ensure that they meet the requirements of RBA. The special unit is responsible for supervising the responsible department to occasionally	No significant differences

Evaluation items	Operation situation			Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility
	Y	N	Summary	
			conduct internal audits, put forward improvement plans for the shortcomings in the audit results, hold an annual social responsibility management review meeting, and report the implementation of social responsibility policies and systems and the achievement of goals to the senior management supervisor. The internal audit unit will also list the above in the annual audit plan and regularly report the audit situation to the General Manager to ensure the implementation of corporate social responsibility.	
3. Environmental issues				
(1) Does the Company establish an appropriate environmental management system in accordance with its industrial characteristics?	✓		(1) The Company has established an environmental management system according to the industrial characteristics; the use of main raw materials complies with RoHS provisions and prohibits the hazardous substances specified in the regulations; the three wastes in the production process are under regular monitoring and are only discharged after meeting relevant standards in order to reduce the impact on the environment.	No significant differences.
(2) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✓		(2) The Company has implemented the GB/T23331:2012-ISO 50001 energy management system and established energy monitoring and management measures to best use resources and continuously improve efficiency. It also promotes environmental protection and energy saving and clean energy projects, such as frequency conversion energy saving, LED lighting, recycling of reclaimed water, elimination of old electromechanical equipment, reuse of packaging materials, etc., and actively introduces clean solar photovoltaic energy to reduce greenhouse gas and waste emissions and reduce its impact on the environment.	No significant differences.
(3) Does the Company evaluate the potential risks and opportunities of climate change for the enterprise now and in the future and take countermeasures for climate related issues?	✓		(3) The Company embodies corporate social responsibility, pays close attention to the greenhouse effect caused by climate change, and conducts carbon tracking and management according to the ISO14064 standard and promote the use of clean energy to reduce the impact on the environment.	No significant differences.
(4) Does the Company keep statistics of greenhouse gas emissions, water consumption, and total	✓		(4) The Company has a third party calculate and verify greenhouse gas emissions, water consumption, and the total weight of	No significant differences.



Evaluation items	Operation situation			Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility
	Y	N	Summary	
weight of waste for the past two years and then formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?			waste every year and hereby sets the energy conservation and emission reduction targets and policies, as well as implements them as described in the aforementioned projects, with the expectation of reducing the energy and resource waste and greenhouse gas emissions.	
4. Social issues				
(1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1) The Company complies with relevant labor laws and regulations, respects internationally recognized basic labor rights principles, protects the legal rights of employees, has established appropriate management practices, and regularly reviews the performance of management methods on an annual basis.	No significant differences.
(2) Does the Company establish and implement reasonable employee welfare measures (including compensation, vacation, and other benefits) and appropriately reflect the operation performance or results in employee compensation?	✓		(2) In addition to providing insurance coverage for the employees in accordance with local government regulations, the Company also offers annual promotions and raises to reward employees with outstanding performance; moreover, year-end bonuses, performance bonuses, retention bonuses, and production incentive bonuses are paid depending on the Company's operational performance and individual performance. The employees are entitled to statutory holidays, marriage leave, maternity leave, annual leave, etc. Other welfare measures include wedding, funeral and birthday payments, free annual health checkups, regular recreational competitions, evening parties and funfairs. Besides, music rooms, game rooms, basketball courts, reading(e-reading) rooms, gyms, recreation areas and other facilities for employee recreation and welfare activities are established.	No significant differences.
(3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	✓		(3) The Company has obtained ISO45001 Occupational Health and Safety Management System certification. Besides, the company has provided employees with a safe and healthy working environment, actively improved the safety and eliminated the company's potential hazards, formulated annual health and safety and energy saving training and education and implemented based on the plan. Furthermore, safety and health inductions are provided to new employees. to enhance the employees'	No significant differences.

Evaluation items	Operation situation			Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility
	Y	N	Summary	
(4) Does the Company establish an effective career development training program for its employees?	✓		safety and health awareness. (4) The Company has established seven well-regulated training systems and formulated annual training plans in order to cultivate the Company's talent pool of management and professional personnel.	No significant differences.
(5) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, and marketing and labeling of products and services and formulate relevant policies and complaint procedures to protect the rights and interests of customers?	✓		(5) The Company's product manufacturing processes are based on the quality standards required by our customers, the confidentiality agreements, relevant laws and regulations, and international standards. In addition, the Company has established streamlined customer complaint procedures and system, which are disclosed on the Company's official website.	No significant differences.
(6) Has the Company established a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights, and other issues?	✓		(6) The Company has formulated a supplier management policy that requires its suppliers to fulfill their environmental social responsibility in terms of environmental protection, occupational safety and health, and labor rights, etc. Besides, the qualified suppliers are required to sign the related guarantee agreements, and the Company selects and evaluates qualified suppliers from the list on a quarterly basis. Relevant information has been disclosed on the Company's official website.	No significant differences.
5. Does the Company prepare such reports as corporate social responsibility reports that disclose the Company's non-financial information with reference to internationally accepted reporting standards or guidelines? Is the disclosed report confirmed or guaranteed by a third-party verification unit?		✓	However, the Company has a spokesperson and a proxy spokesperson to help investors, suppliers and other stakeholders to inquire about the Company's operations or related interests. In addition, the Company regularly posts important information about its social responsibility on the Market Observation Post System pursuant to the law.	No significant differences.
6. If the Company makes its own sustainable development principles according to the Rules of sustainable development Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company has formulated the sustainable development principles and will implement the principle to fulfill its social responsibility in all aspects, the principle does not differ significantly from the "Code of Practice on sustainable development of Listed and OTC Companies".				
7. Other important information to help understand the operation of sustainable development: Please refer to the Company's website and annual report. The amount of our donation in 2021 is RMB 136,647, and the number of recipients is 363.				

6. Implementation of Integrity Operation, Differences from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Evaluation items	Operation situation			Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
1. Formulating Integrity Operation Policies and Programs				
(1) Has the Company formulated Ethical Corporate Management Best Practice Principles approved by the Board of Directors and practices of integrity operation in its regulations and external documents, and is the Board of Directors and senior management committed to actively implement its business policies?	✓		(1) The Company has formulated “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” approved by the resolution of the Board of Directors to specify matters needing attention of the Board of Directors and management in the conduct of business.	No significant differences.
(2) Has the Company established an evaluation mechanism for the risk of dishonest conduct, regularly analyze and evaluate business activities with a high risk of dishonesty within the business scope, and formulate a plan to prevent dishonest conduct accordingly, which contains at least the preventive measures against the activities in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) The Company has established Procedures for Ethical Management and Guidelines for Conduct for Integrity Management, and established complaint channels for employees and suppliers to adopt Operational Procedures and Conduct Guidelines for preventing illegal political contributions for business activities with high risk of dishonest behaviors within the business scope.	No significant differences.
(3) Has the Company specified operating procedures, guidelines for conduct, disciplinary and appeal systems for violations in the plan to prevent dishonest conduct, implement them, and regularly review and revise the disclosed plan?	✓		(3) The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct, in which the Procedures, Guidelines for Conduct, disciplinary and complaint systems for violations are specified and strictly observed.	No significant differences.
2. Implementation of Integrity Operation				
(1) Does the Company evaluate the integrity records of its instruments and specify the terms of integrity in its contracts with the instruments?	✓		(1) Before establishing business relations with others, the Company conducts social and environmental responsibility assessment, signs a “Supplier Undertaking” and publicizes the Company’s integrity management policies to ensure that its business operation is fair, transparent and does not require, provide or accept bribes.	No significant differences.
(2) Has the Company set up a designated unit affiliated with the Board of Directors to promote the integrity of the enterprise and report regularly (at least once a	✓		(2) The Company’s administrative unit is responsible for formulating the policy and prevention plan of honest operation, setting up a special appeal window, and conducting confidential investigations, and, if any violation is found, it shall be handled by the	No significant differences.

Evaluation items	Operation situation			Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
<p>year) to the Board of Directors on its integrity operation policies, plans to prevent dishonest conduct, and supervision of implementation?</p> <p>(3) Does the Company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?</p> <p>(4) Has the Company established an effective accounting system and internal control system for implementing integrity operations, and has the internal auditing unit or accountant checked the implementation of plans to prevent dishonest conduct according to relevant audit plans based on the risk assessment results of dishonest conduct?</p> <p>(5) Does the Company conduct internal and external education and training on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>special appeal window or project audit personnel with a zero tolerance attitude towards any behavior or activity that violates the regulations and reporting activity to the Board of Directors at least once a year.</p> <p>(3) The Company establishes an effective accounting policy and internal control and auditing system, reviews and revises them at any time according to legal changes and practical needs, and periodically checks by internal auditors to ensure that the design and implementation of the system are sustainable and effective, to achieve corporate governance and risk control, and to operate in good faith.</p> <p>(4) The Company has established an effective accounting policy and internal control and audit system for business activities with a high risk of dishonesty and occasionally reviews the system to ensure that the design and implementation of the system remain effective. Internal auditors shall regularly audit the compliance with the system referred to in the preceding paragraph. In addition to regular audits, they will also carry out special audits on projects with a risk of dishonesty according to the industry category and submit an audit report to the Board of Directors.</p> <p>(5) The Company regularly organizes training and publicity on work ethics and business ethics education for all employees every year. Employees have signed a “Code of Work Conduct Notification” to clearly understand and strictly abide by the Company’s relevant policies on integrity operation. Directors are educated and publicized through corporate governance refresher courses.</p>	<p>No significant differences.</p> <p>No significant differences.</p> <p>No significant differences.</p>
<p>3. Operational Situation of Company Reporting System</p> <p>(1) Does the Company have a specific reporting and rewarding system, establish a convenient reporting pipeline, and assign appropriate designated person to the target?</p> <p>(2) Does the Company have a standard operating procedure for</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company issues “care cards” to each employee which indicating the channels of prosecution, anti-corruption, honesty and complaints, specifying the “Code of Operations for Employee Appeals Management” and “Procedures for Business Ethics Management”, specifying the system of prosecution, reward and the designated person.</p> <p>(2) The Company’s “Code of Operations for Employee Appeals Management” and</p>	<p>No significant differences.</p> <p>No significant differences.</p>

Evaluation items	Operation situation			Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
investigation, follow-up measures to be taken after investigation, and a relevant confidentiality mechanism for accepting reports?  (3) Does the Company take measures to protect whistleblowers not suffer for which he/she reported?	✓		“Procedures for Business Ethics Management” clearly stipulate the investigation criteria, follow-up measures, and punishment methods for handling violations of complaints, and provide proper reporting channels for receiving, processing and feedback of employee’s demands by designated departments and person.  (3) All reports are handled confidentially by the Supreme Executive of the Company, and the reporting units are prevented from knowing the source of relevant reports and taking retaliatory actions.	No significant differences.
4. Enhancing Information Disclosure (1) Does the Company disclose the contents of its Ethical Corporate Management Best Practice Principles and promote its effectiveness on its website and MOPS?	✓		(1) The Company has a dedicated person to disclose information related to integrity operation through the Company’s website, annual report, MOPS, media, etc. in a timely manner.	No significant differences.
5. If a Company has its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its operation and the codes: The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, and will implement and abide by the Code. The principle and the procedures does not differ significantly from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.				
6. Other important information that will help us to understand the integrity operation of the Company (e.g. when the Company reviews and amends its Ethical Corporate Management Best Practice Principles): The Company always upholds the principle of good faith when dealing with dealers, and strengthens education in staff internal training.				

7. If the Company has a corporate governance code and related regulations, it should disclose its inquiry methods.

For the Company’s corporate governance code, please visit the Company’s website or MOPS for inquiries.

8. Other important information that can enhance the understanding of the operation of corporate governance should be disclosed as follows: None.

## 9. Status of Implementation of Internal Control System

### <1> Statement of Internal Control System

# **ShunSin Technology Holdings Limited**

## **Statement of Internal Control System**

Date: March 22, 2022

The Company states the following with regard to its internal control system during fiscal year 2021, based on the findings of self-assessment:

1. The Company is fully aware that establishing, operating, and maintain an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
3. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: <1> control environment, <2> risk assessment and response, <3> control activities, <4> information and communication, and <5> supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines..
4. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of 12/31/2021 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, transparency, and regulatory compliance of the reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives..
6. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on 3/22/2022, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

ShunSin Technology Holdings Limited

Chairman: Hsu, Wen-Yi (signature)

General manager: Hsu, Wen-Yi (signature)

<2> The Company hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.

10. In the most recent year and as of the date of publication of the annual report, if the Company and its internal personnel are punished according to law, or the Company punishes its internal personnel for violating the provisions of the internal control system and the result of the punishment may significantly impact shareholders' rights and interests or securities prices, the contents of the punishment, the main deficiencies, and the improvements shall be listed: None.

11. Important resolutions of the shareholders' meeting and the Board of Directors in recent years and up to the date of publication of annual statements

Meeting Time	Convening Date	Important Resolution
Board of Directors	2021.03.24	(1) The distribution of employees' compensations and directors' remuneration in 2020. (2) 2020 performance evaluation of the Company's managers, performance bonus, and employee compensation issuing. (3) The Company's consolidated financial statements for 2020. (4) To issue the Company's 2020 business report. (5) Appoint of the principal and assessment of competence and independence. (6) To discuss the Company "2020 Internal Control System Effectiveness Assessment" and issue the Company's "2020 Internal Control System Statements". (7) Convened the Company's 2021 General Meeting of Shareholders. (8) The Company applied to financial institutions for short-term quotas and signed contracts. (9) ShunSin Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunSin Hanoi) changed its name to ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunYun Hanoi) and carried out the change of its investment license.
Board of Directors	2021.04.16	Handled the Company's buying back of shares and transferring to employees.
Board of Directors	2021.05.13	(1) The Company's 2020 earnings allocation plan. (2) The Company intends to indirectly increase the capital of its Chinese subsidiary ShunYun Technology (Zhongshan) Co., Ltd. by USD10 million.
Board of Directors	2021.07.22	(1) The Company's 2021 General Meeting of Shareholders and changed the venue and time of the meeting. (2) The Company's application for banking facilities from a financial institution and signing of contract.
Board of Directors	2021.08.26	(1) The Company's consolidated financial statements for 2021 Q2. (2) The Company's application for banking facilities from a financial institution and signing of contract. (3) Sale of the shares of the British Cayman Islands ShunYun Technology Holdings Co., Ltd. held by the Company to its subsidiary ShunYun Technology (Hong Kong) Co., Ltd.
Board of Directors	2020.10.28	Proposal to sell machinery and equipment for business use to a related party. "
Board of Directors	2021.11.11	(1) The Company's 2020 Directors' Remuneration Distribution Plan. (2) Sale of the shares of the ShunSin Technology (Bac Giang, Vietnam) Limited and ShunYun Technology (Ha Noi, Vietnam) Limited held by the Company to its subsidiary ShunYun Technology Holdings Limited.

Meeting Topic	Convening Date	Important Resolution
		<p>(3) Proposal to provide endorsements/guarantees for the Company's wholly-owned subsidiary ShunYun Technology Holdings Limited and its branches.</p> <p>(4) Manager salary adjustment plan in 2021 of the Company.</p> <p>(5) The Company's promotion of managers.</p> <p>(6) The Company's 2020 remuneration distribution plan for managers and employees.</p>
Board of Directors	2021.12.29	<p>(1) Formulated the 2022 Operation Plan of the Company.</p> <p>(2) Formulated 2022 Audit Plan of the Company.</p> <p>(3) The Company intends to indirectly increase the capital of its Chinese subsidiary ShunYun Technology (Zhongshan) Co., Ltd. by up to USD26 million.</p>
Board of Directors	2022.03.22	<p>(1) The distribution of employees' compensations and directors' remuneration in 2021.</p> <p>(2) 2021 performance evaluation of the Company's managers, performance bonus, and employee compensation issuing.</p> <p>(3) The Company's consolidated financial statements for 2021.</p> <p>(4) To issue the Company's 2021 business report.</p> <p>(5) Appoint of the principal and assessment of competence and independence.</p> <p>(6) To discuss the Company "2021 Internal Control System Effectiveness Assessment" and issue the Company's "2021 Internal Control System Statements".</p> <p>(7) Ratification of the amendment of the Company's "Rules of Procedure for Shareholders Meetings."</p> <p>(8) Ratification of the amendment of the Company's "Corporate Social Responsibility Best Practice Principles" to be renamed as the "Sustainable Development Best Practice Principles"</p> <p>(9) Ratification of the amendment of the Company's "Regulations Governing the Acquisition and Disposal of Assets"</p> <p>(10) Ratification of the amendment of the Company's "Corporate Governance Principles."</p> <p>(11) Convened the Company's 2021 General Meeting of Shareholders.</p> <p>(12) The Company applied to financial institutions for short-term quotas and signed contracts.</p>
Annual General Meeting	2022.08.11	<p>(1) Ratification of "The 2020 Business Report and The Company's Consolidated Financial Statements for 2020".</p> <p>Execution: Relevant documents have been filed in the Company.</p> <p>(2) Ratification of "Distribution of 2020 Earnings".</p> <p>Execution:</p> <p>The Company announced on June 24, 2021 that July 30, 2021 was set as the base date of ex-dividend, and that August 27, 2021, was set as the date of cash dividend payment. Up to now, all cash dividends for the year of 2021 have been paid.</p> <p>(3) Ratification of the amendment of the Company's "Regulations Governing Loaning of Funds"</p> <p>Execution: Implemented in accordance with the new internal control measures.</p>



Meeting Times	Convening Date	Important Resolution
		(4) Ratification of the amendment of the Company's "Rules of Procedure for Shareholders Meetings."  Execution: Implemented in accordance with the new internal control measures.

12. Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report: None.

13. During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed: None.

## v. Information on Accountants' Fees

### 1. Range of Accountants' Fees

CPA Firm	Name of Accountant		Inspection Period	Remarks
Klynveld Peat Marwick Goerdeler Taiwan ("KPMG")	Chao, Min-Ju	Huang, Po-Shu	2020.1.1~2020.12.31	None

Bracket of amount \ Fee Items		Audit Fee	Non-audit Fee	Total amount
1	Under NT\$2,000,000	-	V	-
2	NT\$2,000,000 (included)~ NT\$4,000,000	-	-	-
3	NT\$4,000,000 (included) ~ NT\$6,000,000	V	-	V
4	NT\$6,000,000 (included)~NT\$8,000,000	-	-	-
5	NT\$8,000,000 (included) ) ~NT\$10,000,000	-	-	-
6	Over NT\$10,000,000 (included)	-	-	-

2. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee, it shall disclose the amount of audit and non-audit expenses and the content of non-audit services

Unit: NT\$ THOUSAND

CPA Firm	Name of Accountant	Audit Fee	Non-audit expenses					Inspection Period	Remarks
			System Design	Commercial Registration	Human Resources	Others (Note 2)	Subtotal		
KPMG	Chao, Min-Ju Huang, Po-Shu	4,745	-	-	-	410	410	2021.1.1~ 2021.12.31	None.

Note 1: If there is any change of accountants or accounting firms in our Company this year, please indicate the audit period and the reasons for the change in the column of Remarks, and disclose the information of auditing and

non-auditing public expenses paid in sequence.

Note 2: Non-audit public services information : Tax visa, Transfer pricing report.

3. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.

4. The audit fee is reduced by over 15% compared with the previous year, the amount, proportion and reason of the reduction shall be disclosed: None.

**vi. Alternation of CPA: None.**

**vii. The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.**

**viii. Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares**

1. Changes in Equity

Title	Name	2021		As of April 25, 2022	
		Shareholding Increase(Decrease)	Pledged Shares Increase(Decrease)	Shareholding Increase(Decrease)	Pledged Shares Increase(Decrease)
Chairman/ General manager	Foxconn (Far East) Limited	-	-	-	-
	Representative: Hsu, Wen-Yi	100,000	-	(27,000)	-
Director	Foxconn (Far East) Limited	-	-	-	-
	Representative Ho, Chia-Hua (Note 1)	-	-	-	-
Director	Foxconn (Far East) Limited	-	-	-	-
	Representative: Yu, Che-Hung	-	-	-	-
Director	Mou, Chung-Hsin (Note 2)	-	-	-	-
Independent Director	Chiu, Huang-Chuan	-	-	-	-
Independent Director	Ting, Hung-Hsun	-	-	-	-
Independent Director	Lin, Ying-Shan	-	-	-	-

Title	Name	2021		As of April 25, 2022	
		Shareholding Increase(Decrease)	Pledged Shares Increase(Decrease)	Shareholding Increase(Decrease)	Pledged Shares Increase(Decrease)
Vice-general Manager of Sales & Marketing Division	Weng, Yin-Huang	(5,000)	-	-	-
Director of Resource Management Division	Fan, Chen-Piao	57,000	-	-	-
Director of Finance & Accounting Division	Wang, Chieh-Min	12,000	-	-	-
Director of RF Business Division	Lo, Chi-Wah	-	-	-	-
Director of business strategy committee	Cheng, James	-	-	-	-

Note 1: Ni Qing-Yu, the representative of the legal person director, retired on December 31, 2020, and Ho Chia-Hua is the new representative of the legal person director.

Note 2: Since the third session of the Board of Directors of the Company will expire in 2020 for the term of three years, the shareholders' meeting decided to re-elect the fourth session of the Board of Directors on June 15, 2020. Except for retired director Hu Jian-Lei and new director Mou Zhong-Xin, all the other directors are the same as the members of the third session of the Board of Directors.

Note 3: They were promoted to managers by the Board of Directors on 11 November 2021.

2. The counterparty of equity transfer is a related party: None.

3. The counterparty of equity pledge is a related party: None.

## ix. The Relations of the Top Ten Shareholders

April 25, 2022

Name	Shareholding		Spouse & Minor Minor Shareholding		Shares Held through Other Parties Shares		Related Party		Remark
	Number	%	Number	%	Number	%	Name	Relation	
Foxconn (Far East) Limited Representative: Huang, Chiu-lien , Huang, De-Cai	63,964,800	59.52%	-	-	-	-	-	-	-
Hsu, Wen-Yi	1,870,200	1.74%	-	-	-	-	-	-	-
CTBC Bank custodian Shunsin Technology Holdings Limited account	606,700	0.99%	-	-	-	-	-	-	-
Xu, Wei-Hua	617,000	0.57%	-	-	-	-	-	-	-
Jian, Hong-Sen	558,000	0.52%	-	-	-	-	-	-	-
Zhang, Hong-Jie	490,000	0.46%	-	-	-	-	-	-	-
Yuanta Securities Co., Ltd warrant account	341,025	0.32%	-	-	-	-	-	-	-
Xie, Yi-Jia	330,000	0.31%	-	-	-	-	-	-	-
Chen, Jian-qin	300,000	0.28%	-	-	-	-	-	-	-
Guo, Shu-Hui	260,000	0.24%	-	-	-	-	-	-	-

## x. Long-Term Investment Ownership

March 31, 2022; Unit: share; %

Shift in investment	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/M anagers		Total Ownership	
	Shares	%	Shares	%	Shares	%
ShunSin Technology Holdings (HongKong) Limited	830,455,240	92	74,183,976	8	904,639,216	100
ShunSin Technology (Zhong Shan) Limited	-	-	RMB thousand: 722,637 (Note)	100	RMB thousand: 722,637	100
ShunSin Technology (Samoa) Corporation Limited	US\$ thousand: 9,510	100	-	-	US\$ thousand: 9,510	100
Talente Microelectronics (He fei) Limited	-	-	RMB thousand: 20,904 (Note)	52.74	RMB thousand: 20,904 (Note)	52.74
ShunYun Technology ( Ha Noi, Vietnam) Limited	-	-	US\$ thousand: 6,000 (Note)	100	US\$ thousand: 6,000	100
Shunsin Technology ( Bac	-	-	US\$ thousand:	100	US\$ thousand:	100

Shift in investment	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
Giang, Vietnam) Limited			40,000 (Note)		40,000	
ShunYun Technology Holdings Limited	US\$ thousand: 29,280	100	-	-	US\$ thousand: 29,280	100
ShunYun Technology (Zhong Shan) Limited	-	-	RMB thousand: 125,085 (Note)	100	RMB thousand: 125,085 (Note)	100
ShunYun Technology Holdings (HongKong) Limited	-	-	-	100	-	100

Note: For China Limited Company, so there are no shares and par value..

## IV Fundraising Situation

### i. Capital and Shares

#### 1. The Sources of Capital Stock

April 27, 2021; Unit: 1,000 shares/NT\$ thousand

Year/month	Par value	Authorized shares		Paid-in capital stock		Remarks		
		Shares	Amount	Shares	Amount	Source of capital stock	Capital increased by assets other than Cash	Others
2008/01	USD 1.00	50	USD 50	-	-	Initial Capital	None	Note1
2008/07	USD 1.00	40,000	USD 40,000	83	USD 83	Capital Increased by Cash	None	Note2
2008/08	USD 1.00	40,000	USD 40,000	36,000	USD 36,000	Capital Increased by Cash	None	Note3
2013/11	USD 1.88	80,000	USD 80,000	46,276	USD 46,276	Capital Increased by Cash	None	Note4
2014/01	USD 2.42	80,000	USD 80,000	50,526	USD 50,526	Capital Increased by Cash	None	Note5
2014/05	10	144,000	1,440,000	90,947	909,468	Transferring currency	None	Note6
2015/01	110	144,000	1,440,000	105,447	1,054,468	Capital Increased by Cash	None	Note7
2019/07-20 19/11	95.62	144,000	1,440,000	106,525	1,065,248	Capital Increased by Employee stock Option	None	Note8
2020/07-20 21/01	92.3	200,000	2,000,000	107,465	1,074,648	Capital Increased by Employee stock Option	None	Note8

Note 1: The Company has established a capital stock of 1 share, with a paid-in capital of US\$1.

Note 2: Capital Increased 82,999 shares by Cash..

Note 3: Capital Increased 35,917,000 shares by Cash.

Note 4: Capital Increased 10,276,000 shares by Cash.

Note 5: Capital Increased 4,250,000 shares by Cash.

Note 6: The company changed the par value from USD 1 dollar to NTD 10 dollars

Note 7: Tai-Cheng-Shang-Zi No. 1031707309 released on December 12, 2014 by Taiwan Stock Exchange Co., Ltd.

Note 8: Jin-Guan-Zheng-Fa-Tzu No.1060011395 released on April 12, 2017 by Financial Supervisory Commission

R.O.C.

## 2. Types of Share Issued

April 27, 2021; Unit:share

Stock types	Authorized stock			Remarks
	Outstanding Shares	Unissued shares	Total share	
Common stock	107,464,800	92,535,200	200,000,000	Treasury shares held by the Company 876,000 shares

Note: all are listed shares.

## ii. Structure of Shareholders

April 25, 2022

Structure of shareholders Amount	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Individuals (Notes)	Individuals	Total
Number of Shareholders	-	1	32	38	9,157	9,228
Shareholding (shares)	-	10,000	1,182,989	66,041,869	40,229,942	107,464,800
Percentage	-	0.01%	1.10%	61.45%	37.44%	100.00%

Note: The proportion of mainland investment is 0.99%.

## iii. Distribution of Shares

April 27, 2021

Shares	Number of shareholders	Total Shares Held	Percentage
1 to 999	714	117,133	0.12%
1,000 to 5,000	7,152	13,466,251	12.53%
5,001 to 10,000	748	5,904,313	5.49%
10,001 to 15,000	232	2,967,320	2.76%
15,001 to 20,000	107	1,960,487	1.82%
20,001 to 30,000	108	2,753,950	2.56%
30,001 to 40,000	48	1,773,029	1.65%
40,001 to 50,000	29	1,300,000	1.21%
50,001 to 100,000	55	3,815,964	3.55%
100,001 to 200,000	23	3,147,628	2.93%
200,001 to 400,000	6	1,695,025	1.58%
400,001 to 600,000	2	1,048,000	0.98%
600,001 to 800,000	1	617,000	0.57%
800,001 to 1,000,000	0	0	0.00%

Shares	Number of shareholders	Total Shares Held	Percentage
More than 1,000,001 (included)	3	66,898,700	62.25%
In total	9,228	107,464,800	100.00%

#### iv. List of Major Shareholders

April 25, 2022

Name of major shareholders	Shares	Shares Held	Percentage
Foxconn (Far East) Limited Representative: Huang, Chiu-lien , Huang, De-Cai		63,964,800	59.52%
Hsu, Wen-Yi		1,870,200	1.74%
CTBC Bank custodian Shunsin Technology Holdings Limited account		606,700	0.99%
Xu, Wei-Hua		617,000	0.57%
Jian, Hong-Sen		558,000	0.52%
Zhang, Hong-Jie		490,000	0.46%
Yuanta Securities Co., Ltd warrant account		341,025	0.32%
Xie, Yi-Jia		330,000	0.31%
Chen, Jian-qin		300,000	0.28%
Guo, Shu-Hui		260,000	0.24%

#### v. Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NTD / thousand shares

Items		Year	2020	2021	Current Year to March 31, 2022
Market Price Per Share	Highest		173.5	149.5	94
	Lowest		68.9	82.1	77
	Average		112.72	107.88	86.61
Equity Per Share	Before distribution		57.78	58.98	61.95
	After distribution		53.57	56.42	Not distribution
Earnings Per Share	Weighted Average shares		105,336	107,014	107,465
	Earnings per share		6.88	3.77	(0.94)
Dividends Per Share	Cash dividend		4.13	2.56	Not distribution
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-	-



Items \ Year		2020	2021	Current Year to March 31, 2022
	Accumulated Unappropriated Dividends (Note 4)	-	275,109,888	Not distribution
Investment	P/E ratio (Note 5)	16.38	28.61	-
Return	Price-dividend ratio (Note 6)	27.29	42.14	Not distribution
Analyses	Cash dividend yield (Note 7)	0.037	0.023	Not distribution

Note 1: List the highest and lowest market prices of common stock in each year, and calculate the average market prices of each year according to the turnover value and volume of each year.

Note 2: please fill in the column by referring to the number of shares issued at the end of the year and the distribution according to the resolution of the shareholders' meeting or BOD of the following year.

Note 3: If there is a need for retrospective adjustment due to the situation of stock dividends, the earnings per share before and after adjustment shall be shown.

Note 4: where conditions for the issuance of equity securities stipulate that dividends accrued in the current year are accrued in the surplus year, the accrued dividends accrued in the current year shall be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share..

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 8: The equity per share and earnings per share shall be provided with the data checked by the accountant in the latest quarter up to the date of publication of the annual report; the remaining columns shall be filled in with the data of the year up to the date of publication of the annual report.

## vi. Corporate Dividend Policy and Its Implementation

### 1. Corporate Dividend Policy

The Company has amended its Articles of Association (hereinafter referred to as “the Seventh Amendment of the Articles of Association”) by resolution of Board of Directors on March 25, 2020. The Articles of Association have not yet been adopted by the shareholders' meeting. The Company's dividend policy is set forth in Articles 13.1 to 13.9 of the Seventh Amendment of the Articles of Association. The main provisions are as follows:

Subject to the Applicable Law and this Article and except as otherwise provided by the rights attached to any shares, the Company may distribute profits in accordance with a proposal for profits distribution approved by, in the case of dividends in the form of cash, a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, or, in the case of dividends in the form of shares as provided in Article 11.4(a), the Board and sanctioned by the Members by a Supermajority Resolution, in general meetings; provided that after the Board approves the distribution of dividend in cash, the Board shall report such distribution in the recent annual general meeting. No Dividends or other distribution shall be paid except out of profits of the Company, realised or unrealised, out of share premium account or any reserve, fund or account as otherwise permitted by the Law. Except as

otherwise provided by the rights attached to any shares, all Dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for Dividend as from a particular date, that share shall rank for Dividends accordingly.

Upon the final settlement of the Company's accounts, if there is "surplus profit" (as defined below), the Company shall set aside no less than five per cent (5%) as compensation to employees ("**Employees' Compensations**") and Employees' Compensations may be distributed to employees of the Company and its Subsidiaries, who meet certain qualifications. The Company shall, from the surplus profit, set aside no more than zero point one per cent (0.1%) thereof as remuneration for the Directors ("**Directors' Remuneration**"). The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the Directors.

In determining the Company's dividend policy, the Board recognises that the Company operates in a mature industry, and has stable profit streams and a sound financial structure. In determining the amount, if any, of the Dividend or other distribution it recommends to Members for approval in any financial year, the Board:

- <1> may take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year, so as to ensure the protection of Members' rights and interests; and
- <2> shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) ten per cent (10%) as a general reserve ("Statutory Reserve") (unless the Statutory Reserve has reached the total paid-up capital of the Company), and (iv) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board pursuant to Article 14.1.

Subject to compliance with the Law and after setting aside the amounts for Employees' Compensations and Directors' Remuneration in accordance with Article 13.4 and such amounts as the Board deems fit in accordance with the distribution policy set out in Article 13.5, the Board shall recommend to distribute no less than ten per cent (10%) of the earnings generated from the immediately preceding financial year (exclusive of those accumulated

from previous years) out of the distributable amount as Dividend to the Members.

Dividends to the Members and the Employees' Compensation may be distributed, in the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to employees or the Members, provided that, in the case of a distribution to Members, no less than fifty per cent (50%) of the total amount of such Dividend shall be paid in cash. No unpaid Dividend and compensation shall bear interest as against the Company.

## 2. Proposed dividend distribution at the shareholders' meeting

<1> Shareholder stock dividend: None.

<2> Shareholders' cash dividend: the cash dividend of NT\$275,109,888 set aside from the 2021 annual earnings shall be NT \$2.56 per share, and the Board of Directors authorized chairman decide the dividend base date.

<3> Anticipated major changes in dividend policy

As of the date of publication of the annual report, the Company has no plans to change its dividend policy.

## **vii. The impact of the Proposed Sotck Dividends at the Shareholders' Meeting on the Company's Operating Performance and Earnings Per Share: None.**

## **viii. Remuneration to Employees, Directors, and Supervisors**

1. Please refer to 6 (1 of Articles of Association for the number and scope of compensations for employees, directors and supervisors contained in the articles of association of the Company.
2. Accounting treatment applied to the difference between actual and estimated compensations to employees, directors and Supervisors:

The estimated amount of Employees' Compensation and directors' remuneration of the Company for the year of 2021 shall be based on the net profit before tax before the payment of employees' compensations and directors' remuneration by the Company multiplied by the employees' compensations and directors' remuneration apportionment proportion formulated in the Articles of Association of the Company, and shall be reported as the operating expenses for the year of 2021. However, if there is any difference between the actual amount allocated by Board of Directors and the estimated amount, it will be deemed as the change of accounting estimation and listed as the annual profit and loss by Board of Directors resolution. If employees' compensations is paid in stock, the calculation basis of the number of shares to be paid in stock is based on the closing price of the day before the Board of Directors' decision and considering the influence of ex-dividend and ex-rights.

3. Information on the Amount of Compensation for Distribution Approved by the Board of

Directors are as follows:

The Company's employees' compensations distribution proposal for 2021 was approved by the Board of Directors of the Company on March 22, 2022. The distribution of employee bonus and the remuneration of directors and supervisors is as follows:

<1> It is proposed to distribute NT\$43,333,333 in cash remuneration to employees and NT\$465,238 to directors.

<2> It is proposed to distribute NT\$0 in stock remuneration for employees, which accounts for 0% of the total profits and remuneration for employees in the current period.

<3> The imputed earnings per share after distributing the remuneration to employees, directors, and supervisors is to be proposed for distribution: None.

4. The actual distribution of compensations to employees, directors and supervisor in previous year:

<1> Actual distribution:

Unit: NTD

Employee dividends			Remuneration to Directors
Employee Stock Dividends:Amount	Employee Stock Dividends:Number of Shares	Employee Cash Dividends	
-	-	49,786,100	854,609

<2> In the case of any differences between the actual distributed and recognized number, please state the difference, reasons and response:

The actual amount of the Company's employee compensation for 2020 was NT\$49,786,100, which is NT\$50,213,900 less than the listed amount of NT\$100,000,000 on the account. The actual amount of NT\$854,609 allocated to directors' remuneration for 2020 was NT\$1 less than the estimated amount of NT\$854,610 on the account. The difference is due to the adjustment of accounting estimates, which have been adjusted in accordance with the profit and loss of the 2021 regular meeting of shareholders.

