

Stock Code: 3628

2
0
2
2

2021 Annual Report

Printed on May 16, 2022

Ablerex Electronics Co. annual report is available at:

<http://www.ablerex.com.tw>

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

 **Ablerex**
Experts in Power Conversion



Ablerex Electronics Co., Ltd.

2021 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Ablerex Electronics Co. annual report is available at :

<http://www.ablerex.com.tw>

Printed on May 16 2022

Spokesperson

Name : Z.F. Lin

Title: Manager of Financial Dept.

Tel: 886-2-2917-6857

E-mail: financial@ablerex.com.tw

Deputy Spokesperson

Name : Damon Chao

Title: Corporate Governance Officer/Special
Assistant

Tel: 886-2-2917-6857

E-mail: damon.chao@ablerex.com.tw

Stock Transfer Agent

Stock Affairs Service Agent Department
of Fubon Securities Corporation

Address: 2F, No.17, Syuchang St,
Jhong jheng Dist, Taipei City 100,
Taiwan (R.O.C.)

Tel: 886-2-2361-1300

Website: www.fbs.com.tw

Auditors

PwC

Auditors: Chou, Hsiao-Tzu/CPA and Lee, Hsiu-Ling /CPA

Address: 27F, No.333, Sec. 1, Keelung Rd.,
Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel.: 886-2-2729-6666

Website: www.pwc.com.tw

Overseas Securities Exchange

N/A

Corporate Website

<http://www.ablerex.com.tw>

Headquarters and Plant**Headquarters**

Address: 1F., No.3, Ln. 7, Baogao Rd.,
Xindian Dist., New Taipei City 231,
Taiwan (R.O.C.)

Tel: 886-2-2917-6857

Plant

Address: No.1-1, Gongye Rd., Pingtung
City, Pingtung County 900, Taiwan
(R.O.C.)

Tel: 886-8-7230091

Contents

| | | |
|------|--|-----|
| I. | Letter to Shareholders..... | 1 |
| II. | Company Profile..... | 6 |
| | 2.1 Date of Incorporation: Apr. 27, 1998..... | 6 |
| | 2.2 Company History | 6 |
| III. | Corporate Governance Report | 7 |
| | 3.1 Organization..... | 7 |
| | 3.2 Directors, Supervisors and Management Team | 9 |
| | 3.3 Remuneration of Directors, President, and Vice Presidents | 19 |
| | 3.4 Implementation of Corporate Governance | 25 |
| | 3.5 Information Regarding the Company's Audit Fee, Replacement and Independence ... | 101 |
| | 3.6 CPA's changing information within 2 years: | 101 |
| | 3.7 The Chairman, CEO, and Financial or Accounting Managers of the Company who had worked for the independent Auditor or the related party in the most recent years: None | 103 |
| | 3.8 Information on Net Change in Shareholders and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% shareholding or more | 103 |
| | 3.9 Shareholders who hold the top ten shareholdings, information about each other's financial accounting standards bulletin No. 6 related parties or relatives within the spouse, second parents, etc.:..... | 104 |
| | 3.10 Ownership of Shares in Affiliated Enterprises | 105 |
| IV. | Capital Overview..... | 106 |
| | 4.1 Capital and Shares | 106 |
| | 4.2 Bonds: None | 113 |
| | 4.3 Preferred Shares: None | 113 |
| | 4.4 Global Depository Receipts: None | 113 |
| | 4.5 Employee Stock Options: None..... | 113 |
| | 4.6 Restricted Employee Shares: None..... | 113 |
| | 4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None . | 113 |
| | 4.8 Financing Plans and Implementation: None | 113 |
| V. | Operational Highlights | 114 |
| | 5.1 Business Activities | 114 |
| | 5.2 Market and Sales Overview..... | 138 |
| | 5.3 Human Resources Analysis..... | 146 |
| | 5.4 Environmental protection Expenditure..... | 146 |
| | 5.5 Labor Relations | 147 |
| | 5.6 Cyber security risk management..... | 150 |

| | | |
|-------|---|-----|
| 5.7 | Important Contracts | 153 |
| VI. | Financial Information | 154 |
| 6.1 | Five-Year Financial Summary | 154 |
| 6.2 | Five-Year Financial Analysis | 158 |
| 6.3 | Audit Committee’s Report for the Most Recent Year : Please refer to Page 182 of the annual report..... | 163 |
| 6.4 | Consolidated Financial Statements for the Most Recent Years: Please refer to Page 251 to 324 for the details | 163 |
| 6.5 | Parent Company Only Financial Statements for the Most Recent Years: Please refer to Page 183 to 250 for the details. | 163 |
| 6.6 | Impact of financial difficulties of the Company and related party on the Company’s financial position: None | 163 |
| VII. | Review of Financial Conditions, Financial Performance, and Risk Management..... | 164 |
| 7.1 | Condensed Financial Position – Under IFRSs..... | 164 |
| 7.2 | Financial Performance | 165 |
| 7.3 | Analysis of Cash Flow | 166 |
| 7.4 | Impact of major capital expenditure on finance and business: None | 167 |
| 7.5 | Investment policies, reasons for gain or loss and improvement plan regarding investment plans in current year and the next year..... | 167 |
| 7.6 | Risk Management and Evaluation until the report printed | 168 |
| 7.7 | Other important matters: None..... | 175 |
| VIII. | Special Disclosure | 176 |
| 8.1 | Consolidated financial statements of the related party..... | 176 |
| 8.2 | Subscription of marketable securities privately in the most recent years and up to the date of the report printed: None..... | 179 |
| 8.3 | The stock shares of the company held or disposed by the subsidiaries in the most recent years and up to the date of the report printed: None..... | 179 |
| 8.4 | Supplementary disclosures: Commitment matters and handling situation for OTC as:..... | 179 |
| IX. | Occurrence of events defined in Securities and Exchange Act Article 36.3.2 that has great impact on shareholder’s equity or security price in the most recent years and up to the date of the report printed: N/A | 180 |

I. Letter to Shareholders

Dear Shareholders:

At first, I'd like to thank all shareholders for full support of the company in the past year. The operating performance in 2021 and the prospects for 2022 are reported as follows:

1. Operating Performance in 2021

The consolidated sales revenue of AblereX is NTD 2,984,677 thousand in 2021, which increased 26.37% over the sales revenue NTD 2,361,923 thousand in 2020. The consolidated net income is NTD 72,801 thousand in 2021, which increased 70.79% over the net income NTD 42,626 thousand in 2020. (As the following table)

Unit: NT\$ thousands

| Item | 2021 | 2020 | Growth Rate (%) |
|--|-----------|-----------|-----------------|
| Sales Revenue | 2,984,677 | 2,361,923 | 26.37% |
| Gross profit | 633,996 | 576,822 | 9.91% |
| Operating income | 77,979 | 52,953 | 47.26% |
| Net income | 72,801 | 42,626 | 70.79% |
| Profit attributable to parenting company | 72,162 | 41,917 | 72.15% |
| EPS(NTD) – After tax | 1.60 | 0.93 | 72.04% |

2. Overview and results of the implementation of the 2021 business plan

In 2021, the world was still covered in the effects of the COVID-19, but with the start and implementation of vaccines, the epidemic situation in various countries was gradually controlled and slowed down, various control restrictions were also relaxed, and the economic activities in the regions under the group's marketing bases gradually returned to the right track, so the company's revenue from major products such as UPS and APF also returned to the level before the outbreak of the epidemic, but due to the low base period of 2020, the annual revenue growth rate increased significantly; as for the sales, project engineering and service revenue of PV inverters (most of them originate domestically), which benefits from government policies and still growing.

The total operating income for 2021 is NTD2,984,677 thousand included sales revenue and service income, an increase of NTD622,754 thousand (26.37%) from NTD2,361,923 thousand in 2020. Compared with the sales revenue and service revenue contribution of the five major products in this 2 year, in addition to the slight decline in sales of PV inverters, UPS, APF, project, other (components, batteries, etc.) and service income have increased significantly compared with 2020, of which the project revenue increased by 305,233 thousand, an increase of 31.18%, which is the main cause for the substantial growth of revenue compared with the previous year and the record for the second highest revenue.

Total operating expenses for the year were NTD2,906,698 thousand, an increase of NTD597,728 thousand (25.89%) from NTD2,308,970 thousand in 2020. Among them, operating costs increased by NTD565,580 thousand due to increase in operating income, rising material and manufacturing costs, and operating expenses increased by NTD32,148 thousand compared with 2020, although operating expenses increased compared with 2020, but in addition to research and development expenses due to the continuous increase in development strategies, marketing and management expenses returned to the right track with operational activities and rose to pre-epidemic levels.