**ix. Buyback of Treasury Stock:** None.

**x. Situation of New Issuance of Corporate Bonds, Preference Shares, Global Depository Receipts, Employee Stock Option, Employee Restricted Stocks and New Share Issuance in Connection with Mergers and Acquisitions**

1. Handling of Corporate Bonds:

<1> Information on outstanding and ongoing corporate bonds:

Corporate Bond Type		Initial Unsecured Convertible Bonds in the Republic of China
Issuing date		February 12, 2018
Denomination		NT\$100,000
Issuing and transaction location		N/A
Issue price		Issuance at 100.5% of par value
Total amount		The total denomination is NT\$1.5 billion and the total amount raised is NT\$1.5 billion and Nt \$1.575 billion.
Interest rate		Coupon rate 0%
Term		5 year Date of expiration: February 12, 2023
Guarantee Agency		N/A
Consignee		Trust Department of Bank SinoPac
Underwriting institution		Grand Fortune Securities Co., Ltd. Yuanta Securities KGI Securities
Certified lawyer		N/A
CPA		N/A
Repayment method		In addition to conversion, sale and redemption, repayment shall be made at maturity on the basis of the denomination of the bond.
Outstanding principal		NT\$1.5 billion (as of April 30, 2021)
Terms of redemption or advance repayment		See the issuance and conversion methods for details.
Restrictive clause		None
Name of credit rating agency Rating date Rating of corporate bonds		N/A
Other rights attached	As of the printing date of this Annual Report, amount of converted (exchanged or subscribed) ordinary shares, GDRs or other securities converted	There is no conversion amount yet.
	Issuance and conversion (exchanged or subscribed) method	Refer to issuance and conversion method
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		There is no dilution of the equity of the Company before the bondholder executes the conversion, and when the bondholder will exercise the convertible right at the right time, the request convertible time varies, which will effectively delay the dilution effect of earnings per share.

	For the existing shareholders' rights and interests, although the issuance of convertible corporate bonds will slightly increase the Company's liabilities before the conversion, with the conversion of corporate bonds into common shares, it can not only reduce liabilities, but also improve the shareholders' rights and interests. In the long run, the impact on the existing shareholders' rights and interests is not far-reaching.
Transfer Agent	None

<2> Convertible Bond:

Convertible Bond Type		Initial Unsecured Convertible Bonds in the Republic of China	
Items	Year	2021	For year ended April 30, 2022
Market Value of Convertible Bond	Highest	110.9	107
	Lowest	101.5	102.4
	Average	107.24	103.72
Conversion Price		159.7	
Issue (Transaction) Date and Conversion Price upon Issue		February 12, 2018/NT\$175.2	
Conversion Method		Issuance of New Shares	

<3> Information about Exchangeable Bonds: None.

<4> Information about Shelf Registration to Issue Corporate Bonds: None.

<5> Information about Bonds with Attached Warrants: None.

2. Preference Shares: None.

3. Issuance of Global Depositary Receipts: None.

4. Employee Stock Options Plan: None.

5. Employee Restricted Stock: None.

6. Issuance of New Shares In Connection with Mergers and Acquisitions : None.

## xi. Implementation of Funds Usage Plan

The proceeds of \$1,507,500 thousand raised from the Company's first unsecured convertible bonds issued in the ROC in 2018 were fully executed in the third quarter of 2020, and no benefits have not yet been yielded.

## V. Operation Overview

### i. Business Content

#### 1. Business Scope

##### <1> Main Contents of Company's Business

The Group is mainly engaged in System in Package; SiP product, high-speed Optical transceiver (Optical Transceiver) and other integrated circuit modules for packaging, testing and sale. SiP products are mainly high-frequency wireless communication module, wireless local area networking module (WiFi module), Low Noise Amplifier (LNA) and so on. Other types of integrated circuit module products are Biometric Module (including Face-ID), Sensor, Automotive Electronics and thick-film hybrid integrated circuit module. Our products are mainly used in consumer electronics, cloud servers and hearing aids.

##### <2> Operating proportion

Items \ Year	2020	2021
	Operating proportion (%)	Operating proportion (%)
Optical Transceiver	41	40
Biometric Module	34	19
System in Package	14	32
Others	11	9
In total	100	100

##### <3> Company's current product (service) items

- (1) Semiconductor Integrated Circuit (Power Amplifier; PA), Antenna Switch Module (ASM), Filter, Duplexer, etc.) Packaging and Testing Services: Mainly used in communication modules of smart phones.
- (2) Wafer thinning, cutting and packaging inspection services: used in various module processes.
- (3) Sensor (Micro Electro-Mechanical Systems; MEMS): ToF, Sensor, packaging and testing services for gyroscopes, ambient light sensors, etc.: It is mainly used in the sensing module of smart mobile phone.
- (4) Optical Transceiver Module (40G-800G high-end optical transceiver module, etc.) packaging and testing services: mainly used for storage and transmission of enterprise servers and cloud servers.
- (5) Assembling and testing of automotive electronic parts: mainly used in vehicle smart keys and vehicle media control system.
- (6) 3D Sensing Front-end Module: It is mainly used in biometric module of smartphone.

##### <4> New products (services) planned for development

- (1) 400G-DR4 Optical Transceiver Module
- (2) 800G-DR8 Optical Transceiver Module
- (3) 800G-2\*FR4 Optical Transceiver Module
- (4) 1.6T-CPO Optoelectronic Co-Package Module
- (5) 25.6T-CPO Optoelectronic Co-Package Module
- (6) 51.2T-CPO Optoelectronic Co-Package Module
- (7) System module for intelligent mobile devices
- (8) 5G module packaging technology for heat dissipation enhancement
- (9) Automobile electronic module assembly
- (10) High-density electronic and mechanical parts coplanar or double-sided assembly technology

## 2. Industry Overview

### <1> Status quo and development of the industry

#### ◆ 5G new era

5G communication technology is a new concept that breaks through the 4G system. The frequency of 5G communication technology is 3-300GHZ, which is different from the frequency of the past 4G system, which is 2-8GHZ. 5G communications technology is faster than 4G system, with theoretical speeds of up to 100 times faster than 4G, while the telecommunication dealers estimate the actual speeds should still be more than 11 times faster.

According to a report by IHS Markit in November 2020, wireless communication manufacturers have accumulated transition experience from 3G to 4G, which has enabled them to expand 5G services at a surprising rate. Despite the impact of COVID-19 on the global economy in 2020, 5G deployment will continue to expand rapidly around the world because the COVID-19 pandemic has led to a critical acceleration of both the government and society's demand for 5G network architectures and devices, thus proving that 5G technology will be the core of industrial transformation in the future. The IHS Markit report predicts that 5G will generate up to US\$13.1 trillion of global output from 2020 to 2035, while 5G will drive US\$3.8 trillion of global revenue in 2035.

On the other hand, in 2020, 5G smartphones were already globally available for US\$300, and more than 150 5G smartphones were already on the market for sale. Besides, IDC analysts forecast triple-digit growth in 5G smartphone shipments in 2021, and according to Ericsson's Mobility Report released in December 2021, global 5G-related installations and market share are expanding at an impressive rate in 2021. It is estimated that the number of global 5G users will reach 660 million by the end of the year, and the global 5G signal area will provide coverage for more than 2 billion people. Ericsson's report further predicted that the global 5G users will amount to 4.4 billion in 2027, accounting for about 50% of global mobile users and covering about 75% of the global population, and the share of 5G in the global smartphone data usage will reach 62%.

5G development starts with infrastructure renewal and expansion. Regarding 5G base stations, in 2021, the fastest and most extensive coverage area is in Asia. Up to the middle of November, China had even built more than 1.15 million 5G base stations, accounting for more than 70% of the global 5G base stations. According to GSA data, up to September 2021, 465 service providers in 139 countries around the world have already launched 5G networks, and 180 of them have already launched commercial 5G services.





Source : GSA, MIC, Sep 2021

From the layout of telecom service providers and terminal equipment companies, we can also see that 5G is planned to be used in emerging orientations such as car entertainment, smart home, smart city, industrial automation, meta-universe, etc. If 1G to 4G only takes cell phone as carrier and carries out vertical innovation in cell phone ecosystem, then 4G to 5G opens up countless new directions of internet of things applications, and the increment of application demand brought by horizontal innovation will be increased in multiples. Consequently, the demand for various applications will also drive the growth of demand for semi-conductor business at the same time.

#### ◆ SiP market

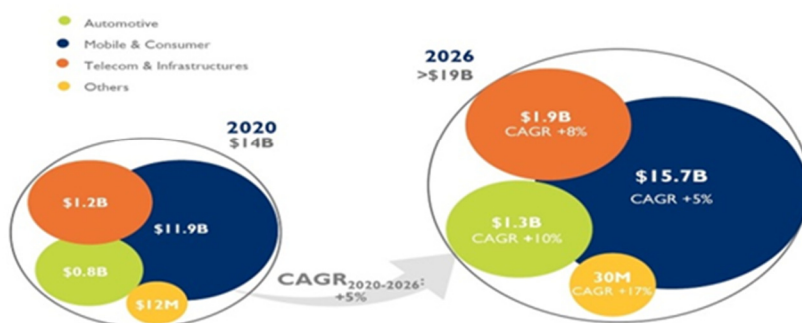
The SiP (System in Package) concept means "multiple chips or a chip or the same module in one IC package, plus the packaging of passive component, capacitor, resistor, connector, antenna or more components, namely a SiP", which not only can assemble multiple chips in a package, but also can stack the different types of above components with the circuit chip, to build into a more complex and heterogeneous integration system.

Along with the development of science and technology, the intelligent mobile phone and smart watch products need more placement and integration functions, and the arrival of 5G makes the related products needing the placement of more RF components, and the integration requirements to future 5G related products will be higher, but the Moore's law develops to the bottleneck, so the SiP will become the best market heterogeneous integration solution based on the research and development time and relative cost advantages. 5G is expected to significantly improve related products demand for SiP, especially in the case of intelligent mobile phone.

For example: 5G band is mainly divided into Sub-6 and millimeter wave; Sub-6's signal properties are similar to past 4G LTE signal, so the main difference with 4G era is an increase in the number of RF components; according to Qorvo forecast, 5G smart phone's RF components cost will reach US\$25, almost double of 4G smart phone, among which the receiver/transmitter filter increases from 30 to 75, and even the power amplifier, RF switch, and spectrum are doubled. However, the millimeter wave brings a revolutionary change to the structure of RF component, which makes it necessary to form the AiP (Antenna in Packaging) module with the millimeter wave antenna and the RF component separately. According to the Yole report, the global market for SiP market will expand from US\$14 billion to US\$19 billion between 2020 and 2026.

### 2020-2026 System-in-Package market forecasts breakdown by market segment

(Source: System-in-Package Technology and Market Trends 2021, Yole Développement, July 2021)



Source: Yole

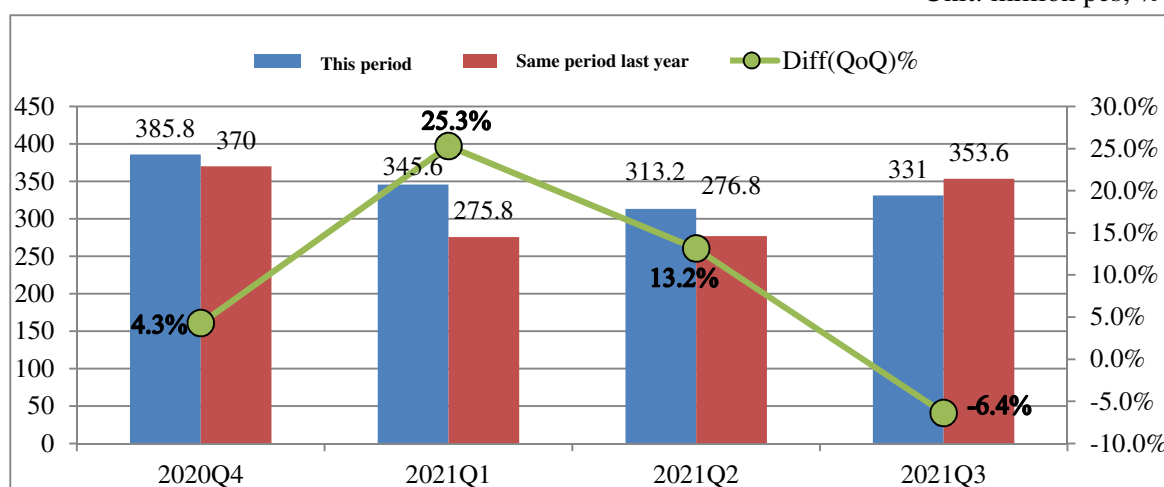
### ◆ Smartphone Market :

With the enlargement of mobile communication network in the global coverage, the mobile phones have become essential electronic device in the daily life, and the increasing consumer demand becomes a motive force of the mobile phone industry's unceasing expansion; since Apple has released the iPhone, the mobile phone industry has revolutionary change in the pattern, and has entered the era of smartphone.

Mobile smartphones have experienced explosive growth in the past few years. The market became saturated and gradually turned to "replacement" instead of "first purchase." When high-end mobile phones have increased their selling price without a revolutionary breakthrough in function improvement, a new opportunity arises, with 5G communication technology enabling the intelligent mobile phone to break through the existing framework. Although global smartphone shipments in 2020 were affected by the COVID-19 epidemic, they will gradually return compared with those before the epidemic due in large part to the recovery of the global production chain and the substantial subsidy policies for 5G smartphones in Mainland China. According to IDC, global smartphone shipments in the third quarter of 2021 reached around 331 million units, down only 6.4% compared to the same period last year.

### [2020Q4~2021Q3 Global smartphone market shipment comparison]

Unit: million pcs; %



Data source: IDC quarterly published information; SST compiled

For the estimated number of fourth quarter of 2021: IDC reported that 1.369 billion units of smartphones were shipped worldwide in 2021, of which 548 million units—

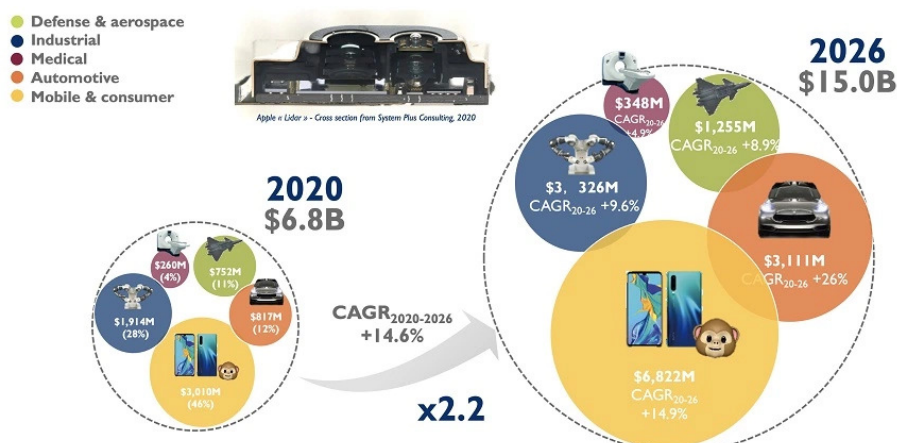
approximately 40%.— are 5G smartphones. Although the fourth quarter of 2021 is still affected by material shortages and may continue the decline in the third quarter compared to the same period last year, it is expected that in 2022, as the shortage of materials will be gradually resolved; the popularity of new 5G smartphones increases; and new developed applications are introduced to the market, the global smartphone shipments will continue to grow and are expected to increase by 7.8% year-on-year and reach 1.42 billion units. Besides, approximately 762 million 5G smartphones are expected to be shipped in the same year, accounting for more than 50% of total smartphone shipments, and the 5G smartphone shipments will grow by a multiple in 2022 compared to 2021. In the long run, global smartphone shipments will maintain single-digit growth until 2025, and the annual shipment will exceed 1.517 billion then.



In addition, as Apple was the first to launch the smart phone equipped with 3D sensing module in 2017, various brands actively followed suit by launching the symbolic products, and 3D sensing module gradually becomes one of the marketing features of high-end smart phones. According to Yole's analysis, from 2020 to 2026, the 3D sensing market will grow from US\$6.8 billion to US\$15 billion with a 14.6% compound annual growth rate (CAGR).

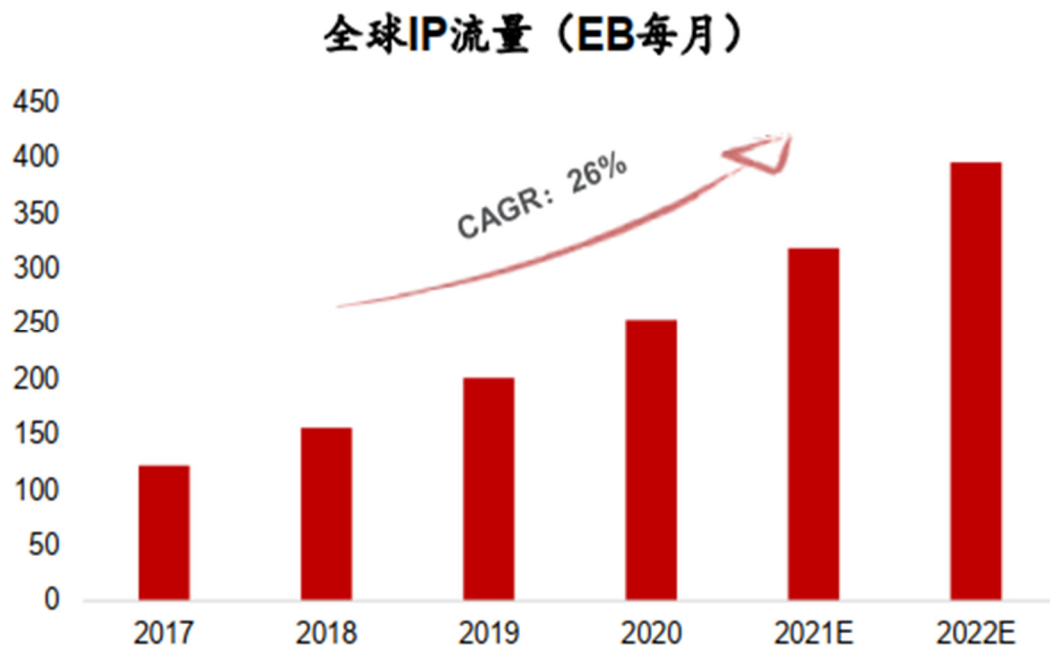
### 3D imaging and sensing - 2020-2026 market forecast - In \$M

(Source: 3D Imaging & Sensing report, Yole Développement, 2021)



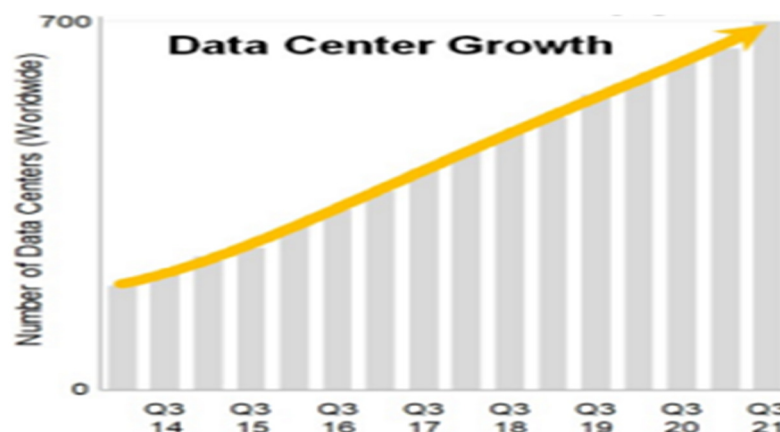
#### ◆ Overview of mobile transmission

In recent years, with the development of 5G communication technology and the era of big data, the global mobile broadband and cloud computing market is growing rapidly. Users choose to access the shared computing resource pool by the operation mode of network, server, storage space or application and service, so the demand for network cloud computing is also growing rapidly. According to Cisco, the monthly IP flow in global will reach 319EB in 2021 and is expected to reach 396EB in 2022, showing year-on-year growth of more than 26% from 2017 to 2022.



Source : Cisco

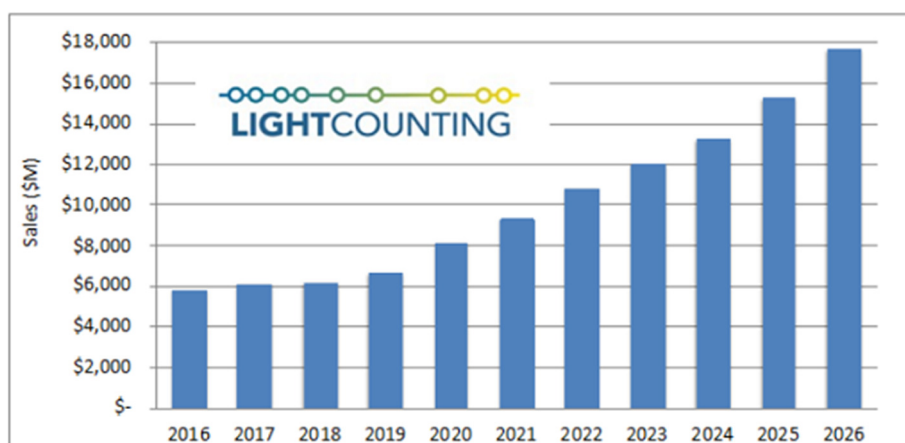
The large-scale data centers and the demand for bandwidth upgrades will drive the infrastructure of fiber-optic broadband networks. In addition, major network leading companies, such as Meta, Google and Amazon, continue to expand their investment in mega data centers. According to the statistics of Synergy Research Group, the number of mega data centers in the world increased to 700 up to the end of the third quarter of 2021. As the number of mega data centers continues to grow rapidly, the total capacity of those centers also grows. It took five years to double the number of mega data centers, but it took less than four years to double their capacity.



Source: Synergy Research Group

With the rapid growth in the number and capacity of global mega data centers, the demand for optical transceiver modules has also been boosted. According to Lightcounting's latest forecast, the optical transceiver module market will grow at a CAGR of 14% from 2021-2026. Despite the continued shortage in the global supply chain, the global optical transceiver module market is still expected to achieve a certain level of growth in 2022.

2021-2026 Global Optical Transceiver Module Market Forecast Chart



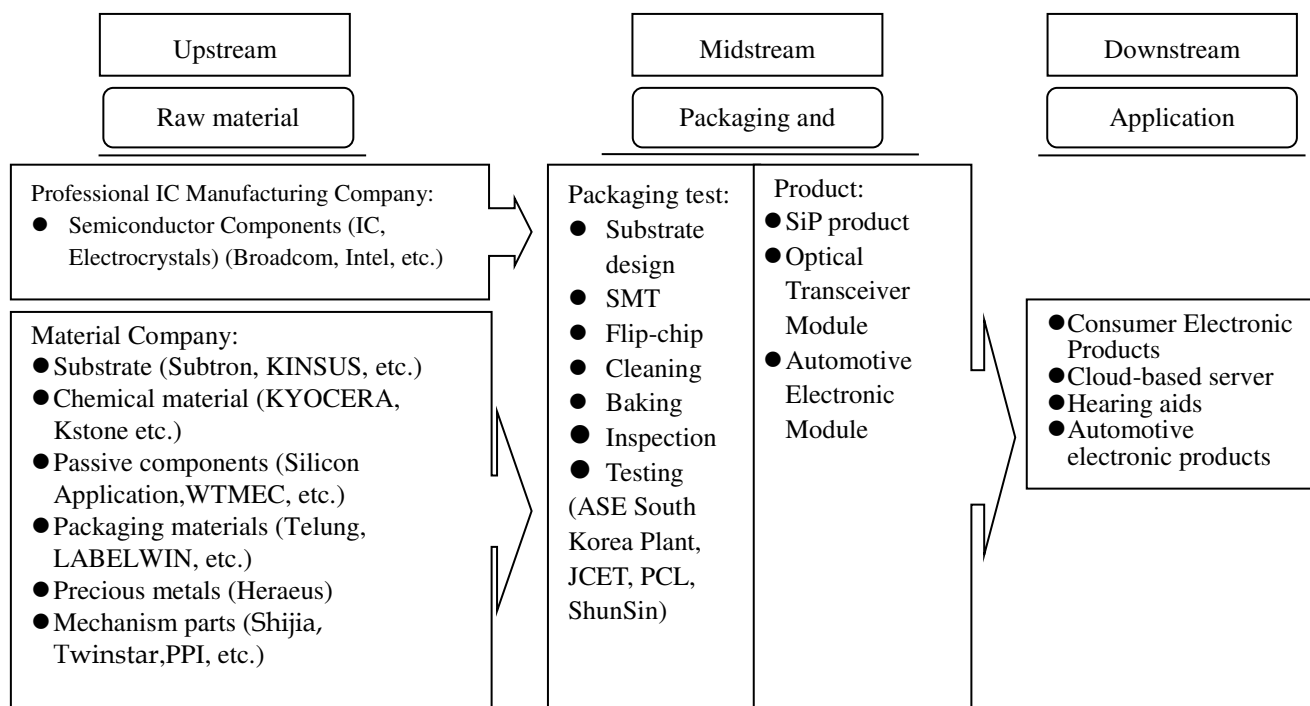
Source: Lightcounting

## <2> The relation among up-, mid-, and down-stream

Semiconductor manufacturing process can be divided into: upstream IC design Company, midstream IC wafer manufacturing plant and downstream IC packaging and testing. Packaging and testing is the last process in the production of semiconductor chips, which is the technology of sealing insulating materials for integrated circuits.

Compared with foreign semiconductor manufacturers, most of them are Integrated Device Manufacturer (IDM), Taiwan is specialized in one stop of supply chains. This vertical separation is the biggest difference between Taiwan's and foreign semiconductor industries. Under the rapidly changing industrial environment and the increasing capital equipment investment, the unique characteristics of the vertical separation gradually meet the needs of the industry and lay the foundation for Taiwan's semiconductor industry in the international competitive position.

The Group is a midstream packaging and testing Company in the industrial chain. The following figure shows the relevance of the Group in the overall industry:



### <3> Various development trends of products

The Group is mainly engaged in the packaging, testing, and sales of SiP products, high-speed fiber-optic transceiver modules, and other types of integrated circuit modules. SiP packaging products mainly include high-frequency wireless communication modules, while other types of integrated circuit modules consist primarily of sensors and automotive electronics. The subsidiary Talentek Microelectronics (He fei) Limited of the Group is also actively expanding the development and manufacturing of wafer test and testing equipment.

#### (1) High-frequency wireless communication module

The Radio Frequency Power Amplifier (RFPA) module is a necessary component of digital mobile phones, wireless networks, and other high frequency wireless communication products on the signal amplification function and is the integration module of semiconductor components with passive components, packaged by SiP packaging technology.

In the fiercely competitive wireless communication market, the product demand of small and energy-saving (power and cost) features is an inevitable trend. The RFPA module is one of the key components of wireless communication transmissions, which is related to the communication quality of various communication systems. It is also the most power-consuming and large-volume circuit component in the system.

The RFPA module consists of RF-receiving and RF-sending components. Its main circuits include the antenna, wireless switch, receiving filter, frequency synthesizer, high-frequency amplifier, receiving local oscillator, mixing frequency, medium frequency, transmitting local oscillator, power amplifier control, and power amplifier. In general, the key components of basic the RFPA module primarily include the RF Transceiver, PA, ASM, Surface Acoustic Wave (SAW), and Bulk Acoustic Wave Filter (BAW) or RF front-end modules, duplexers, and synthesizers that integrate the above functions. RF front-end modules will become increasingly integrated in order to simplify the subsystems, reduce costs and sizes, save space for terminal applications, and create conditions for the realization of single-chip front-end solutions.



Reviewing the development history of 3G/4G, each iteration and upgrade of wireless communication technology will promote major innovations of internal components of smartphones, while 5G will bring the following innovations to the RFPA module:

- A. The RF front-end content increases substantially, the quantity and price of the front-end devices such as filter and PA rise together, and the trend of RF front-end integration will accelerate;
- B. The terminal antenna changes greatly, the Sub-6G frequency band LCP/MPI antenna becomes the mainstream, and the millimeter wave frequency band will adopt the AiP antenna.

The original PA main raw material - gallium arsenide (GaAs) - has the third generation of raw material - gallium nitride (GaN). Comparing the two generations of raw materials, the former has the high power (10V) and high linearity required by the carrier polymerization and multi-input & multi-output technology, which is more suitable for technical applications of frequency bands below 6GHz, such as those in the automotive electronics and military fields. The latter enables components to have higher output power (28-50V) and better frequency characteristics, which is more suitable for Sub-6GHz high-frequency technology applications, such as base stations and honeycomb networks.

STMicroelectronics (ST) indicates that in today's RF front-end circuits, GaAs remains the choice standard for high-frequency small-signal components. Both the GaAs MMIC chip integrated switch and amplifier have been widely used in smart phones and tablet computers, as well as other battery-powered portable devices. The linear and distortion features of the GaAs amplifier are usually better than the GaN amplifier, but it can assist GaN to realize linearization under high frequency through digital predistortion technology; along with the evolution of GaN technology toward the smaller process node, when the brake is 0.15  $\mu\text{m}$  long, GaN will challenge the dominant position of GaAs components in portable wireless applications.

Telecommunication operators and the layout of the terminal equipment can also demonstrate that 5G is planned to be applied in such emerging directions as automotive entertainment, smart home, smart city, industrial automation, and virtual reality. Since 1G to 4G only had the mobile phone as the carrier, for the vertical innovation in the mobile ecosystem, 4G to 5G started many new IoT application directions, and the transverse incremental innovation application demand will be increased in multiples, and thus the demand for the application network will drive the demand growth of the RFPA module.

## (2) High-speed optical transceiver module

The high-speed optical transceiver module is commonly applied in cloud computing, netcom servers, supercomputers, and other fields. In the case of the big data era, along with the rapid growth of global mobile broadband and cloud computing market, various network enterprises have begun to deploy the super-large scale data center, which has led to a sharp rise in the demand for data transmission. Unlike traditional telecommunication access networks and transmission equipment, data center interconnection needs to achieve more informative and more intensive transmission, so the switching equipment needs to have a higher rate, lower power consumption, and more miniaturization. Therefore, the optical transceiver module, which can quickly handle a large number of data transmissions, has become the development direction of the telecommunications industry in recent years.

Today's optical communication technology usually adopts VCSEL and laser diodes for optical transmission, using the transmitter to convert the sender input digital signal to the light signal through the optical fiber to realize the light signals for long distance transmission and then transmit to the transceiver module after passing an intermediate repeater, such as an optical amplifier, and transform the received light signals into the digital signal in order to complete a large amount of data transmissions in just a few seconds. With the multiple advantages of optical fiber communication, many countries are actively developing optical technology.

Depending on the length of data transmission distance, the optical fiber used can be categorized as a single-mode or multi-mode optical fiber, and the corresponding optical transceiver module can be either a single-mode or multi-mode module. Single-mode fibers adopt the solid-state laser as their light source, while multi-mode fibers adopt the VCSEL as their light source. The single-mode optical fiber has a wide frequency band and long transmission distance, but it needs the laser source and has a high cost; meanwhile, the multi-mode optical fiber has a low transmission speed and a short distance, but its cost is relatively low. The single-mode fiber core diameter and dispersion are small, allowing for only one mode transmission, while the multi-mode fiber core diameter and dispersion are large, allowing for hundreds of modes transmission.

At present, the industry's mainstream transmission standards are 100G, and are gradually shifting to 400G. In the future, 800G will become the industry's mainstream transmission standards, mainly because of the high-speed development of 5G. Moreover, as the major telecom service providers have increased their investment in 5G base station equipment, the demand for ultra-high speed optical modules will also continue to increase. Currently, The 400G specification has three packaging types, namely QSFP-DD, OSFP, and CFP8. The solution applied in the 400G high-speed optical transceiver module in the data center is the mainstream QSFP-DD and OSFP. The size of QSFP-DD is smaller and more suitable for the application of super-large-scale data centers, which is the mainstream development direction. The OSFP package size is larger and has more power consumption, making it more suitable for telecommunication applications. CFP8 packaging has the highest power consumption and the largest size of the three types, which is twice the size of the other two packaging types, making it more suitable for the long-distance transmission of telecommunications access networks and DWDM forwarding systems.

On the other hand, the Co-Package of photoelectric chips is also a hot technology in the future. Since it is smaller in size, there is no longer a need to connect the optical module on the panel of the exchange to the copper wire between the exchange chips on the PCB, and the SerDes interface is simpler, which brings the advantages of lower power consumption and lower latency; therefore, it is favored by large data center companies and became a new choice for large data companies.

Meanwhile, silicon photonic chips have become the main solution for optical fiber transmission. The silicon photonic chip combines two important inventions i.e. silicon integrated circuit and semiconductor laser to enhance product integration, which also attracts the great attention of the global advanced telecom system equipment companies. Under limited factory space, low-power modules with the same size but multiplying the transmission bit rate are already the target of the aforementioned cloud service providers.

According to analysts' forecasts, global monthly IP traffic will grow to 396EB by 2022,



and the continuous growth of global demand for mega data centers is foreseeable. While it is an inevitable trend for high-speed optical transceiver modules to be developed towards 800G, 800G is still in the initial stage, and the 100G standard is still the majority of the market in the short term and, however, will gradually shift to 400G.

### (3) Sensor

Integration of 5G application services and artificial intelligence Internet of Things (AIoT) systems will become the backbone network of future intelligent life, and the sensor is an indispensable foundation. From personal wearing, home, industrial, and commercial fields to the natural environment, a wide variety of sensors collect environmental changes and digitalize real-world analog signals (such as sound, light, temperature, humidity, vibrations, etc.), thus contributing to a variety of AIoT innovative applications.

Intelligent mobile phones have a variety of sensors and MEMS components, such as inertial sensors, pressure gauges, microphone modules, and Ambient Light Sensor (ALS) components; these have become the necessary components of all smart phones. As 5G relevant applications are combined with AIoT, each phone-used sensors will continue to rise and have constant technical innovations.

For example, in the past, ALS was usually located at the top of the phone's front frame; however, in order to maximize the size of the display, the high-end smart phones has eliminated the frame, and thus the organic light emitting diode (OLED) display is usually used; the ambient light sensing behind the OLED display (Behind-OLED) is very difficult because the display light will interfere with ALS for measurement of the ambient light. AMS Semiconductor has developed a solution whose measuring accuracy exceeds the requirements of mobile phone manufacturers while also providing design flexibility, so the ALS can be placed behind the display and support the sensor hub structure commonly used for traditional ALS (mounted on the frame), making it the trend to place ALS behind the OLED display.

### (4) Automotive electronics products

With the upgrading of automobile consumption and the promotion of new energy vehicles, the upgrading of the industrial structure has rapidly promoted the penetration of automobile electronic configuration. The continuous innovation of such electronic information technology as Internet, big data, and intelligence is changing people's way of life. In the era of the internet of everything, the automotive electronics industry has ushered in a golden period of development.

Recently, advanced intelligent automotive electronic products have become a major trend, especially for the semiconductor industry, due to the improvement of safety and the comfort of driving spaces. In addition to existing DC-DC converters, low-power MOS, voltage stabilizer, and TVS, the vehicle electric system importing sensors or such devices as those for navigation, temperature, image monitoring, and security detection, etc. have considerable development potential in the foreseeable future.

Previous automotive packaging technology has had difficulty meeting the new generation of high-speed computing and high-speed transmission speed requirements. The multi-chip module (MCM), System in Package (SiP), and advanced packaging such as Fan-in/Fan-out have become the inevitable trend, and these advanced packaging technologies will face three major challenges: "quality", "safety", and "reliability".

Regarding "quality" and "safety", the complete specifications are provided for the auto

industry; the IATF 16949 automotive quality management system certificate is primarily applied to quality. Some European carmakers will require VDA6.3, and the mass production phase also has a new standard AQP; meanwhile, ISO26262 is applied to safety. As for "reliability", it shall strengthen from the 2R phase: CLR (Component Level Reliability) and BLR (Board Level Reliability).

To conform with CLR and BLR specifications, the components shall overcome three big problems - Heat Dissipation, Warpage, and Sequential Stress Tests. Since MCM/SiP and Fan-in/Fan-out are multi-chip packaging, various materials are composed of the complex thermal expansion coefficient (CTE); the MCM/SiP components must be able to maintain proper performance, must not produce warpage deformation, and must maintain normal operation under various tests with continuous changes due to the frequent and extreme temperature changes in the automotive application environment.