The company's 2021 major business performance indicators are as follows:

Unit: NT\$ thousands

| Item | 2021 | 2020 | Growth Rate(%) |
|------------------------------------|--------|--------|----------------|
| Return on Assets | 2.46% | 1.63% | +0.83 ppts |
| Return on Shareholders' Equity | 4.88% | 2.88% | +2.00 ppts |
| Operating Income to Capital Stock | 17.33% | 11.77% | +5.56 ppts |
| Profit before Tax to Capital Stock | 19.38% | 13.49% | +5.89 ppts |
| Net Profit Margin | 2.44% | 1.80% | +0.64 ppts |
| EPS (NTD)-after tax | 1.60 | 0.93 | 72.04% |

Although the company's sales gross profit margin (21.24%) in 2021 decreased by 3.18% compared with 2020 (24.42%), it benefited from revenue growth, and the operating gross profit still increased; the operating expenses were properly controlled, and although the operating expenses increased, the operating expense ratio decreased by 3.55% compared with the 2020, which still had a positive impact on the overall operating interest, so the net profit and net profit ratio increased throughout the year, and the performance of the related assets and capital operating performance indicators was better than that of the 2020.

3. Business Plan for 2022

A. Business guidelines

In terms of business development, according to the characteristics of different territory of the world, we will continue to carry out the local business strategy, with the advantages of "fast, professional and integrated" technical services, develop Ablerex's own brand with local characteristics, and provide products and services that are deeper in the market demand. In the foundry business, we use the advantages of technological autonomy to provide differentiated ODM services to meet the different needs of customers. In terms of R&D technology, it will further enhance the power capacity of products, develop in the direction of large-scale, industrialization and modularization, and provide more diversified and broader product portfolio solutions. In terms of production and manufacturing, we will continue the industrialization plan, further introduce automated production equipment, reduce manpower dependence and improve manufacturing efficiency and energy utilization, and move towards green factories.

B. Sales Forecasts and basis

The company is a professional power electronics product and service provider. In addition to continuing to expand the ODM and OBM sales business of the international market of uninterruptible power systems, it is also actively participating in domestic UPS project engineering bids and providing maintenance services and selling its own brands PV inverter and ESS. According to the document of research institutes, there is a room for growth in the global UPS market and the domestic solar market. The company will aim to increase overall profitability, increase sales and sales of various products, and actively increase the sales of various products market share.

C. Major production and sales strategy

1. Production strategy:

After the continuous improvement of product quality and reliability in 2021, more intelligent monitoring equipment will be conducted to deepen the manufacturing process and continue to reduce quality risks. In response to the uptrend of labor costs, some processes will be transferred to automation, reducing requirement of manpower and improving manufacturing efficiency and efficiency.

2. Sales strategy:

Continue the local business strategy, via technical advantages, combine the market characteristics of different regions and develop differentiated local private brands. Provide integrated services from design to after-sales service and from plan to maintenance.

D. Research and Development Status

Continuing the foundation of "design for mass production", combined with deep power electronics technology, the product capacity and efficiency are further improved. At the same time, it will accelerate the pace of development of ESS, and develop the developed energy storage and green energy products, according to different needs, with monitoring equipment, into an integrated "energy management system", becoming a grid-level energy regulation equipment, providing customers with more diversified and comprehensive choices.

4. The impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

A. External Competitive Environment

UPS is a mature and highly competitive industry. The mid and high-end product market is monopolized by a few big European and American brands and continues to consolidate its market position through mergers and acquisitions. The lower-end product market is a highly competitive red ocean market; As for PV inverters, Taiwan's solar power generation construction target is 20GW in 2025, but as of September 2021, the

total installed capacity will only reach 7GW, which means that there is still a level of 13GW to be set in the next few years, there is still a room for growth, and the overall industry prospects are optimistic. At the same time, Taiwan's energy transformation will drive the demand for energy storage market, according to Taipower's 2025 battery energy storage plan, it is predicted that Taiwan's energy storage scale will expand to 20GWh in 2030, and the market size will look up to 200 billion Taiwan dollars, which can bring business opportunities to the industrial ecosystem and supply chain partners.

B. Regulatory Environment

Ablerex follows national policies, laws and international norms, executes various operating activities, and does grasp changes in important policies, laws, and regulations. It adjusts the company's internal systems and operating activities in a timely manner to meet the specifications and ensure the smooth operation of the company. In recent years, the trend of net zero carbon reduction in the world and Taiwan's energy transition policy have actively conducted renewable energy and energy storage, which are favorable conditions for the sales and promotion of solar power converters and energy storage equipment produced and supplied by the company.

C. Macroeconomic Conditions

After 2022 epidemic, major international economic forecasters believe that economic performance is expected to grow steadily, but there are still four major risks.

First, although the epidemic has slowed down, Omicron variant virus, vaccines and epidemic prevention and other related measures will still affect economic activities; second, the adjustment and measures of major countries in response to the monetary policy and inflationary pressure in the post-epidemic era; third, the price trend of crude oil and bulk materials and supply chain adjustments; and the fourth is the impact of the global energy and power rationing crisis and carbon reduction and net emissions.

Among them, carbon reduction and net emissions have become important goals for countries around the world. While net-zero emissions in 2050 may seem like a long time ago, governments are already preparing. The EU will impose carbon tariffs on energy-intensive imports in 2023, with full effect in 2026. Enterprises are bound to adjust production, promote net zero emissions in the supply chain, and transform into low-carbon or green supply chains. And these policies such as carbon taxation and raising carbon emission standards implemented in the process of meeting the standards will gradually lead to unequal impacts on the economic growth of various countries and the operating costs of enterprises.

5. Development Strategy

After AblereX implemented the strong improving program, the company's manufacturing process and production quality and efficiency have been greatly improved. Looking forward to 2022, the company will continue to show its advantages in technology autonomy, optimize existing products, and give full play to the advantages of long-term local operations, and gradually carry out regional private brand business internationally. At the same time, combined with the company's long-term R&D strength and application experience in the field of power electronics, the development of large-scale, industrialized and modular high-power and high-capacity products, towards the high-end product market; and will accelerate the integration of existing energy storage and green energy products, with monitoring equipment, develop into an integrated "energy management system". It has become an energy regulation device at the grid level and actively seizes a place in the process of Taiwan's energy transformation.

All the best,

Chairman and CEO

Wen Hsu

II. Company Profile

2.1 Date of Incorporation: Apr. 27, 1998.

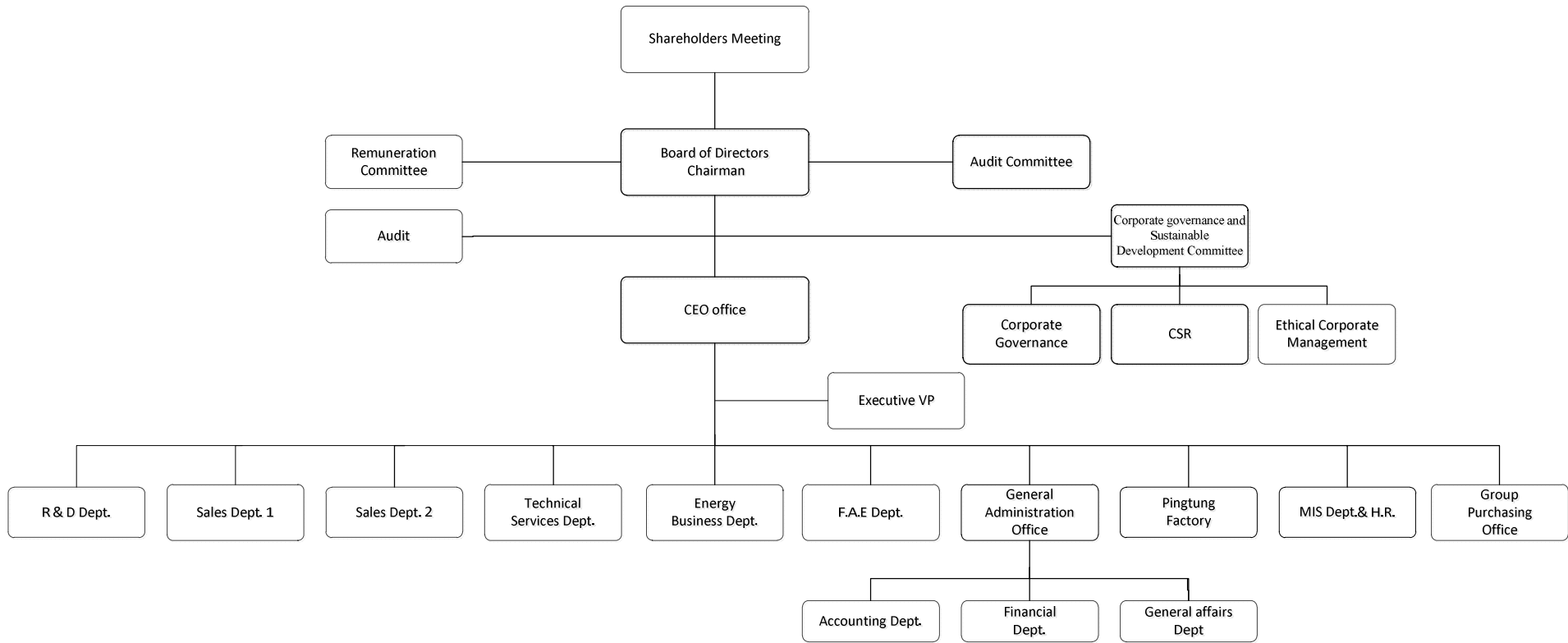
2.2 Company History

| | |
|-------------|--|
| 2018 | Set up AblereX Latam Corp. in US for Latin America market |
| 2017 | Invest AblereX Electronics (Thailand) Co., Ltd. for own branded products in Thailand |
| 2016 | Set up Wada Denki Co., Ltd. in Japan |
| 2016 | Invest New Office for Xinchu office |
| 2013 | Set up New Building for U.S. Office |
| 2012 | New Factory at Pingtung Taiwan for 3 phase product. |
| 2010 | Public Listed on OTC market Increased Capital to USD 15M (NTD450M) |
| 2009 | Set up Beijing office and Italy office Listed on Emerging Stock Market |
| 2008 | Set up RD center in Kaohsiung Invest Singapore Company Set up 2nd-owned Factory in Suzhou, China Public offering in Taiwan Stock Market |
| 2006 | Set up USA office. |
| 2005 | Set up 1st-owned Factory in Suzhou, China. |
| 2004 | Increased Capital to USD 10 M (NTD 310 M) |
| 2002 | Merged with UIS Abler Electronics Co., Ltd. and rename AblereX Electronics Co., Ltd. |
| 2001 | Start to set up Production facility in Suzhou, China |
| 1994 | Set up PEC TECHNOLOGY CO., LTD |

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Function

| Department | Main Function |
|--|---|
| CEO office | <ol style="list-style-type: none"> 1. Setup Chairman, General Manager, Executive VP, Corporate Governance Officer/Special assistant and Stock affairs. 2. Follow the Corp. policy, business development and operation of mid/long term plan. 3. Relative process for Stock affairs |
| Corporate governance and Sustainable Development Committee | <ol style="list-style-type: none"> 1. Regularly review the implementation of various businesses and issue reports to the board of directors. 2. According to government decrees, the competent authorities, and relevant management regulations within the company, plan, coordinate and track the implementation status of each task, and issue the duties of relevant departments according to the functional nature. 3. Regularly report the results of the annual plan implementation before the end of the year and prepare the next annual plan. |
| Audit Office | <ol style="list-style-type: none"> 1. All audit of finance, Sales and Accounting. 2. Trace the internal procedure and review operation for internal control system. 3. Provide suggestions timely to ensure the continuous and effective implementation of the internal control system and serve as a basis for reviewing and revising the internal control system. |
| R & D Dept. | <ol style="list-style-type: none"> 1. The development of new technology and new product 2. Setup specification of new product 3. Internal technical transference and training 4. Filing and management of technical document and application for all intelligent right |
| Sales Dept. 1 | <ol style="list-style-type: none"> 1. Sales and promotion of own branded product in Big China market 2. Sales management and business development 3. Offer the service to promote sales and customer services |
| Sales Dept. 2 | <ol style="list-style-type: none"> 1. Sales and promotion of own branded product in world-wide market 2. Sales management and business development 3. Offer the service to promote sales and customer services 4. To update the catalog and web site |
| Technical Services Dept. | <ol style="list-style-type: none"> 1. To offer services of Installation, inspection and warranty 2. Create business for maintenance, parts and components |
| Energy Business Dept. | <ol style="list-style-type: none"> 1. Sales and promotion of own branded energy relative product and services in local market 2. Sales management and business development 3. Offer the service to promote sales and customer services |
| F.A.E Dept. | <ol style="list-style-type: none"> 1. Support to customers for all own branded product 2. Backup of sales promotion 3. Support for all claim |
| Pingtung Factory | <ol style="list-style-type: none"> 1. Plan and management for all Production, schedule, inventory, raw material, packing. 2. Support and plan for all OEM 3. Delivery, lead time control and after sales services. |
| MIS & HR Dept | <ol style="list-style-type: none"> 1. Installation, maintenance and management of IT system 2. Internal net working installation and maintenance 3. Plan, integration of ERP on-line system 4. Development for process automation and function 5. Attendance management |
| Group Purchasing Office | <ol style="list-style-type: none"> 1. Setup of supply chain 2. Outsourcing for R&D, raw material and parts 3. Control of purchasing cost |
| General Administration Office | <p><u>Accounting Dept.</u></p> <ol style="list-style-type: none"> 1. Accounting, tax process and preparation of finance report 2. Analysis and control of summary of annual budget <p><u>Financial Dept.</u></p> <ol style="list-style-type: none"> 1. A/P, finance plan and management analysis 2. Management and plan of funds <p><u>General affairs & Human Resource Dept.</u></p> <ol style="list-style-type: none"> 1. General affairs for operation 2. Maintenance and management of Fix assets |

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

A. Directors

2022.4.30, Unit: Shares; %

| Title | Nationality / Country of Origin | Name | Gender/ Age | Date elected | Term (Years) | Date of first elected (MM-DD-YY) | Shareholding when elected | | Current shareholding | | Spouse and Minors Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other position | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | | Note |
|---------------|---------------------------------|---------------|-------------|--------------|--------------|----------------------------------|---------------------------|--------|----------------------|--------|--------------------------------|-------|-------------------------------------|---|---|----------------|---|------|----------|---------|
| | | | | (MM-DD-YY) | (Years) | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | ROC | Wen Hsu | M 51-60 | 06-19-20 | 3 | 05-08-02 | 9,477,177 | 21.06% | 9,638,177 | 21.42% | 219,973 | 0.49% | 0 | 0 | National Kaohsiung university of applied science/Honor Ph.D/Master of electronic engineering (MEE) Chairman & President of PEC Technology Co., Ltd. | Note 1 | N/A | N/A | N/A | Note 10 |
| Director | ROC | Y.A. Chen | M 61-70 | 06-19-20 | 3 | 05-08-02 | 2,485,763 | 5.52% | 2,485,763 | 5.52% | 0 | 0 | 0 | 0 | National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Abler Electronics Co., Ltd. Chairman of Ablerex Electronics Co., Ltd. | Note 2 | N/A | N/A | N/A | |
| Director | ROC | UIS Co., Ltd. | M 61-70 | 06-19-20 | 3 | 05-08-02 | 14,986,502 | 33.30% | 14,587,502 | 32.42% | 0 | 0 | 0 | 0 | N/A | N/A | N/A | N/A | | |
| | | *C.S. Chen | | | | | - | 0.00% | - | 0.00% | 0 | 0 | 0 | 0 | National Chiao Tung University/Bachelor of Institute of Communications Engineering , | N/A | N/A | N/A | N/A | * |
| Director | ROC | UIS Co., Ltd. | M 61-70 | 06-19-20 | 3 | 09-23-15 | 14,986,502 | 33.30% | 14,587,502 | 32.42% | 0 | 0 | 0 | 0 | N/A | N/A | N/A | N/A | | |
| | | B.C. Chen | | | | | - | 0.00% | - | 0.00% | 0 | 0 | 0 | 0 | National Chiao Tung University/Bachelor of Institute of Communications Engineering | Note 3 | N/A | N/A | N/A | |
| Director | ROC | UIS Co., Ltd. | M 71-80 | 11-10-21 | 3 | 11-10-21 | 14,986,502 | 33.30% | 14,587,502 | 32.42% | 0 | 0 | 0 | 0 | N/A | N/A | N/A | N/A | | |
| | | *S.C. Tseng | | | | | - | 0.00% | - | 0.00% | 0 | 0 | 0 | 0 | Taipei Institute of Technology / Electrical engineering | Note 4 | N/A | N/A | N/A | |
| Director | ROC | J.K. Sung | M 51-60 | 06-19-20 | 3 | 06-19-17 | 244,921 | 0.54% | 200,921 | 0.45% | 0 | 0 | 0 | 0 | National Kaohsiung university of applied science/Master of electronic engineering (MEE) Sales Manager of PEC Technology Co., Ltd. Ablerex Electronics FAE V.P. | Note 5 | N/A | N/A | N/A | |
| Director | ROC | J.H. Ho | M 61-70 | 06-19-20 | 3 | 11-17-09 | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0 | 0 | University of Pittsburgh/Doctor of Economics Vice Executive Secretary of National Development Fund, Executive Yuan | Note 6 | N/A | N/A | N/A | |
| Ind. Director | ROC | Y.J. Ding | M 61-70 | 06-19-20 | 3 | 11-17-09 | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0 | 0 | Indiana University/Doctor of Philosophy. President of Fubon Securities Investment Trust Co., Ltd. Chairman of Waterland Securities Co., Ltd. Chairman of Paradigm Assset Management Co., Ltd. | Note 7 | N/A | N/A | N/A | |
| Ind. Director | ROC | S.G. Wang | M 71-80 | 06-19-20 | 3 | 06-23-14 | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0 | 0 | Chung Yuan Christian University/Bachelor of Civil Engineering Chief of team leader of Engineering Division, Taipei Water Department | Note 8 | N/A | N/A | N/A | |
| Ind. Director | ROC | Y.L. Su | M 71-80 | 06-19-20 | 3 | 06-19-20 | 0 | 0.00% | 0 | 0.00% | 0 | 0 | 0 | 0 | Ph.D. in System Engineering, Georgia Institute of Technology, CEO of General Energy Solutions Inc. | Note 9 | N/A | N/A | N/A | |

*UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

| | | |
|---------|------------|--|
| Note 1. | Wen Hsu | Chairman and CEO, AblereX Electronics Co., Ltd., CEO, AblereX Electronics (Suzhou) Co., Ltd., Director, AblereX corporation, AblereX International Corp. Ltd., AblereX Electronics (S) PTE Ltd. Director, AblereX Electronics U.K. Ltd. Director, AblereX Electronics Italy s.r.l. Director, AblereX Electronics (Beijing) Co., Ltd. |
| Note 2. | Y.A. Chen | Vice Chairman, AblereX Electronics Co., Ltd., Chairman, AblereX Electronics (Suzhou) Co., Ltd., Director, AblereX Electronics (Samoa) Co., Ltd. Director, AblereX Overseas Corp Ltd. Director AblereX Electronics (Beijing) Corp Ltd., Director, Z-COM, incl., Director of JG Environmental Technology Co., Ltd. Director, Eco Energy Corporation, Director UIS Co., Ltd. |
| Note 3. | B.C. Chen | Chairman of Jiangxi United Integrated Services Company, Chairman of Suyuan Trading (Shanghai) Company, Chairman of Suzhou Hantai System Integration Company, Chairman of Beijing Hanhe Tang Medical Devices Company, Chairman of UIS Company (Singapore), The Legal representative of the Director of UIS Co., Ltd., Huayuan Engineering Co., Ltd. , The Legal representative of the Director of Wholetech System Hitech Limited., The Legal representative of the Director of JG Environmental Technology Co., Ltd, Director of Jiangxi Construction Engineering (Group) Co., Ltd, Director of Gallant Micro. Machining Co., Ltd. |
| Note 4. | S.C. Tseng | None. |
| Note 5. | J.K. Sung | None. |
| Note 6. | J.H. Ho | Chairman of Hwa-Sun Asset Management Co., Ltd., Director of Chen-Yin International Development Co., Ltd., Director of Hotran Resource Development Ltd., Director of AMPACS Corporation, Ind. Director of Ta Ya Electric Wire & Cable, Senior V.P. of CDIB Capital Management Corporation, Chairman of CDIB Capital Healthcare Ventures Limited, Director of CDIB Private Equity (China) Corporation, Chairman of CDIB Yida Private Equity (Kunshan) Co. Ltd, Director of CDIB Private Equity (Kunshan) Co. Ltd. |
| Note 7. | Y.J. Ding | None. |
| Note 8. | S.G. Wang | Honorary President of Chinese Taipei Society for Trenchless Technology, Procurement Committee Member of Public Construction commission, Executive Yuan. |
| Note 9. | Y.L. Su | Chairman, Surplux Energy Inc., Director & Senior Consultant, Arima Communications Corp., Director, Arima Lasers Corporation, Independent Director, Z-Com, Inc. |
| Note 10 | Wen Hsu | The Chairman of the company, Wen Hsu, is one of the founders and has extensive industry experience. In order to do decision-making and business management closer and efficient, the chairman of the board is also the CEO. The company has nine directors on the board of directors, including three independent directors. Majority of the directors are not employees or managers. There are a remuneration committee, Audit Committee and a Corporate Governance Sustainable Development Committee to set up under the board of directors to strengthen directors and supervisors. Functions and protection of shareholders' rights and interests. The company has been in the top 5% record of TPEX listed companies for four consecutive years (2015-2018), Top 6-20% in 2019, Top 5% in 2020 and Top 6-20% in 2021) and its directors and supervisors have performed their functions so well and the Corporate Governance has achieved remarkable results. For sustainable operation, the company creates shareholders' interests, actively recruits talents and trains business executives, in order to take the job of the CEO in the future. |

B. Major shareholders of Corporate Shareholders

Apr. 30, 2022

| Name of Corporate Shareholders | Major shareholders of Corporate Shareholders |
|--------------------------------|---|
| UIS Co., Ltd. | H.W. Lee (4.69%), Lian-Yi Investment Co. (3.76%), American JPMorgan Chase Bank Taipei Branch entrusted with Stichting Depository APG Emerging Market Equity Mutual Fund Investment Account (2.59%), G.Y. Wang (2.02%), G.W. Wang (2.02%), Song Quan Company Limited (1.84%), C.S. Chen (1.52%), Y.C. Wang(1.48%), Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Norwegian Central Bank Investment Account (1.42%), S.J. Tseng(1.26%) |

Data source: United Integrated Services Corp. [Stock code: 2404]

C. Major shareholders of the company's major Corporate Shareholders

Apr. 30, 2022

| Name of Corporate Shareholders | Major shareholders |
|--|-------------------------------------|
| Lian-Yi Investment Co. | G.Y. Wang (25.2%) |
| American JPMorgan Chase Bank Taipei Branch entrusted with Stichting Depository APG Emerging Market Equity Mutual Fund Investment Account (3.22%) | American JPMorgan Chase Bank (100%) |
| Song Quan Company Limited | H.J. Sung (4.723%) |
| Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Norwegian Central Bank Bank Investment Account | Citibank (100%) |

Data source: United Integrated Services Corp. [Stock code: 2404]