#### (5) R&D of test/test equipment

"Testing" is an important link in the supply chain of the vertical division of labor in the IC industry and is divided into the chip probing test (also known as the in-process test) and IC finished product test (also known as the final test). The former is to test the wafer after the foundry completes, with the purpose of sorting out bad die prior to chip packaging in order to reduce packaging and finished chip testing costs; at the same time, the statistics on the wafer pass rate can directly reflect the wafer manufacturing yield and inspection of wafer manufacturing capacity. The latter is because the process of scribing, bonding, packaging and aging after the integrated circuit process may damage part of the circuit, so after the complete process, product performance shall be tested, with the purpose of picking out the qualified finished products, according to the parameter index level of device performance, and the number of devices at all levels and the statistical distribution of various parameters shall be recorded. Based on the data and information, the quality and production of products can be monitored.

That chip testing will become specialized is inevitable. As the process evolves and the technology becomes more and more complicated, the requirements for parameter control and defect detection become greater, which leads to the increase of demand for testing specialization. Furthermore, with the rise of the Internet of Things, more and more terminal applications are involved in the semiconductor processes, so the chip also tends to be diversified and customized in the design, such as MCU, MEMS, IoT and LCD; thus the individual corresponding test plans must also be diversified; with increasing requirements on the testing experience, test link outsourcing is beneficial to reducing overall costs. With the advancement of the times and the improvement of technology, the types of products to be tested in the future will likely continue to grow and expand.

#### <4> Competition

The Group is mainly engaged in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module, as a professional semiconductor packaging and testing company. System module package products include high frequency wireless communication module and wireless module, etc. The main products are radio frequency power amplifiers used in mobile phones. For instance, South Korea Plant, ASE, South Korea Plant, Amkor Technology Taiwan, Jiangsu Changjiang Electronics Technology Co., Ltd, Tong Hsing Electronic Ind., Ltd. and Lingsen Precision Industries, Ltd. all provide such module packaging and testing services. The high-speed optical fiber transceiver module faces the competition from Fabrinet Co., Ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses

on diversity of products and diversification of operational risks, but also maintains the leading process technology and quality, and continuously obtains orders of new products from customers to reduce risks.

### 3. Overview of Technology and R & D

#### <1> Technical Level and Research and Development of Business

##### (1) Technological Level

The Group is mainly engaged in the packaging and testing of SiP products, high-speed fiber transceiver modules and other types of integrated circuit modules. This type of packaging product consists of passive components (inductors, capacitors, resistors) and active components (wafers, filters, switches) highly integrated into a ceramic substrate or a high-density resin substrate to form a light, thin, short and small functional module. The packaging technologies used include SMT, Flip Chip, Stack Die, Lens Attach, Fine Pitch Wire Bonding, Vacuum and Flex Molding, EMI Sputtering, etc. Such technologies come with radio frequency testing technology, fiber transceiver module testing technology, and biometric module testing technology. Compared with traditional packaging, the packaging of such module products has the following characteristics:

- A. Apply surface mount technology (SMT) to packaging
- B. A variety of different types of chip hybrid packaging
- C. Hybrid packaging wire bonding and flip chip
- D. High density layout of passive components and chips
- E. Customized packaging forms

As can be seen from the above technical characteristics, it is difficult to package different components in the same module. Different packaging processes are designed for different types of modules, which cannot completely apply existing product design experience. In addition to the use of common equipment in the industry, it is necessary to establish a mature process and develop relevant fixtures, materials and parameters by itself. In order to achieve the high yield level of mass production, it is necessary to accumulate certain skill and experience. The technical threshold for entering module packaging products is relatively high, and the Company has many years of experience in the packaging module industry, the overall technical maturity has been quite high, and the related processes and products have been certified by internationally renowned consumer electronics manufacturers.

##### (2) Research and Development

The research and development direction of the Group is not only to continuously develop advanced manufacturing process for the current products, but also to strengthen its own ability in packaging and testing, and to develop toward diversified packaging and testing products. The future development direction is expected to be as follows:

Product	Development direction
SiP	<p>1. High-frequency wireless communication module products will be designed in the way of multi-mode and multi-frequency integration. The product size will be smaller and thinner, and the density of parts will be higher and higher. Therefore, the research and development of higher-level packaging technology will be carried out.</p> <p>(1) Packaging Technology of Ultra-Small Ambient Light Sensor</p> <p>(2) Surface Mounting Technology for Ultra-small Spacing Parts</p> <p>(3) 5G Module Packaging Technology</p> <p>(4) Ultra-thin substrate system-level packaging</p>

Product	Development direction
	(5) Antenna-in package (6) Selective molding technology (7) LiDAR key component packaging technology (8) Wearable electronic product packaging (9) Compartment EMI shielding technology (10) Die-Size Ball Grid Array 2. Actively develop in the direction of diversification of packaging and testing products, and strengthen the research and development of customized module.
Optical Transceiver Module	High-end optical transceiver module products continue to develop towards multi-channel, high-rate, and wavelength division multiplexing. Currently, 100G-DR1、128G SFP-DD、200G-FR4, and 800G-DR8 products are in research and development. We will continue to develop related fiber module packaging technology: (1)High Precision Optical Parallel Packaging Technology (2)High Precision Eutectic Soldering Packaging Technology (3)Advanced Chip to Chip HotBar 3D Packaging Technology (4)Fully Automatic Fine Pitch Ball Mounting Packaging Technology (5)Gas-tight parallel seal weld and coarse leak, fine leak technology (6)Laser coupled welding technology (7)Better Anti-EMI Packaging Technology

<2> R&D expenditure incurred in recent years and up to the date of publication of annual reports

Unit: NT\$1,000; %

Items \ Year	2018	2019	2020	2021	As of March 31, 2022
R & D cost	376,098	280,919	272,144	429,555	82,453
Net operating revenue	4,465,710	5,744,804	4,849,689	4,270,400	817,196
R & D cost /Net revenue ratio	8.42	4.89	5.61	10.06	10.09

<3> Technologies and products successfully developed

Year	R & D results	Function and use
2010	High Precision Optoelectronics Module Packaging and Testing Technology	Optical Transceiver Module
	QFN Packaging Technology	High Frequency Wireless Communication Module
2011	Assembly Technology of CPV Modules	Concentrating Solar Photoelectric System Products
	Wireless Module Electromagnetic Mask Packaging Technology	Wireless Module
	Solder Paste Assembly Technology with High Heat Dissipation and Air-Free Cave	High Frequency Wireless Communication Module
	Packaging of Radio Frequency Encrypted SIM Card	SIM Card Module
	Hybrid Packaging Technology of Wire Bonding and Flip Chip	High Frequency Wireless Communication Module
	Packaging Technology of MEMS Filter	High Frequency Wireless

Year	R & D results	Function and use
		Communication Module
2012	Optical Transceiver Module Assembly Technology for Silicon-based Platform (SiOB)	Optical Transceiver Module
	Technology of Low Noise Amplifier Circuit	Thick Film Hybrid Integrated Circuit Module
	Packaging Technology of Built-in Components and Chip Circuit Board	High Frequency Wireless Communication Module
	Packaging Technology of Nickel-Palladium-Gold Coating Substrate	High Frequency Wireless Communication Module
	Development and Import of Copper Wire Packaging Technology	High Frequency Wireless Communication Module
2013	Packaging Technology of Single Ceramic Module	High Frequency Wireless Communication Module
	Active Fiber Transceiver Module Assembly Technology	Optical Transceiver Module
	Assembly Technology of Optical Transceiver Module for Bonding Hard and Soft Substrate	Optical Transceiver Module
	Packaging Technology of Wafer-level Packaging Filter	High Frequency Wireless Communication Module
	Packaging Technology of Ultra-thin SIM Card	SIM Card Module
	Ultra-thin QFN Packaging	High Frequency Wireless Communication Module
	Packaging Technology Based on Direct Copper-plated Ceramic Substrate	Thick Film Hybrid Integrated Circuit Module
2014	Cover Packaging Technology of GPS Low Noise Amplifier	High Frequency Wireless Communication Module
	MEMS Sensor Packaging Technology	Sensor
	Cutting Technology of Wafer-level Packaging Filter	High Frequency Wireless Communication Module
	Packaging Technology of High Thermal Conductivity Metal Heat Dissipating Module	Thick Film Hybrid Integrated Circuit Module
2015	SecondMold Packaging Technology for Environmental Light Source Inductor	Sensor
	Compression Mold Packaging Technology for MEMS	Sensor
	Low Cost Testing Technology for MEMS	Sensor
	Single Chip Fingerprint Packaging Technology	Fingerprint Recognition Module
	High Thermal Conductivity Metal Substrate and Module	Thick Film Hybrid Integrated Circuit Module
	Pass-through Structure and Method of Ceramic Circuit Board	Thick Film Hybrid Integrated Circuit Module
2016	Development of Laser Ranging Inductor	Optical Sensing
	Single Hardening Coating Technology	Fingerprint Recognition Module
2017	Development of Conductive Film RF Module	High Frequency Wireless Communication Module
	Development of RF Module for Copper Wire	High Frequency Wireless Communication Module
	Development of Built-in Chip Module	High Frequency Wireless Communication Module
2018	Development of ALS Cover Sensor	Sensor
	Packaging and Testing Technology of Single-fiber	Optical Transceiver Module

Year	R & D results	Function and use
	Bidirectional PAM4 Modulated Optical Transceiver Module	
	Fiber Array Device High Precision Packaging Technology of CWDM4 Optical Transceiver Module	Optical Transceiver Module
	Chip Array High Precision Passive Alignment of Optical Transceiver Module Packaging Technology	Optical Transceiver Module
	High Precision Laser De-panel Technology of CWDM4 Optical Transceiver Module	Optical Transceiver Module
	3D Sensing Front-end Module	Biometric Module
2019	Assembly technology on big size metal based PCB	Antenna module of base station in mobile network
	High Precision Package Technology for TEC of CWDM Optical Transceiver	Optical Transceiver Module
	High Precision Package Technology for Stack Die of CWDM Optical Transceiver	Optical Transceiver Module
	CWDM4-2KM Optical Transceiver	Optical Transceiver Module
	100G QSFP Optical Transceiver	Optical Transceiver Module
	Passive Fiber Array Component	Optical Transceiver Module
	Double side molding packaging technology	High Frequency Wireless Communication Module
	BGA package with 5-die EMI shielding technology	High Frequency Wireless Communication Module
	Package Grinding technique	SiP process technique
	Laser Ablation technique	SiP process technique
2020	Coarse Wavelength Division Multiplexing Transceiver Lens	Optical Transceiver Module
	45D Dispensing System in a Package Technology	
	QSFP56 Transceiver Ultra-low arc high bond strength Technology	Optical Transceiver Module
	100G CWDM4-2KM Hybrid Transceiver	Optical Transceiver Module
	200G QSFP56 Transceiver	Optical Transceiver Module
	400G QSFP-DD Transceiver	Optical Transceiver Module
	100G CWDM4-2KM Combo Transceiver	Optical Transceiver Module
	Passive Optical Components MUX-FAU	Optical Transceiver Module
	Time of Flight Sensor	Sensor
	Sub-6GRF Radio Frequency Module	SiP process technique
	Fan-Out System in a Package Technology	SiP process technique
	Smart wearable device Sensor	Sensor
2021	128G SFP-DD Silicon Photonics Transceiver	Optical Transceiver Module
	100G DR1 Silicon Photonics Transceiver	Optical Transceiver Module
	200G FR4 Silicon Photonics Transceiver	Optical Transceiver Module
	400G QSFP-DD Silicon Photonics Transceiver	Optical Transceiver Module
	100G DR1 Silicon Photonics Transceiver	Optical Transceiver Module
	High Precision Eutectic Soldering Packaging Technology	Optical Transceiver Module
	Gas-tight parallel seal weld and coarse leak, fine leak	Optical Transceiver Module

Year	R & D results	Function and use
	technology	
	Laser coupled welding technology	Optical Transceiver Module
	Wifi6 technology	SiP process technique
	Multifunctional MEMS sensor (3D accelerometer)	Sensor
	5G Power Amplifier (PA)	SiP process technique
	Under-screen light sensor	Sensor
	Time-of-flight (TOF) light sensor	Sensor
	Miniaturized RGB Projector	Sensor
	SiP smart watch	SiP process technique
	SiP Miniaturized Filters	SiP process technique

#### <4> Long-term and short-term business development plan

##### (1) Short-term plan

The Group has been cultivating in the packaging field for many years, and with excellent experience, equipment, technology and competitive production cost, we have maintained good cooperation with the world's top radio frequency module design companies and optical communication companies; therefore, whether in terms of existing products or new product advancement, we are ahead of our competitors in the industry. The Group has taken the lead in the recent popular 5G market and big data market. 5G PA modules, 5G filter modules and 400G high-speed optical transceiver modules have been in mass production and have been certified. Regarding optical co-packaging modules, we have already started development cooperation with our customers, and we will continue to progress our new projects of 2022 for new and existing customers through our current advantages. The Group will continue to maintain its competitive edge and continue to refine its advanced packaging technology to provide superior services to its customers, thereby expanding its product scope and customer base, while exploring more customers in different regions and diversifying its customer base.

##### (2) Long-term plan

The main advantage of the Group is that it has rich experience in module manufacturing and has established technological advantages with regard to high-density packaging, ceramics, and heat dissipation. In the future, the Group will continue to develop its existing technological advantages from the industrial chain and product complexity perspective. Future R&D directions include wafer bump manufacturing, new double-side molding ball grid arrays, applied optical sensors, MEMS related sensors, optical device box, light detection and ranging, coherent optical module, high-speed fiber optic transceiver modules, automotive electronics, 3D sensing front-end modules, and the expansion of the biomedical health business field.

## II. Market, production, and marketing overview

### 1. Analysis of Market

#### <1> Sales (Provision) Areas of Major Commodities (Services)

Unit: NT\$ thousand;%

Area \ Year	2020		2021	
	Amount	%	Amount	%
Asia	4,340,915	89.51	3,539,562	82.89
America	508,774	10.49	730,838	17.11
Total amount	4,849,689	100.00	4,270,400	100.00

#### <2> Market Share

At present, our main products are SiP module and high-speed optical fiber transceiver module packaging and testing. The SiP module is mainly composed of RFPA, ASM and other filter circuits. It belongs to the semiconductor downstream packaging and testing industry. The Group has been operating in this industry for more than 10 years, with rich experience in manufacturing and research and development, including optical fiber transceiver module, the Group's featured products are featured with 100G+ single-mode/multi-mode model, belongs to the high-precision industry with rich experience, high-end manufacturing capacity and flexible capacity deployment. Our long-term customers are the world's leading RF module designer and optical communicator. They are among the leading market players in this field and account for a large share of the market.

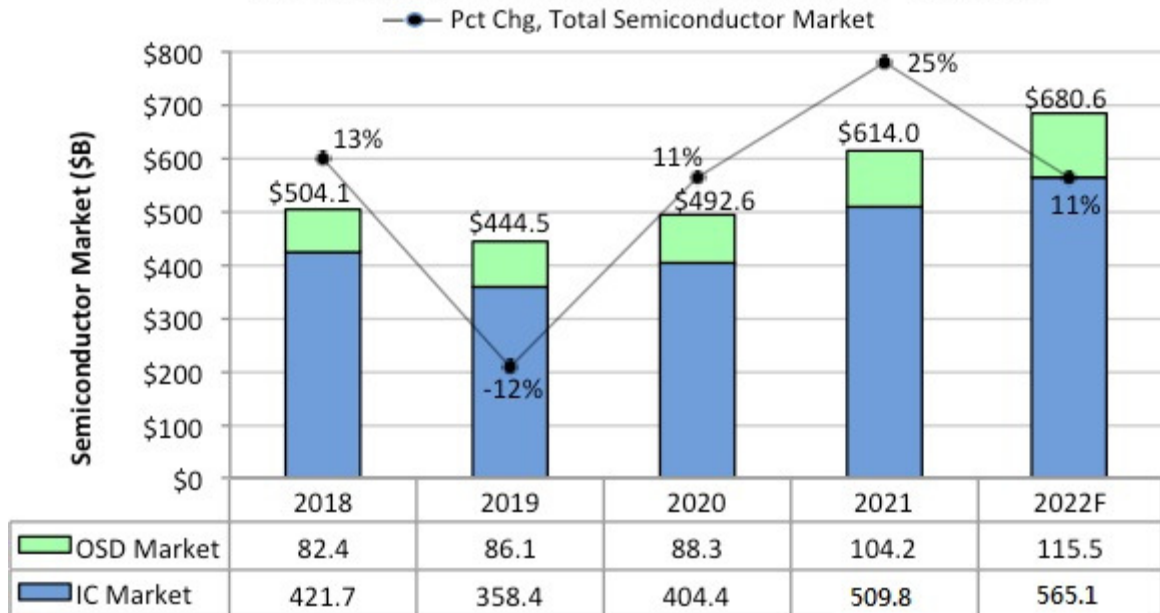
#### <3> Future market supply & demand and growth

In 2020, the semiconductor industry will grow against the trend when the new crown pneumonia impacts the global economy. The new crown pneumonia will accelerate the development of science and technology such as 5G application, Work from home, Cloud business and Biotechnology&Medicine, etc., accelerate global digital transformation, and accelerate the potential business opportunity of 5G (semiconductors, passive components, server and mobile components, etc).

IC Insights estimated that global semiconductor revenues have grown 25% in 2021 during the economic rebound since the outbreak of COVID-19 in 2020, and the total semiconductor sales are expected to continue to grow by 11% and reach a record of US\$680.6 billion in 2022, marking three consecutive years of double-digit growth.



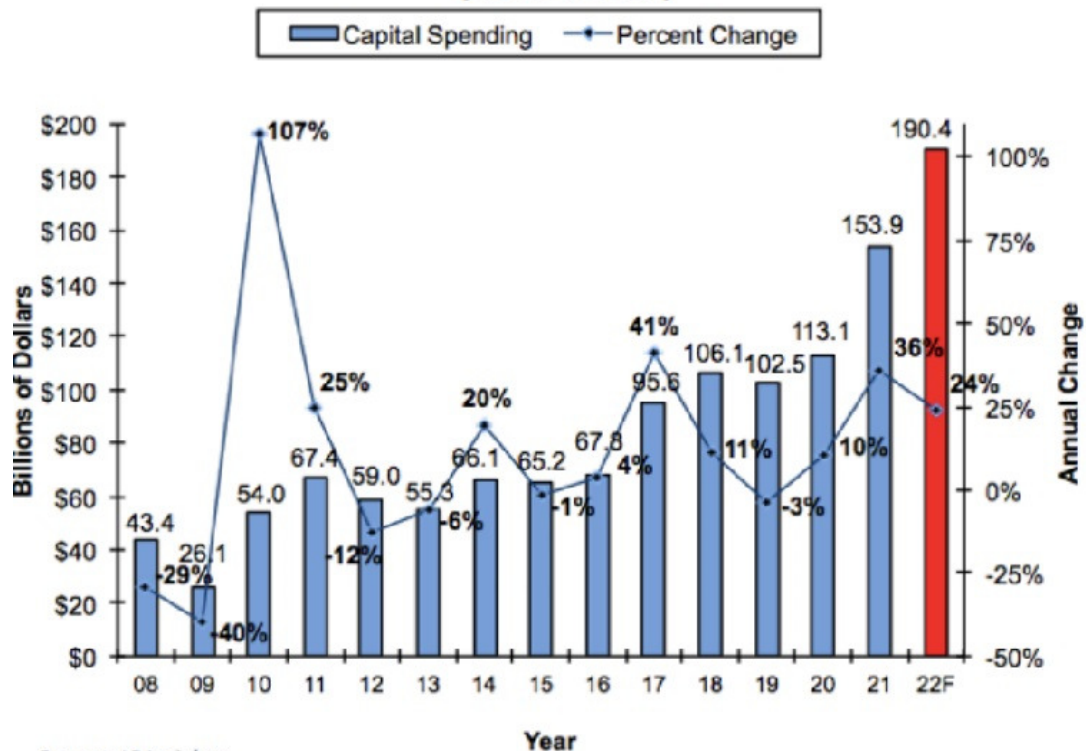
## Worldwide Semiconductor Sales Growth



Source: IC Insights

The IC Insights report shows that global semiconductor industry capex surged 36% in 2021, and global semiconductor manufacturing companies are still releasing enhanced investment plans in 2022. The semiconductor industry capex is expected to surge 24% in 2022 and reach a record high of US\$190.4 billion, which is a continuous record high growth of 86% compared to 2019 (three years ago).

## Worldwide Semiconductor Capital Spending Trends (2008-2022F)



Source: IC Insights

#### <4> Competition Niche

The Group's revenue mainly comes from the packaging and testing of SiP products and the assembly and testing of high-speed fiber transceiver modules. The SiP product industry is characterized by rapid technological innovation and concentrated product forms. Especially in recent years, the life cycle of consumer electronic products has been continuously shortened. Due to the development of 5G technology, the market demand of optical communication market is also increasing year by year. The innovative technology research and development ability can help customers launch new products as soon as possible, maintain the high yield of the module, and successfully obtain market opportunities, which is the key to winning orders in this industry.

##### (1) With years of packaging experience, flexible grasp of market demand

Our Group has been engaged in module packaging and testing and high-speed optical fiber transceiver module packaging and testing for many years. We have an in-depth understanding of the characteristics of the industry and are able to fully meet the requirements of customers with flexible capacity deployment. In recent years, with the rapid growth of data transmission, the expansion of mobile bandwidth and the rapid change of smart mobile phones and optical communication market, the Group can accurately grasp the market fluctuations and has the ability to develop in line with the latest technology, so it has fully grasped its competitive advantages and can meet the requirements of customers in terms of quality and cost.

##### (2) Continue to develop advanced manufacturing processes to help customers to seize market opportunities

The Group continues to develop advanced packaging processes in module packaging, from existing SMT, Die Mount, Wire Bond, Compression Mold, Package Grinding, Laser ablation and various packaging processes, including planar matrix packaging (LGA), to Flip Chip, Micro Electro Mechanical Systems (MEMS), Ambient Light Sensor and Proximity Sensor (ALS, PS) and other advanced packaging processes. With the improving and integrating the function of circuit modules, the size of modules can be reduced continuously, meeting the needs of customers, helping customers to seize market opportunities as soon as possible, and achieving great results.

##### (3) Keep abreast of market trends and expand achievements in different fields

In response to the rapid rise of the Internet of Things and big data, the Group has spared no effort to build R&D and manufacturing capabilities in sensors and high-speed optical transceiver modules, and has achieved considerable scale and customer recognition. In response to the rapid rise of the Internet of Things and big data, the Group has also spared no effort to build related R&D and manufacturing capabilities in sensors and high-speed optical fiber transceiver modules. Now it has a considerable scale and has been recognized by customers. After reaching cooperation and entering into mass production, the Group also continued to improve and upgrade related technologies to expand the market of terminal application products.

#### <5> Favorable and Unfavorable Factors for The Future Development and Countermeasures.

##### (1) Favorable factor

###### A. Maintaining high barriers to access to advanced packaging technology and capital.

The Group's key technology is the integrated packaging and testing technology of the system module, which has a high degree of barriers to entry. The Group has

studied in depth for many years and has rich experience in packaging technology, such as high precision surface mounting, Flip Chip mounting technology, multi-Stack Die and other leading industry equipment and technology, which can meet the current design needs of SiP, and continue to actively move towards "light, thin, short, and small" advanced packaging technology research to meet the current trend of consumer electronics production.

Advanced semiconductor packaging technology is highly technology-intensive, and its manufacturing technology and product yield determine the cost of production. Our Group has high yield, stable quality and experienced R&D and production personnel. We regularly and at any time observe and adjust the packaging process and related machine programs to maintain a high yield and reduce production costs. In addition, large-scale production will reduce the unit cost of R&D, procurement and expense.

Advanced packaging testing technology is becoming more and more important to packaging industry, and the amount of capital investment is also increasing, which makes the characteristics of capital-intensive packaging industry more and more obvious. Our Group has advanced packaging and testing technology and equipment, and the quality and technology have won the recognition of international large companies, which makes it difficult for other new entrants to enter.

#### B. Product diversification.

The Group is a professional semiconductor packaging and testing Company, mainly engaged in the assembly, testing and sales of SiP, high-speed fiber transceiver modules and other types of integrated circuit modules. Besides the high frequency wireless communication module and high speed optical fiber transceiver module, there are also wireless module, low noise amplifier, micro electromechanical system, biometric module, automotive electronics and sensing elements. Products are widely used in many fields, such as consumer electronics, information and medical electronics, which can reduce the operational risks brought by the economic downturn of a single industry.

#### C. Maintain long-term stable cooperative relationship with customers.

The Group's products are designed and developed jointly by customers according to their demands for new products. Under the characteristics of short life cycle of terminal consumer electronic products, rapid change of products and ever-changing functions, it is necessary to shorten the speed of joint development of new products. The Group has been cooperating with major customers for a long time, and has established a good tacit understanding with customers. With the advantage of stable and excellent product quality, the Group has won the certification of many international large companies, and has successfully won the trust and recognition of customers.

### (2) Unfavorable factors and countermeasures

#### A. Changes in Demand for Consumer Electronic Products.

One of the Group's main sales products is high frequency wireless communication module and biometric module for consumer electronic products, and its products are used in mobile phones (smart phones), wireless network and other communication products. In terms of consumer electronic products, they are characterized by short life cycle, ever-changing functions and easy to be affected by the consumption habit

of shopping during the Christmas and New Year. The peak shipping period is mostly concentrated in the fourth quarter. As a result, demand for suppliers is anticipated in the third to fourth quarters, so revenue in the second half of the year is typically significantly higher than in the first half.

The terminal application market of the Group's main cooperative customer is high-level smart phones, and the Group's revenue is closely related to sales in this market. Therefore, from the perspective of market demand, the industry where the group is has considerable relevance to the demand change of the downstream terminal application market.

#### Countermeasures

Global shipments of smart phones are expected to grow again in the future due to the application of 5G, which will bring a new wave of replacement opportunities in the high-level smart phone market and consequently rising shipments. The Group will keep an eye on the market demand at all times and work closely with end-brand manufacturers to grasp market opportunities, develop more innovative and advanced products, and launch new products in line with consumers' tastes and preferences earlier than competitors. At the same time, the Group will closely monitor the changes in government policies to reduce the adverse effects of policy changes, while actively maintaining the diversification of product layout so as to reduce the risk caused by the change of demand for consumer electronic products.

#### B. Relevant Risks in Market Competition.

The Group mainly engages in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module. It is a professional semiconductor packaging and testing Company. SiP products include high frequency wireless communication module and the wireless module and so on, main products are applied to the mobile phone of the Radio Frequency Power Amplifier (RFPA), domestic and foreign packaging factory, such as ASE's South Korea Plant, Amkor Technology's South Korea Plant, Jiangsu Changjiang Electronics Technology Co., Ltd., Tong Hsing Electronic Industries, Ltd. and LINGSEN PRECISION INDUSTRIES, LTD. all provide such module sealing and testing services. Our high-speed optical transceiver module is in competition with Fabrinet Co., Ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses on diversification of products and diversification of operating risks, but also maintains the leading technology and quality of the process, and continuously obtains orders of new products from customers to reduce risks.

#### Countermeasures

- (A) In order to diversify the operation mode and disperse the operation risk, our Group has the capability of system-level packaging, cladding technology and other packaging technology, and provides customized service, develops and produces related module products according to customer needs, and provides one-stop customer service.
- (B) The Group has achieved heterogeneous integration through SiP in order to accelerate the integration of more functions in the module. Therefore, the Group will improve the difficulty of manufacturing process to increase and meet the order demand of customers, which has the advantages of economies of scale and improving the barriers for new manufacturers to enter. In the future, we will continue to deepen the cooperation with customers to consolidate the source of

orders.

- (C) Our Group has many years of experience in the process of high-speed optical transceiver module. It can provide the next generation of 400G high-speed optical transceiver module technology services, as well as customized services, so that customer products can be quickly introduced into the terminal market.

#### C. Risk of production base concentration in a single area

The main production base of the Group is located in mainland China, where production costs and price level have been increasing annually. Furthermore, the recent global trade war has also exerted additional tariff costs on foreign businesses in mainland China, all of which have led to the gradual increase of the Group's overall production costs.

##### Countermeasures

In the face of rising production costs in mainland China due to the impact of domestic consumption and trade war, the Group has not only made continuous improvement of production and process management and taken countermeasures like introducing automation equipment, but has also planned to establish a second production base in Vietnam in order to reduce the impact of increased production costs in mainland China on operation.

#### D. Risk of novel coronavirus effects on operation

The main production base of the Group is located in Zhongshan City, Guangdong Province, Mainland China, which does not have a serious pandemic situation at present. The pandemic situation in Vietnam, the second production base, has also gradually stabilized. Under the active response measures such as local government's anti-pandemic measures and adjustment of production schedules in line with customer needs, there has been no work suspension due to the pandemic, and the impact of the pandemic risk on the Group is limited.

##### Countermeasures

The Group's factories in mainland China and Vietnam actively comply with the local government's anti-pandemic policies, and has continued improving and implementing anti-pandemic measures so far: If employees have the need to comply with the local government's requirement of home isolation/home monitoring, then they may enter the factory area after completion of the requirement, and each of them needs to clock in and report the whereabouts every day. The Group has set up entry quarantine stations and implemented disinfection procedures for disinfecting incoming vehicles and personnel, taking body temperatures and issuing masks. The factory area is fully disinfected every day at fixed time, and the Group publicizes and inspects employees' correct wearing of masks at any time and continues promoting various pandemic prevention rules, in order to reduce the possible impact of the pandemic.

## 2. Important Uses and Production Process of Major Products

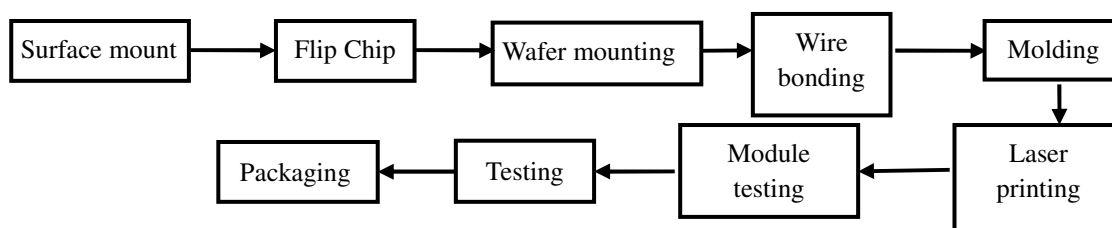
### <1> Important Uses of Major Products

Main properties	Main products	Important uses
SiP Products	High Frequency Wireless Communication Module	Smart phones and tablets
	Low Noise Power Amplifier	Smart phones

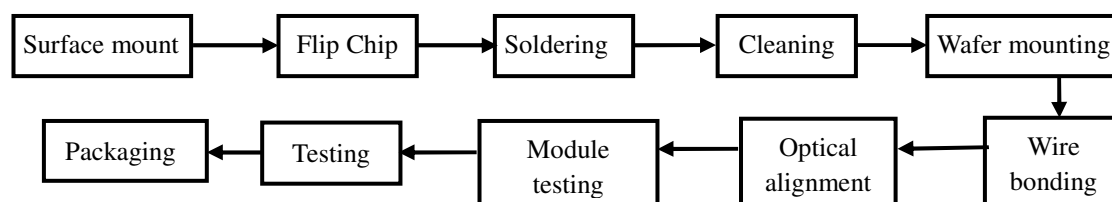
Main properties	Main products	Important uses
High Speed Optical Transceiver Module	High Speed Fiber Transceiver Module	Telecom Network and Data Center
Other Integral Circuit Modules	Micro-electromechanical systems	Smart phones
	sensing elements	Smart phones
	Automotive electronics	Automotive electronics
	Biometric Module	Smart phones

## <2> Major Product Production Process

### (1) SiP product production process



### (2) Production process of optical transceiver module



## <3> Supply status of main raw materials

Product name	Major supplier	Supply status
Substrate	Substron, KINSUS	Good
Electronic parts	Murata, KOA, WT	Good
Mechanism parts	Dynacast, Auxora, AMT	Good
Precious metals	Heraeus, Tanaka	Good
Chemical material	IR, KYOCERA, Kstone	Good
Packaging material	LABELWIN, Trican	Good

<4> The name of the customer who has accounted for more than 10% of the total imported (sold) goods in any year of the last two years, the amount and proportion of the imported (sold) goods, and the reasons for their increase or decrease are explained.

(1) Major supplier information for the last two years

Unit: NT\$ thousand; %

#	2020				2021				As of first quarter of 2022			
	Name	Amount	Percentage of net purchases for the whole year	Relations with issuers	Name	Amount	Percentage of net purchases for the whole year	Relations with issuers	Name	Amount	Percentage of net purchases for the whole year	Relations with issuers
1	SUBTRON	138,161	10.52	None	MARVELL	366,898	13.13	None	MARVELL	59,207	11.28	None
2	PPI	28,783	1.65	None	SUBTRON	175,392	6.28	None	Chengyi	56,532	10.77	None
	Others	1,580,187	87.83		Others	2,251,746	80.59		Others	409,352	77.95	
	Net purchase	1,747,131	100.00		Net purchase	2,794,036	100.00		Net purchase	1,277,330	100.00	

Explanation of Reasons for Change in Increase or Decrease

The Group's changes in the purchase amount of the above suppliers are mainly due to the fluctuation of product mix and market demand, and the changes are reasonable.

(2) Major Sales Customer Information for the Last Two Years

Unit: NT\$ thousand; %

#	2020				2021				As of first quarter of 2022			
	Name	Amount	Percentage of net sales for the whole year	Relations with issuers	Name	Amount	Percentage of net sales for the whole year	Relations with issuers	Name	Amount	Percentage of net sales for the whole year	Relations with issuers
1	A	1,653,187	34.09	Note	B	924,554	21.65	None	D	208,397	25.50	None
2	B	1,375,443	28.36	None	A	800,747	18.75	Note	B	183,112	22.41	None
3	D	495,272	10.21	None	D	694,932	16.27	None	E	142,434	17.43	Note
	Others	1,325,787	27.34		Others	1,850,167	43.33		Others	283,253	34.66	
	Net sales	4,849,689	100.00		Net sales	4,270,400	100.00		Net sales	817,196	100.00	

Note: Customer B has the same ultimate parent company as our Company.

Explanation of Reasons for Change in Increase or Decrease

The change of our Group's sales customers is mainly due to the recession of terminal market and the increase or decrease of individual customers' business needs and performance. The changes are reasonable.

<5> Value of Production for the Last Two Years

Unit: NT\$ thousand; thousand pieces

Production value Main products	Year	2020			2021		
		Capacity	Yield	Output	Capacity	Yield	Output
High-speed Optical Transceiver Module		2,388	1,951	1,968,055	2,388	1,478	1,436,470
Biometric module		92,396	70,727	1,650,494	46,198	37,006	804,675
SiP Products		764,951	452,321	617,182	904,951	545,168	1,566,765

<6> Sales Volume Table for the Last Two Years

Unit: NT\$ 1,000; 1,000 pieces

Production value Main products	Year	2020				2021			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
High-speed Optical Transceiver Module		-	-	5,928	1,902,570	-	-	6,148	1,695,806
Biometric module		-	-	70,727	1,650,494	-	-	37,006	804,675
SiP Products		283,236	353,483	328,123	317,436	183,138	570,452	410,747	1,045,157

Note: Export sales refers to sales outside Taiwan.

### iii. Employees' Employment Data in the Last Two Years and up to the Print Date of Annual Report

Unit: Person

Year		2020	2021	As of April 30, 2022
Number of employees	Management	59	54	55
	General staff	802	848	849
	Operating Personnel	1,641	1,504	1,377
	In total	2,502	2,406	2,281
Average age		28.64	28.64	28.37
Average seniority		2.66	2.66	2.63
Ratio of academic qualifications distribution	PhD	0.08%	0.08%	0.09%
	Master	0.60%	0.75%	0.96%
	College	33.05%	39.69%	40.64%
	Senior high school	54.64%	35.04%	30.73%
	Below senior high school	11.63%	24.44%	27.58%

### iv. Environmental Protection Expenditure Information

1. Total Amount of costs (including compensation) and penalties due to environmental pollution in recent years and up to the publication date of the annual report, together with future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of loss, punishment and compensation that may occur in the absence of



countermeasures. If it cannot be reasonably estimated, it shall state the fact that it cannot be reasonably estimated.)