3.2.2 Directors 2

A. Professional Qualifications of Directors and Independence of Independent Directors:

2022.4.30

| Eligibility Name | Qualifications and experience (Note 1) | Independence status (Note 2) | Number of independent directors of other public companies |
|--|--|------------------------------|---|
| Wen Hsu | National Kaohsiung university of applied science/Honor PhD. /Master of electronic engineering (MEE) Act as Chairman of AblereX Electronics Co., Ltd. Rich experience in business management, industry knowledge and international market | -NA- | 0 |
| Y.A. Chen | National Chiao Tung University/Master of Institute of Traffic & Transportation Act as Vice Chairman of AblereX Electronics Co., Ltd. Rich experience in business management, industry knowledge and international market | -NA- | 0 |
| UIS Co., Ltd/ C.S. Chen. (Note 3) | National Chiao Tung University / Bachelor of Institute of Communications Engineering, (Rich experience in Power Electronic and business management) Acted as Chairman of UIS Co., Ltd. | -NA- | 0 |
| UIS Co., Ltd/ B.C. Chen. | National Chiao Tung University / Bachelor of Institute of Communications Engineering, (Rich experience in Power Electronic and business management) Acted as President of UIS Co., Ltd. | -NA- | 0 |
| UIS Co., Ltd/ S.C. Tseng. (Note 3) | Taipei Institute of Technology / Electrical engineering (Rich experience in Power Electronic and business management) Acted as Vice President of UIS Co., Ltd. | -NA- | 0 |
| J.K. Sung | National Kaohsiung university of applied science/Master of electronic engineering (MEE) Act as AblereX Electronics FAE V.P. Rich experience in business management and industry knowledge. | -NA- | 0 |
| J.H. Ho | University of Pittsburgh/Doctor of Economics Act as Chairman of CDIB Capital Healthcare Ventures Limited Rich experience in business management, Finance and industry knowledge | -NA- | 1 |

| Eligibility Name | Qualifications and experience (Note 1) | Independence status (Note 2) | Number of independent directors of other public companies |
|---------------------|---|--|---|
| Y.J. Ding | Independent Director and Audit committee Indiana University/ PhD. Acted as President of IBF Financial Holding, Chairman of Waterland Securities Co., Ltd. Rich experience in business management, Finance and industry knowledge. None of the provisions of Article 30 of the Company Law. | Mr. Y.J. Ding, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 0 |
| S.G. Wang | Independent Director and Audit committee Chung Yuan Christian University / Bachelor of Civil Engineering Act as Procurement Selection Member, Public Works Committee, Executive Yuan Acted as Chief of team leader of Engineering Division, Taipei Water Department Rich experience in business management and industry knowledge and Environmental Protection. None of the provisions of Article 30 of the Company Law. | Mr. S.G. Wang, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 0 |
| Y.L. Su | Independent Director and Audit committee Ph.D. in System Engineering, Georgia Institute of Technology. Act as CEO of General Energy Solutions Inc. Rich experience in business management, Finance and industry knowledge. None of the provisions of Article 30 of the Company Law. | Mr. Y.L. Su, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 1 |

Note 1: Professional qualifications and experience: describe the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience should be stated, and whether they have not There are cases under Article 30 of the Company Law.

Note 2: Independent directors should state their independence, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held by relatives (or in the name of others); whether or not he is a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors and Matters to be Complied by Public Companies) Directors, supervisors or employees; the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

Note 3: UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

B. Board diversity goals and independence :

The Company set forth "Corporate Governance Best-Practice Principles" and "Procedures for Election of Directors and Supervisors". The selection of directors of a company shall take into consideration the overall configuration of the board of directors. In order to achieve the ideal goal of corporate governance, the members of the board of directors should generally have the knowledge, skills and accomplishments necessary to perform their duties. Their overall capabilities should be as follows:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Directors shall have majority seats and shall not have a kinship relationship such as a spouse or second relative.

(1) Board diversity Goals

Article 20 of the "Corporate Governance Best-Practice Principles" and Article 3 of the "Procedures for Election of Directors" states that the composition of the board of directors should consider diversity and formulate an appropriate diversification policy based on its own operations, operating patterns and development needs, should include but not limited to the following two major aspects:

1. Basic conditions and values: gender, age, nationality and culture.
2. Professional knowledge and skills : such as professional background (law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.

The company set up its goals based on the board's diversification policy. It hopes that the background of future board members will include one seat for female directors, one-third for independent directors, one-third for directors with employee background, and one for legal or scientific professionals so as to improve board diversity and corporate governance.

The term of current directors is from June 19, 2020 to June 18, 2023.

The company currently has 9 directors, including three employee directors (one third directors' seats) and three independent directors (one third directors' seats). The members have extensive experience in business management, industrial knowledge, financial accounting, and environmental protection. Hope to realize the diversity goals of female directors and board of directors with a major in law and risk management in future. Please refer the table below:

Diversity implementation for Board members

| Core Item / Director | Basic conditions | | | | | | | | | Business and Industry Experience | | | Professionality | | |
|------------------------------|------------------|--------|------------|----------|--------------|-----------|----------------------------|--------|-------------|----------------------------------|-------------------------|--------------------|------------------------|------------|---------------|
| | Nationality | Gender | Age (year) | | | Part-time | Job tenure (Ind. Director) | | | Management | leadership and decision | Industry knowledge | Finance and Accounting | Legal Risk | Ecotechnology |
| | | | 50 to 60 | 61 to 70 | More than 70 | | Less than 3 | 3 to 9 | More than 9 | | | | | | |
| Wen Hsu | ROC | M | V | | | V | | | | V | V | V | | | |
| Y.A. Chen | ROC | M | | V | | V | | | | V | V | V | | | |
| *C.S. Chen-UIS legal person | ROC | M | | | V | | | | | V | V | V | V | | |
| *B.C. Chen-UIS legal person | ROC | M | | V | | | | | | V | V | V | | | |
| *S.C. Tseng-UIS legal person | ROC | M | | | V | | | | | V | V | V | | | |
| J.K. Sung | ROC | M | V | | | V | | | | V | V | V | | | |
| J.H. Ho | ROC | M | | V | | | | | | V | V | V | V | | |
| Y.J. Ding | ROC | M | | V | | | | | V | V | V | V | | | |
| S.G. Wang | ROC | M | | | V | | | V | | | V | | | | V |
| Y.L. Su | ROC | M | | | V | | V | | | V | V | V | | | V |

Note : UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

(2) Board independence:

The Articles of Incorporation stipulates that the Company shall have seven to nine directors, and the directors shall be elected by the shareholders, and they can be re-elected. In accordance with the Securities and Exchange Act, the Company shall have independent directors within the number of directors in the preceding paragraph, and the number of independent directors shall be at least three. The selection and appointment of directors (including independent directors) adopts the candidate nomination system.

There are nine directors in the company currently. Directors who have been elected by the shareholders' meeting on 2020.6.19. Among them, there are three independent directors, one third of the directors' seats. Each director has provided written "declaration" or information to the company to confirm the independence of himself and his immediate family relative to the company, and that there do not involve the conditions stipulated in Article 26-3 of the Securities and Exchange Act Items 3 and 4 (Director Circumstances where there is a relationship between spouses and relatives within the second degree of kinship, between supervisors, or between directors and supervisors), in compliance with relevant laws and regulations.

The information of all directors is published in the annual report. In addition, the company's website has publicly disclosed relevant information such as board members, training status, and implementation of diversification. Website: https://www.ablerex.com.tw/ch/csr_2_1.php

3.2.3 General manager, deputy general manager, associate manager, supervisors of each department and branch:

2022.4.30 / Unit: Share, %

| Title | Nationality / Country of Origin | Name | Gender | Date Effective (MM-DD-YY) | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Note |
|------------------------------|---------------------------------|------------|--------|---------------------------|--------------|--------|-----------------------------|--------|-------------------------------------|-----------|---|----------------|---|---------|----------|------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| | | | | | Chairman/CEO | ROC | Wen Hsu | M | 06-09-11 | 9,638,177 | | | 21.42% | 219,973 | 0.49% | |
| CSO | ROC | Y.A. Chen | M | 06-09-11 | 2,485,763 | 5.52% | 0 | 0 | 0 | 0 | National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Ablere Electronics Co., Ltd. Chairman of Ablere Electronics Co., Ltd. | Note 2 | N/A | N/A | N/A | |
| V.P. (CEO office) | ROC | M.Z. Hwang | M | 09-09-20 | 5,000 | 0.009% | 0 | 0 | 0 | 0 | Mater of University of Glasgow | N/A | N/A | N/A | N/A | |
| V.P. (Administration office) | ROC | Z.C. Xiao | M | 07-01-11 | 102,085 | 0.23% | 79 | 0.00% | 0 | 0 | Tamkang University/Bachelor of Electronic Engineering Manager of Fu Pin Industry Co., Ltd. Deputy Manager of UIS Ablere Electronics Factory Manager of Ablere Electronics | Note 3 | N/A | N/A | N/A | |
| V.P.(FAE) | ROC | J.K. Sung | M | 01-01-15 | 200,921 | 0.45% | 0 | 0 | 0 | 0 | National Kaohsiung university of applied science/Master of electronic engineering (MEE) Sales Manager of PEC Technology Co., Ltd. Manager of FAE Department of PEC Technology Co., Ltd. | N/A | N/A | N/A | N/A | |
| Executive V.P./RD | ROC | J.H. Lee | M | 08-01-19 | 0 | 0 | 0 | 0 | 0 | 0 | National Kaohsiung university of applied science/Master of electronic engineering (MEE) | N/A | N/A | N/A | N/A | |
| Chief Eng./RD | ROC | G.F. Hwang | M | 08-01-19 | 642 | 0.001% | 0 | 0 | 0 | 0 | National Kaohsiung university of applied science/Master of electronic engineering (MEE) | N/A | N/A | N/A | N/A | |
| Corporate Governance Officer | ROC | Damon Chao | M | 08-05-19 | 2,000 | 0.004% | 2,000 | 0.004% | 0 | 0 | Tamkung University Applied Chemistry RD Manager of Hold Key Electric Wire & Cable Co., Ltd. CEO of Wonderful Hi-Tech Co., Ltd. | N/A | N/A | N/A | N/A | |
| Manager of Sales Dept. 1 | ROC | S.M. Huang | M | 07-01-17 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Electrical Engineering, St. John's University Sales Rep of Ablere Electronics Co., Ltd. | N/A | N/A | N/A | N/A | |
| Financial Manager | ROC | Z.F. Lin | M | 03-03-08 | 35,000 | 0.07% | 0 | 0 | 0 | 0 | National Taiwan University/Bachelor of Economics Deputy Manager of Taipei Fubon Commercial Bank Co., Ltd. | Note 4 | N/A | N/A | N/A | |
| Accounting Manager | ROC | M.H. Liao | F | 07-01-06 | 665,800 | 1.48% | 31,000 | 0.07% | 0 | 0 | National Taipei University of Business/Bachelor of Accounting Deputy Manager of Accounting Department of PEC Technology Co., Ltd. | N/A | N/A | N/A | N/A | |

| | | |
|---------|-----------|---|
| Note 1. | Wen Hsu | Chairman and CEO, Ablere Electronics Co., Ltd., CEO, Ablere Electronics (Suzhou) Co., Ltd., Director, Joint rewards trading corp. Director, Ablere corporation, Ablere International Corp. Ltd., Ablere Electronics (S) PTE Ltd. Director, Ablere Electronics U.K. Ltd. Director, Ablere Electronics Italy s.r.l. Director, Ablere Electronics (Beijing) Co., ltd. |
| Note 2. | Y.A. Chen | Vice Chairman, Ablere Electronics Co., Ltd., Chairman, Ablere Electronics Co., Ltd., Chairman, Ablere Electronics (Suzhou) Co., Ltd., Director, Ablere Electronics (Samoa) Co., Ltd. Director, Ablere Overseas Corp Ltd. Director Ablere Electronics (Beijing) Corp Ltd., Director, Z-COM, incl., Director of JG Environmental Technology Co., Ltd. Director, Eco Energy Corporation |
| Note 3. | Z.C. Xiao | Ablere Electronics Co., Ltd. V.P., Ablere Electronics (Beijing) Co., ltd. Supervisor |
| Note 4. | Z.F. Lin | Supervisor of Wada Denki Co., Ltd., Supervisor of Ablere Electronics (Suzhou) Co., Ltd. |
| Note 5 | Wen Hsu | The Chairman of the company, Wen Hsu, is one of the founders and has extensive industry experience. In order to do decision-making and business management closer and more efficient, the chairman of the board is also the CEO. The company has nine directors on the board of directors, including three independent directors. Majority of the directors are not employees or managers. There are a remuneration committee, a Audit Committee and a Corporate Governance Sustainable Development Committee to set up under the board of directors to strengthen directors and supervisors. Functions and protection of shareholders' rights and interests. The company has been in the top 5% record of TPEX listed companies for four consecutive years (2015-2018), Top 6-20% in 2019, Top 5% in 2020, Top 6-20% in 2021 and its directors and supervisors have performed their functions so well and the Corporate Governance has achieved remarkable results. For sustainable operation, the company creates shareholders' interests, actively recruits talents and trains business executives, in order to take the job of the CEO in the future. |

3.3 Remuneration of Directors, President, and Vice Presidents

3.3.1 Remuneration of Directors and Ind. Directors

A. Remuneration of Directors and Independent Directors

Unit: NTD thousand; %

| Title | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary |
|---------------|------------|-----------------------|--|-------------------|--|------------------------|--|----------------|--|---|--|--|--|-------------------|--|-----------------------|-------|------|-------|---|--|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Bonus to Directors (C) | | Allowances (D) | | | | Base Compensation (E) | | Severance Pay (F) | | Bonus to Employee (G) | | | | Base Compensation (A) | | |
| | | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | The company | All companies in the consolidated financial statements | Cash | Stock | Cash | Stock | The company | All companies in the consolidated financial statements | |
| Chairman | Wen Hsu | | | | | | | | | | | | | | | | | | | | | |
| Director | Y.A. Chen | | | | | | | | | | | | | | | | | | | | | |
| Director | J.H. Ho | | | | | | | | | | | | | | | | | | | | | |
| Director* | C.S. Chen | 0 | 0 | 0 | 0 | 1,132 | 1,172 | 246 | 246 | 1.91% | 1.91% | 7,981 | 7,981 | 187 | 187 | 318 | 0 | 318 | 0 | 13.67% | 13.67% | 0 |
| Director | B.C. Chen | | | | | | | | | | | | | | | | | | | | | |
| Director* | S.C. Tseng | | | | | | | | | | | | | | | | | | | | | |
| Director | J.K. Sung | | | | | | | | | | | | | | | | | | | | | |
| Ind. Director | Y.J. Ding | | | | | | | | | | | | | | | | | | | | | |
| Ind. Director | S.G. Wang | 0 | 0 | 0 | 0 | 566 | 566 | 252 | 252 | 1.13% | 1.13% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.13% | 1.13% | 0 |
| Ind. Director | Y.L. Su | | | | | | | | | | | | | | | | | | | | | |

Note :

*UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

1. Please describe the policy of remuneration, criteria and packages, rules and procedures related to the remuneration, and its relation to business performance and future risks for Independent Directors: Please refer P.24 of the annual report
2. Other than the disclosure in the table above, the remuneration received by the Directors of Ablerox in the latest year from providing services, such as being consultant that is not the employee of the company, to all the companies listed in the financial report: None

Remuneration Bracket

| Range of Remuneration | Name of Directors | | | |
|--------------------------|---|---|--|--|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| Less than 1,000,000 | Wen Hsu, Y.A. Chen, J.H. Ho, UIS Co (Legal person director *C.S. Chen, B.C. Chen and *S.C. Tseng), J.K. Sung, Y.J. Ding, S.G. Wang and Y.L. Su. | Wen Hsu, Y.A. Chen, J.H. Ho, UIS Co (Legal person director *C.S. Chen, B.C. Chen and *S.C. Tseng), J.K. Sung, Y.J. Ding, S.G. Wang and Y.L. Su. | J.H. Ho, UIS Co (Legal person director *C.S. Chen, B.C. Chen and *S.C. Tseng), Y.J. Ding, S.G. Wang and Y.L. Su. | J.H. Ho, UIS Co (Legal person director *C.S. Chen, B.C. Chen and *S.C. Tseng), Y.J. Ding, S.G. Wang and Y.L. Su. |
| 1,000,000 ~ 2,000,000 | None | None | J.K. Sung | J.K. Sung |
| 2,000,000 ~ 3,500,000 | None | None | None | None |
| 3,500,000 ~ 5,000,000 | None | None | Wen Hsu, Y.A. Chen | Wen Hsu, Y.A. Chen |
| 5,000,000 ~ 10,000,000 | None | None | None | None |
| 10,000,000 ~ 15,000,000 | None | None | None | None |
| 15,000,000 ~ 30,000,000 | None | None | None | None |
| 30,000,000 ~ 50,000,000 | None | None | None | None |
| 50,000,000 ~ 100,000,000 | None | None | None | None |
| More than 100,000,000 | None | None | None | None |
| Total | 9 | 9 | 9 | 9 |

Note:
 *UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10. The remuneration disclosed on the above chart is not the same as the income in Income Tax Act. The purpose of the chart is for information disclosure instead of tax basis.