As of the publication date of the annual report, no costs or penalties caused by environmental pollution has occurred in the latest year of the Group.

## **v. Labor-Management Relations**

1. List the Company's employee welfare measures, further education, training, retirement system and its implementation, as well as the agreement between labor and management and various employee rights and interests safeguard measures.

### **<1> Employees' welfare measures**

In addition to providing employees with relevant insurances in accordance with local government regulations, our Group provides regular salary promotion opportunities every year to reward employees with excellent performance, and provides annual bonuses, performance bonuses, retention bonuses and production incentive bonuses, etc., based on the Company's operating performance and individual work performance. Employees can enjoy statutory holidays, marriage leave, maternity leave, annual leave and other holidays. Other welfare measures include wedding, funeral, birthday gift money, proposal to improve special bonus, free annual health check, regular organization of all kinds of entertainment contests, evening party or garden party and other activities and the allocation of music room, game room, basketball court, (electronic) reading room, gym, leisure area and other staff cultural and health welfare activities.

### **<2> Further education and training**

The Group has always been adhering to the "people-oriented" development ideas, to provide staff with a good learning environment and scientific and reasonable career development planning, in order to improve the overall quality of staff and work skills. The Group's educational training can be divided into:

#### **(1) Pre-job training**

Every new employee must attend the pre-job training and professional training. The complete new employees growth training plan provides the new employees with a quick way to get to know and integrate into the Company as soon as possible.

#### **(2) Career planning**

The Group has established seven well-regulated training systems, including competency development training, professional competency training, OJT training, subject training, quality management training, occupational safety/environmental protection/occupational health training, self-inspiration (such as foreign language training), and formulated annual training plans to train reserve management personnel and professional and technical personnel for the Group. The Group advocates lifelong learning and provides a resourceful online learning system that enables employees to systematically use the entire Company's learning resources online, laying a solid foundation for future development. The Group advocates lifelong learning and provides a resourceful online learning system that enables employees to systematically use the entire Company's learning resources online, laying a solid foundation for future development.

#### **(3) Overseas training**

Senior employees with good performance have the opportunity to receive training in Taiwan or other countries and regions.

#### (4) Academic education

In order to encourage employees to continue to serve the Company, the Company provides educational and training programs, establishes incentive system, and implements the policy of rewarding tuition fees for on-the-job academic education, so as to stimulate employees' potential, expand their career development channels, train technical and managerial reserve cadres at all levels of the Company, and foster the competitiveness of the enterprise by advantageous human resources.

#### <3> Retirement system and its implementation

The Taiwan branch of the company has established a retirement system for employees in accordance with the Labor Standards Act. The company pays 6% of the monthly salary as a pension and deposits it in the individual account of the labor pension.

The Company's subsidiary in China, due to the different local governments require different monthly salary contribution rates, there is no uniform rate, it has already made monthly contributions and paid social insurance for employees to the local social security bureau. After employees reach the statutory retirement age, Retirement pensions can be applied for by the Social Security Bureau. The retirement pensions of all active and retired employees are coordinated by the local government.

The Vietnamese subsidiary of the company has paid the pension by the company on a monthly basis to 17% of the monthly salary for Vietnamese nationals and 3% for non-Vietnamese nationals according to the requirements of the local government. Social insurance. After employees reach the legal retirement age, they can apply for retirement benefits from the Social Security Bureau. The retirement pensions of all active and retired employees are arranged by the local government.

#### <4> The agreement between labor and management and the protection measures of employee's rights

The Group has always attached great importance to employee rights. In order to strengthen the relationship between employer and employee and enhance employee's coherence, new employee's Need and Care Cards are issued when employees serve in the office, various seminars are held regularly, employee opinion survey is conducted, and appeal and handling channels such as senior supervisor mailbox, trade unions, party mailboxes and Employee Care Centers, Labor Dispute Mediation Committee and Catering Committee are set up, and these channels and information are disseminated to all staff at any time. Employees can reflect their opinions and suggestions through diversified channels at any time. Up to now, the channels of communication between the Company and employees are smooth and well-implemented

In accordance with the laws and regulations of Labor Safety And Health Act, the Group carries out the work of health and safety management, sets up special organizations and personnel to carry out environmental safety and health management, and sets up the Labor Protection Supervision Committee to conduct regular inspections to ensure the safety of employees, environment and equipment. The Group also pays attention to the coordination of physical and mental health of employees. In addition to arranging regular physical examination for in-service employees, the Group also provides occupational health examination for specific employees to strengthen prevention. The Group has restaurants, lounges and various sports venues for employees to use, and provides psychological counseling services to help employees to relieve stress and improve emotional management.

The relevant provisions of the Agreement on Labor and Management are governed by the Internal Control System and Management Regulations in accordance with the law. The responsibilities and powers of employees at all levels in various departments have been clearly regulated, and the working rules have been specified in the Employee Manual issued to employees in order to safeguard their rights.

2. Please clarify the losses incurred as a result of labour disputes in recent years and up to the date of publication of the annual report, and disclose the estimated amount and response measures that may occur at present and in the near future. If the estimates are not available, the fact that the estimates are not available should be clarified.

The Group attaches great importance to labor-management relations and there has been no loss due to labor disputes in the most recent year and as of the date of publication of the annual report.

## vi. Important Contracts

No.	Contract Property	Persons Concerned	Date of Commencement and Termination of Contract	Main Contents	Restriction Terms
1	Lease contract	Young Fast Optoelectronics (Vietnam)	2019/11/1~2022/11/30	Factory of ShunSin Ha Noi	None
2	Lease contract	Zhongshan Port Export Processing Zone Property Development Co., Ltd.	2021/7/1~2022/6/30	Staff dormitory of ShunSin Zhongshan	None
3	Lease contract	Zhongshan Port Export Processing Zone Property Development Co., Ltd.	2022/2/12~2023/2/11	Staff dormitory of ShunSin Zhongshan	None
4	Lease contract	Zhongshan Rightfield Management Ltd	2022/1/1~2022/12/31	Staff dormitory of ShunSin Zhongshan	None
5	Engineering contract	Jianxing Viet Nam Construction Development Co., Ltd	2021/10/26~2026/10/31	Factory construction of ShunSin Bac Giang	None
6	Engineering contract	CÔNG TY TNHH DONG HUI	2021/10/26~2026/10/31	Factory construction of ShunSin Bac Giang	None
7	Loan	Banks of syndicated loan	2019/12/26~2022/12/25	Syndicated loan	(1) Credit line split equipment investment and operating working fund. (2) Specific financial ratio maintained during the loan period.
8	Sales contract	Customer A	2018/6/1~2023/5/31	Sales terms	None
9	Sales contract	Customer B	2019/9/1~2022/9/1	Sales terms	None
10	Sales contract	Customer C	2020/4/13~2023/4/12	Sales terms	None
11	Sales contract	Customer D	2020/4/22~2023/4/21	Sales terms	None
12	Sales contract	Customer E	2020/12/9~2023/12/8	Sales terms	None
13	Sales contract	Customer F	2020/9/17~2023/9/17	Sales terms	None
14	Sales contract	Customer G	2020/8/3~2023/8/2	Sales terms	None

No.	Contract Property	Persons Concerned	Date of Commencement and Termination of Contract	Main Contents	Restriction Terms
15	Sales contrac	Customer H	2020/8/3~2023/8/2	Sales terms	None
16	Sales contrac	Customer I	2020/8/3~2022/8/2	Sales terms	None
17	Sales contrac	Customer J	2020/6/23~2023/6/23	Sales terms	None
18	Sales contrac	Customer K	2021/10/1~2022/9/30	Sales terms	None
19	Sales contrac	Customer L	2022/1/28~2025/1/28	Sales terms	None
20	Sales contrac	Customer M	2021/11/19~2022/11/18	Sales terms	None
21	Sales contrac	Customer N	2020/12/1~2023/11/30	Sales terms	None
22	Sales contrac	Customer O	2021/10/18~2024/10/17	Sales terms	None
23	Sales contrac	Customer P	2022/1/10~2024/1/9	Sales terms	None
24	Sales contrac	Customer Q	2022/3/23~2027/3/23	Sales terms	None

## VI. Financial Overview

### i. Condensed Balance Sheet and Consolidated Income Statement over the Last Five Years

#### 1. Condensed Balance Sheet and Consolidated Income Statement

##### (1). Condensed Balance Sheet

Unit: NT\$ thousand

Year		Financial Information over the Last Five Years					March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		7,750,373	7,830,009	8,323,471	11,627,062	11,686,590	11,501,184
Property, plant and equipment		811,869	2,487,643	2,255,451	2,120,032	2,283,174	2,462,085
Intangible assets		5,245	6,404	2,915	10,779	989	1,438
Other assets		218,445	411,971	866,999	926,008	997,485	1,006,291
Total assets		8,785,932	10,736,027	11,448,836	14,683,881	14,968,238	14,970,998
Current liabilities	Before distribution	3,210,944	3,239,037	3,818,993	6,944,416	5,418,977	6,529,354
	After distribution	3,111,824	2,999,673	3,431,352	6,504,204	Not distributed	Not distributed
Non-current liabilities		157,985	1,850,897	1,962,063	1,501,240	3,021,529	1,582,748
Total liabilities	Before distribution	3,368,929	5,089,934	5,781,056	8,445,656	8,440,506	8,112,102
	After distribution	3,269,809	4,850,570	5,393,415	8,005,444	Not distributed	Not distributed
Total equity attributable to owners of parent							
Common stock		1,054,468	1,054,468	1,065,248	1,072,558	1,074,648	1,074,648
Capital reserves		2,478,162	2,632,394	2,753,167	2,816,502	2,963,425	2,963,428
Retained earnings	Before distribution	1,672,431	1,925,629	2,324,580	2,636,059	2,598,929	2,498,202
	After distribution	1,573,311	1,686,265	1,936,939	2,195,847	Not distributed	Not distributed
Other equity		181,808	4,093	(345,230)	(253,000)	(298,036)	122,100
Treasury stock		-	-	(149,649)	(74,605)	-	-
Non-controlling interests		30,134	29,509	19,664	40,711	188,766	200,518
Total equity	Before distribution	5,417,003	5,646,093	5,667,780	6,238,225	6,527,732	6,858,896
	After distribution	5,317,883	5,163,297	5,280,139	5,798,013	Not distributed	Not distributed

Source: The financial reports which have been audited by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

##### (2). Consolidated Income Statement

Unit: NT\$ thousand

Year		Financial Information over the Last Five Years					The year ended March 31, 2022
		2017	2018	2019	2020	2021	
Operating revenue		3,148,644	4,465,710	5,744,804	4,849,689	4,270,400	817,196
Gross profit from operations		602,193	841,401	1,386,499	1,580,357	922,452	22,293
Net operating profits		242,685	136,907	623,298	961,606	59,012	(151,962)

Items \ Year	Financial Information over the Last Five Years					The year ended March 31, 2022
	2017	2018	2019	2020	2021	
Non-operating income and expenses	(169,730)	201,509	165,136	44,765	147,160	12,453
Profit (loss) from continuing operations before tax	72,955	338,416	788,434	1,006,371	206,172	(139,509)
Profit from the continuing business unit	107,540	290,618	629,285	719,556	378,607	(102,882)
Losses of discontinued unit	-	-	-	-	-	-
Profit	107,540	290,618	629,285	719,556	378,607	(102,882)
Other comprehensive income, net	(134,156)	(174,129)	(350,138)	92,841	(43,209)	427,529
Total comprehensive income (loss)	(26,616)	116,489	279,147	812,397	335,398	324,647
Profit, attributable to Owners of parent	110,844	298,247	638,315	724,859	403,082	(100,727)
Profit, attributable to Non-controlling interests	(3,304)	(7,629)	(9,030)	(5,303)	(24,475)	(2,155)
Comprehensive income attributable to Owners of parent	(23,550)	120,532	288,992	817,089	358,046	319,409
Comprehensive income attributable to Non-controlling interests	(3,066)	(4,043)	(9,845)	(4,692)	(22,648)	5,238
Basic earnings per share	1.05	2.83	6.16	6.88	3.77	(0.94)

Source: The financial reports which have been audited by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

## 2. Name of CPA and Audit Opinions for the Last Five Years:

Years	CPA	Name of CPA Firm	Audit Opinion
2017	Kuan, Chun-Hsiu, Yu, Chi-Lung	KPMG	Qualified Opinion
2018	Kuan, Chun-Hsiu, , Chao, Min-Ju	KPMG	Qualified Opinion
2019	Kuan, Chun-Hsiu, , Chao, Min-Ju	KPMG	Qualified Opinion
2020	Chao, Min-Ju, , Huang, Po-Shu	KPMG	Qualified Opinion
2021	Chao, Min-Ju, , Huang, Po-Shu	KPMG	Qualified Opinion

## ii. Financial Analysis over the Last Five Years

### 1. Financial Analysis Statement

Analysis Items \ Year		Financial Analysis over the Last Five Years					The year ended March 31, 2022
		2016	2017	2018	2019	2021	
Financial structure(%)	Debts ratio	38.34	47.41	50.49	57.51	56.38	54.18
	Long-term Funds to Property, plant and equipment Ratio	686.68	301.36	338.28	365.06	418.24	342.86
Debt paying ability%	Current ratio	241.37	241.73	217.94	167.43	215.66	176.14
	Quick ratio	218.03	218.79	206.51	162.22	189.27	154.31
	Interest guarantee (times)	6.64	9.74	13.44	16.28	3.81	-5.48
Operation Capacity	Average collection turnover(times)	5.51	4.67	4.75	4.41	4.61	4.83
	Average collection days	67	79	77	82.73	79.10	75.47
	Average inventory turnover (times)	5.54	6.69	10.43	9.91	4.56	4.19
	Average payable turnover(times)	6.44	6.66	9.13	9.53	7.02	9.47
	Average inventory turnover	66	55	35	36.80	79.94	87.08

Analysis Items	Year	Financial Analysis over the Last Five Years					The year ended March 31, 2022
		2016	2017	2018	2019	2021	
	days						
	Average property, plant and equipment turnover (times)	3.86	2.70	2.42	2.21	1.94	1.40
	Total asset turnover Ratio(times)	0.36	0.45	0.51	0.37	0.28	0.23
Profitability	Return on assets (%)	1.38	3.30	6.13	5.91	4.64	-2.41
	Return on equity (%)	1.89	5.25	11.12	12.08	5.93	-6.18
	Profit before tax to (%) (Note 2)	6.91	32.09	74.01	93.82	19.18	-51.92
	Profit rate (%)	3.41	6.50	10.95	14.83	8.86	-12.59
	Basic earnings per share	1.05	2.83	6.16	6.88	3.77	(0.94)
Cash flow	Cash flow ratio (%)	5.07	(4.62)	50.60	22.59	26.63	-3.77
	Cash Flow Adequacy Ratio(%)	60.93	60.19	85.02	94.19	64.27	56.27
	Cash flow reinvestment ratio(%)	9.34	(2.53)	17.25	11.77	10.20	-3.30
Leverage	Operating Leverage	2.42	4.24	1.58	1.57	6.09	0.04
	Financial leverage	1.05	1.39	1.11	1.07	-4.15	0.87

Please explain the reasons for the recent changes in the financial ratios in the past two years (if the change is less than 20%, it can be exempted from analysis) :

1. Increase in Current ratio and Quick ratio :  
Mainly because the convertible corporate bonds according to regulations, corporate bonds were classified from current to non-current.
2. Inventory turnover days :  
Mainly because the raw material market is tight in the current period, the unit price of IC raw materials is high, and the inventory increases due to the need to prepare materials in advance for mass production.
3. The ratio of profit before tax to paid-in capital and net profit ratio decreased:  
Mainly due to the decrease in profit for the year compared with the previous year.
4. Decrease in cash flow allowance ratio:  
Mainly due to the increase in inventories in the current period.

Source: The financial reports which have been audited by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

Note: the calculation formula are as follows:

1. Financial structure
  - (1) DebtsRatio=total liabilities/total assets.
  - (2) Long-term Funds to Property, plant and equipment Ratio= (total equity+non-current liabilities)/net amount of real estate, facilities and equipment.
2. Debt-paying ability
  - (1)Current ratio=current assets/current liabilities.
  - (2)Quick ratio= (current assets-inventory-payment in advance)/current liabilities.
  - (3)Interest guarantee (times)=income tax and pre-tax profit/interest expenses for current period.
3. Operating Ability
  - (1)Account Receivable turnover Ratio(Times) (including receivables and notes receivable arising from business) is equal to net sales/average receivables (including receivables and notes receivable arising from business).
  - (2)Average Accounts Receivable days=365/receivable turnover rate.
  - (3)Average Inventory turnover = cost of sale / average inventory.
  - (4)Average account Payable turnover Ratio(including accounts payable and notes payable arising from business) = sales cost/average balance of accounts payable for each period (including accounts payable and notes payable arising from business).
  - (5)Average inventory turnover=365/inventory turnover rate.
  - (6)Average property, plant and equipment Turnover Ratio=net sales volume/average net amount of real estate, facilities and equipment.
  - (7)Total asset turnover ratio=net sales volume/average total assets.
4. Profitability
  - (1)Return on assets = [after-tax profit and loss + interest expense \* (1-tax rate)] / average total assets.
  - (2)Return on equity = after-tax profit/loss/total average equity.
  - (3)Profit ratio = after-tax profit/loss/net sales.
  - (4)Basic earnings per share = (profits and losses attributable to the owner of the parent Company)/weighted average number of issued shares.

5. Cash Flow

(1)Cash flow ratio = net cash flow of business activities / current liabilities.

(2)Net Cash Flow Adequacy=Net Cash Flow of Business Activities in the Last Five Years/Last Five Years  
(Capital Expenditure + Inventory Increase + Cash Dividend).

(3)Cash reinvestment ratio=(net cash flow of business activities - cash dividend) /(gross amount of real estate,  
facilities and equipment+long-term investment+other non-current assets+operating funds).

6.Leverage:

(1)Operating Leverage= (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating  
Benefits

(2)Financial Leverage = Operating Interest/ (Operating Interest - Interest Cost).

### **iii. Audit Committee's review report of 2021**

The Board of Directors has prepared the Company's Financial Statements and 2021 Business Report. Of which, the Financial Statements have been audited by KPMG Taiwan. The Financial Statements, 2021 Business Report have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

#### **ShunSin Technology Holdings Limited**

Chairman of the The Audit Committee: Ting, Hung-Hsun

On the date of March 22, 2022

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The Board of Directors has prepared the Company's proposal for distribution of 2021 earnings. The proposal for distribution of 2021 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

#### **ShunSin Technology Holdings Limited**

Chairman of the The Audit Committee: Ting, Hung-Hsun

On the date of May 10, 2022



**iv. Annual Financial Statements of the Recent Years:** Please refer to P.118 to P.192.

**v. Annual Individual Financial Statement audited by CPA of the Recent Years:**  
Not applicable.

**vi. The impacts of financial difficulties on the Financial Situation happened to the Company and its affiliated companies in recent years and before the print date of Annual Report:** None.

## VII. Introspection and Analysis of Financial Situation and Financial Performance and Risk Management

### i. Financial Situation

Unit: NT\$ thousand

Items	Year	2020	2021	Change in Increase (Decrease)		
				Amount	Change Ratio %	Statement
Current assets		11,627,062	11,686,590	59,528	0.51%	
Property, plant and equipment		2,120,032	2,283,174	163,142	7.70%	
Intangible assets		10,779	989	(9,790)	(90.82%)	
Other assets		926,008	997,485	71,477	7.72%	
Total assets		14,683,881	14,968,238	284,357	1.94%	
Current liabilities		6,944,416	5,418,977	(1,525,439)	(21.97%)	1
Non-current liabilities		1,501,240	3,021,529	1,520,289	101.27%	2
Total liabilities		8,445,656	8,440,506	(5,150)	(0.06%)	
Ordinary share		1,072,558	1,074,648	2,090	0.19%	
Capital surplus		2,816,502	2,963,425	146,923	5.22%	
Retained earnings		2,636,059	2,598,929	(37,130)	(1.41%)	
Exchange differences on translation of foreign financial statements		(253,000)	(298,036)	(45,036)	17.80%	
Total equity		6,238,225	6,527,732	289,507	4.64%	
Major changes are specified as follows: (analysis is exempted if the change is less than 20% or the amount is less than NT\$10 million)						
1. Mainly due to the early redemption right of the convertible corporate bonds issued by the Group has expired, and the corporate bonds need to be reclassified from current liabilities to non-current liabilities according to regulations.						
2. Mainly due to the early redemption right of the convertible corporate bonds issued by the Group has expired, and the corporate bonds need to be reclassified from current liabilities to non-current liabilities according to regulations.						

Source: The financial reports which have been audited by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

### ii. Financial Performance

#### 1. Financial Performance Analysis Statement

Unit: NT\$ thousand; %

Items	Year	2020	2021	Change in Increase (Decrease)		
				Amount	Change Ratio %	Statement
Sales revenues		4,855,293	4,284,492	(570,801)	(11.76%)	
Less: Sales Returns, Discounts and Allowances		5,604	14,092	8,488	151.46%	1
Operating costs		4,849,689	3,347,948	78,616	2.40%	
Gross profit from operations		1,580,357	922,452	(657,905)	(41.63%)	2
Operating expenses		618,751	863,440	244,689	39.55%	3
Net operating profit		961,606	59,012	(902,594)	(93.86%)	2
Non-operating income and expenses		44,765	147,160	102,395	228.74%	4
Profit from continuing operations before tax		1,006,371	206,172	(800,199)	(79.51%)	2
Deduct: Income Tax Expense		286,815	(172,435)	(459,250)	(160.12%)	5
Profit		719,556	378,607	(340,949)	(47.38%)	2
Major changes are specified as follows: (analysis is exempted if the change is less than 20%)						

Items	Year	2020	2021	Change in Increase (Decrease)		
				Amount	Change Ratio %	Statement
1. Mainly due to changes in product mix, therefore, the related discount amount increased.						
2. Mainly due to changes in product mix.						
3. Mainly due to the increase in related expenses for the newly established company to prepare for mass production.						
4. Mainly due to the increase in interest income of the Group and the small exchange loss.						
5. Mainly due to lower pre-tax net profit for the year.						

## 2. Expected Sales Rate and Its Basis

The expected sales volume of the Company refers to the development situation of the industry of each major product, the sales situation of past products, the expected growth rate of products, the development of new customers and the business growth of existing customers, and takes into account the material situation of main raw materials, supplier capacity and delivery time, etc., to set the shipping target. Actual performance may vary significantly from expected sales volume due to a number of factors, including : (1) general economic, market and business conditions; (2) sales of final products using the Company's products; (3) the impact of the Company's product demand and price competition in the industry; (4) the Company may pursue other development opportunities.

## 3. Possible Impact on the Company's Future Financial Operations and Coping Plans

The Group keeps abreast of market trends and assesses the impact of market changes on the Group's operations as the demand for technology from end products continues to grow. In addition, most of our customers are major suppliers of leading industrial manufacturers, and we maintain close cooperation with them, so that the Group can grasp the market dynamics and obtain orders. In addition, the Group should pay attention to the changing situation of market demand at any time, continuously develop new products and expand market share, so as to improve the Company's profits. In the future, the Company's financial business should be in a sound and good state.

## iii. Cash Flow

### 1. Analysis of Current Flow Change in Recent Years

Unit: NT\$ thousand; %

Items	Year	2020	2021	Increase (decrease) in Amount	Increase (decrease) in Ratio (%)
Cash Flow from Operating Activities		1,889,177	204,720	(1,684,457)	(89.16%)
Cash Flow from Investing Activities		(487,521)	(684,315)	(196,794)	(40.37%)
Cash Flow from Financing Activities		2,060,284	(381,666)	(2,441,950)	(118.52%)
Analysis in change: 1. The decrease in cash inflows from operating activities is mainly due to the net cash inflow from operating activities decreased due to the decrease in profit for the year. 2. The increase in cash outflows from investment activities is mainly due to a decrease in capital expenditures in the current year. 3. The increase in cash outflows from financing activities is mainly due to the decrease in short-term borrowings this year.					

### 2. Improvement Plan of Liquidity Insufficiency and Analysis of Cash Flow in the Next Year (2022)

The cash inflow generated from the surplus cash and operation on the Group's account is sufficient to cover the daily operating turnover, and there is no lack of liquidity. In the event of a large capital expenditure programme in the future, the Company will assess borrowing by financial institutions or funding from capital markets.

#### iv. Impacts of Material Capital Expenditure on Financial Business in Recent Years

The turnover ratio of real estate, plant, and equipment and the turnover ratio of total assets are down from the previous year. Mainly due to the decrease in revenue during the year due to changes in product sales mix, repeated COVID-19 outbreaks, and shortages of semiconductor materials. All of the Company's capital expenditure plans consider the financial situation at the time and the expected future earnings to be brought back so that the increase in capital expenditure will not adversely affect the financial business.

Turnover rate	2020	2021
Property, plant and equipment (time)	2.21	1.94
Total asset turnover ratio (time)	0.37	0.28

#### v. Joint Venture Policies in the Previous Year, Major Reasons for Profit or Loss, Improvement Plans and Investment Plan for the Upcoming Year

##### 1. Investment Policies of the Company

At present, the Company's investment policy is to make long-term investments in the investment targets related to the Company's business, but not in other industries. The relevant executive departments follow the internal control system, such as "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets". The above measures or procedures are discussed and adopted by the Board of Directors or shareholders' meeting.

##### 2. Main Reasons for Recent Re-investment Gains or Losses

Unit: NT\$ thousand

Reinvestment Business	Shareholding ratio	Profit and Loss of Investment in 2021	Main Causes of Profit or Loss and Improvement Plans
ShunSin Technology Holdings(Hongkong ) Limited	Direct and indirect holdings of 100%	174,588	This is mainly due to the profits of ShunSin (Zhongshan) and ShunYun (Zhongshan) recognized.
ShunSin Technology (Samoa) Corporation Limited	100%	353,938	The main reason is that the legal person is responsible for the purchase of overseas equipment and materials without any other operating expenses.
ShunYun Technology (Ha Noi, Vietnam) Limited	100%	(106,857)	Mainly because the company is still in the stage of preparation.
ShunSin Technology (Bac Giang, Vietnam) Limited	100%	11,193	Mainly because the company has not yet started operations, so there is no expense, and the capital generates interest income.
ShunYun Technology Holdings Limited	100%	246,551	Mainly because the operating conditions this year were better than last year.
ShunSin Technoogy Holdings Limited (Zhongshan)	Indirect holding of 100%	2,629	Mainly because the change in the sales mix this year.
ShunYun Technoogy Holdings Limited (Zhongshan)	Indirect holding of 100%	62,747	Mainly because the official start of operation this year.
ShunYun Technology Holdings(Hongkong ) Limited	Indirect holding of 100%	-	Mainly because the company was established in July and has not yet invested.
Talente Microelectronics (He fei) Limited	Indirect holding of 44.58%	(49,987)	Mainly because the company has not yet achieved economies of scale.

### 3. Investment Plan for the Coming Year

In order to disperse the operational risks and increase the production expansion space, the Group plans to invest and set up a factory in Vietnam. In addition to the operating turnover, the invested capital is primarily used to engage in plant construction, clean room and mechanical and electrical engineering, and information equipment purchases. According to the actual demand, we will invest in such production equipment as wafer machines, wire drawing machines, surface mounting equipment, and laser cutting machines.

## vi. Risk Matters in Recent Years and Up to the Date of Publication of Annual Report

### 1. The Impact of Interest Rate, Exchange Rate Change and Inflation on Corporate Profits and Losses and the Future Countermeasures

#### <1> Interest rate change

The Group has been continuously planning to expand its operating scale to strengthen its competitiveness and maintain a good relationship with its Banks to facilitate access to low-cost fund in the future; In addition to using the capital market to raise funds in the future, the Group will observe the trend of interest rate and choose to borrow in the form of fixed interest rate or floating interest rate to avoid the risk of interest rate fluctuation. Interest costs for the Group in 2021 is (NT\$73,220) thousand accounting for (1.7%) of the annual operating revenue. Interest rate changes had no significant impact on the Group's operation.

#### <2> Exchange rate change

The main import and sales of the Group are denominated in US dollars, so the foreign currency positions of receivables and payables of import and sales can offset each other. However, as the receivables denominated in foreign currency are larger than the payables, the risk aversion cannot be completely realized. In order to reduce the impact of exchange rate fluctuations on the profit of the Group, the financial department will collect exchange rate data at any time, make trend judgment and risk assessment, keep close contact with the bank, and timely adjust foreign currency positions to avoid exchange risk.

The Group's net exchange gains and (losses) in 2021 and 2020 are NT\$ (13,178) and NT\$ (45,107) thousand respectively, accounting for (0.3%) and (0.9%) of its operating revenue in the current year. On December 31, 2021, when the new Taiwan dollar depreciates or appreciates by 0.25% against the US dollar and all other factors remain unchanged, the profit/(loss) before tax will increase or decrease by NT\$ (1,337) thousand.

#### <3> Inflation

The Group's past profits and losses have not yet been significantly affected by inflation. The Group will keep an eye on fluctuations in market prices and maintain good interaction with customers and suppliers. In case of higher purchase costs due to inflation, the Group will adjust its sales prices appropriately when necessary to minimize its impact on the Group's operations.

### 2. Main Reasons for Policies, Profits or Losses in High Risk and High Leverage Investment, Lending funds to Others, Endorsement and Guarantee and Derivative Commodity Transactions and Countermeasures

Based on the prudent principles and pragmatic business concepts, the Group does not engage in high-risk, highly leveraged investment transactions, except for the businesses of the Group

The Group has stipulated "Procedures for Lending Funds to Others", "Procedures for

Endorsements & Guarantees”, “Procedures for Acquisition or Disposal of Assets” and “Procedures for Dealing with Derivatives Trade”. The Group will comply with the above procedures, so the relevant risks should be limited.

### 3. Future R&D plan and Estimated R&D cost

In view of the future expansion due to the demand of 5G related applications and products, as 5G construction is gradually completed, the demand and technology for sensors and optical fiber transceiver modules needed by the product, combined with relevant 5G applications, will continue to rise, and in order to meet the present market and product needed trend of high integration and high speed transmission, in the past, the annual R&D expenses of the Group fell between NT\$300 million and NT\$500 million, the Group will be dedicated to improving the existing packaging technology to rapidly meet the specifications of the products on the market. The Group will also continue to design and develop packaging technology in the fields of sensors, optical transceiver modules, Co-Package, automotive electronics, and various other products to expand the customer market.

The R&D expenses in 2021 and 2020 accounted for 10.06% and 5.61% of the operating revenue respectively. The Group actively engaged in technology development, continuously invested R&D resources and personnel, developed advanced packaging technology, including optimization process and high automation, and actively developed diversified products. The ratio of R&D expenses in 2021 was higher than that in 2020, mainly due to changes in product mix, decrease in operating revenue.

### 4. Impacts of Important Policy and Law Changes at Home and Abroad on Corporate Financial Business and Countermeasures

The Company is incorporated in the Cayman Islands and operates mainly in Hong Kong, Samoa, Taiwan, Vietnam and China. The Group carries out all business in accordance with important domestic and foreign policies and laws and regulations, keeps an eye on important domestic and foreign policy development trends and legal changes, and takes appropriate measures in response to changes in the market environment. The Group has also discussed with external experts about the economic substance identification regulations promulgated by the Cayman Islands recently, and preliminarily determined that there is no significant impact on the Group. Therefore, there is no case that there is a significant impact on the financial business due to important domestic and foreign policies and laws.

### 5. The Impact of Technological Change and Industrial Change on Corporate Financial Business and Countermeasures

The Group keeps abreast of the market trends of terminal products and assesses the impact of market changes on the Group's operations. In addition, most of the clients of the Group are leading manufacturers of terminal products or their major suppliers. The Group maintains close cooperation with the clients, and can grasp the market dynamics of the brand factories, and actively develop diversified products to reduce the impact of market fluctuations of single products. Therefore, technological and industrial changes will not have a material adverse impact on the Group's financial business.

### 6. Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The Group focuses on the operation of its own industry, continuously pursues the sustainable operation and growth of the enterprise, actively strengthens internal management, and improves product quality and production efficiency. In addition, the Group constantly introduces excellent talents, cultivates the strength of the business team, and returns the business results to shareholders and the public, so as to fulfill the social responsibility of the enterprise. The Group's business results and the Company's good reputation, as of the date of publication of the annual report, there is no corporate image change caused by the enterprise

crisis.

#### 7. Expected Effectiveness, Possible Risks and Countermeasures of Mergers and Acquisitions

As of the recent years and the print date of annual report, there is no merger plan. Any merger plans in the future, if any shall be subject to the Procedures for Acquisition or Disposal of Assets. Moreover, in order to reduce the possible risks, if the Company finds the potential merger target, it will take a prudent assessment attitude, consider the integration effect of the merger, and consult relevant professionals, and deal with the merger process with reasonable conditions, so as to ensure the interests of the Company and the overall shareholders' rights and interests.

#### 8. Anticipated Efficiency, Possible Risks and Countermeasures of the Expanded Plant:

In response to the continuous growth of operation scale and risks related to the trade war, the Board of Directors approved the establishment of a second production base in Vietnam on October 17, 2019, and brought into production in the fourth quarter of 2020. The Group also started integrating local resources to form a Vietnamese operation team based on the successful experience of China to meet local manpower needs and policies. The Vietnamese production base will help the Group increase order capacity and productivity, disperse geopolitical risks, and reduce the proportion of management and production costs, thus enabling the expansion of operation scale and enhancement of overall competitiveness, while still limiting the risks thereof.

#### 9. Risks and Countermeasures Encountered in Purchasing or Marketing Concentration

##### <1> Purchasing Concentration Risks

The top 10 suppliers in the Group in 2021 and 2020 account for 25.36% and 42.88% of purchases respectively; the decrease in purchase concentration in 2021 was primarily due to the change in the Group's sales mix and the fact that customers have designated suppliers for key raw materials to ensure quality.

##### <2> Marketing Concentration Risks

The top 10 customers of the Group in 2021 and 2020 account for 96.01% and 98.86% of sales respectively; the Top 2 customers accounted for about 40% and 62% of total revenue in 2021 and 2020, the decrease in purchase concentration in 2021 was primarily due to the change in the Group's sales mix and continue to develop new customers. Customers are also industry leaders. In addition, the Group also actively researchs and grows new products and improves packaging technology, develops new customers and strives to diversify the product portfolio, supports customers in developing new design concepts, and reduces the risk of transfer of important customers.

#### 10. The impact, risks and countermeasures of the transfer or exchange of shareholdings of directors, supervisors or major shareholders holding more than 10% of the shares on the Company

The directors or major shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of the publication of the annual report of the Company have no substantial transfer or change of shares.

#### 11. The Impact, Risks and Countermeasures of the Change of Management Right on the Company

The Company has not changed its management rights in recent years or as of the date of publication of the annual report. The Company has strengthened various corporate governance measures, introduced independent directors and established Audit Committee in order to enhance the protection of the rights of the overall shareholders. In addition, the operation of the Company relies on professional managers, and its good performance should be supported by shareholders. Moreover, the Company has formulated a complete internal control system

and relevant management rules. Therefore, the change of the right to operate should not result in the significant impact on the Company's operation.

12. Litigation or Non-litigation matters should list of The Company and its directors, supervisors, general managers, substantive principals, major shareholders and affiliated companies with a shareholding ratio of more than 10% shall be specified as major litigation, non-litigation or administrative litigation events whose results may have a significant impact on shareholders' rights and interests or securities prices. The facts of the dispute, the amount of the subject matter, the date of commencement of the proceedings, the principal parties involved and the disposition as of the date of publication of the annual report shall be disclosed.

The Company and its directors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares of the Company and affiliated companies in the most recent years and up to the date of the publication of the annual report, and no judgment has been made or are still in the process of major litigation, non-litigation or administrative litigation matters.

13. Other important risks and countermeasures:

<1> Information safety

As the Group is often in contact with customers' important information, it also attaches great importance to controlling information security. We also have strict controls over employees' access to external networks or installation of computer software, which must be approved in advance. For important system data, remote backup is also regularly carried out to prevent the loss of important data. In addition to basic information security education and training for new employees, information security training and the promotion of information security awareness are also carried out on a regular basis every year to provide the information security guarantee for the Company's production and operation activities. As of the latest annual report and the date of its publication, the Company has not experienced any major cyber-attacks that would impact its operations.

**vii. Other Important Matters:** None.



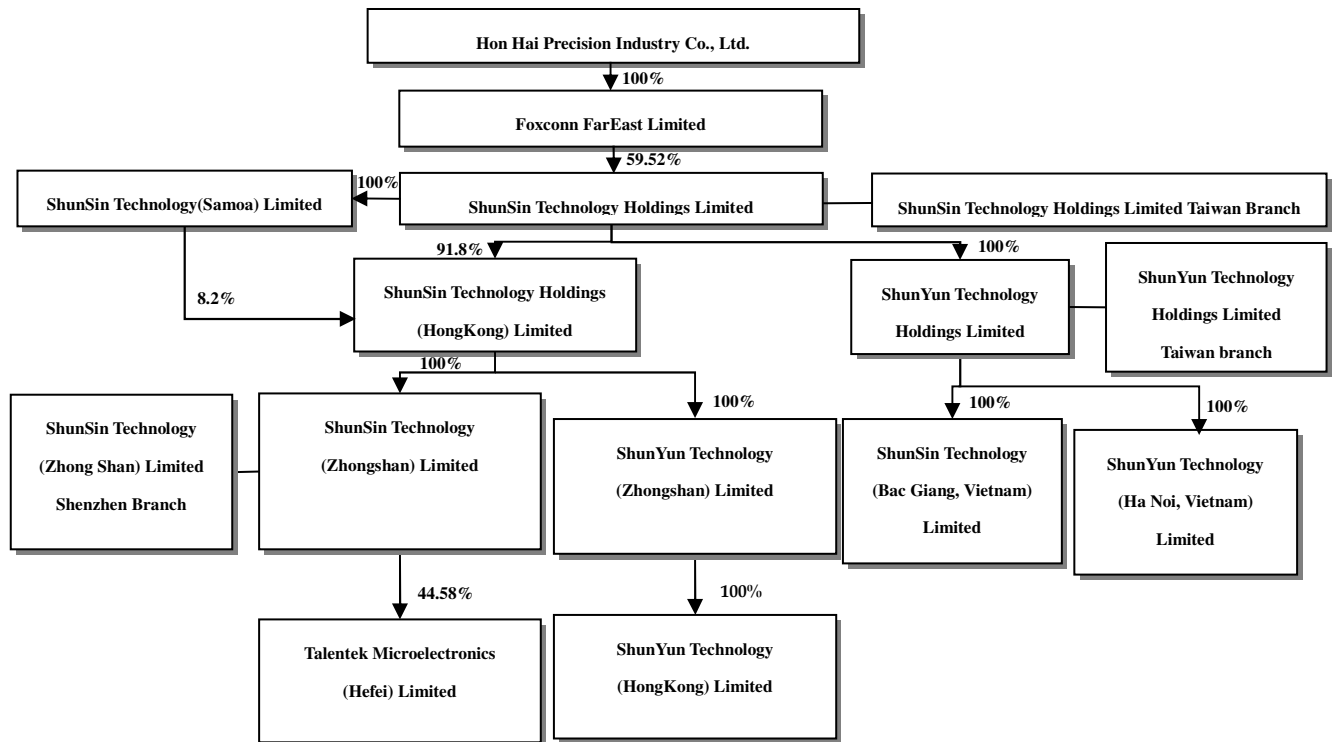
## VIII. Special Items

### i. Relevant Information of Associated Enterprises

#### 1. Business Report on Merger of Related Enterprises

##### <1> Organization Chart of Related Enterprises

March 31, 2022



<2> Basic Information of Related Enterprises

March 31, 2022; Unit: \$ thousand

Name of Enterprise	Establishment Date	Location	Paid-in Capital		Main Business Items
HON HAI PRECISION INDUSTRY Company LTD.	1974/2/20	Taiwan	NTD	138,629,906	Information industry, communication industry, automation equipment industry, precision machinery industry, automotive industry and consumer electronics related connectors, chassis, radiators, wired/wireless communication products, optical products, power supply modules, manufacturing, sales and service of modular assembly products and network cable assembly products.
Foxconn (Far East) Limited	1996/1/25	Cayman Islands	USD	8,061,629	Holding Company for investment.
ShunYun Technology Holdings Limited	2020/7/13	Cayman Islands	USD	29,280	Holding Company for investment.
ShunSin Technology (Samoa) Corporation Limited	2015/2/5	Samoa	USD	9,510	Overseas material and equipment procurement.
ShunYun Technology (Ha Noi, Vietnam) Limited	2019/12/26	Vietnam	USD	6,000	Assembly, testing and sales of high speed optical transceiver.
ShunSin Technology (Bac Giang, Vietnam) Limited	2020/5/8	Vietnam	USD	40,000	Assembly, testing and sales of high speed optical transceiver.
ShunSin Technology Holdings(Hongkong) Limited	2008/2/15	Hong Kong	HKD	904,639	Holding Company for investment.
ShunYun Technology Holdings(Hongkong) Limited	2021/7/7	Hong Kong	USD	-	Holding Company for investment.
ShunSin Technoogy Holdings Limited (Zhongshan)	1998/6/19	Mainland China	RMB	722,637	Assembly, testing and sales of SiP products and other types of integrated circuits.
ShunYun Technoogy Holdings Limited (Zhongshan)	2020/11/26	Mainland China	RMB	125,085	Assembly, testing and sales of high speed optical transceiver.
Talentek Microelectronics (He fei) Limited	2017/6/5	Mainland China	RMB	39,634	Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment

<3> Subject to article 369 3 of the Company Act, a controlling and subordinate relationship is concluded to be: Not applicable.

<4> The industry covered by the overall business operation of the enterprise

The business of the Company and its affiliated enterprises includes general investment and business, as well as assembly, testing and sales of SiP products and other types of integrated circuits. The related enterprises operate in accordance with the overall business plan of the Group.

<5> Information on directors, supervisors and general managers of related enterprises

April 2, 2022

Name of Enterprise	Title	Name or Representative	Shareholding	
			Number of Share	Ratio %
HON HAI PRECISION INDUSTRY Company LTD.	Chairman / CEO	Liu, Young-Way	656,219	0.00%
	Vice Chairman / Legal Person as Corporate Director	Hon Yiing International Investments Co., Ltd.	1,483,078	0.01%
		Representative: Jay Lee	-	0.00%
	Legal Person as Corporate Director	Hon Yiing International Investments Co., Ltd.	1,483,078	0.01%
		Representative: Lu, Sung-Ching	2,400	0.00%
	Legal Person as Corporate Director	FU CHIU TECHNOLOGY CO., LTD.	10,560	0.00%
		Representative: Liu, Yi-Ru	12,000	0.00%
	Director	Terry Guo	1,742,198,518	12.57%
	Director	Lu, Fang-Ming	7,489,580	0.05%
	Independent Director	James Wang	-	0.00%
Foxconn (Far East) Limited	Independent Director	Kuo, Tei-Wei	-	0.00%
	Independent Director	Kung, Kuo-Chuan	-	0.00%
ShunYun Technology Holdings Limited	Director	Huang, Chiu-Lien	-	-
	Director	Huang, Te-Tsai	-	-
ShunSin Technology (Samoa) Corporation Limited	Director	Fan, Chen-Piao	-	-
ShunYun Technology (Ha Noi, Vietnam) Limited	Director	Hsu, Wen-Yi	-	-
ShunSin Technology (Bac Giang, Vietnam) Limitd	Director	Fan, Chen-Piao	-	-
ShunYun Technology (Hongkong) Limited	Director/general manager	Fan, Chen-Piao	-	-
ShunSin Technology Holdings (Hongkong) Limited	Director	Hsu, Wen-Yi	-	-
ShunSin Technology (Zhong Shan) Limited	Executive director/general manager	Fan, Chen-Piao	-	-
	Supervisor	Hsu, Wen-Yi	-	-
ShunYun Technology (Zhong Shan) Limited	Executive director/general manager	Fan, Chen-Piao	-	-
	Supervisor	Ho, Kuang-Sheng	-	-
Talentek Microeletronics (He fei) Limited (Note)	Chairman	Luo, Chi-Hua	RMB 1,650,000	4.16%
	Supervisor	Fan, Chen-Piao	RMB 650,000	1.64%
	Director	Wang, Chieh-Min	RMB 200,000	0.50%
	Director	Tan, Hai Lin	-	-
	Director	Liu, De Sheng	-	-
	Director	Teo, Chee Kheng	-	-

Note: It's a Limited Company in China, so there are no shares and par value.

## 2. Overview of the Operation of the Related Enterprises

March 31, 2021; Unit:\$ thousand

Name of Enterprise	Currency	Capital	Total Assets	Total Liabilities	Net Value	Operating revenue	Business Income(Losses)	Current Profit and Loss (after Tax)	EPS
HON HAI PRECISION INDUSTRY Company LTD. (Note 1)	NTD	138,629,906	3,356,130,396	1,975,673,086	1,380,457,310	3,643,676,647	37,110,931	139,320,332	10.05
Foxconn (Far East) Limited (Note 1)	NTD	8,061,629	1,417,649,705	58,041,400	1,359,608,305	537,792	(3,996,410)	100,823,057	0.45
ShunYun Technology Holdings Limited	USD	29,280	113,875	86,536	27,339	17,976	3,276	905	0.03
ShunSin Technology (Samoa) Corporation Limited	USD	9,510	45,066	9,793	35,273	-	-	(326)	(0.03)
ShunYun Technology (Ha Noi, Vietnam) Limited	VND	139,038,000	1,068,808,537	1,097,600,543	(28,792,006)	52,778,485	(38,678,481)	(38,907,460)	Note 2
ShunSinTechnology(BacGiang , Vietnam) Limited	VND	930,260,000	978,178,903	27,588,577	950,590,326	-	(2,164,636)	1,610,381	Note 2
ShunSin Technology Holdings (Hongkong) Limited	NTD	3,421,728	10,349,807	170,019	10,179,788	-	(2,841)	(113,517)	(0.125)
ShunYun Technology Holdings (Hongkong) Limited	USD	-	-	-	-	-	-	-	-
ShunSin Technology (Zhong Shan) Limited	RMB	722,637	2,277,992	114,136	2,163,856	33,766	(29,605)	(21,468)	Note 2
ShunYun Technology (Zhong Shan) Limited	RMB	125,085	253,859	121,015	132,844	12,392	(11,355)	(6,684)	Note 2
Talentek Microeletronics (He fei) Limited	RMB	39,634	99,819	19,592	80,227	15,264	(3,784)	(907)	Note 2

Note 1: Individual financial report data for 2021.

Note 2: Registered as a limited Company, no shares or par value.

3. Consolidated financial statements of related enterprises: same as Consolidated Financial Statements, please refer to pages 118 to 192.

4. Report of Related Enterprises: Not applicable.

- ii. Raising of private securities and financial bond in the previous year and up to the date of publication of the annual report: None.**
- iii. Subsidiary holdings and disposal of shares in the previous year and up to the date of publication of the annual report: None.**
- iv. Additional remarks: None.**
- v. In the recent years up to the print date of Annual Report, a case has occurred that has had a significant impact on the rights of shareholders or the price of securities as specified in paragraph 2, paragraph 3, article 36 of the Securities and Exchange Act: None.**

## vi. The Significant Difference between Shareholders Rights Protection Provisions of the Country

Important matters of shareholder protection	Articles of Association and reason for discrepancy
The Company is not allowed to print stocks and issue them without entity.	This Company is the primary listed Company and does not apply to this important issue of checklist of shareholders rights protection.
<ol style="list-style-type: none"> <li>1. The shareholders' meeting shall be held in the territory of the Republic of China. If the shareholders' meeting is convened outside the Republic of China, the stock exchange shall approve within two days after the resolution of the board of directors or the shareholders obtain the permission from the competent authority.</li> <li>2. If the Shareholder continue to hold more than one year and hold more than 3% of the total outstanding shares, they may write down the proposed matters and reasons and request the Board of Directors to convene an extraordinary shareholders meeting. Within 15 days after the request is filed, and the Board of Directors has not notified to convene the meeting, the Shareholder may report to the competent authority for permission to convene themselves.</li> </ol>	<ol style="list-style-type: none"> <li>1. Since the convening of the extraordinary shareholders' meeting is not subject to the permission of the local authorities of the Cayman Islands, if shareholders hold their own meeting outside the Republic of China, Article 18.5 of the Articles of Association of the Company only stipulates that the Stock Exchange should be notified in advance for approval, instead of “reporting to the Stock Exchange for approval within two days after the shareholders have obtained the permission from the competent authority” as required by the “Important Matters in the Protection of Shareholders' Rights and Interests”. This part shall have no material effect on shareholders' equity of the Republic of China.</li> <li>2. In addition, regarding the extraordinary shareholders' meeting convened by the shareholders, as a result of the Cayman Company Law, such acts are not subject to the permission of the local authorities of the Cayman Islands. Therefore, Article 18.5 of the Articles of Association does not specify that the competent authority should be notified in advance for permission before they convene the extraordinary shareholders' meeting.</li> </ol>
<ol style="list-style-type: none"> <li>1. The Articles of Association may regulate for the allocation of earnings or loss to be made up after the end of each quarter or each semi-annual accounting year.</li> <li>2. The Board of Directors' resolution shall be submitted to the supervisor for examination and approval, together with the business report and financial statements, of the Company's earnings allocation or loss allocation proposals for the first three quarters or the first half fiscal year. After supervisor approving, the company submit the related docutment to Board of Directors.</li> <li>3. When distributing surplus in accordance with the provisions of the preceding paragraph, the Company shall first estimate and retain the tax payable, make up for losses in accordance with the law and set aside the statutory surplus reserve. However, this shall not apply when the statutory surplus reserve has reached the paid-in capital.</li> <li>4. Where the Company issues new shares in accordance with the provisions of paragraph 2 to distribute the surplus, it shall be represented by the presence of more than two-thirds of the total number of shares issued, with the consent of more than half of the voting rights of the shareholders present. If the total number of shares of the shareholders present is less than the quota mentioned above, they may be represented by more than half of the shareholders who have issued the total shares, and the consent of more than two thirds of the voting rights of the shareholders present shall be exercised; the issuer of cash shall be decided by the Board of Directors.</li> <li>5. When a Company distributes its surplus or makes up for its loss in accordance with the provisions of the preceding four items, it shall follow the financial statements audited or reviewed by the accountant.</li> </ol>	According to the Company Law of Cayman Island, the Board of Directors of the Company may distribute mid-term earnings at any time after considering the Company's operation. The Company, taking into account the actual operating conditions, decides to allocate the earnings in each fiscal year in accordance with the provisions of article 13.5 of the Articles of Association. Therefore, important matters in the protection of shareholders' rights and interests shall not be amended, and such differences shall have no material impact on shareholder'' rights and interests of the Republic of China.

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>Except as otherwise provided in the Articles of Association or the laws, resolutions of the shareholders' meeting shall be made in the presence of shareholders representing more than half of the total number of shares issued and with the consent of more than half of the voting rights of shareholders present.</p>	<p>As for the resolution method of the shareholders' meeting, apart from the ordinary and important resolutions under the law of R.O.C., there is still the "Special Resolution" defined by the Company Law of Cayman Island in article 1.1 of the Articles of Association. That is to say, in the absence of violation of the Company Law of Cayman Island, in the shareholders' meeting of a Company, a resolution passed with the consent of at least two-thirds of the voting rights of the shareholders present after the shareholders who are entitled to participate in the voting are present in person, or voted by a power of attorney, or by a representative legally authorized by a legal shareholder or a non-natural shareholder. (in accordance with Article 22.1 of the Articles of Association, it means that shareholders representing more than half of the total voting shares issued are required to attend in person.)</p>
<ol style="list-style-type: none"> <li>Any director (excluding independent director) or supervisor of a Company who transfers shares in excess of half of the amount of shares held by the Company at the time of election shall be relieved of his/her duties.</li> <li>When a director (excluding independent directors) or supervisor of the Company is elected, his/her election is ineffective when the transfer of shares exceeds one-half of the amount of shares held at the time of his/her appointment, or during the period when the transfer of shares ceases before the shareholders' meeting is held, or when the transfer of shares exceeds one-half.</li> </ol>	<p>There are no "supervisors" in the Company Law of Cayman Island and the Company has set up Audit Committee but without supervisors. Therefore, in the Articles of Association, there is no relevant regulation of supervisors. If a director of the Company transfers shares more than one-half of the amount of shares held by the Company at the time of his/her appointment, the provision of natural dismissal or invalid election shall be stipulated in Article 36.3 of the Articles of Association of the Company.</p>
<ol style="list-style-type: none"> <li>The Where the company has set up supervisors, the supervisor shall be elected via the shareholders' meeting. At least one of the supervisors must have a residence in the country.</li> <li>The term of the supervisor shall not exceed three years. However, the supervisor may be re-elected.</li> <li>When all supervisors are dismissed, the Board of Directors shall convene an extraordinary meeting of shareholders within 60 days to elect for supervisor.</li> <li>The supervisor shall supervise business operations of the Company and, whenever deemed necessary, inspect the business and financial status of the Company, examine relevant accounting reports and documents and request the Board of Directors or managers to provide relevant reports.</li> <li>The supervisor shall examine reports and statements compiled and submitted by the Board of Directors and provide opinions in the shareholders' meeting.</li> <li>The supervisor must appoint an accountant or a lawyer to review the matter on behalf of the company.</li> <li>Supervisors may attend and express their opinions in the Board of Directors' meeting. Where the Board of Directors or directors conducts business in violation of laws, Articles of Association, or resolutions of the shareholders' meeting, the supervisor shall immediately notify the Board of Directors or the Directors to stop their actions.</li> <li>Each supervisor may exercise supervision independently.</li> <li>The supervisor may not serve as a company director, manager or other employee.</li> </ol>	<p>The laws of the Cayman Islands does not have an equivalent concept as the supervisor. Moreover, the Company has an audit committee. Therefore, there is no regulations related to the supervisor in the Articles of Association.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<ol style="list-style-type: none"> <li>1. Shareholders who hold more than one percent of the current outstanding shares of the company for more than six months may request the supervisor to institute an action against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance.</li> <li>2. If the supervisor does not file a lawsuit within 30 days after the shareholder makes the request, the shareholder may file a lawsuit for the Company and the Taipei District Court of Taiwan shall be the court of first instance.</li> <li>3. The supervisor or or the independent director of the Audit Committee may, in the interests of the Company, convene the shareholders' meeting, except that the Board of Directors does not or cannot convene the shareholders' meeting.</li> </ol>	<p>Since the laws of the Cayman Islands do not have an equivalent concept as the supervisor, and the Company has an audit committee, Article 47.3 of the Articles of Association of the Company provides that “within the scope permitted by the laws of the Cayman Islands, shareholders who hold at least one percent of the current outstanding shares for at least six months may: (a) In writing, request the independent director of the Audit Committee authorized by the Board of Directors to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Or (b) In writing, request the independent director of the Audit Committee to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Within 30 days after the request is made in accordance with the aforementioned Paragraph (a) or (b), if (i) the requested Board of Directors fails to authorize the independent director of the Audit Committee or the independent director of the Audit Committee authorized by the Board of Directors has not filed a lawsuit in accordance with paragraph (a); Or (b) if the independent director of requested the Audit Committee fails to institute an action, within the limits permitted by the laws of the Cayman Islands, the shareholders may institute an action on behalf of the Company against the Directors and have the Taipei District Court of the Republic of China as the court of first instance.” This differs from the “Important Matters in the Protection of Shareholders' Rights and Interests,” which specifies that “Shareholders who hold more than three percent of the current outstanding shares of the company for more than one year may request, in writing, the supervisor to institute an action against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance. In addition, in view of the above provisions, counsel of Cayman Islands shall, in accordance with the acts of Cayman Islands, remind the following:</p> <p>The Cayman Islands' company law does not have specific regulations that allow certain minority shareholders to file derivative actions against the Directors in the courts of the Cayman Islands. In addition, the Company's Articles of Association is not a contract between the shareholders and the Directors but the agreement between the shareholders and the Company is that even if the minority shareholders are allowed to file a derivative action against the directors in the Articles of Association, lawyers of the Cayman Islands believe that the Directors will not be bound by the contents. However, under common law, all shareholders (including minority shareholders) have the right to file derivative actions (including litigation against the Directors) regardless of their shareholding proportion or period. Once the shareholder sues, the court of the Cayman Islands will have full discretion to decide whether the shareholder can continue the litigation. Furthermore, even if the Company's Articles of Association permits minority shareholders (or shareholders with the required shareholding ratio or period) to institute an action against the Directors on behalf of the Company, whether the lawsuit can continue ultimately depends on the court of the Cayman Islands. According to a relevant verdict of the Grand Court of the Cayman Islands, when the court of the Cayman Islands considers whether to approve the continuation of a</p>



Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>derivative action, the applicable criterion is whether the court believes and accepts that the plaintiff's request on behalf of the Company is substantive on the surface and the claimed wrongful act is made by the controllable company, and the controller can prevent the Company from instituting a reverse action. The court of the Cayman Islands will determine on a case-by-case basis (although the court may refer to the provisions of the Company's Articles of Association, this is not a decisive factor). According to the laws of the Cayman Islands, the Board of Directors should decide on its behalf (instead of individual directors) on behalf of the Company. Therefore, the Directors shall, in accordance with the provisions of the Articles of Association, authorize any director according to resolution of the Board to file a lawsuit against other directors on behalf of the Company. The Cayman Islands' company act does not provide a clear specification to enable shareholders request the Directors to convene a board meeting to resolve specific matters. However, the Cayman Islands' company act does not prohibit the Company from establishing rules relating to the board meeting procedures in the Articles of Association (including the provisions for convening the board meeting).</p>
<p>1. The Articles of Incorporation may provide that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority of R.O.C. Provided, in case of nature disasters, incidents, or other force majeure, the Company Act's competent authority of R.O.C. may announce publicly that within a certain period, a shareholders' meeting may be convened by means of visual communication network or other announced methods without 1. Article 170 of the Company Act 2. Article 172-2 of the Company Act 3. Article 172-1 of the Company Act 4. Paragraph 1 and 2 of Article 173, and Article 173-1 of the Company Act 5. Article 172 of the Company Act; Articles 26-1 and 43-6 of the 1. (a) Article 58 of the Companies Act of Cayman Islands specifies that a general meeting of every company, other than an exempted company, shall be held at least once in every year. (b) The Companies Act of Cayman Islands does not mandatorily requires the exempted companies shall convene general meeting, and such companies may specify the frequency of convening shareholders' meetings in the articles of association. 2. The Companies Act of Cayman Islands does not limit the exempted companies to hold their Other matters are specified in Articles 39, 40, 41, 42, 42-1, and 47. Article 42 of the articles of association and key matters for protection of shareholder's interests varies a bit, explained as below: Pursuant to Letter Taiwan-Securities-Listing No.0991701319 by Taiwan Securities Exchange, dated on April 13 2020, "Description: II. (III). With the premise of not contradicting to the local laws of the place of registration, foreign issuers shall specify in the articles of</p>	<p>In accordance with the requirements with Zheng-Gui-Shen No. 11000579651 issued on May. 31, 2021 by the TPEx, and with Hua-Zong-Yi-Jing No. 11000115851 issued on Dec. 29, 2021, by the TWSE, after being approved by the board of directors on May 10, 2022, it will be submitted to the shareholders meeting on June 23, 2022, for discussion.</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<p>incorporation the right of the minority shareholders to request to convene special shareholders' 144 being specified in the Articles of Incorporation.</p> <p>2. Where a shareholders' meeting is convened in the manner of video conference, shareholders attending the meeting via video conference are deemed attending in person.</p> <p>3. Where a shareholders' meeting is held in the manner of video conference, the conditions to be met, operational procedures, and other matters to be complied with, the securities laws and regulations shall be complied with.</p> <p>4. The offline shareholders' meetings shall be convened within the boundaries of R.O.C. Where the offline shareholders' meetings are convened out of the boundaries of R.O.C., the Stock Exchange shall be filed to for approval within two days upon the board meeting's resolution or the competent authority's convention permit obtained by the shareholders.</p>	
<p>The shareholders' meeting notice must explain the methods through which shareholders may exercise voting rights in writing or in electronic form. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders' meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original agendas that may arise during the shareholders' meeting.</p>	<p>In accordance with the requirements with Zheng-Gui-Shen No. 11000579651 issued on May. 31, 2021 by the TPEx, and with Hua-Zong-Yi-Jing No. 11000115851 issued on Dec. 29, 2021, by the TWSE, after being approved by the board of directors on May 10, 2022, it will be submitted to the shareholders meeting on June 23, 2022, for discussion.</p>
<p>When a company holds a shareholders' meeting, it shall prepare a procedure manual for the shareholders' meeting and shall announce the procedure manual and other meeting-related materials 21 days before the ordinary shareholders' meeting or 15 days before the extraordinary shareholders' meeting. However, if the company's paid-in capital at the end of the most recent fiscal year is NT\$10 billion or more, or the company holds ordinary shareholders meeting in the most recent fiscal year, and the total shareholding ratio of foreign capital and Mainland capital recorded in the shareholder register is more than 30%, The transmission of the pre-opened electronic files shall be completed 30 days before the ordinary shareholders' meeting.</p>	<p>In accordance with the requirements with Zheng-Gui-Shen No. 11000579651 issued on May. 31, 2021 by the TPEx, and with Hua-Zong-Yi-Jing No. 11000115851 issued on Dec. 29, 2021, by the TWSE, after being approved by the board of directors on May 10, 2022, it will be submitted to the shareholders meeting on June 23, 2022, for discussion.</p>

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors of ShunSin Technology Holdings Limited:

### **Audit Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Report 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’ Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters that should be disclosed in this audit report are as follows:

#### **1. Revenue recognition**

Please refer to note 4 (14) for accounting policy related to revenue recognition, and notes 6 (20) for the information related to revenue of the consolidated financial report.

Description of key audit matter:

Due to sales transactions of the Group are depending on contracts, we need to judge individually to confirm the adequacy of revenue recognition. Additionally, the Group adopts IFRSs 15, which involves complex accounting treatments and policy may result in inappropriate performance obligations and recognition of revenue under IFRSs 15. In addition, it is necessary to evaluate and verify the completeness and accuracy of the relevant materials used, as well as the new disclosure requirements revenue recognition is listed as one of the important items in the audit of the financial statements of this year.

Our audit procedures included:

- Assess the appropriateness of accounting policy in accordance with the requirements of the IFRSs 15 and the understanding of operating and industry characteristics.
- Testing the effectiveness of the design and implementation of internal control over sales and collection cycle, and to examine major contracts to assess revenue recognition.

- Performing comparison analysis on sale of the current period to last period and the latest quarter, and performing trend analysis on sales from each top ten customer to assess the existence of any exceptions, and further identify and analyze the causes if there is any significant exception.
- Performing confirmation procedure of sales revenue and examining significant returns or exchanges after the balance sheet date to assess the assertions of the existence, accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the sales of goods, sales returns and allowances have been the appropriately recognized.

## 2. Financial Assets at Fair Value through Profit and Loss

Please refer to note 4 (7) “Financial Instrument” for the accounting policies of financial assets measured at fair value through profit and loss; note 5 for accounting assumptions and estimation uncertainties of impairment of financial assets measured at fair value through profit and loss, and note 6 (2) and (23) “Financial Instrument” for the property and evaluation statements of financial assets measured at fair value through profit and loss.

Description of key audit matter:

The financial assets measured at fair value through profit and loss of the Group are susceptible to the operating conditions of the companies and the economic environment that the fund invests, resulting in greater changes in the subsequent profits or losses recognized as gains and losses at fair value re-measurement, thus adjusting the value of financial assets. Assessing the fair value of this financial asset often requires complicated evaluation techniques. Therefore, we listed the evaluation of financial assets measured at fair value of profits and losses as one of the key audit matters in the audit of Financial Statements of this year.

Our audit procedures included:

- Obtain the appraiser’s appraisal report of the invested Company entrusted by the Group, and evaluate the appraiser’s qualification and independence.
- Evaluate the rationalities of the assumptions used in the appraisal report in estimating the price of an investment.
- Evaluate the rationalities of the recognition of profit and loss of financial assets in the accounts of the Group.

## **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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

## **Accountant’s Responsibility for Auditing Consolidated Financial Report**

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 a 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 ROC GAAS 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 ROC GAAS, 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 controls.
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 controls.
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 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the years ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2021 and 2020

Expressed in Thousands of New Taiwan Dollars

		2021.12.31		2020.12.31				Liabilities and equities		Amount		%		Amount		%	
Assets		Amount		%		Amount		%									
11xx	Current assets:					21xx	Current liabilities:										
1100	Cash and cash equivalents (note 6 (1))	\$	9,066,899	61	9,943,380	68	2100	Short-term loans (note 6 (11))	\$	3,142,240	21	4,513,883	31				
1110	Current financial assets at fair value through profit or loss (note 6 (2) and (13))	-	-	-	13,607	-	2120	Financial liabilities at fair value through profit or loss- current (note 6 (2) and (13) )		962	-	-	-				
1137	Financial assets at amortized costs- current (note 6 (3) , (12) and 8)	52,572	-	-	-	-	2170	Accounts payable	619,058	4	319,494	2					
1140	Current contract assets (note 6 (20) and 7)	329,504	2	188,071	1		2180	Accounts payable to related parties (note 7)	11,485	-	3,175	-					
1170	Accounts receivable (note 6 (4) and (20))	653,771	4	394,033	3		2200	Other payables (note 6 (21))	551,916	4	534,213	4					
1181	Accounts receivable—related parties (note 6 (4), (20) and 7)	101,458	1	701,751	5		2220	Other payables to related parties (note 7)	43,725	-	38,454	-					
1206	Other receivables (note 6 (5), (7) and 7)	24,715	-	10,945	-		2230	Current tax liabilities	87,177	1	31,553	-					
1220	Current tax assets	-	-	11,513	-		2280	Current lease liabilities (note 6 (14))	35,133	-	32,598	-					
1310	Inventories (note 6 (6))	1,141,455	8	325,196	2		2321	Bonds payable, current portion (note 6 (13))	-	-	1,443,956	10					
1410	Prepayments	288,511	2	36,522	-		2322	Long-term borrowings, current portion (note 6 (3) , (12) and 8 )	838,700	6	-	-					
1460	Non-current assets classified as held for sale (note 6 (7), (8) and 7)	24,532	-	-	-		2399	Other current liabilities	88,581	1	27,090	-					
1470	Other current assets	3,173	-	2,044	-				5,418,977	37	6,944,416	47					
		11,686,590	78	11,627,062	79	25xx	Non-current liabilities:										
15xx	Non-current assets:					2530	Bonds payable (note 6 (13))			1,474,834	10	-	-				
1510	Financial assets measured at fair value through profit or loss-non-current (note 6 (2) and (13))	406,002	3	446,000	3	2540	Long-term loans (note 6 (3), (12) and 8)			1,107,200	7	836,100	6				
1535	Financial assets at amortized costs- non -current (note 6 (3), (12) and 8)	8,000	-	8,000	-	2570	Deferred tax liabilities (note 6 (16))			339,045	2	520,289	4				
1600	Property, plant and equipment (note 6 (8) and 7)	2,283,174	16	2,120,032	15	2580	Non-current lease liabilities (note 6 (14))			3,976	-	33,187	-				
1755	Right-of-use assets (note 6 (9))	307,747	2	344,034	2	2630	Long-term deferred revenue			91,648	1	110,546	1				
1780	Intangible assets (note 6 (10))	989	-	10,779	-	2645	Guarantee deposits received			4,826	-	1,118	-				
1840	Deferred tax assets (note 6 (16))	219,162	1	115,075	1					3,021,529	20	1,501,240	11				
1915	Prepayments for business facilities	45,148	-	359	-	2xxx	Total liabilities			8,440,506	57	8,445,656	58				
1920	Guarantee deposits paid	11,426	-	12,540	-												
		3,281,648	22	3,056,819	21	31xx	Total equity attributable to owners of parent (note 6 (13), (17) and (18)):			1,074,648	7	1,072,558	7				
						3110	Ordinary share			2,866,304	19	2,816,502	19				
						3200	Capital surplus										
						3300	Retained earnings:										
						3310	Legal reserve			473,243	3	403,331	3				
						3320	Special reserve			253,000	2	345,229	2				
						3350	Unappropriated retained earnings			1,969,807	13	1,887,499	13				
										2,696,050	18	2,636,059	18				
						3400	Other equity interest:										
						3410	Exchange differences on translation of foreign financial statements			(298,036)	(2)	(253,000)	(2)				
						3500	Treasury shares			-	-	(74,605)	-				
							Total equity attributable to owners of parent			6,338,966	42	6,197,514	42				
						36xx	Non-controlling interests			188,766	1	40,711	-				
						3xxx	Total equity			6,527,732	43	6,238,225	42				
														</			

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
**Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)**

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (note 6 (20) and 7):</b>				
4110	Sales revenue	\$ 4,284,492	100	4,855,293	100
4190	Loss: Sales discounts and allowances	14,092	-	5,604	-
	<b>Net operating Revenue</b>	4,270,400	100	4,849,689	100
5000	<b>Operating costs (note 6 (6), (8), (9), (10), (14), (15) and 7)</b>	3,347,948	78	3,269,332	67
5900	<b>Gross profit from operations</b>	922,452	22	1,580,357	33
6000	<b>Operating expenses (note 6 (4), (8), (9), (10), (14), (15), (18), (21) and 7):</b>				
6100	Selling expenses	39,317	1	38,811	1
6200	Administrative expenses	409,809	9	306,770	6
6300	Research and development expenses	429,555	10	272,144	6
6450	Expected credit loss (gain)	(15,241)	-	1,026	-
	<b>Total operating expenses</b>	863,440	20	618,751	13
6900	<b>Net operating profits</b>	59,012	2	961,606	20
7000	<b>Non-operating income and expenses (note 6 (13), (14), (22) and 7)</b>				
7100	Interest revenue	219,087	5	173,508	4
7010	Other income	63,947	1	59,199	1
7020	Other gains and losses	(62,654)	(1)	(122,078)	(3)
7050	Finance costs	(73,220)	(2)	(65,864)	(1)
	<b>Total non-operating income and expenses</b>	147,160	3	44,765	1
7900	<b>Profit from continuing operations before tax</b>	206,172	5	1,006,371	21
7950	<b>Loss: Tax expense (benefit) (note 6 (16))</b>	(172,435)	(4)	286,815	6
8200	<b>Profit</b>	378,607	9	719,556	15
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(43,209)	(1)	92,841	2
8399	Loss: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	<b>Other comprehensive income, net</b>	(43,209)	(1)	92,841	2
8500	<b>Total comprehensive income (loss)</b>	<b>\$ 335,398</b>	<b>8</b>	<b>812,397</b>	<b>17</b>
	<b>Profit, attributable to:</b>				
8610	Owners of parent	\$ 403,082	10	724,859	15
8620	Non-controlling interests	(24,475)	(1)	(5,303)	-
		<b>\$ 378,607</b>	<b>9</b>	<b>719,556</b>	<b>15</b>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 358,046	8	817,089	17
8720	Non-controlling interests	(22,648)	-	(4,692)	-
		<b>\$ 335,398</b>	<b>8</b>	<b>812,397</b>	<b>17</b>
	<b>Basic earnings per share (expressed in New Taiwan Dollars) (note 6 (19))</b>				
9750	Basic earnings per share	<b>\$ 3.77</b>		<b>6.88</b>	
9850	Diluted earnings per share	<b>\$ 3.72</b>		<b>6.52</b>	