B. Remuneration of President and Vice Presidents

Unit: NTD thousand, %

| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Employee Compensation (D) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary |
|----------------|------------|-------------|--|-------------------|--|----------------------------|--|---------------------------|-------|--|-------|---|---------------------------------------|--|
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the financial Statements | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| CEO | Wen Hsu | 11,488 | 11,488 | 501 | 501 | 4,400 | 4,400 | 508 | 0 | 508 | 0 | 23.41% | 23.41% | 0 |
| CSO | Y.A. Chen | | | | | | | | | | | | | |
| V.P | Z.C. Xiao | | | | | | | | | | | | | |
| V.P | J.K. Sung | | | | | | | | | | | | | |
| V.P | J.H. Lee | | | | | | | | | | | | | |
| V.P | M.Z. Hwang | | | | | | | | | | | | | |
| Chief Engineer | G.F. Hwang | | | | | | | | | | | | | |

Remuneration Bracket

| Remuneration of President and V. P. | Name of President and V.P. | |
|-------------------------------------|--|--|
| | The company | Companies in the consolidated financial statements |
| Less than 1,000,000 | None | None |
| 1,000,000 ~ 2,000,000 | Z.C. Xiao, J.K. Sung, G.F. Hwang | Z.C. Xiao, J.K. Sung, G.F. Hwang |
| 2,000,000 ~ 3,500,000 | Wen Hsu, Y.A. Chen, J.H. Lee, M.Z. Hwang | Wen Hsu, Y.A. Chen, J.H. Lee, M.Z. Hwang |
| 3,500,000 ~ 5,000,000 | None | None |
| 5,000,000 ~ 10,000,000 | None | None |
| 10,000,000 ~ 15,000,000 | None | None |
| 15,000,000 ~ 30,000,000 | None | None |
| 30,000,000 ~ 50,000,000 | None | None |
| 50,000,000 ~ 100,000,000 | None | None |
| More than 100,000,000 | None | None |
| Total | 7 | 7 |

* The remuneration disclosed on the above chart is not the same as the income in Income Tax Act. The purpose of the chart is for information disclosure instead of tax basis.

C. Remuneration of Executive Officers

Unit: NTD Thousand

| | Title | Name | Employee Bonus - in Stock (Fair Market Value) | Employee Bonus - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|-----------------------|---------------------------------------|------------|--|--------------------------------|-------|--|
| Executive Officers | Chairman/CEO | Wen Hsu | 0 | 666 | 666 | 0.92% |
| | Vice Chairman | Y.A. Chen | | | | |
| | V.P of Administration Office | Z.C. Xiao | | | | |
| | V.P of FAE Dept. | J.K. Sung | | | | |
| | Executive V.P. of RD | J.H. Lee | | | | |
| | Executive V.P. of CEO office | M.Z. Hwang | | | | |
| | Corporate Governance Officer | Damon Chao | | | | |
| | Manager of Sales Dept. 1 | S.M. Huang | | | | |
| | Manager of Sales Dept. 2 | W.J. Ho | | | | |
| | Chief Engineer of RD | G.F. Hwang | | | | |
| | Assistant Manager of Accounting Dept. | M.H. Liao | | | | |
| | Manager of Financial Dept. | Z.F. Lin | | | | |

3.3.2 Compare and state the ratio of total remuneration paid to the Company's Directors, Supervisors, President, and Vice Presidents by the Company and the companies in the consolidated financial statements to net income in the last 2 years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance:

A. Analyze the ratio of the total remuneration paid to the company's Directors, Supervisors, President, and Vice Presidents in the last 2 years to net income:

Unit: NTD Thousand, %

| Title | Year | 2020 | | 2021 | |
|---|------|-------------|---------------------------------------|-------------|---------------------------------------|
| | | The company | Companies in the financial statements | The company | Companies in the financial statements |
| Remuneration to Directors | | 1,416 | 1,416 | 2,196 | 2,196 |
| Ratio of total remuneration paid to Directors to net income (%) | | 3.38% | 3.38% | 3.04% | 3.04% |
| Remuneration to President and V.P | | 16,474 | 16,474 | 16,897 | 16,897 |
| Ratio of total remuneration paid to President and V.P to net income (%) | | 39.30% | 39.30% | 23.41% | 23.41% |

B. The policy of remuneration, criteria and packages, rules and procedures related to the remuneration, and its relation to business performance and future risks.

| Title Description | Remuneration to Directors (includes Independent Directors) and Supervisor | Remuneration to President and V.P. |
|---|--|--|
| Policy of Remuneration | The directors and supervisors of the Company currently do not have fixed remuneration, and only if the company has a surplus at the end of its operating year, the company can provide within 2% of the profit for the current year according to the provisions of Article 25 of the Articles of Association. Remuneration for the supervisors of the current year. The procedures for the determination of remuneration are based on the Company's "Board Performance Evaluation Method" as a review. Except for the overall operating performance, industrial operating risks and development trends of the company, the individual and overall performance of the board members and the company's operations are also considered. Situation, and given a reasonable remuneration, relevant performance appraisal and remuneration rationality are subject to review by the Compensation Committee and the Board of Directors, and based on changes in the relevant laws, a timely review of the remuneration system to balance the company's sustainable management and risk control. | The remuneration of Managers is paid based on Staff Remuneration Management Principles. Bonus is paid according to Bonus and Profit-Sharing Principles of AblereX in the years of surplus. |
| Criteria and Packages | Based on the responsibility of undertakings and guarantees of individual Directors or Supervisors (The Audit Committee has been established since 2020.6.19, and its members are composed of all independent directors) | Salary, duty allowances, meal allowances, bonus from evaluation, and subsidies. |
| Rules and procedures related to the remuneration | <ol style="list-style-type: none"> 1. The remuneration to Directors from AblereX's earning is stipulated by the Articles of Incorporation. The amount is proposed by the Remuneration Committee, resolved by the Board of Directors and Shareholders' Meeting before allocation. 2. The allocation of remuneration to Directors and Supervisors is advised by the Remuneration Committee and allocated after the consent of Board of Directors. | <ol style="list-style-type: none"> 1. The rule of remuneration is stipulated in Staff Remuneration Management Principles, reviewed by the Remuneration Committee, and approved by the Board of Directors. 2. The bonus from annual performance and compensation is proposed according to the annual performance evaluation and related internal regulations, reviewed by the Remuneration Committee, and approved by the Board of Directors. |
| Relation to business performance and future risks | The remuneration is determined based on each individual's participation and contribution, as well as the level of remuneration paid by peers. And the criteria of remuneration are regularly reviewed by the Remuneration Committee. | The remuneration is determined based on the contracted salary and the performance and profit of each business unit. The remuneration is regularly reviewed by the Remuneration Committee. |

3.4 Implementation of Corporate Governance

3.4.1 Implementation of Board of Directors

7 Board Meetings in 2021 and the attendance of Directors for the 7 Board Meetings:

| Title | Name | Meetings (A) | Attendance in Person (B) | Proxy | Attendance Rate (%) (B/A) | Remarks |
|----------------------|-----------------------------|--------------|--------------------------|-------|---------------------------|---|
| Chairman | Wen Hsu | 7 | 7 | 0 | 100% | |
| Director | Y.A. Chen | 7 | 7 | 0 | 100% | |
| Director | UIS Co. Rep. *C.S. Chen | 6 | 5 | 0 | 83.33% | Resigned on 2021.11.10(6 meetings in 2021) |
| Director | UIS Co. Rep. B.C. Chen | 7 | 7 | 0 | 100% | |
| Director | UIS Co. Rep. *S.C. Tseng | 1 | 1 | 0 | 100% | On board dated on 2021.11.10(1 meeting in 2021) |
| Director | J.K. Sung | 7 | 7 | 0 | 100% | |
| Director | J.H. Ho | 7 | 7 | 0 | 100% | |
| Independent Director | Y.J. Ding | 7 | 7 | 0 | 100% | |
| Independent Director | S.G. Wang | 7 | 7 | 0 | 100% | |
| Independent Director | Y.L. Su | 7 | 7 | 0 | 100% | |

Note: UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

Note 1: Independent Board Directors' Attendance Status in 2021

◎:take part in person;☆:letter of Authorization;*:absent

| 2021 | 1 st | 2 nd | 3 rd | 4 th | 5 th | 6 th | 7 th |
|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y.J. Ding | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| S.G. Wang | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Y.L. Su | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |

Note 2: Where the director from a legal person, he/she shall disclose the name of the legal person shareholder and the name of the representative.

Note 3:

- (1) There are directors who leave the job before the end of the year, it shall indicate the date of departure in remarks, and the actual attendance rate (%) is calculated based on the number of times of board attendance and actual attendance during his term of office.
- (2) The directors are to be re-elected before the end of the year, the new and former directors shall be identified, and the directors shall be indicated in remarks as the old, new or re-election date. Actual attendance percentage is calculated for the number of meetings held by the Board during its term of office and its actual attendance.