See accompanying notes to consolidated financial statements

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

**Equity attributable to owners of parent**

	Retained earnings						Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total					
Balance as of January 1, 2020	\$ 1,065,248	2,753,167	339,499	-	1,985,081	2,324,580	(345,230)	(149,649)	5,648,116	19,664	5,667,780
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	63,832	-	(63,832)	-	-	-	-	-	-
Special reserve	-	-	-	345,229	(345,229)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(387,641)	(387,641)	-	-	(387,641)	-	(387,641)
Profit	-	-	-	-	724,859	724,859	-	-	724,859	(5,303)	719,556
Other comprehensive income (loss)	-	-	-	-	-	-	92,230	-	92,230	611	92,841
Total comprehensive income (loss)	-	-	-	-	724,859	724,859	92,230	-	817,089	(4,692)	812,397
Shares issued due to stock option executed	7,310	60,161	-	-	-	-	-	-	67,471	-	67,471
Proceeds from sale of treasury shares	-	-	-	-	-	-	-	75,044	75,044	-	75,044
Changes in ownership interests in subsidiaries	-	-	-	-	(25,739)	(25,739)	-	-	(25,739)	25,739	-
Share-based payment transactions	-	3,174	-	-	-	-	-	-	3,174	-	3,174
Balance at December 31, 2020	1,072,558	2,816,502	403,331	345,229	1,887,499	2,636,059	(253,000)	(74,605)	6,197,514	40,711	6,238,225
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	69,912	-	(69,912)	-	-	-	-	-	-
Special reserve	-	-	-	(92,229)	92,229	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(440,212)	(440,212)	-	-	(440,212)	-	(440,212)
Profit	-	-	-	-	403,082	403,082	-	-	403,082	(24,475)	378,607
Other comprehensive income (loss)	-	-	-	-	-	-	(45,036)	-	(45,036)	1,827	(43,209)
Total comprehensive income (loss)	-	-	-	-	403,082	403,082	(45,036)	-	358,046	(22,648)	335,398
Shares issued due to stock option executed	2,090	17,201	-	-	-	-	-	-	19,291	-	19,291
Proceeds from sale of treasury shares	-	26,998	-	-	-	-	-	74,605	101,603	-	101,603
Changes in ownership interests in subsidiaries	-	97,121	-	-	-	-	-	-	97,121	(97,121)	-
Share-based payment transactions	-	5,603	-	-	-	-	-	-	5,603	6,732	12,335
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	261,092	261,092
Balance at December 31, 2021	\$ 1,074,648	2,963,425	473,243	253,000	1,872,686	2,598,929	(298,036)	-	6,338,966	188,766	6,527,732

See accompanying notes to consolidated financial statements

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min



# SHUNSIN TECHNOLOGY HOLDINGS LIMITED 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
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 206,172	1,006,371
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	500,214	492,935
Amortization expense	10,435	2,120
Expected credit loss (gain)	(15,241)	1,026
Net loss on financial assets and liabilities at fair value through profit or loss	40,167	68,172
Interest expense	73,220	65,864
Interest income	(219,087)	(173,508)
Share-based payments	39,333	3,174
Property, plant and equipment transferred to expenses	7,015	246
Net loss on disposal and scrapping of property, plant and equipment	4,622	1,867
Rent concessions (recognized as other income)	-	(1,719)
Total adjustments to reconcile profit (loss)	440,678	460,177
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets designated at fair value through profit and loss	11,057	-
Contract assets	(141,433)	72,313
Notes receivable	-	710
Accounts receivable	(244,497)	135,555
Accounts receivable—related parties	604,839	(130,259)
Other receivables	(17,971)	116,616
Inventories	(816,259)	8,865
Prepayments	(251,989)	66,030
Other current assets	1,471	(115,288)
Total changes in operating assets	(854,782)	154,542
Changes in operating liabilities:		
Accounts payable	299,564	(43,977)
Accounts payable—related parties	8,310	3,174
Other payable	(81,645)	190,890
Other payable—related parties	6,855	(6,298)
Other current liabilities	61,491	6,854
Long-term deferred income	(18,898)	16,456
Total changes in operating liabilities	275,677	167,099
Total changes in operating assets and liabilities	(579,105)	321,641
Total adjustments	(138,427)	781,818
Cash inflow generated from operations	67,745	1,788,189
Interest received	223,288	169,961
Interest paid	(42,023)	(36,226)
Income taxes paid	(44,290)	(32,747)
<b>Net cash flows from (used in) operating activities</b>	<b>204,720</b>	<b>1,889,177</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized costs	(52,572)	(8,000)
Acquisition of financial assets at fair value through profit or loss	-	(64,096)
Proceeds from disposal of non-current assets classified as held for sale	479,916	-
Acquisition of property, plant and equipment	(1,067,346)	(294,460)
Proceeds from disposal of property, plant and equipment	343	26,611
Decrease (Increase) in guarantee deposits paid	1,114	(1,732)
Acquisition of intangible assets	(696)	(9,789)
Acquisition of use-of-right assets	-	(135,471)
Increase in prepayments for business facilities	(45,074)	(584)
<b>Net cash flows from (used in) investing activities</b>	<b>(684,315)</b>	<b>(487,521)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	6,790,979	7,050,973
Decrease in short-term loans	(8,162,622)	(5,559,319)
Proceeds from long-term debt	1,107,200	840,000
Increase (Decrease) in guarantee deposits received	3,708	(341)
Payments of lease liabilities	(35,707)	(25,903)
Cash dividends paid	(440,212)	(387,641)
Shares issued due to stock option executed	19,291	67,471
Proceeds from sale of treasury shares	74,605	75,044
Changes in non-controlling interests	261,092	-
<b>Net cash flows from (used in) financing activities</b>	<b>(381,666)</b>	<b>2,060,284</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(15,220)</b>	<b>95,125</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(876,481)</b>	<b>3,557,065</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,943,380</b>	<b>6,386,315</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 9,066,899</b>	<b>9,943,380</b>

See accompanying notes to consolidated financial statements

Chairman: Hsu, Wen-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Chieh-Min

**ShunSin Technology Holdings Limited and Its Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. History of the Company**

ShunSin Technology Holdings Limited (formerly known as Amtec Holdings Limited, hereinafter referred to as “the Company”) was established in the Cayman Islands on January 8, 2008, and set up a branch in Taiwan on July 4, 2013. On Approval dates August 28, 2013, the Company was renamed as ShunSin Technology Holdings Limited and changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company’s stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the assembly, testing and sales of various integrated circuits related to semiconductors.

**2. Approval dates and procedures of consolidated financial statements**

The consolidated financial statements were authorized for issuance by the Board of Directors on March 22, 2022.

**3. New standards, amendments and interpretations adopted:**

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

The Group’s adoption of the newly revised International Financial Reporting Standards from January 1, 2021, and it does not cause significant impact on consolidated financial report.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group’s adoption of the newly revised International Financial Reporting Standards from April 1, 2021, and it does not cause significant impact on consolidated financial report.

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions After June 30, 2021”

- (2) 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

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

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”

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New or Amended Standards	Main revision contents	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	2023/1/1
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	2023/1/1
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the target set out based on accounting policies.	2023/1/1

**ShunSin Technology Holdings Limited and Its Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the year ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

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

The Group does not expect the following other 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 Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”」

#### **4. Summary of Major Accounting Policies**

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements which are summarized as follows:

##### **(1) Statement on compliance**

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

##### **(2) Basic of preparation**

###### **A. The basis of measurement**

The consolidated financial report is prepared on the basis of historical cost, except for financial instruments (including derivative financial instruments) measured at fair value through profit and loss at fair value.

###### **B. Functional and presentation currency**

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

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

### (3) Basic of consolidation

#### A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group 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 parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

#### B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			2021.12.31	2020.12.31
The Company	ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunSin (Hong Kong))	Holding Company	91.80% (Note1)	90.15%
The Company	ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa))	Overseas material and equipment purchase	100.00%	100.00%
The Company	ShunYun Technology Holdings Limited (hereinafter referred to as ShunYun (Cayman))	Sales of high-speed optical transceiver module	100.00% (Note2)	100.00%
The Company	ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunYun (HaNoi)) (Note4)	Optical transceivers manufacturing	(Note3)	100.00%
The Company	ShunSin Technology (Bac Giang, Vietnam) Limited (hereinafter referred to as ShunSin (Bac Giang))	Optical transceivers manufacturing	(Note3)	100.00%

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

ShunSin (Samoa)	ShunSin (Hong Kong)	Holding Company	8.20%	9.85%
			(Note1)	
ShunSin (Hong Kong)	ShunSin Technology (Zhongshan) Limited (hereinafter referred to as ShunSin (Zhongshan))	Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits	100.00%	100.00%
ShunSin (Hong Kong)	ShunYun Technology (Zhongshan) Limited (hereinafter referred to as ShunYun (Zhongshan))	Optical transceivers manufacturing	100.00%	100.00%
ShunSin (Zhongshan)	Talentek Microelectronics (Hefei) Limited (hereinafter referred to as Talentek (Hefei))	Design, R&D, measurement and sales of electrical equipment, communication equipment and automation equipment	45.42% (Note5)	66.25%
ShunYun (Cayman)	ShunYun (HaNoi)) (Note4)	Optical transceivers manufacturing	100.00%	(Note3)
ShunYun (Cayman)	ShunSin (Bac Giang)	Optical transceivers manufacturing	100.00%	(Note3)
ShunYun (Zhongshan)	ShunYun Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunYun (Hong Kong))	Holding Company	100.00% (Note6)	- %

Note 1: The company increased its capital in ShunSin (Hong Kong) by US\$9,500 thousand and US\$10,000 thousand on January 25 and December 7, 2021, resulting in the company's shareholding ratio in ShunSin (Hong Kong) from 90.15% to 91.80%, while the shareholding ratio of ShunSin (Samoa) to ShunSin (Hong Kong) decreased from 9.85% to 8.20%.

Note 2: ShunYun (Cayman) was registered on July 13, 2020 in Cayman Islands. The authorized capital is US\$ 40,000 thousand. The Company has invested US\$25,280 thousand as of December 31, 2021, and the shareholding ratio is 100%.

Note 3: ShunYun (Cayman) purchased 100% equity of the Company's subsidiary, ShunYun (Ha Noi) and ShunSin (Bac Giang), on December 15, 2021. As of December 31, 2021, ShunYun (Cayman) has acquired 100% of ShunYun (Ha Noi) and ShunSin (Bac Giang).

Note 4: ShunSin Technology (Ha Noi, Vietnam) Limited was renamed as ShunYun Technology (Ha Noi, Vietnam) Limited on February 1, 2021, and the statutory change procedures have been completed.

Note 5: Talentek (Hefei) was approved by shareholders' meeting on June 25, 2021 to increase its capital by RMB 12,000 thousand. The expected shareholding ratio of ShunSin (Zhongshan) will be 44.44% after increasing capital. The actual shareholding ratio is 45.42% according to invested capital, because several shareholders have not invested funds yet as of December 31, 2021.

Note 6: ShunYun (Zhongshan) was approved by Board of Directors on July 30, 2021 to set up its subsidiary, ShunYun Technology (Hong Kong) Holdings Limited (hereinafter referred as ShunYun (Hong Kong) in Hong Kong, on July 7, 2021. The authorized capital is US\$ 10,000 thousand. The expected shareholding ratio of ShunYun (Zhongshan) is 100%, but it has not invested funds yet as of December 31, 2021.

Subsidiaries not included in the consolidated financial report: None.

**ShunSin Technology Holdings Limited and Its Subsidiaries**

**Notes to Consolidated Financial Statements**

**For the year ended December 31, 2021 and 2020**

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

**(4) Foreign currency**

**A. Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate 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 retranslated into the functional currencies using 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 transaction.

**B. Foreign operations**

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rate at the reporting date. The income and expense of foreign operations, are translated into presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When the Group disposes of a foreign operating organization results in the loss of control, joint control or significant influence, the accumulated exchange differences related to the foreign operating organization shall be fully reclassified as profit or loss. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of 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 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 and are recognized in other comprehensive income.

**(5) Standards of classifying current and non-current assets and liabilities**

**ShunSin Technology Holdings Limited and Its Subsidiaries**

**Notes to Consolidated Financial Statements**

**For the year ended December 31, 2021 and 2020**

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

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

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent 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.

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for purpose of trading;
- C. It is due to be settled within 12 months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after 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.

**(6) Cash and cash equivalents**

Cash comprises cash on hand and demand deposit. 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.

**(7) Financial instruments**

Accounts receivables and debt securities issued are initially recognized when transactions occurred. All other financial assets and 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 is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its



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acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**A. Financial assets**

Where the purchase or sale of financial assets conforms to conventional transactions, all purchases and sales of financial assets classified in the same way by the Group shall be accounted for on the transaction date or settlement date.

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

**(a) 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 assets 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.

**(b) Fair value through profit or loss(FVTPL)**

Financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses,

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including any interest or dividend income, are recognized in profit or loss.

(c) Impairment of financial assets

The Group recognize losses allowances for expected credit losses (ECL) on financial assets (including cash and cash equivalents, notes receivable and accounts receivable, other receivables and guarantee deposits paid, etc.) and contractual assets measured at post-amortization costs.

If the credit risk of bank deposits, other receivables and guarantee deposits paid (that is, the risk of default in the expected duration of the existence of financial instruments) has not increased significantly since the original recognition, it shall be measured as the loss allowance based on the expected 12-month credit loss amount.

Accounts receivable and contractual assets are measured against the expected amount of credit loss during the term of the contract.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (of 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.

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

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

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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 delay of payments;
- 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 and contractual assets are deducted from the gross carrying amount of the assets.

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

#### (d) Derecognition of financial assets

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

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

## B. Financial liabilities and equity instruments

### (a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial

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liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(b) Equity instrument**

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

**(c) Treasury stocks**

When repurchasing the equity instruments recognized by the Company, the Company recognized as a decrease in equity base on the paying amount. (including directly attributable costs). The repurchased shares are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a paid-in capital or retained earnings (if the paid-in capital is insufficient).

**(d) Compound financial instruments**

Compound financial instruments issued by the Group are convertible bonds (denominated in New Taiwan dollars) that the holder has the option to convert into share capital, and the number of shares issued will not vary with changes in their fair value.

The original recognized amount of a compound financial liability is measured by the fair value excluding equity conversion rights. The original recognized amount of the equity component is measured by the difference between the fair value of the overall composite financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liabilities and equity components based on the proportion of the original debt and equity book value.

After the initial recognition, the liability component of the composite financial instrument is measured using the effective interest rate method after amortization. The equity components of compound financial instruments are not remeasured after they are initially recognized.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities are reclassified as equity at the time of conversion, and the conversion does not generate profit or loss.

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**(e) Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

**(f) Derecognition of financial liabilities**

The Group excludes financial liabilities when contractual obligations have been fulfilled, cancelled or expired. When the terms of financial liabilities changed and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

When excluding financial liabilities, the difference between their carrying amount and the total payment (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.

**(g) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are only offset when the Group has the legal right to offset and intend to deliver or simultaneously realize the assets and settle the liabilities, expressing them in the balance sheet in net.

#### **C. Derivative financial instruments**

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures.

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

**(8) Inventories**

The original cost of inventory refers to the acquisition, production or processing costs and other costs incurred when the inventory reaches the available location and status, and the moving weighted average method is adopted for calculation.

The subsequent measurement of inventory is based on the lower cost and net realizable value of each category of inventory, while the net realizable value is calculated on the basis of the reduction of the estimated selling price on the balance sheet day from the cost

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and sales cost of the completed investment. When the cost of inventory exceeds the net realized value, the inventory cost shall be reduced to the net realized value and the amount of such write-off shall be recognized as the cost of goods sold. If the net realizable value increases in the subsequent period, the net realizable value of the revolving inventory increases within the original deduction amount and is recognized as a reduction in the cost of current sales.

**(9) Non-current assets classified as held for sale**

When Board of directors of the Group decided to sell some of property, plant and equipment and right-of-use assets, these assets shall be applicable to the accounting policy of non-current assets classified as held for sale.

Non-current assets should be classified as held for sale when their carrying amount is highly likely to be recovered through sale rather than continuing use. Assets shall be remeasured according to the accounting policies of the Group before they are originally classified as for sale. After being classified as held for sale, it is measured based on the lower of its book amount and fair value minus selling cost. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss, but gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment is no longer amortized or depreciated.

**(10) Property, plant and equipment**

**A. Recognition and measurement**

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

When the major components of property, plant and equipment have different economic lives, they are treated as separate items (main components) of property, plant and equipment.

The gain or loss generated from the disposal of property, plant and equipment are recognized as profit or loss.

**B. Subsequent cost**

Subsequent expenditures are capitalized when their future economic benefits are likely to flow into the Group.

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**C. Depreciation**

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is adopted to recognize profit or loss within the estimated useful life.

The estimated service life of various assets in the current period and comparison period is as follows:

(a) Buildings and structures	21 years
(b) Machinery and equipment	1 year 10 months to 9 years
(c) Office equipment (including computer and telecommunication equipment)	4 to 6 years
(d) Testing equipment	1 to 6 years
(e) Other facilities	1 to 10 years
(f) Lease improvement	1 to 10 years

The Group reviews the depreciation method, useful life and residual value on each reporting day, and makes appropriate adjustments if necessary.

**(11) Lease—As a lessee**

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the 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

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paid at the commencement date, discounted using the interest rate implicit in the lease or, if that are cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- A. Fixed payments, including in-substance fixed payments;
- B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. Amounts expected to be payable under a residual value guarantee; and
- D. 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:

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

When the lease liability is remeasured due to the changes of index or rate, residual value deposit, and the assessment of purchase, extend or terminate option, 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 rental periods of office, parking, staff dorm, and machinery are short-term lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities, and recognized as expenses during the lease period on a straight-line basis.



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As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- A. The rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- B. The change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- C. Any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- D. There is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

**(12) Intangible assets**

**A. Recognition and measurement**

The Group obtains intangible assets with limited service life, which is measured by cost less accumulated amortization and accumulated impairment.

**B. Subsequent expenditure**

Subsequent expenditures may be capitalized only if they increase the future economic benefit of the particular asset concerned. All other expenditures are recognized as gains and losses when incurred.

**C. Amortization**

Intangible assets are computer software, which are amortized on a straight-line basis over the estimated service life of one to five years from the moment they become available for use.

The Group reviews the amortization method, useful life and residual value of intangible assets on each reporting day, and makes appropriate adjustments if necessary.

**(13) Impairment of non-financial assets**

The Group assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventory, contract assets and deferred income tax assets) may be impaired. If any signs exist, the Group shall re-estimate the

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asset's recoverable amount.

For the purpose of impairment test, a group of assets whose cash inflow is mostly independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group.

The recoverable amount is the greater of the fair value of individual assets or cash-generating units minus the disposal cost and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss, and the book value of each asset is reduced in proportion to the book value of each other asset in the unit.

Non-financial assets other than goodwill will only be reversed within its book value (less depreciation or amortization) determined when the asset did not recognize impairment losses in previous years.

(14) Revenue recognition

Most products producing by the Group as work-in-process are under control of client, thus, the Group recognized revenue during the process of produce. Main revenue items are as follows:

A. Revenues from packaging and testing service

The Group provides processing services such as packaging and testing, and recognizes the relevant income during the reporting period of providing processing services. The Group shall recognize revenue on the basis of the proportion of the standard cost of services provided as at the reporting date to the total standard cost of services.

If conditions change, estimates of revenues, costs and levels of completion will be revised and changes made during the period when management is informed of the changes will be reflected in profit and loss.

B. Revenue from merchandise sales

Revenue from merchandise sales comes from sales of automotive electronics, fingerprint identification and thick film products. The goods promised by the Group will be shipped or delivered to the place designated by the customer according to the transaction conditions, and the customer will recognize the income and accounts receivable when the customer

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obtains the control of the goods and meets the performance obligations.

C. Financial components

The Group expect that the time interval between the transfer of goods or services to customers by all customer contracts and the payment of goods or services by customers will not exceed one year. Therefore, the Group do not adjust the monetary time value of the transaction price.

(15) Employees benefits

The obligation to allocate a pension plan is defined as the employee's welfare expenses recognized as profit and loss during the period of service provided by the employee.

Short-term employee welfare obligations are measured on a non-discounted basis and are recognized as expenses in the provision of related services.

The amount of expected payment under a short-term cash bonus or bonus scheme is recognized as a liability if the Group have a current statutory or presumptive obligation to pay due to the past service provided by its employees and the obligation can be reliably estimated.

Subsidiaries in mainland China shall, in accordance with local government decrees, allocate pensions in proportion to one of the basic salaries of their employees and pay them to the relevant government departments, and deposit them exclusively in separate accounts of their employees.

(16) Government subsidies

The Group recognizes an unconditional government subsidy related to the business in profit or loss as other income when the subsidy becomes receivable. Subsidies that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Share-based payment transactions

The employee shall be entitled to a share-based award for the fair value of the day, and shall recognize the remuneration cost and increase the relative rights and interests within the period when the employee can get the remuneration unconditionally. The recognized remuneration costs shall be adjusted in accordance with the quantity of the award which is expected to meet the conditions of service and which is not obtained at

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the market price; The final recognition amount is based on the amount of rewards that meet the conditions of service and non-market price on the vested day.

The non-vested conditions of share-based payment have been reflected in the measurement of the fair value of share-based payment and the difference between expected and actual results need not be verified and adjusted.

**(18) Income tax**

Income tax expenses include current and deferred income taxes. The current income tax and deferred income tax shall be recognized as profit and loss, except for those project stakeholders who are directly recognized as equity or other comprehensive gains and losses after consolidation.

Current taxes comprise the expected tax payables or receivables on the taxable profit (losses) for the year and any adjustment to the tax payable of receivable in respect of previous years. The amount is based on the statutory tax rate at the reporting date or the tax rate of the substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is a measure of the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

- A. Assets or liabilities not originally recognized in the transaction of a consolidation and which do not affect accounting profits and taxable income (losses) at the time of the transaction.
- B. Arising from investments in subsidiaries and joint venture interests which are likely not to be converted in the foreseeable future.
- C. Original recognition of goodwill.

Deferred income tax is measured at the tax rate at which the temporary difference is expected to revert, and is based on the legal tax rate or substantive legislative tax rate at the reporting date.

Deferred income tax assets and deferred income tax liabilities shall be offset only when the Group simultaneously meets the following conditions:

- A. Having the legal enforcement power to offset the current income tax assets and current income tax liabilities; and

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B. Deferred income tax assets and deferred income tax liabilities are related to any of the following entities that are subject to income tax levied by the same tax authority;

(a) The same taxpayer; or

(b) Different tax payers, however, each tax payer intends to pay current income tax liabilities and assets on a net basis for each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be paid, or to realize assets and liabilities at the same time.

For unused taxation losses and unused income tax deduction in the later period of transfer, it may be considered as deferred income tax assets to the extent that future taxable income may be available. It will be re-assessed on each reporting day and adjusted to the extent that the relevant income tax benefits are not likely to be realized; such reduction are reversed when the probability of future taxable profit improves.

**(19) Earnings per share**

The Group list the basic and diluted earnings per share attributable to the general equity holders of the Company. The basic earnings per share of the Group shall be calculated by dividing the profits and losses attributable to the common equity holders of the Company by the weighted average number of common shares outstanding in the current period. Shares added due to surplus or capital reserve transferred to capital increase shall be calculated by retroactive adjustment. If the base date of the transfer of surplus or capital reserve to capital increase is prior to the submission of financial statements, the adjustment shall be made retroactively.

Diluted earnings per share are calculated after adjusting for the effect of all potential diluted common shares on the profits and losses attributable to holders of the Company's common shares and the weighted average number of outstanding common shares. The Company's potential dilution of common share includes employee compensation, employee stock options, and bonds.

**(20) Information of the departments**

The operations department is an integral part of the Group and engages in business activities that may generate revenue and incur expenses (including revenues and expenses related to transactions between other components of the Group), together with separate financial information. The operating results of all operating departments are regularly reviewed by the major operating decision makers of the Group to determine the allocation of resources to the decisions of the department and to evaluate its

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performance.

**5. Major Sources of Uncertainty in Accounting Judgments, Estimates and Assumptions**

In preparing these consolidated financial reports in accordance with the IFRS recognized by the FSC, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, earnings and expenses. The actual results may differ from the estimates.

Management continuously reviews estimates and basic assumptions and recognizes accounting estimates changes during periods of change and in the affected future periods.

The information relating to the uncertainty of the assumptions and estimates that there is a material risk that will cause a material adjustment in the next financial year is measured by the fair value of the financial asset as measured by profit and loss at fair value, In the process of re-measurement of its fair value, the Group must rely on the external appraisal report. The evaluation in the report is easy to be affected by the operating status of the invested companies and the changes in the overall industrial boom, so that the subsequent re-measurement of the interests or losses generated by the fair value will have a large range of changes in the recognition of gains and losses, so that the value of financial assets will be adjusted. Please refer to note 6 (22) for the description of financial asset evaluation through profit and loss at fair value.

**6. Description of important accounting items**

**(1) Cash and cash equivalents**

	<u><b>2021.12.31</b></u>	<u><b>2020.12.31</b></u>
Cash	\$ 68	-
Current deposit	1,467,975	7,477,843
Times deposit	7,598,856	2,465,537
Cash and cash equivalents as shown in the consolidated cash flow statement	<u><b>\$ 9,066,899</b></u>	<u><b>9,943,380</b></u>

For the disclosure of interest rate risk and sensitivity analysis of the Group's financial assets, please refer to note 6 (23) for details.

**(2) Financial assets (liabilities) at fair value through profit or loss**

**A. Current**

	<u><b>2021.12.31</b></u>	<u><b>2020.12.31</b></u>
Financial assets (liabilities) designated at fair value through profit and loss:		
Derivative financial assets		
Right to redeem and sell back bonds	\$ -	2,550



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re-measurement.

(3) Financial assets at amortised cost

A. Current

	<b>2021.12.31</b>	<b>2020.12.31</b>
Restricted bank deposits	<b>\$ 52,572</b>	<b>-</b>

ShunYun (Zhongshan), a subsidiary of the Group, applied to the customs for the qualification of import and export goods, guaranteed by ShunSin (Zhongshan) with customs deposit amounting to RMB 12,000 thousand (NTD 52,572 thousand) in January, 2021.

B. Non-current

	<b>2021.12.31</b>	<b>2020.12.31</b>
Restricted bank deposits	<b>\$ 8,000</b>	<b>8,000</b>

The Group started to use long-term loans in October, 2020. According to the contract, the amount of 8,000 thousand was deposited into the joint loan interest custody account.

The Group recognized as financial assets measured at amortized cost, whose intension is to hold the asset to maturity to collect contractual cash flow which is solely payment of principal and interest on the principal amount outstanding.

Please refer to note 8 for the details of customs deposit and collateral for long-term loans as of December 31, 2021 and 2020.

(4) Accounts receivable

	<b>2021.12.31</b>	<b>2020.12.31</b>
Accounts receivable	<b>\$ 653,771</b>	<b>408,279</b>
Accounts receivable-related party	<b>101,458</b>	<b>701,751</b>
Less: loss allowance	<b>-</b>	<b>(14,246)</b>
	<b>\$ 755,229</b>	<b>1,095,784</b>

Accounts receivable of the Group is not discounted or provided as collateral.

The Group uses the simplified method of estimating the anticipated credit loss for all accounts receivable, that is to say, the Group estimates anticipated credit losses based on the duration of those. In order to measure the abovementioned, the Group



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categorized its clients based on common credit risk about the ability to pay off the due amount, considered foresighted information which includes information on the overall economy and related industries.

The anticipated credit loss of accounts receivable of the Group on December 31, 2021 and 2020, are analyzed as follows:

	<b>2021.12.31</b>		
	<b>Book value of accounts receivable</b>	<b>Weighted average anticipated credit loss rate (%)</b>	<b>Provision against anticipated credit losses during the continuance of existence</b>
Not overdue	\$ 722,333	-	-
Past due 1-30 days	31,095	-	-
Past due 61-90 days	252	-	-
Past due 91-120 days	1,133	-	-
Past due 121-365 days	416	-	-
	<b>\$ 755,229</b>	<b>-</b>	<b>-</b>

There is no need to recognize anticipated credit losses during the duration after assessment.

	<b>2020.12.31</b>		
	<b>Book value of accounts receivable</b>	<b>Weighted average anticipated credit loss rate (%)</b>	<b>Provision against anticipated credit losses during the continuance of existence</b>
Not overdue	\$ 1,031,592	-	-
Past due 1-30 days	62,861	-	-
Past due 31-60 days	1,320	-	-
Past due 61-90 days	10	-	-
Past due 91-120 days	1	-	-
	<b>\$ 1,095,784</b>	<b>-</b>	<b>-</b>

The Group has recognized whole amount of \$14,426 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be

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recovered.

The Group's statement of allowance of uncollectible notes receivable and accounts receivable is as follows:

	<b>2021</b>	<b>2020</b>
Opening balance	\$ 14,246	13,802
Recognized loss allowance (Reversal of expected credit loss)	(15,241)	1,026
Exchange gain (loss)	995	(582)
Ending balance	<u><u>\$ -</u></u>	<u><u>14,246</u></u>

Financial assets aforementioned are not used as guarantees for short-term loans and line of credit.

(5) Other receivables

	<b>2021.12.31</b>	<b>2020.12.31</b>
Other receivables	<u><u>\$ 24,715</u></u>	<u><u>10,945</u></u>

Other receivables of the Group were not overdue in December 31, 2021 and 2020.

(6) Inventories

	<b>2021.12.31</b>	<b>2020.12.31</b>
Raw materials	\$ 1,091,396	292,040
Work-in-process	26,790	12,389
Finished products (including semi-finished products)	23,269	20,767
	<u><u>\$ 1,141,455</u></u>	<u><u>325,196</u></u>

Operating costs recognized for the year of 2021 and the year of 2020 of the Group:

	<b>2021</b>	<b>2020</b>
Cost of selling inventories	\$ 3,323,093	3,250,665
Loss allowance for inventory valuation losses and slow-moving inventories	27,246	21,407
Revenue from sale of scraps	(2,391)	(2,740)
	<u><u>\$ 3,347,948</u></u>	<u><u>3,269,332</u></u>

As of December 31, 2021 and 2020, the inventory of the Group has not been provided as a

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pledge guarantee.

### (7) Non-current assets classified as held for sale

In order to optimize assets and raise efficiency of operation, after obtaining management's approval on July 30, 2021, Board of Directors approved to sell ShunSin (Zhongshan)'s equipment to Triple Win Technology (Shenzhen) Co., Ltd on October 28, 2021. The book value of the equipment is 507,203 thousand (RMB 118,111 thousand). The Group transferred the equipment to non-current assets classified as held for sale with its book value. Part of the aforementioned machinery and equipment for sale were sold at their book value in October and December of 2021. The disposal price was RMB 484,462 thousand (RMB 111,514 thousand), and the gain on the disposal was 0. As of December 31, 2021, the aforementioned remaining amount of 4,546 thousand has not yet been received, which is listed under other receivables. Among the remaining machinery and equipment for sale, 4,110 thousand (RMB 946 thousand) was transferred back to self use in December 2021, and 24,532 thousand (RMB 5,651 thousand) was sold at book value in March 2022.

### (8) Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group in the year of 2021 and the year of 2020 are as follows:

	Housing and building	Machiner y and equipment	Office equipment (including computer communic ation equipment )	Inspection equipment	Other equipment	Lease improvm ent	Unfinishe d constructi on and equipment to be inspected	Total
Cost:								
Balance as of January 1, 2021	\$ 489,937	2,664,726	68,702	943,932	435,249	46,989	727,759	5,377,294
Acquisition	91,790	508,816	11,247	146,941	82,471	159	323,367	1,164,791
Disposal	-	(31,506)	(2,650)	(2,872)	(2,858)	-	-	(39,886)
Re-classification(Note 1 and 2)	684,295	(638,306)	6,554	(363,297)	(135,218)	-	(831,436)	(1,277,408)
Impact of exchange rate changes	(12,512)	(31,734)	(8,763)	(56,191)	(5,184)	(251)	(6,443)	(121,078)
Balance as of December 31, 2021	<b>\$ 1,253,510</b>	<b>2,471,996</b>	<b>75,090</b>	<b>668,513</b>	<b>374,460</b>	<b>46,897</b>	<b>213,247</b>	<b>5,103,713</b>
Balance as of January 1, 2020	\$ 482,658	2,716,649	64,547	999,550	349,634	46,118	641,337	5,300,493
Acquisition	-	92,588	3,887	33,176	72,607	146	104,772	307,176
Disposal	-	(213,290)	(572)	(103,495)	(10,286)	-	-	(327,643)
Re-classification(Note 1)	-	28,458	18	1,273	19,104	-	(29,539)	19,314
Impact of exchange rate changes	7,279	40,321	822	13,428	4,190	725	11,189	77,954
Balance as of December 31, 2020	<b>\$ 489,937</b>	<b>2,664,726</b>	<b>68,702</b>	<b>943,932</b>	<b>435,249</b>	<b>46,989</b>	<b>727,759</b>	<b>5,377,294</b>
Accumulated depreciation and impairment losses:								

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Balance as of January 1, 2021	\$	233,636	1,987,704	62,131	674,620	283,262	15,909	-	3,257,262
Depreciation		51,774	200,741	5,939	117,174	75,496	5,035	-	456,159
Disposal		-	(26,551)	(2,650)	(2,862)	(2,858)	-	-	(34,921)
Re-classification(Note 2)		-	(419,683)	(335)	(242,252)	(101,205)	-	-	(763,475)
Impact of exchange rate changes		(1,282)	(30,903)	(1,690)	(56,161)	(4,361)	(89)	-	(94,486)
Balance as of December 31, 2021	\$	<b>284,128</b>	<b>1,711,308</b>	<b>63,395</b>	<b>490,519</b>	<b>250,334</b>	<b>20,855</b>	<b>-</b>	<b>2,820,539</b>
Balance as of January 1, 2020	\$	203,563	1,922,956	54,049	616,868	236,874	10,732	-	3,045,042
Depreciation		26,374	233,216	7,674	142,200	47,449	4,914	-	461,827
Disposal		-	(198,902)	(572)	(94,815)	(4,876)	-	-	(299,165)
Impact of exchange rate changes		3,699	30,434	980	10,367	3,815	263	-	49,558
Balance as of December 31, 2020	\$	<b>233,636</b>	<b>1,987,704</b>	<b>62,131</b>	<b>674,620</b>	<b>283,262</b>	<b>15,909</b>	<b>-</b>	<b>3,257,262</b>
Carrying amount:									
Balance as of December 31, 2021	\$	<b>969,382</b>	<b>760,688</b>	<b>11,695</b>	<b>177,994</b>	<b>124,126</b>	<b>26,042</b>	<b>213,247</b>	<b>2,283,174</b>
Balance as of December 31, 2020	\$	<b>256,301</b>	<b>677,022</b>	<b>6,571</b>	<b>269,312</b>	<b>151,987</b>	<b>31,080</b>	<b>727,759</b>	<b>2,120,032</b>

Note 1: From January 1 to December 31, 2021 and 2020, the amounts of reclassifying into expenses are \$7,015 thousand and \$246 thousand, and the amounts reclassified from prepayments for business facilities are \$285 thousand and \$19,560 thousand respectively.

Note 2: From January 1 to December 31, 2021, the cost and accumulated depreciation transferred to non-current assets classified as held for sale are \$1,270,678 thousand and \$763,475 thousand, respectively.

### (9) Right-of-use asset

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

		Land	Building	Vehicle	Total
Cost:					
Balance as of January 1, 2021	\$	282,271	92,396	7,049	381,716
Acquisition		-	7,505	2,290	9,795
Decrease (contract expired)		-	(410)	(1,493)	(1,903)
Impact of exchange rate changes		(1,614)	(577)	(45)	(2,236)
Balance as of December 31, 2021	\$	<b>280,657</b>	<b>98,914</b>	<b>7,801</b>	<b>387,372</b>
Balance as of January 1, 2020	\$	39,253	54,982	5,595	99,830
Acquisition		251,505	41,742	3,773	297,020
Decrease (contract expired)		-	-	(2,438)	(2,438)
Impact of exchange rate changes		(8,487)	(4,328)	119	(12,696)
Balance as of December 31, 2020	\$	<b>282,271</b>	<b>92,396</b>	<b>7,049</b>	<b>381,716</b>
Accumulated depreciation of right-of-use assets:					
Balance as of January 1, 2021	\$	3,942	30,694	3,046	37,682
Depreciation		8,355	32,906	2,794	44,055
Decrease (contract expired)		-	(410)	(1,493)	(1,903)
Impact of exchange rate changes		(104)	(99)	(6)	(209)
Balance as of December 31, 2021	\$	<b>12,193</b>	<b>63,091</b>	<b>4,341</b>	<b>79,625</b>

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Balance as of January 1, 2020	\$	1,372	5,405	2,724	9,501
Depreciation		2,565	25,821	2,722	31,108
Decrease (contract expired)		-	-	(2,438)	(2,438)
Impact of exchange rate changes		5	(532)	38	(489)
Balance as of December 31, 2020	\$	<u>3,942</u>	<u>30,694</u>	<u>3,046</u>	<u>37,682</u>
Carrying amount:					
Balance as of December 31, 2021	\$	<u>268,464</u>	<u>35,823</u>	<u>3,460</u>	<u>307,747</u>
Balance as of December 31, 2020	\$	<u>278,329</u>	<u>61,702</u>	<u>4,003</u>	<u>344,034</u>

### (10) Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets for the year of 2021 and 2020 are as follows:

	Cost of computer software
Cost:	
Balance as of January 1, 2021	\$ 30,354
Acquisition	696
Impact of exchange rate changes	(162)
Balance as of December 31, 2021	<u>\$ 30,888</u>
Balance as of January 1, 2020	\$ 20,061
Acquisition	9,789
Impact of exchange rate changes	504
Balance as of December 31, 2020	<u>\$ 30,354</u>
Amortization and impairment losses:	
Balance as of January 1, 2021	\$ 19,575
Amortization	10,435
Impact of exchange rate changes	(111)
Balance as of December 31, 2021	<u>\$ 29,899</u>
Balance as of January 1, 2020	\$ 17,146
Amortization	2,120
Impact of exchange rate changes	309
Balance as of December 31, 2020	<u>\$ 19,575</u>
Carrying amount:	
Balance as of December 31, 2021	<u>\$ 989</u>

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Balance as of December 31, 2020 **\$ 10,779**

The amortization expenses of intangible assets for 2021 and 2020 are reported under the consolidated income statement as follows:

	<b>2021</b>	<b>2020</b>
Operating costs	\$ 9,816	651
Operating expenses	619	1,469
	<b>\$ <u>10,435</u></b>	<b><u>2,120</u></b>

(11) Short-term loans

The details of the short-term loans of the Group are as follows:

	<b>2021.12.31</b>	<b>2020.12.31</b>
Unsecured bank loans	<b>\$ <u>3,142,240</u></b>	<b><u>4,513,883</u></b>
Line of credit	<b>\$ <u>3,893,962</u></b>	<b><u>2,617,649</u></b>
Interest rate range (%)	<b><u>0.72~0.90</u></b>	<b><u>0.72~1.30</u></b>

The Group did not set up assets as collateral for bank loan guarantee.

(12) Long-term loans

The details of the long-term loans of the Group are as follows:

<b>2021.12.31</b>			
	<b>Currency</b>	<b>Period</b>	<b>Amount</b>
Syndicated loan from China CITIC Bank	NTD	2020.10~2022.12	\$ 840,000
Less: deferred financing fee			(1,300)
Secured loan from MUFG Bank	NTD	2021.12~2024.12	775,040
Secured loan from E.SUN Bank	NTD	2021.12~2024.12	332,160
Less: part due within one year			838,700
Total			<b>\$ <u>1,107,200</u></b>
Line of credit			<b>\$ <u>1,300,000</u></b>
Interest rate range (%)			<b><u>1.11~1.85</u></b>

<b>2020.12.31</b>			
	<b>Currency</b>	<b>Period</b>	<b>Amount</b>
Syndicated loan from China CITIC	NTD	2020.10~2022.12	\$ 840,000

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Bank	
Less: deferred financing fee	(3,900)
Less: part due within one year	-
Total	<u><u>\$ 836,100</u></u>
Line of credit	<u><u>\$ 3,060,000</u></u>
Interest rate range (%)	<u><u>1.85</u></u>

**A. Collateral for loans**

The Group started to use syndicated loan from China CITIC Bank in October 2020. According to the contract, the amount deposited into the joint loan interest custody account is 8,000 thousand. Please refer to note 8 for more information on the collateral loans.

**B. Bank loan endorsement guarantee**

The subsidiary of the Company, ShunYun (Cayman), started to use the secured loan from MUFG Bank which was guaranteed by the Company. The guaranteed amount is 1,668,000 thousand (USD 60,000 thousand).

**C. Loan contract**

According to the provisions of the syndicated loan contract from China CITIC Bank and the secured loan contract from MUFG Bank, during the loan period, the Group shall calculate and maintain financial covenants based on the consolidated financial report of each year for which the accountant audited, and the consolidated financial report for the second quarter of each year reviewed by the accountant, Financial covenants such as debt ratio, interest protection multiples and tangible net worth. And since the date of first use, it will be checked every half of the fiscal year. If it does not conform to the above ratio, within three months from April 1 of the following year of the audit year or August 15 (the syndicated loan contract from China CITIC Bank) and August 31 (the secured loan contract from MUFG Bank) of the year of the audit year, the financial ratio shall be improved by cash increase or other methods to meet the financial covenants, ie not considered as default.

According to the provisions of the syndicated loan contract from China CITIC Bank, the Group will repay the principal in one lump sum when it expires, and may apply for

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extension of the credit term before the expiry date. If the banks agree to the extension, the unpaid principal balance shall be repaid in five installments. The first installment is on the date after thirty-six months of the first use, and thereafter every six months shall be an installment for repayment. As of December 31, 2021, the Company has not applied for extension, therefore the non-current portion of non-current borrowings are classified as long-term borrowings, current portion.

According to the stipulations of the contract between the MUFG Bank and E.SUN Bank, the principal will be repaid in one lump sum upon maturity. Therefore, the amount of long-term borrowings - current portion on December 31, 2021 and 2020 is 0 thousand. According to the description of the above three non-current portion of non-current borrowings, the Group's long-term borrowings - current portion is 838,700 thousand.

**(13) Convertible bonds payable**

	<b>2021.12.31</b>	<b>2020.12.31</b>
The total amount of convertible bonds issued	\$ 1,500,000	1,500,000
Less: amount of discount on issuing convertible bonds	142,650	142,650
Underwriting expenses	<u>7,294</u>	<u>7,294</u>
Compound present value of bonds converted at issuance	1,350,056	1,350,056
Amortization of Company debt payable at discount	117,278	86,400
Cost of convertible bonds issue at premium	<u>7,500</u>	<u>7,500</u>
Ending balance of convertible bonds payable	<b><u>\$ 1,474,834</u></b>	<b><u>1,443,956</u></b>

In accordance with the official document No. 1060050468 issued by FSC, the Group issued the unsecured convertible bonds within R.O.C. for the first time on January 10, 2018. The maximum issuance amount was \$1,530,000 thousand. Pricing had been completed on February 2, 2018. With February 12, 2018 as the date of issue, the convertible bonds were issued at 100.5% of face value at NT \$100 thousand each. The total number of issues was 15,000, the total amount of issues was NT \$1,500,000 thousand, and the raised amount was \$1,507,500 thousand. The duration shall be five years from the date of issue, and the maturity date shall be the date on which the coupon interest rate is 0% per annum, and the conversion price shall be \$175.2 per share.



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The convertible bonds issued by the Group shall be separated from the liabilities and shall be recognized as equity and liabilities in accordance with the provisions of IFRS 9.

The value of the convertible bonds at the time of issue	\$	1,357,350
Embedded derivative financial product at issue (i.e., put and call)		13,650
Composition of equity at issue (i.e. conversion rights)		129,000
	<b>\$</b>	<b><u>1,500,000</u></b>

A. The main terms of issuance of the above convertible bonds are as follows:

First unsecured convertible bonds

- (a) Coupon rate: 0%.
- (b) Duration: five years (from February 12, 2018 to February 12, 2023).
- (c) Re-payment method: In addition to the redemption by the Group and the request of the creditors to sell back or convert into stocks, the maturity of the bond will be repaid in cash at one time according to the face value of the bond.
- (d) Conversion period: from the next day after the third months of the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), the creditor shall, in accordance with the conversion method, request the Group to convert the convertible bonds into common shares.
- (e) Redemption of the Group on the convertible bonds: from the next day after the third months of the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), if the closing price of the common stock of the Company exceeds 30% of the conversion price at that time for 30 consecutive business days, or if the total amount of the bond that has not yet been converted is less than 10% of the total amount of the bond issued, the Group may send to the creditor a notice of bond recovery at the expiration of 30 days, and request the OTC to make a public announcement to exercise the right to redeem the convertible bonds.
- (f) Put provision of bond holders: The date of expiration of three years after the issuance of the convertible Company bonds (February 12, 2021) shall be the base date on which the bondholders sell back the bonds to the Group in advance, and the convertible bonds held by the bondholders shall be sold back in cash; In accepting the resale request, the Group shall, within five business days after the base date of resale, deliver the money to the bondholders by means of remittance.
- (g) Conversion price: The conversion price of the converted Company's bonds shall be determined on February 2, 2018 as the base date of the conversion price. The simple arithmetic average of the closing price of the Company's common shares shall be the base price, multiplied by the conversion premium of 113%. This is the basis for calculating the conversion price (calculated to \$ 0.1, and rounded below). In the case of ex-dividend before the datum for determining the conversion price, the ex-dividend price shall be calculated as the closing price of the conversion price after the adoption; The conversion price shall be adjusted according to the conversion price adjustment formula in the event of deduction or interest deduction from the decision to the actual issuance date. The conversion price of the convertible bonds is \$175.2 per share while it was issued; from July 30, 2021, which is ex-dividend base date, the conversion price is \$159.7 per share.

B. Financial liabilities at fair value through profit or loss-non-current, the details are as follows:

	<b>2021.12.31</b>	<b>2020.12.31</b>
Initial balance of embedded derivative financial commodity (put and call)	\$ 2,550	2,250
Valuation gains (loss) in the current period	(2,550)	300
	<b>\$ -</b>	<b><u>2,550</u></b>

C. Equity composition item under capital reserve-stock option, the details are as follows:

<b>2021</b>	<b>2020</b>
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Closing balance(Initial balance)	<b>\$</b>	<b><u>129,000</u></b>	<b><u>129,000</u></b>
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Based on conservative principle, the Group reclassified the bonds payable and financial liabilities at fair value through profit or loss to current liabilities as of first quarter of 2020 because the holder of bonds payable may require the Group to buy back the bonds at agreed price after 3 years from the bonds' issue date (February 12, 2021 is the selling base day of bonds holders), nevertheless, the bonds payable is not necessarily required to fully paid off in one year. Due to put right has expired, the expiration dates of First unsecured convertible bonds, which are February 12, 2023 and January 3, 2023, respectively. The Group reclassified the convertible bonds and current financial assets at fair value through profit or loss as non-current items.

(14)Lease Liability

The Group's booking value of lease liabilities are as follows:

	<b>2021.12.31</b>	<b>2020.12.31</b>
Current	\$ 35,133	32,598
Non-current	3,976	33,187
Total	<b><u>\$ 39,109</u></b>	<b><u>65,785</u></b>

Please refer to note 6 (23) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

	<b>2021</b>	<b>2020</b>
Interest expense from lease liabilities	<b><u>\$ 1,601</u></b>	<b><u>1,503</u></b>
Expense of short-term lease	<b><u>\$ 63,676</u></b>	<b><u>23,811</u></b>
Expense of low-value leasing asset (not include low-value short-term lease)	<b><u>\$ 34</u></b>	<b><u>30</u></b>
Covid-19-Related Rent Concessions (recognized as other income)	<b><u>\$ -</u></b>	<b><u>1,719</u></b>

Amounts recognized in cash flow statement are as follows:

	<b>2021</b>	<b>2020</b>
Total cash used in operating activity	\$ 65,311	25,344
Total cash used in financing activity	35,707	25,903

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Total cash used in lease	<b>\$</b>	<b>101,018</b>	<b>51,247</b>
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**A. Lease of land, buildings and constructions**

The Group leases land, houses and buildings as operating site and factory. The leasing periods of land is usually 30 to 50 years, the leasing periods of buildings and constructions are usually 2 to 3 years, and some leases include the option to extend the same period as the original contract when the lease period expires.

**B. Other leases**

The Group leases transportation equipment for a period of 3 to 4 years.

Besides, the rental periods of office, parking lot, staff dorm, and machinery are 1 to 3 years, which are short term or low value lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities.

**(15) Employee benefit**

The Taiwan branch of the Group shall adopt a defined contribution plan, which shall be transferred to the individual pension account of the labor insurance bureau at the rate of 6% of the monthly salary of the employees in accordance with the provisions of the Labor Pension Act. There is no statutory or presumed obligation to pay additional amounts after a fixed amount is paid to the labor insurance bureau by the Group under the scheme.

In accordance with the pension insurance system stipulated by the government of the People's Republic of China, a company incorporated in the People's Republic of China shall allocate a certain proportion of its employees' total salary to the pension fund each month, and the proportion rate is 13%. And the pension fund is deposit into the individual account of each employee. The pension of each employee shall be managed and arranged by the government, and the Company shall have no further obligation except monthly allocation.

The pension expenses of the Group in 2021 and 2020 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

	<b>2021</b>	<b>2020</b>
Operating costs	\$ 35,748	28,331
Operating expenses	21,008	12,066
	<b>\$ 56,756</b>	<b>40,397</b>

**(16) Income tax**

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### A. Income tax expenses (benefits)

Income tax declarations of the Group shall be made separately by each company, and shall not be consolidated.

The income tax expense (benefit) details of the Group for the year of 2021 and the year of 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Current		
Current period	\$ 114,710	39,645
Underestimate (overestimate) of income tax for previous year	(3,283)	1,291
	<u>111,427</u>	<u>40,936</u>
Deferred income tax expenses (benefits)		
Occurrence and reversal of temporary differences	\$ (173,777)	250,313
Reverse the temporary difference of previous year	(106,971)	-
Previous year's loss deduction against overestimates	(3,114)	(4,434)
	<u>(283,862)</u>	<u>245,879</u>
Income tax expense	<u><b>\$ (172,435)</b></u>	<u><b>286,815</b></u>

The income tax expense (benefit) details of the Group for the year of 2021 and the year of 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Pre-tax net profit	<u><b>\$ 206,172</b></u>	<u><b>1,006,371</b></u>
Income tax calculated according to the local tax rate of each company	\$ 4,733	187,542
Adjustment according to tax law	(53,919)	(9,988)
Underestimate (overestimate) of income tax for previous year	(3,283)	1,291
Previous year's loss deduction against underestimates	(3,114)	(4,434)
Reverse the temporary difference of previous year	(106,971)	-
Estimated (revolving) tax on the income distribution of subsidiaries	(9,881)	112,404
Income tax expense	<u><b>\$ (172,435)</b></u>	<u><b>286,815</b></u>

### B. Deferred tax assets and liabilities

#### (a) Unrecognized deferred tax liabilities

Board of Directors of ShunSin (Zhongshan) decided not to distribute the

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undistributed earnings of 2016 and 2015 on September 30, 2021. On June 29, 2015 and November 24, 2014, respectively, Board of Directors of ShunSin (Zhongshan) decided not to distribute the undistributed earnings of 2013 and previous years. Therefore, as of December 31, 2021 and 2020, the Group did not recognize the deferred income tax liabilities arising from the taxable earnings of long-term equity investment under the Equity Law of the Republic of China in 2014 and previous years. The relevant amounts are as follows:

	2021.12.31	2020.12.31
Taxable surplus of long-term equity investment in Equity method	\$ 346,139	239,168

(b) Recognized deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2021 and 2020 are as follows:

Deferred tax assets:

	Unrealized exchange gains (losses )	Loss deduction	Difference in durability of property, plant and equipment	Unrealized evaluate gains (losses )	Others	Total
<b>Balance as of January 1, 2021</b>	\$ -	11,747	61,917	15,462	25,949	115,075
Income Statement	2,123	108,861	(26,663)	8,754	11,777	104,852
The impact of exchange rate change	4	(135)	(415)	(89)	(130)	(765)
<b>Balance as of December 31, 2021</b>	<b>\$ 2,127</b>	<b>120,473</b>	<b>34,839</b>	<b>24,127</b>	<b>37,596</b>	<b>219,162</b>
<b>Balance as of January 1, 2020</b>	\$ 9,184	168,047	73,690	-	17,205	268,126
Income Statement	(9,184)	(155,909)	(12,719)	15,168	8,361	(154,283)
The impact of exchange rate change	-	(391)	946	294	383	1,232
<b>Balance as of December 31, 2020</b>	<b>\$ -</b>	<b>11,747</b>	<b>61,917</b>	<b>15,462</b>	<b>25,949</b>	<b>115,075</b>

Deferred tax liabilities:

	Long-term equity investment	One-time expensation of equipment (Note)	Others	Total
<b>Balance as of January 1, 2021</b>	\$ 300,584	203,571	16,134	520,289
Income Statement	(116,852)	(61,184)	(974)	(179,010)
The impact of exchange rate change	(1,141)	(1,047)	(46)	(2,234)
<b>Balance as of December 31, 2021</b>	<b>\$ 182,591</b>	<b>141,340</b>	<b>15,114</b>	<b>339,045</b>
<b>Balance as of January 1, 2020</b>	\$ 183,990	237,105	294	421,389

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Income Statement	112,404	(36,539)	15,731	91,596
The impact of exchange rate change	4,190	3,005	109	7,304
<b>Balance as of December 31, 2020</b>	<b>\$ 300,584</b>	<b>203,571</b>	<b>16,134</b>	<b>520,289</b>

Note: According to Cai-Shui [2018] 54 issued by the State Taxation Administration of the Ministry of Finance of the Mainland of China, newly purchased equipment and appliances with unit value not exceeding 5 million yuan between 2018 and 2020 are allowed to be deducted in the calculation of income tax payable at one time, and depreciation is not calculated annually.

(c) Examination and approval of income tax

The Company is exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established.

The Taiwan Branch of the Company has been approved by the taxation authorities until 2019.

### (17) Capital and other equities

As of December 31, 2021 and 2020, the amount of authorized share of the Company are both 1,440,000 thousand with par value of \$10 for 144,000 thousand ordinary shares respectively. The issued shares are 107,465 and 107,256 thousand ordinary shares and all outstanding shares were collected.

Reconciliation of outstanding shares is as follows:

	<b>Ordinary shares (thousands of shares)</b>	
	<b>2021</b>	<b>2020</b>
Opening balance on January 1 <sup>st</sup>	107,256	106,525
Employee stock option	209	731
Ending balance on December 31	<b>107,465</b>	<b>107,256</b>

### A. Share Capital

The capital surplus balance of the Company is as follows:

	<b>2021.12.31</b>	<b>2020.12.31</b>
Share premium	\$ 2,689,050	2,665,140
Changes in ownership interests in subsidiaries	97,121	-
Employee stock option	-	11,550
Employee stock option-expired	4,841	-
Treasury share transactions	37,810	10,812
Share payment transactions of its subsidiaries	5,603	-
Issuance of stock option embedded in convertible bonds	129,000	129,000

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**\$ 2,963,425 2,816,502**

**B. Retained earnings distribution**

The rule of earnings distribution of the Company's Articles of Association as follows:

- (a) The Board of Directors understands that the Company operates in a mature industry with stable earnings and sound financial structure. For the decision on dividends or other allotments (if any) established with the consent of shareholders in each fiscal year, the Board of Directors shall:
- (I) Consider the Company's earnings, overall development, financial planning, capital needs, industry prospects and future prospects of the company in each fiscal year to ensure the protection of shareholders' rights and interests; and
- (II) Recognize below items in the Company's earnings in each fiscal year: (i) the reserve for the payment of taxes in the relevant fiscal year; (ii) the amount of compensation for past losses; (iii) one-tenth of the general reserve and (iv) the reserve required by Board of Directors in accordance with Article 14.1 or the special surplus required by the securities authorities in accordance with the rules of the publicly issued company.
- (b) In the absence of any violation of the law, and after the prescribed allocation of remuneration to employees and directors and the allocation policy set forth in accordance with Article (1) of the Board of Directors as appropriate amounts, the Board of Directors shall allocate not less than 10% of the allowable amount which belongs to the surplus of the previous fiscal year (excluding the accumulated surplus of the previous year) as shareholder dividends, which shall be distributed after the adoption of the resolution of the shareholders' meeting.
- (c) The distribution of shareholders' dividends and employees' remuneration may, upon the decision of the Board of Directors, be distributed to employees or shareholders in cash, or in such amount as to make full payment of the outstanding shares, or both; For the shareholders' dividend, the cash dividend shall not be less than 50% of the total dividend. The Company pays no interest on undistributed dividends and remuneration.

According to Charter of the Company, the Company's earnings distribution for 2020 and 2019 were decided by the shareholders' meeting on May 13, 2021 and March 25, 2020 respectively. The dividend distribution are as follows:

	2020		2019	
	Dividend per share (USD)	Amount	Dividend per share (USD)	Amount
Dividend distributed to ordinary share holders:				
Cash	\$ 4.10	<u>440,212</u>	3.67	<u>387,641</u>

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As of December 31, 2021 and 2020, all cash dividends have been paid.

Information on the decision of the Board of Directors and earnings distribution determined by the shareholders' meeting of the company can be obtained from MOPS.

**C. Treasury Stock**

The Company was approved by Board of Directors on January 8, 2019 to repurchase 2,858 thousand shares as treasury stock in order to transfer them to employee. The aforementioned 2,858 thousand shares had been repurchased with the average price \$85.18 per share, and total repurchasing amount is \$243,432 thousand. As of December 31, 2020, the transferred shares are 1,982 thousand shares and the amount of repurchased shares is \$74,605 thousand.

Board of Directors of the Group approved to transfer remaining 876 thousand shares on April 16, 2021. Employees' payment deadline is on June 18, 2021. Money received amounting is \$74,605 thousand and the treasury stock has been transferred to employees on July 5, 2021.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

**(18) Share-based payment**

**A. Employee stock options**

- (a) Talentek (Hefei), a subsidiary of the Company, was approved by the Board of Directors of Talentek (Hefei) on December 12, 2021, to issue stock options for employees. Talentek (Hefei) shall issue 7,680 thousand shares with issue price RMB 2 yuan per share. After the approval of the Board of Directors of Talentek (Hefei), the stock options could be fully executed.
- (b) The Company was approved by the Board of Directors on March 9, 2017 to issue stock options for employees, and approved by FSC on April 12, 2017 to take effect. In addition, the Chairman of the Board of Directors set July 17, 2017 as the actual issuance date, issuing 3,000 thousand new shares at the subscription price based on the closing price of the Company's common shares on the day of issuance on the Taiwan Stock Exchange. If the closing price of the day is lower than the face value, the face value of the common stock shall be taken as the share price. The term of validity of option shall be 3.5 years. The stock options for employees have expired on January 17, 2021.

As of December 31, 2021 and 2020, the Group have the following underlying share



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payment transactions:

	<b>Employee stock option certificate</b>	
	<b>Employee stock option certificates of The Company</b>	<b>Employee stock option certificates of Talentek (Hefei)</b>
Grant date	2017.5.5	2021.12.22
Grant quantity (1,000 share)	3,000	7,680
Contract period	3.5year (expired)	Immediately vested at approval
Grant objects	Full-time employees of the Company and its subsidiaries	Full-time employees of the Company and its subsidiaries
Acquired conditions	60% can be exercised after two years, 100% can be exercised after three years	Immediately vested at approval

**B. The measurement parameters of fair value on grant date**

Black Scholes option evaluation model was adopted to estimate the fair value of grant date's employee option. The input value of this model is as follows:

	<b>Employee stock option certificates of The Company</b>		<b>Employee stock option certificates of Talentek (Hefei)</b>	
Fair value on grant date	TWD	29.78	CNY	0.37
Share price on grant date	TWD	106.50	CNY	2.37
Exercise price	TWD	97.80	CNY	2.00
Expected volatility (%)		49.94~50.06		0
Option duration (year)		3.50		-
Risk-free interest rate (%)		0.53~0.65		-

Expected volatility is based on weighted average historical volatility and adjusts the expected changes due to publicly available information; the duration of the option is governed by the issuance method of the Group; and the risk-free interest rate is based on government bonds. The fair value decision does not take into account the service and non-market performance conditions contained in the transaction.

**C. The information about employee stock options is as follows:**

The details of the employee stock option certificates of the Company are as follow:

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Unit: 1,000

	<b>2021</b>		<b>2020</b>	
	<b>Weighted average performanc e price</b>	<b>Number of option</b>	<b>Weighted average performanc e price</b>	<b>Number of option</b>
Outstanding option as of January 1	TWD 92.30	226	TWD 95.62	1,064
Grant quantity in current period	-	-	-	-
Quantity lost in current period	-	-	-	(107)
Quantity executed in current period	-	(209)	-	(731)
Overdue expiration of the current period	-	(17)	-	-
Outstanding option as of December 31	-	<u>-</u>	92.30	<u>226</u>
Executable as of December 31	-	<u>-</u>	92.30	<u>226</u>

The employee stock option plan of The Company expired on January 17, 2021.

The details of the employee stock option certificates of Talentek (Hefei), a subsidiary of the Company, are as follow:

Unit: RMB/1,000

	<b>2021</b>	
	<b>Weighted average performanc e price</b>	<b>Number of option</b>
Outstanding option as of January 1	CNY -	-
Grant quantity in current period	2.00	7,680
Quantity lost in current period	-	-
Quantity executed in current period	-	(7,680)
Overdue expiration of the current period	-	-
Outstanding option as of December 31	-	<u>-</u>
Executable as of December 31	-	<u>-</u>

**D. Relative information of Policy Governing First Share Repurchased and Transferred to Employees**

The Company transferred treasury stock to employees in accordance with the approval by Board of Directors on April 16, 2021 and March 25, 2020 which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The transferring price is actual average repurchased price, amounting to 85.18 per share. The fair value of the

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subscription is \$30.82 and \$0 per share while the stock price on April 16, 2021 and March 25, 2020, which are also subscription dates, are \$116 and \$84.30 per share. As of December 31, 2021, 2,858 thousand shares were transferred and the Company has collected all the receivables of shares.

### E. Expenses for employees of the share-based payment

The expenses incurred by the Group in the year of 2021 and 2020 due to the share-based payment are as follows:

	2021	2020
Expense from employee stock option	\$ 12,335	3,174
Expense from treasury stock	26,998	-
Total	<u>\$ 39,333</u>	<u>3,174</u>

### (19) Earnings per share

The Company's basic earnings per share are calculated as follows:

	Unit: 1,000	
	2021	2020
<b>Basic earnings per share of the Company</b>		
Net profit for the current period	<u>\$ 403,082</u>	<u>724,859</u>
Weighted average number of outstanding shares	<u>107,014</u>	<u>105,336</u>
Basic earnings per share (NT\$)	<u>\$ 3.77</u>	<u>6.88</u>
<b>Diluted earnings per share of the Company</b>		
Net profit for the current period	\$ 403,082	724,859
The impact of potential common stocks with diluting effect		
Fair value assessment of embedded derivatives (such as trading rights)	2,550	(300)
Expected reduction in interest expense for convertible bonds conversion	30,878	30,228
Net profit for the current period(adjusted)	<u>\$ 436,510</u>	<u>754,787</u>
Weighted average number of outstanding shares	107,014	105,336
The impact of potential common stocks with diluting effect		
Employees' remuneration	649	1,007
The impact of employee stock options	206	285

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The impact of convertible bonds	9,393	9,069
Weighted average number of outstanding shares	<b>117,262</b>	<b>115,697</b>
Diluted earnings per share (NT\$)	<b>\$ 3.72</b>	<b>6.52</b>

(20) Revenues from customers' contract

A. Disaggregation of revenue

	<b>2021</b>	<b>2020</b>
Primary geographical markets:		
Singapore	\$ 1,520,499	1,576,936
China	1,300,203	1,896,633
US	700,648	499,730
Taiwan	571,095	768,916
Malaysia	117,982	98,430
Other countries	59,973	9,044
	<b>\$ 4,270,400</b>	<b>4,849,689</b>

B. Remaining balance of contracts

	<b>2021.12.31</b>	<b>2020.12.31</b>	<b>2020.1.1</b>
Notes receivable	\$ -	-	710
Accounts receivable (including related party)	755,229	1,110,030	1,115,908
Less: Loss allowance	-	(14,246)	(13,802)
Total amount	<b>\$ 755,229</b>	<b>1,095,784</b>	<b>1,102,816</b>
Contract assets	<b>\$ 329,504</b>	<b>188,071</b>	<b>260,384</b>

The Group has assessed that there is no need to recognize loss allowance for contract assets as of December 31 2021 and December 31, 2020.

The variation of contract liabilities comes from the difference between meeting performance obligations and payment timing of customers.

(21) Profit sharing bonus of employees and directors

The Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1% of the profits of the

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current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees for 2021 and 2020 are \$43,333 thousand and \$100,000 thousand respectively, and \$465 thousand and \$855 thousand for the directors, which are based on the pre-tax net profit before minus the employees' and directors' profit sharing bonus in each period of the Company multiplied by the employee profit sharing bonus and director's profit sharing bonus allotment stipulated in the Company's Articles of Association, and are included as operating cost and operating expenses of 2021 and 2020. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year. If employees' profit sharing bonus is paid by shares, the number of shares shall be calculated based on the closing price of the day before the Board of Directors. There is no difference between the amount of profit sharing bonus for employees and directors as determined by the Board of Directors and the estimated amount in the consolidated financial report of the Company for the year of 2021 and the year of 2020. Related information is available at the MOPS.

**(22) Non-operating gains and losses**

**A. Interest income**

Interest incomes of the Group are as follows:

	<b>2021</b>	<b>2020</b>
Bank deposit interest	<b>\$ 219,087</b>	<b>173,508</b>

**B. Other incomes**

Other incomes of the Group are as follows:

	<b>2021</b>	<b>2020</b>
Gains on write-off of past due payable	\$ 11,742	-
Incomes from government subsidy	37,111	53,955
Rent concessions (recognized as other income)	-	1,719
Other incomes	15,094	3,525
Total amount of other incomes	<b>\$ 63,947</b>	<b>59,199</b>

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**C. Other profits and losses**

Other profits and losses of Group are as follows:

	<b>2021</b>	<b>2020</b>
Net profits (losses) of foreign currency exchange	\$ (13,178)	(45,107)
Profits (losses) from disposal of Property, plant and equipment	(4,622)	(1,867)
Profits (losses) from financial assets/liabilities at fair value through profit and loss	(40,167)	(68,172)
Other losses	(4,687)	(6,932)
	<b><u>\$ (62,654)</u></b>	<b><u>(122,078)</u></b>

**D. Financial costs**

The financial costs of the Group are as follows:

	<b>2021</b>	<b>2020</b>
Interest expenses from bank loans	\$ 40,741	34,133
Interest expenses of convertible bonds	30,878	30,228
Interest expenses of lease liabilities	1,601	1,503
	<b><u>\$ 73,220</u></b>	<b><u>65,864</u></b>

**(23) Financial instruments**

**A. Credit risks**

**(a) Credit exposure risk**

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

**(b) Concentration of credit risk**

On December 31, 2021 and 2020, 83% of the accounts receivable balance of the Group were composed of several customers, which made the Group have a significant concentration of credit risk.

**(c) Credit risks of receivables**

For credit exposure risk information of notes receivable and accounts receivable, please refer to Note 6 (4) for details and Note 6 (5) for details of other receivables. The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the

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amount of anticipated credit loss for 12 months.

**B. Liquidity risk**

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

	<b>Book value</b>	<b>Cash flow of the contract</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 3,142,240	3,142,240	3,142,240	-	-	-
Accounts payable (including related parties)	630,543	630,543	630,543	-	-	-
Other payables (including related parties)	595,641	595,640	595,640	-	-	-
Convertible bonds payable (including derivative financial assets)	1,474,834	1,500,000	-	1,500,000	-	-
Long-term loans	1,945,900	2,007,619	875,652	12,556	1,119,411	-
Lease liabilities	39,109	39,807	35,785	4,022	-	-
Guarantee deposits received	4,826	4,826	4,175	-	87	564
	<u>7,833,093</u>	<u>7,920,675</u>	<u>5,284,035</u>	<u>1,516,578</u>	<u>1,119,498</u>	<u>564</u>
Derivative financial liabilities						
SWAP contract:						
Outflow	-	1,765,379	1,765,379	-	-	-
Inflow	962	(1,766,341)	(1,766,341)	-	-	-
	<u>962</u>	<u>(962)</u>	<u>(962)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>\$ 7,834,055</b>	<b>7,919,713</b>	<b>5,283,073</b>	<b>1,516,578</b>	<b>1,119,498</b>	<b>564</b>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 4,513,883	4,513,883	4,513,883	-	-	-
Accounts payable (including related parties)	322,669	322,669	322,669	-	-	-
Other payables (including related parties)	572,667	572,667	572,667	-	-	-
Convertible bonds payable (including derivative financial assets)	1,441,406	1,500,000	1,500,000	-	-	-
Long-term loans	836,100	870,865	15,539	855,326	-	-
Lease liabilities	65,785	67,770	34,035	31,011	2,724	-
Guarantee deposits received	1,118	1,118	350	202	-	566
	<u>\$ 7,753,628</u>	<u>7,848,972</u>	<u>6,959,143</u>	<u>886,539</u>	<u>2,724</u>	<u>566</u>

**C. Exchange rate risk**

**(a) Exchange rate exposure risk**

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

<u>2021.12.31</u>	<u>2020.12.31</u>
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	Foreign currency (in thousands)	Exchange rate (NT\$)	NT\$	Foreign currency (in thousands)	Exchange rate (NT\$)	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	85,955	27.6804	2,379,265	97,903	28.4790	2,788,170
RMB	2,197	4.3546	9,567	349,610	4.3546	1,522,412
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	105,500	27.6818	2,920,432	94,307	28.4795	2,685,823
Yen	13,074	0.2408	3,148	15,046	0.2759	4,151

(b) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion. On December 31, 2021 and December 31, 2020, when the Taiwan dollar depreciates by 0.25% against the US dollar, the Chinese Yuan and the Japanese Yen, while all other factors remain unchanged, the net profit before tax for the year of 2021 and 2020 will increase by approximately (\$1,337) thousand and \$4,052 thousand, respectively.

(c) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains (losses) of foreign currencies in 2021 and 2020, including realized and unrealized ones, are (\$13,205) thousand and (\$45,107) thousand, respectively.

D. Interest rate analysis

The fixed deposit part of the Group belongs to floating interest rate, but the market interest rate does not change much, so the change of interest rate does not cause significant cash flow risk.

The interest rate of the Group's long-term loans is floating interest rate. The following sensitivity analysis based on the exposure to interest rate risk for long-term loans on reporting date. The analysis of floating interest rate liability is based on the assumption that the liability is outstanding for whole year. The rate of change used when reporting interest rates within the Group to key management is an increase or decrease of 0.25% in interest rates, which also represents management's assessment of the reasonably possible range of



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changes in interest rates.

If the interest rate increases or decreases by 0.25% and all other variables remain unchanged, the Group's net income before tax for the year of 2021 and 2020 will decrease or increase by 2,768 thousand and 0 thousand, mainly due to the Group's floating interest rate loans.

### E. Information on fair value

#### (a) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

	2021.12.31				
	Book value	Fair value			Total amount
		Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Domestic unlisted stocks	\$ 20,704	-	-	20,704	20,704
Non-listed foreign shares	113,643	-	-	113,643	113,643
Private fund	271,655	-	-	271,655	271,655
Subtotal	406,002	-	-	406,002	406,002
Financial assets measured at amortized costs					
Cash and cash equivalents	9,066,899	-	-	-	-
Restricted bank deposit	60,572	-	-	-	-
Contract assets	329,504	-	-	-	-
Notes receivable and accounts receivable (including related parties)	755,229	-	-	-	-
Other receivables	24,715	-	-	-	-
Guarantee deposits paid	11,426	-	-	-	-
Subtotal	10,248,345	-	-	-	-
Total amounts	<b>\$ 10,654,347</b>	<b>-</b>	<b>-</b>	<b>406,002</b>	<b>406,002</b>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities -current	\$ 962	-	962	-	962
Financial liabilities at amortized costs					
Bank loans	3,142,240	-	-	-	-
Accounts payable (including related parties)	630,543	-	-	-	-
Other payables (including related parties)	595,641	-	-	-	-

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Convertible bond-liability component	1,474,834	-	-	-	-
Long-term loans	1,945,900	-	-	-	-
Lease liabilities	39,109	-	-	-	-
Guarantee deposits received	4,826	-	-	-	-
Subtotal	7,833,093	-	-	-	-
Total amounts	<b>\$ 7,834,055</b>	<b>-</b>	<b>962</b>	<b>-</b>	<b>962</b>

2020.12.31					
	Book value	Fair value			Total amount
		Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Derivative financial assets-current	\$ 13,607	-	13,607	-	13,607
Domestic unlisted stocks	65,472	-	-	65,472	65,472
Private fund	380,528	-	-	380,528	380,528
Subtotal	459,607	-	13,607	446,000	459,607
Financial assets measured at amortized costs					
Cash and cash equivalents	9,943,380	-	-	-	-
Restricted bank deposit	8,000	-	-	-	-
Contract assets	188,071	-	-	-	-
Notes receivable and accounts receivable (including related parties)	1,095,784	-	-	-	-
Other receivables	10,945	-	-	-	-
Guarantee deposits paid	12,540	-	-	-	-
Subtotal	11,258,720	-	-	-	-
Total amounts	<b>\$ 11,718,327</b>	<b>-</b>	<b>13,607</b>	<b>446,000</b>	<b>459,607</b>
Financial liabilities at amortized costs					
Bank loans	\$ 4,513,883	-	-	-	-
Accounts payable (including related parties)	322,669	-	-	-	-
Other payables (including related parties)	572,667	-	-	-	-
Convertible bond-liability component	1,443,956	-	-	-	-
Long-term loans	836,100	-	-	-	-
Lease liabilities	65,785	-	-	-	-
Guarantee deposits received	1,118	-	-	-	-
Total amounts	<b>\$ 7,756,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) Fair value assessment technique for measuring financial instruments at fair value

### (I) Non-derivative financial instruments

The financial instrument held by the Group without an active market is an equity instrument or beneficiary certificate without open price, and its fair value is listed as the following by its kind and attributes:

(i) Equity instrument without open price: to use comparable company

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method and comparable transaction method. The main assumption of comparable company method is based on the profit after tax or the enterprise value of the investee and the listed earnings and enterprise value-to-sales multiplier derived from the market prices of comparable companies. This estimate has adjusted for the discounted effect of the lack of marketability of the equity securities.

(ii) Beneficiary certificate without open price: The fair value is estimated using the asset method. Total value of the beneficiary certificate is determined by the value covered by it.

### (II) Derivative financial instruments

The right of conversion, redemption and sale of convertible bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binary tree convertible bond evaluation model, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options. Forward foreign exchange contract and SWAP contract are usually evaluated based on the bank statement.

### (c) Statement of changes of Grade 3

	2021			2020	
	Domestic unlisted stocks	Non-listed foreign company shares	Private equity fund	Non-listed foreign company shares	Private equity fund
Balance on January 1	\$ -	65,472	380,528	-	476,151
Add	-	-	-	64,096	-
Gains/ Losses:					
Recognized in gains/ losses	20,950	48,553	(106,913)	-	(101,119)
The impact of exchange rate	(246)	(382)	(1,960)	1,376	5,496
Balance on December 31	<u>\$ 20,704</u>	<u>113,643</u>	<u>271,655</u>	<u>65,472</u>	<u>380,528</u>

The above mentioned profits/ losses are recognized in other profits and losses.

### (d) Quantified information on significant unobservable inputs (Grade 3) used in fair value measurement

Main composition of fair value classified as Grade 3 of the Group is financial assets at fair value through profit or loss.

Investments in equity instruments classified as the Grade 3 non-active market have significant unobservable input values in the plural. The significant

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unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

Items	Evaluation technologies	Significant unobservable input value	The relationship between significant unobservable input values and fair value
Financial assets at fair value through profit or loss — equity vehicle investment without active market	Refer to Listed (OTC) Company Act and Comparable transaction method (Note)	<ul style="list-style-type: none"> <li>• P/E ratio multiplier (11.71 on 2021.12.31)</li> <li>• Multiplier of enterprise value-to-sales (3.92 on 2021.12.31, 4.16 on 2020.12.31)</li> <li>• Lack of market liquidity discounts (P/E ratio multiplier is 20%, multiplier of enterprise value-to-sales is 10% on 2021.12.31; multiplier of enterprise value-to-sales is 20% on 2020.12.31)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the multiplier, the higher the fair value</li> <li>• The higher the discount for lack of market liquidity, the lower the fair value</li> </ul>
Financial assets at fair value through profit or loss- Private fund investment consideration	Net asset value method	Net asset value	<ul style="list-style-type: none"> <li>• The higher the net asset value, the higher the fair value</li> </ul>

Note: The Group adopted comparable transaction method to use the latest price of capital increase to be fair value considering that the investee has a cash capital increase.

(e) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions

The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results. For financial instruments classified as the Grade 3, if the evaluation

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parameters change, the impact on current profits and losses is as follows:

			Changes in fair value reflecting in current profits and losses	
			Favorable change	Unfavorable change
	Input value	Move up or down		
<b>December 31, 2021</b>				
Financial assets measured at fair value through profit and loss				
Equity instrument investment in non-active market	P/E ratio	5%	10,368	(10,368)
Equity instrument investment in non-active market	Enterprise value-to-Sales	5%	1,309	(1,309)
<b>December 31, 2020</b>				
Financial assets measured at fair value through profit and loss				
Equity instrument investment in non-active market	Enterprise value-to-Sales	5%	792	(792)

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

(f) Offsetting of financial assets and liabilities

The Group has transactions in financial instruments that are subject to the provisions of paragraph 42 of the IAS 32 endorsed by FSC, and the financial assets and financial liabilities related to such transactions are expressed on the balance sheet as a net amount.

The following table lists the relevant information about the offset of the above financial assets and financial liabilities:

2021.12.31					
Financial assets subject to offset, offset settlement agreement or similar agreements					
Total amount of recognized financial assets (a)	Offset financial liabilities recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Relative amount not offset in balance sheet (d)		
			Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Other financial assets	802,720	802,720	-	-	-
2021.12.31					
Financial assets subject to offset, offset settlement agreement or similar agreements					

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	Total amount of recognized financial liabilities (a)	Offset financial assets recognized in balance sheet (b)	Net amount of financial liabilities in balance sheet (c)=(a)-(b)	Relative amount not offset in balance sheet (d)		
				Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Short-term loans	802,720	802,720	-	-	-	-
<b>2020.12.31</b>						
<b>Financial assets subject to offset, offset settlement agreement or similar agreements</b>						
	Total amount of recognized financial assets (a)	Offset financial liabilities recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Relative amount not offset in balance sheet (d)		
				Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Other financial assets	1,993,600	1,993,600	-	-	-	-
<b>2020.12.31</b>						
<b>Financial assets subject to offset, offset settlement agreement or similar agreements</b>						
	Total amount of recognized financial liabilities (a)	Offset financial assets recognized in balance sheet (b)	Net amount of financial liabilities in balance sheet (c)=(a)-(b)	Relative amount not offset in balance sheet (d)		
				Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Short-term loans	1,993,600	1,993,600	-	-	-	-

### (24) Financial risk management

#### A. Overview

The Group has exposure the following risks arising from financial instruments:

- (a) Credit risk.
- (b) Liquidity risk.
- (c) Market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

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

#### B. Risk management framework

- (a) Management targets

- (I) Except that market risk is controlled by external factors, all the above risks can be

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eliminated by internal control or operation process, so their management aims at minimizing each risk.

(II) In the aspect of market risk, the overall position should be adjusted to the optimal target through rigorous analysis, suggestion, execution and process, and proper consideration of the overall external trend, internal operation status and the actual impact of market fluctuations.

(III) The Group' overall risk management policy focuses on financial market uncertainties and seek to mitigate potential adverse effects on the Group' financial position and performance.

**(b) Management system**

(I) Risk management shall be carried out by the financial department of the Group in accordance with the policies approved by the Board of Directors. To identify, assess and mitigate financial risks through close collaboration with the Group' operating units.

(II) The Board of Directors has written principles for overall risk management, and provides written policies for specific scope and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of surplus working capital.

**C. Credit risk**

(a) Credit risk refers to the risk of financial loss caused by the failure of Group to perform its contractual obligations by its customers or counterparties to financial instruments.

(b) According to the internal credit policy of the Group, each operator of the Group shall conduct management and credit risk analysis for each new customer before making payment and proposing delivery terms and conditions. Internal risk management assesses customers' credit quality by taking into account their financial position, past experience and other factors.

The Board of Directors establishes limits for individual risks based on internal or external ratings, and regularly monitor the use of credit lines. The main credit risk is the credit risk of cash and cash equivalents, accounts receivable and other receivables, which is measured and monitored by the financial department of the Group. Since the transaction objects and performance objects of the Group are mainly banks with good credit, the company and financial institutions with investment grade or above, and there are no significant performance doubts, there is no significant credit risk.

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### **D. Liquidity risk**

The cash flow forecast is executed by each operator in the Group and summarized by the financial department of the Group. The financial department of the Group monitors the forecast of the Group's liquidity needs and maintains appropriate funds and bank credit lines to meet contractual obligations.

### **E. Market risk**

#### **(a) Exchange rate risk**

##### **(I) Nature**

The Group operates multinationally, thus its exchange rate risk is affected by several kinds of currencies, mainly from US dollar, RMB and VND, generated from :

- (i) The exchange rate risks arising from the differences in the exchange rates of functional currencies due to the differences in the time of setting up accounts receivable and accounts payable of non-functional foreign currencies.
- (ii) In addition to the business transactions (business activities) on the income statement, there are also exchange rate risks associated with the assets and liabilities recognized on the balance sheet and the net investment in foreign operating institutions.

##### **(II) Management**

- (i) The management of the Group has established a policy for the financial department to manage the exchange rate risks of the subsidiaries of the Group against their functional currencies.
- (ii) The Group hold investments of several foreign operating institutions, and their net assets bear the risk of foreign currency conversion. Exchange rate risks arising from the operation of foreign operating institutions of the Group will be hedged by various financial instruments through assets or liabilities denominated in relevant foreign currencies when necessary.

#### **(b) Interest Rate Risk**

The short-term borrowings of the Group are debt of fixed interest rate, free from interest rate market fluctuation risk and fair value interest rate risk.

The interest rate risk of the Group mainly comes from long-term loans issued at floating interest rates, which exposes the Group to cash flow interest rate risk. In 2021 and 2020, the Group's floating-rate loans are denominated in New Taiwan Dollars.

The Group simulates several plans to analyze interest rate risks, including refinancing, renewal of existing positions, other available financing and hedging, etc., to calculate the impact of changes in specific interest rates on profit and loss.

When the benchmark interest rate of NTD floating rate loans rise or fall by 0.25% and all other factors remain unchanged, the net profit before tax of 2021 and 2020 will decrease or increase \$2,768 thousand and \$0 thousand, which mainly due to the Group's floating interest rate loans. If market changes have a specific range of



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impact on the benchmark interest rate, according to the loan contract, interest will continue to be calculated at the lower limit of interest rate.

### (25) Capital management

The Group manages capital to safeguard the capacity to operate, to continue to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio is debt divided by equity. Net debt is calculated by deducting cash and cash equivalents from total borrowings (including “current and non-current borrowings” as reported in the consolidated balance sheet). The total net value shall be calculated by deducting the total amount of intangible assets from the “equity” as stated in the consolidated balance sheet. On this basis, the management of the Group decides on the optimal capital of the Group and, on the basis of maintaining a sound capital base, optimizes the balance of debt and equity to improve the remuneration of shareholders.

### (26) Investment and financing activities in non-cash transactions

For the year ended December 31, 2021 and 2020, the Group’s non-cash investing and financing activities were derived from acquisition right-of-use asset through finance leasing and the amortization of convertible bonds discount. Please refer to notes 6(9), (13) and (14) for related information.

Reconciliation of liabilities from financing activities are as follows:

	2021.1.1	Cash flow	Non-cash changes					2021.12.31
			Discount and amortization	Exchange rate changes	Fair value changes	Acquire	Others	
Short-term loans	\$ 4,513,883	(1,371,643)	-	-	-	-	-	3,142,240
Long-term loans	836,100	1,107,200	-	-	-	-	2,600	1,945,900
Bonds payable	1,443,956	-	30,878	-	-	-	-	1,474,834
Lease liabilities	65,785	(35,707)	-	(764)	-	9,795	-	39,109
Total liabilities from financing activities	<u>\$ 6,859,724</u>	<u>(300,150)</u>	<u>30,878</u>	<u>(764)</u>	<u>-</u>	<u>9,795</u>	<u>2,600</u>	<u>6,602,083</u>

	2020.1.1	Cash flow	Non-cash changes					2020.12.31
			Discount and amortization	Exchange rate changes	Fair value changes	Acquire	Changes in lease payments	
Short-term loans	\$ 3,022,229	1,491,654	-	-	-	-	-	4,513,883
Long-term loans	-	840,000	-	-	-	-	(3,900)	836,100
Bonds payable	1,413,728	-	30,228	-	-	-	-	1,443,956

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Lease liabilities	51,875	(25,903)	-	(3,983)	-	45,515	(1,719)	-	65,785
Total liabilities from financing activities	<u>\$ 4,487,832</u>	<u>2,305,751</u>	<u>30,228</u>	<u>(3,983)</u>	<u>-</u>	<u>45,515</u>	<u>(1,719)</u>	<u>(3,900)</u>	<u>6,859,724</u>

### 7. Related-party transactions:

#### (1) Parent Company and ultimate controlling party

Foxconn (Far East) Limited is the parent company of the Group, holding 59.52% and 59.64% of the outstanding common shares of the Group as of December 31, 2021 and 2020 respectively. Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs. Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

#### (2) Names and relationship with related parties

During the period covered by this consolidated financial report, the following persons have business relations with the Group:

<b>Name of related parties</b>	<b>Relation with Group</b>
Hon Hai Precision Industry Co., Ltd.	Ultimate controller
Foxconn OE Technologies Singapore Pte. Ltd.	Its ultimate controller is the same as that of Group
Foxconn Interconnect Technology Limited	Its ultimate controller is the same as that of Group
Fortunebay Technology Pte. Ltd.	Its ultimate controller is the same as that of Group
Hong Fujin Precision Industry (Shenzhen) Limited Company	Its ultimate controller is the same as that of Group
Foxconn (Nanjing) Software Company	Its ultimate controller is the same as that of Group
Anpinda Precision Industry (Huizhou) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fu Neng New Energy Technology Co., Ltd.	Its ultimate controller is the same as that of Group
Futaihua Industry (Shenzhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Zhengyi longhua Special Material (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Triple Win Technology (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fertile Plan International Logistics Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fulian Fugui Precision Industry Co.,Ltd	Its ultimate controller is the same as that of Group

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Shenzhen Yuzhan Precision Technology Co., Ltd.	Its ultimate controller is the same as that of Group
YuanFu(Shenzhen) Technology Co.,Ltd.	Its ultimate controller is the same as that of Group
Futaijie Science & Technology Development (Shenzhen) Co., LTD	Its ultimate controller is the same as that of Group
Sharp Corporation	Other related parties
Champ Tech Optical (Foshan) Corporation	Other related parties

### (3) Major transactions with related parties

#### A. Sales

The significant sales amount of the Group to the related parties is as follows:

	2021	2020
Other related parties		
Foxconn OE Technologies Singapore Pte. Ltd.	\$ -	1,015
Foxconn Interconnect Technology Limited	373,072	407,446
Triple Win Technology (Shenzhen) Co., Ltd.	801,835	1,653,187
Other related parties	984	969
	<u><u>\$ 1,175,891</u></u>	<u><u>2,062,617</u></u>

There is no significant difference between the above price terms of sales revenue and that of general customers. The collection conditions are within four months, no significant difference with the general customer.

#### B. Purchase

The purchase amount of the Group from the related parties is as follows:

	2021	2020
Other related parties	<u><u>\$ 88,702</u></u>	<u><u>55,040</u></u>

There is no significant difference between the purchase price of the Group and that of the general manufacturer. Payment terms are all within four months, and there is no significant difference with the general manufacturers.

#### C. Expenses for professional services

The details of management service fees and legal fees paid by the Group to the related parties are as follows:

2021	2020
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Ultimate controller	\$	<b>882</b>	<b>4,676</b>
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D. Accounts receivable from related parties

Details of the receivables of the related parties of the Group are as follows:

<b>Account items</b>	<b>Related-party categories</b>	<b>2021.12.31</b>	<b>2020.12.31</b>
Accounts receivable	Other related parties		
	Foxconn Interconnect Technology Limited	\$ 99,344	101,436
	Triple Win Technology (Shenzhen) Co., Ltd.	2,027	600,228
	Others	87	87
Subtotal		101,458	701,751
Other receivables	Triple Win Technology (Shenzhen) Co., Ltd.	4,546	-
		\$ <b>106,004</b>	<b>701,751</b>

As of December 31, 2021 and December 31, 2020, no allowance for loss is required for the above-mentioned related parties.

E. Contract assets

The details of the contract assets of the Group to related parties are as follows:

<b>Account items</b>	<b>Types of related parties</b>	<b>2021.12.31</b>	<b>2020.12.31</b>
Contract assets	Other related parties		
	Triple Win Technology (Shenzhen) Co., Ltd.	\$ -	<b>12,855</b>

F. Property trading - acquisition of property, plant and equipment

(a) Property, plant and equipment acquired

The purchase price of the real estate, plant and equipment acquired by the Group from the related parties is summarized as follows:

	<b>2021</b>	<b>2020</b>
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	\$ -	10,874
Futaihua Industry (Shenzhen) Co., Ltd.	18,592	-
	\$ <b>18,592</b>	<b>10,874</b>

(b) Property, plant and equipment disposed

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Details of the Group's disposal of property, plant and equipment are as follows:

<b>Related-party categories</b>	<b>2021</b>		<b>2020</b>	
	<b>Proceeds</b>	<b>Gain (loss) on disposal</b>	<b>Proceeds</b>	<b>Gain (loss) on disposal</b>
Triple Win Technology (Shenzhen) Co., Ltd.	<b>\$ 484,462</b>	<b>-</b>	<b>-</b>	<b>-</b>

As of December 31, 2021, the remaining sale price of RMB 4,546 thousand has not been received, and it is recognized as other receivables.

**G. Payables to related parties**

The details of the amount payable by the Group to its related parties are as follows:

<b>Account</b>	<b>Related-party categories</b>	<b>2021.12.31</b>	<b>2020.12.31</b>
Accounts payable to related parties	Other related parties	<b>\$ 11,485</b>	<b>3,175</b>
Other payables to related parties	Ultimate controller	3,063	14,805
	Other related parties		
	Foxcavity Precision Industry (ShenZhen) Co., Ltd.	10,302	11,887
	Futaihua Industry (Shenzhen) Co., Ltd.	21,151	-
	Others	9,209	11,762
		<b>43,725</b>	<b>38,454</b>
		<b>\$ 55,210</b>	<b>41,629</b>

**(4) Remuneration of major management personnel**

Key management personnel compensation comprised:

	<b>2021</b>	<b>2020</b>
Short-term employee benefit	<b>\$ 41,921</b>	<b>65,519</b>
Post-employment benefit	373	350
	<b>\$ 42,294</b>	<b>65,869</b>

**8. Pledged assets**

Book value list of pledged assets of the Group is as follows:

<b>Pledged asset</b>	<b>Object</b>	<b>2021.12.31</b>	<b>2020.12.31</b>
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# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

NO	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021	Balance at December 31, 2021	Actual amount drawn down (Note 2)	Interest rate (%)	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Item	Value	Limit on loans granted to a single party	Ceiling on total loans
1	ShunSin (Samoa)	The Company	Other receivables	Y	704,528 (RMB 160,000)	415,163 (RMB 95,350)	415,163 (RMB 95,350)	-	2	-	Business operation	-	-	-	3,925,252 (Note 2)	3,925,252 (Note 2)
2	ShunYun (Cayman)	ShunYun (Hanoi)	Other receivables	Y	97,860 (USD 3,500)	96,880 (USD 3,500)	96,880 (USD 3,500)	0.50	2	-	Business operation	-	-	-	1,241,950 (Note 3)	2,483,900 (Note 3)

Note1: The method of filling in the nature of capital loan is as follows:

(1) For business trading, please fill in 1.

(2) If short-term financing is necessary, please fill in 2.

Note2: The policy for loans granted by subsidiaries to the Company whose voting shares are not directly or indirectly wholly-owned, the loan shall not be restricted to the regulation of individual subsidiary, though total loans shall not exceed 400% of the Company's net value.

Note3: The policy for loans granted by overseas subsidiaries of which parent company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by overseas subsidiaries is not limited to its regulations, however, ceiling of total loans is 400% of the net assets value of lender; limit on loans granted by an subsidiary to a single party is 200% of the net assets value of lender.

Note4: The aforementioned transactions between consolidated entities have been offset at the time of preparing consolidated financial statements.

### B. Endorsement/Guarantee provided:

No	Guarantor/Endorser	Party being guaranteed/endorsed	Relationship with the guarantor/endorser (Note1)	Limited on guarantees/endorsements provided for a single party (Note2)	Maximum outstanding guarantee/endorsement amount as of December 31, 2021	Outstanding guarantee/endorsement amount as of December 31, 2021	Amount of guarantees/endorsements secured with collateral	Ratio of accumulated guarantee/endorsement amount to net asset value of the guarantor/endorser company (%)	Limit on total amount of guarantees/endorsements period (Note2)	Provision of guarantees/endorsements by parent company to subsidiary	Provision of guarantees/endorsements by subsidiary to parent company	Provision of guarantees/endorsements to the party in Mainland China	Amount of guarantees/endorsements secured with collateral
1	ShunSin (Zhongshan)	ShunYun (Zhongshan)	1	9,487,580	52,840 (RMB 12,000)	52,249 (RMB 12,000)	52,249 (RMB 12,000)	52,249 (RMB 12,000)	0.82%	9,487,580	N	N	Y
2	The Company	ShunYun (Cayman)	2	6,338,966	1,668,000 (USD 60,000)	1,660,800 (USD 60,000)	1,107,200 (USD 40,000)	-	26.20%	6,338,966	Y	N	N

Note 1: Relationship between guarantor and guarantee:

1. Business transaction

2. The Company directly or indirectly holds more than 50% of their voting shares.

3. The party directly or indirectly holds more than 50% of the Company's voting shares.

Note 2: The total guarantees and endorsements of ShunSin (Zhongshan) to others should not be in excess of ShunSin (Zhongshan)'s net value, and for a single party should not be in excess of ShunSin (Zhongshan)'s net value.

Note 3: The total guarantees and endorsements of the Company to others should not be in excess of the Company's net value, and for a single party should not be in excess of 50% of the Company's net value.

### C. Marketable securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Holding company	Types and names of marketable securities	Relations with securities issuers	Account subjects	Closing period				Remarks
				Number of share	Book value	Shareholding ratio	Fair value	
ShunSin (Samoa)	Stocks: Dyna Image Corp	—	Financial assets measured at fair value through profit or loss-non-current	540,000	20,704	5.56%	20,704	
ShunSin (Zhongshan)	Stocks: Lansus Technologies Corporation Limited	—	"	3,044,625	113,643	0.77%	113,643	
ShunSin (Zhongshan)	Private Fund: Ji Nan Fu Jie industrial investing joint venture	—	"	-	271,655	6.67%	271,655	

D. Accumulative purchase or sale of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital: none.

E. The amount for acquiring real estate is \$300 million or more than 20% of the paid-in capital: none.

F. The amount for disposing of real estate amounted to \$300 million or more than 20% of the paid-in capital: none.

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

G. The amount of goods purchased and sold reaches \$100 million or more than 20% of the paid-in capital with the related parties:

Companies purchasing and selling goods	Counter party	relation	Transaction situation				Reason of trading terms differs from normal transaction		Notes receivable (payable), accounts receivable (payable)		Note
			Purchase / (sale)	Amount	Ratio of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes receivable, accounts receivable (payable)	
ShunSin (Zhongshan)	The Company	Parent company	Sale	720,741	35.25%	4 months	-	-	283,760	70.08%	Note2
ShunSin (Zhongshan)	ShunYun (Zhongshan)	Affiliate	Sale	171,697	8.40%	4 months	-	-	62,570	15.45%	Note2
ShunSin (Zhongshan)	Triple Win Technology (Shenzhen) Co., Ltd	Other related party	Sale	800,747	39.16%	4 months	-	-	2,027	0.50%	
ShunYun (Zhongshan)	ShunYun (Cayman)	Affiliate	Sale	199,182	95.84%	4 months	-	-	45,002	85.47%	Note2
ShunYun (Cayman)	ShunYun (Ha Noi)	Parent company	Sale	383,131	19.67%	4 months	-	-	398,690	45.88%	Note2
The Company	ShunYun (Cayman)	Subsidiary company	Sale	333,564	18.10%	4 months	-	-	186,895	40.29%	Note2
The Company	Foxconn Interconnect Technology Limited	Other related party	Sale	373,072	20.25%	4 months	-	-	99,344	21.42%	

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated entities have been written off at the time of preparing the consolidated financial statements.

H. Receivables of related parties amounted to \$100 million or more than 20% of the capital receivable:

Companies that account for receivables	Companies that account for receivables	Relation	Related parties of receivables Balance of amounts	Turnover rate %	Overdue receivables of Related parties		Related parties of receivables Amount recovered after the period (Note 2)	setting aside for allowance for bad debt
					Amount	Treatment		
The Company	ShunYun (Cayman)	Subsidiary	Accounts receivable (Note 1): 186,895	3.57	-		-	-
ShunYun (Cayman)	ShunYun (Ha Noi)	Parent company	Accounts receivable (Note 1): 398,690	1.92	-		167,553	-
ShunSin (Zhongshan)	The Company	Parent company	Accounts receivable (Note 1): 283,760	2.46	-		-	-
ShunSin (Zhongshan)	The Company	Parent company	Other receivable (Note 1): 749,252	-	-		647,344	-
ShunSin (Zhongshan)	ShunYun (Zhongshan)	Affiliate	Other receivable (Note 1): 371,604	-	-		-	-
ShunYun (Zhongshan)	ShunSin (Samoa)	Affiliate	Other receivable (Note 1): 264,145	-	-		-	-



# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

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

ShunYun (Zhongshan)	ShunYun (Cayman)	Parent company	Other receivable (Note 1):	-	-	-	-
			101,187				
ShunSin (Samoa)	The Company	Parent company	Other receivable (Note 1):	-	-	-	-
			415,163				
ShunYun (Cayman)	The Company	Parent company	Other receivable (Note 1):	-	-	-	-
			212,576				
ShunYun (Cayman)	ShunYun (Ha Noi)	Parent company	Other receivable (Note 1):	-	-	-	-
			413,146				

Note 1: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

Note 2: As of November 1, 2021.

I. Engaging in derivatives trading: Please refer to note 6 (2) and (13) for details.

J. Business relations and important transactions between parent and subsidiary companies:

No. (Note 1)	Trader's name	Business trading objects	Relation between trader (Note 2)	Transaction situation			
				Subject	Amount	Transaction conditions	Ratio to consolidated total operating income or total assets (Note 3)
0	The Company	ShunSin (Zhongshan)	1	Purchases	720,741	The price is based on the price agreed by both	16.82
0	"	"	1	Accounts payable	283,760	Within 4 months	1.90
0	"	"	1	Other payables	749,252	Pay/receive on behalf, no general customers for comparison	5.01
0	"	ShunSin (Samoa)	1	Other payables	415,163	Capital Loan	2.77
0	"	ShunYun (Cayman)	1	Other payables	212,576	Pay/receive on behalf, no general customers for comparison	1.42
1	ShunSin (Samoa)	ShunYun (Zhongshan)	3	Other payables	264,145	Pay/receive on behalf, no general customers for comparison	1.76
2	ShunYun (Cayman)	The Company	2	Purchases	333,564	The price is based on the price agreed by both	7.79
2	"	"	2	Accounts payable	186,895	Within 4 months	1.25
2	"	ShunYun (Zhongshan)	3	Purchases	199,182	The price is based on the price agreed by both	4.65
3	"	"	3	Other payables	101,187	Pay/receive on behalf, no general customers for comparison	0.68
3	ShunYun (Zhongshan)	ShunSin (Zhongshan)	3	Purchases	171,697	The price is based on the price agreed by both	4.01
3	"	"	3	Other payables	371,604	Pay/receive on behalf, no general customers for comparison	2.48
4	ShunYun (Ha Noi)	ShunYun (Cayman)	3	Purchases	383,131	The price is based on the price agreed by both	8.94
4	"	"	3	Accounts payable	398,690	Within 4 months	2.66
4	"	"	3	Other payables	413,146	Pay/receive on behalf, no general customers for comparison	2.76

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered as follows:

1. Fill in 0 for parent company.

2. Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company.

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities. In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: It is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 10% of the total revenue.

Note 5: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

### (2) Information on re-investment business:

The information of the reinvested business of the Group in 2021 is as follows (excluding the invested company in mainland China) :

Name of investment company	Name of invested company	Location	Main business contents	Original investment amounts (Note3)		Shareholding at the closing period			Net income (losses) of investee (Note 1)	Share of profits/ losses of investee (Note 1 and 2)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value (Note 1 and 2)			
The Company	ShunSin (Hongkong)	HongKong	Holding Company	3,134,106	2,589,284	830,455,240	91.80%	9,092,524	174,588	158,595	subsidiary
The Company	ShunSin (Samoa)	Samoa	Overseas material and equipment procurement	287,928	287,928	9,510,000	100.00%	981,313	353,938	353,938	subsidiary
The Company	ShunYun (Cayman)	Cayman	Holding Company	702,682	6,580	25,279,661	100.00%	620,975	246,551	246,551	subsidiary
The Company	ShunYun (Ha Noi)	Vietnam	Produce high speed optical transceiver	(Note 4)	180,234	(Note 4)	(Note 4)	(Note 4)	(106,857)	(279,462)	subsidiary
The Company	ShunSin (Bac Giang)	Vietnam	Produce high speed optical transceiver	(Note 4)	1,188,020	(Note 4)	(Note 4)	(Note 4)	11,193	11,411	subsidiary
ShunSin (Samoa)	ShunSin (Hongkong)	HongKong	Holding Company	287,622	287,622	74,183,976	8.20%	812,186	174,588	15,993	affiliate
ShunYun (Cayman)	ShunYun (Ha Noi)	Vietnam	Produce high speed optical transceiver	180,234	(Note 4)	(Note 5)	100.00%	12,320	(106,857)	172,605	affiliate
ShunYun (Cayman)	ShunSin (Bac Giang)	Vietnam	Produce high speed optical transceiver	1,188,020	(Note 4)	(Note 5)	100.00%	1,155,782	11,193	(218)	affiliate
ShunYun (Zhongshan)	ShunYun (Hong Kong)	HongKong	Holding Company	(Note 6)	(Note 6)	(Note 6)	100.00%	(Note 6)	(Note 6)	(Note 6)	affiliate

Note 1: According to the financial statements checked by CPA of the parent company, the invested company shall be appraised and recognized at equity.

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

Note 4: ShunYun (Cayman) purchased 100% equity of the Company's subsidiary, ShunYun (Ha Noi) and ShunSin (Bac Giang), on 2021/12/25. As of 2021/12/31, ShunYun (Cayman) has acquired 100% equity of ShunYun (Ha Noi) and ShunSin (Bac Giang).

Note 5: ShunYun (Ha Noi) and ShunSin (Bac Giang) does not issue shares due to it is limited corporation thus it has no shares.

Note 6: ShunYun (Zhongshan) has not invested funds as of March 22, 2022.

### (3) Information on investment in Mainland China:

A. Name of mainland invested company, main business contents and other related information:

Unit: NTS 1,000

Name of investee	Main business and products	Paid-in capital	Method of investment (Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of investee	Percentage of ownership	Share of profits/ losses of investee (Note 2 and 3)	Carrying value as of December 31, 2021 (Note 2 and 3)	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
ShunSin (Zhongshan)	Assembly, testing and sales of SIP products and other types of integrated circuits	3,030,692 (RMB 722,637)	(2)	Note 4	Note 4	Note 4	Note 4	2,629 (RMB 605)	100.00%	2,629 (RMB 605) (Note 5)	9,478,783 (RMB 2,185,323) (Note 5)	Note 4
ShunYun (Zhongshan)	Produce high speed optical transceiver	544,081 (RMB 125,085)	(2)	Note 4	Note 4	Note 4	Note 4	62,747 (RMB 14,443)	100.00%	62,747 (RMB 14,443) (25,512)	605,761 (RMB 139,528)	Note 4
Talentek	Design, R&D, testing and sales of electrical equipment, communication	171,469 (RMB 38,898)	(2)	Note 4	Note 4	Note 4	Note 4	(49,987) (RMB (11,506))	45.42%	(25,512) (RMB (5,872))	157,086 (RMB 36,182)	Note 4

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

For the year ended December 31, 2021 and 2020

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

	equipment and automation equipment											
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Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

- (1) Direct investment in mainland China.
- (2) Invest in ShunSin (Hong Kong) and then re-invest in companies in mainland China.
- (3) Invest in ShunSin (Zhongshan) and then re-invest in companies in mainland China.

Note 2: According to the financial statements audited by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a company in Taiwan, so there is no such amount.

Note 5: The book value of the investment at the end of the period of 9,478,783 thousand has deducted the unrealized benefits of the fixed assets sold to affiliated companies which amounting to 8,797 thousand. This unrealized benefit has been recognized in the book value of the investment at the end of the period and the investment profit or loss recognized in the current period.

Note 6: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of December 31, 2021 (exchange rate at closing period RMB: NTD = 1:4.3415), and the remainder is calculated at the average exchange rate (RMB: NTD = 1: 4.3444).

B. Investment limits in mainland China: Not applicable.

C. Major transactions with mainland invested companies:

For the major direct or indirect transactions between the Group and the mainland invested company in 2021 (which were written off at the time of compiling the consolidated financial report). Please refer to “Information on Major Transactions”.

(4) Information of major shareholders:

Unit: Share

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
Foxconn (Far East) Limited		63,964,800	59.52%

- (a) The main shareholder information in this table is calculated by Taiwan Depository and Clearing Company on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%.
- (b) The information aforementioned if shareholders deliver their shares to the trust was disclosed by the individual trustee who opened the trust account. As for shareholders who handle the declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus their delivery to the trust and the use of decision making shares in the trust property, please refer to the Market Observation Post System for information on insider equity declaration.

## 14. Information on Departments

(1) General information

# ShunSin Technology Holdings Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements

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There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.

(2) Information on product category and service

The Group operates in a single industry. Hence, the disclosure of business segment information is not required.

(3) Geographic financial information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Revenues from external customers:

<u>Region</u>	<u>2021</u>	<u>2020</u>
Singapore	\$ 1,520,499	1,576,936
Mainland China	1,300,203	1,896,633
America	700,648	499,730
Taiwan	571,095	768,916
Malaysia	117,982	98,430
Other countries	59,973	9,044
Total	<u><u>\$ 4,270,400</u></u>	<u><u>4,849,689</u></u>

Non-current assets:

<u>Region</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Mainland China	\$ 2,238,337	2,120,785
Vietnam	423,227	352,293
Taiwan	26	2,126
Total	<u><u>\$ 2,661,590</u></u>	<u><u>2,475,204</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, prepayment for equipment and non-current assets classified as held for sale, not including financial instruments, deferred tax assets and non-current assets with guarantee deposits paid.

(4) Information on important customers

Revenue from major customers for more than 10% of the Group's total revenue are as follows:

**ShunSin Technology Holdings Limited and Its Subsidiaries**

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<b>Customer name</b>	<b>2021</b>	<b>2020</b>
A	\$ 966,558	1,390,351
B	800,747	1,653,187
C	694,932	495,272
D	513,112	89,607
Total	<u><u>\$ 2,975,349</u></u>	<u><u>3,628,417</u></u>

# **ShunSin Technology Holdings Limited**

**Chairman: Hsu, Wen-Yi**

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