Other matters for records:

1. If there are any of the following situations in the operation of the board of directors, the

date, period, content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors should be stated.

(1) referred to in Article 14-3 of the Securities and Exchange Act : N/A. The company has established the Audit Committee and shall apply the provisions of Article 14-5 of the Securities and Exchange Act. Please refer to the committee's meeting resolutions.

(2) resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and, the company's response should be specified :

| Date | Term | motion | Independent Director's opinion | Follow up |
|-------------|---|--|--|---|
| Nov 8, 2021 | the 6 th Board meeting in 2021 | Report Matters – Audit Report | Y.J. Ding/ Independent Director: The SOP needs to be set up and make the announcement in time according to the regulations for material announcement. | The Company will follow the suggestion. |
| | | Report Matters – Intellectual Property Management Plan Situation | Y.A. Chen/ Director: The quality of the patents, commercial value review, potential of technology development must be watched carefully and carried out effectively. | The Company will follow the suggestion. |
| | | Report Matters –Cyber security Risk Management Situation | S.G. Wang/ Independent Director: Before the MIS annual budget for the Cyber security, the collection of Cyber security management plan for each department should be into considered and reviewed. | The Company will follow the suggestion. |
| | | Report Matters – Implementation of risk management | Y.J. Ding/ Independent Director: In view of the increasing importance of ESG issues in future trend, the company should prepare earlier for it. | The Company will follow the suggestion. |

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

(1) On Aug 9, 2021, the Board of Directors reviewed the distribution of managerial staff bonuses for the year 2020. During the voting for the review, due to Chairman Wen Hsu, Director Y.A. Chen/CSO, and Director J.K. Sung/V.P. are the managers of the company, they resolved to issue their own interests in accordance with the regulation and avoided discussion and did not participate in the discussion. Vote and appoint Y.J. Ding as the sole director to vote on the matter. The chairman consulted the remaining attending the five directors and agreed to pass the case.

(2) On Dec 27, 2021, the Board of Directors reviewed the year-end bonus for the year 2021. During the voting for the review, due to Chairman Wen Hsu, Director Y.A. Chen/CSO, and Director J.K. Sung/V.P. are the managers of the company, they resolved to issue their own interests in accordance with the regulation and avoided discussion and did not participate in the discussion. Vote and appoint Y.J. Ding as the sole director to vote on the matter. The chairman consulted the remaining attending the five directors and agreed to pass the case.

3. Information on the evaluation cycle and period, evaluation scope, method, and evaluation content of the board's self (or peer) evaluation should be disclosed, and the board's evaluation of the board should be completed.

| Cycle time (Note1) | Peiod (Note 2) | Scope (Note 3) | Method (Note 4) | Content (Note 5) |
|---|---|--|--|---|
| Once a year (by end of the fiscal year) | Evaluation of the performance of the Board of Directors from January 1- December 31, 2021 | includes the performance evaluation of the board of directors, individual director members and functional committees | The annual internal evaluation system adopts the questionnaire self-evaluation method. The evaluation is carried out by the deliberating unit, including the internal self-evaluation of the board of directors, the self-evaluation of directors, the remuneration committee and the internal self-evaluation of the Audit Committee. | Board performance evaluation, individual director member performance evaluation and functional committee performance evaluation |

Note 1: Fill in the execution cycle of the board evaluation, for example: once a year
 Note 2: Fill in the period covered by the evaluation of the board of directors.
 Note 3: The scope of evaluation includes performance evaluation of the board of directors, individual director members and functional committees.
 Note 4: The evaluation methods include internal self-evaluation by the board of directors, self-evaluation by board members, peer evaluation, appointment of external professional organizations, experts, or other appropriate methods for performance evaluation.
 Note 5: The evaluation content includes at least the following items according to the evaluation scope:
 (1) Evaluation of the performance of the board of directors: At least including the degree of participation in the company's operations, the quality of board decisions, the composition and structure of the board of directors, the selection and continuous training of directors, internal control, etc.
 (2) Performance evaluation of individual director members: At least including the grasp of company goals and tasks, the professional and continuous training of directors, internal control, etc.
 (3) Functional Committee Performance Evaluation: Participation in company operations, functional committee responsibilities, quality of functional committee decisions, functional committee composition and selection of members, internal control, etc.
 Note 6: Implementation for Evaluation of the performance of the Board of Directors:
 Self-Evaluation of the performance of the Board of Directors: As of 2021, the board of directors actively promoted corporate governance and effectively performed the functions of the board of directors, and evaluated that all indicators reached a good level, which was sufficient to show that the company has achieved remarkable results in the operation of the board of directors, the improvement of participation in operations, the quality of decision-making and the enhancement of efficiency. The directors gave positive comments on the operational efficiency and effectiveness of the board of directors, remuneration committee and audit committee.

4. Measures taken to strengthen the functionality of the board: (Ex. The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.)

(1) Goal of strengthening the functionality of the board: Ablerex established "Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings", which regulates the managerial systems of the board of Ablerex and strengthens the board's function of supervision and

management, to let the procedures of board's meeting to follow.

- (2) Implementation evaluation: The convention and process of board of directors' meeting of Ablrex is fully followed the regulation of "Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings". Remuneration Committee exercises its duty of review the remuneration of directors, supervisors, and managers, and provides evaluations and suggestions about the relevant policies and internal regulations for the reference of board of directors.
- (3) Referring to "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and related regulations, the amendment of "Corporate Governance Best Practice Principles" has been approved by board of directors and by shareholders' meeting. The amendment states that it adopts the candidate nomination system for election of directors (including independent directors) and supervisors. The composition of the board of directors shall be determined by taking diversity into consideration and should include, but not limited to, gender, age, culture and professional
- (4) The Company refer to the "Corporate Governance Best-Practice Principles" and ahead of deadline of regulation, the Board of Directors had passed the proposal to appoint Corporate Governance Officer on Aug 5, 2019. The officer shall be in charge of the matters for Corporate Governance and strengthen Board of Directors function.
- (5) After the directors were re-elected at the shareholders meeting on 2020.06.19, the company established the Audit Committee and operated in accordance with the "Audit Committee Charter" and "Management of Operation of Audit Committee" to strengthen the functional committees of the board of directors and improve corporate governance.

3.4.2 Audit Committee Operations or Supervisors' Participation in Board Operations:

3.4.2.1 Audit Committee implementation:

4 Audit Committee Meetings in 2021. The attendance of Directors for the 4 Audit Committee Meetings:

| Title | Name | Meetings (A) | Attendance on Person (B) | Proxy | Attendance Rate (%) (B/A) | Remarks |
|----------------------|-----------|--------------|--------------------------|-------|---------------------------|---------|
| Independent Director | Y.J. Ding | 4 | 4 | 0 | 100% | |
| Independent Director | S.G. Wang | 4 | 4 | 0 | 100% | |
| Independent Director | Y.L. Su | 4 | 4 | 0 | 100% | |

Other matters for records:

- A. In case the operation of the audit committee is under any of the following circumstances, the date and term of the board of directors, the content of the proposal, the resolution of the audit committee, and the company's follow up of the audit committee's opinions should be stated:
 - (1) Matters listed in Article 14-5 of the Securities and Exchange Act.
 - (2) Except for the previous matters, other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors.
- B. The implementation of independent directors' avoidance of interested proposals shall state the names of independent directors, the content of the proposals, the reasons for the avoidance of interests, and the voting conditions: none

C. The communication between independent directors and internal audit supervisors and accountants (should include matters, methods and resolutions of communication on the company's financial and business conditions)

3.4.2.2 Operation of the Audit Committee:

| Board of Directors | Audit Committee | Proposal and processing | Matters listed in 14-5 of the Securities and Exchange Act | Resolutions that have not been approved by the Audit Committee but approved by more than 2/3 of all directors | |
|--|---|--|---|---|--|
| the 6 th meeting of the 8 th term (2021.3.19) | the 4 th meeting of the 1 st term (2021.3.19) | 1. Consolidated report and Business report for 2020 | V | Non | |
| | | 2. Approved the assessment of the independence of the auditors. | V | Non | |
| | | 3. Approved the declaration of internal control system of Year 2020. | V | Non | |
| | | Audit Committee resolution (2021.3.19): Proposals 1, 2 and 3 were approved by all the directors present at the Audit Committee. | | | |
| | | Follows up for Audit Committee resolutions: Proposals 1, 2 and 3 were approved by all the directors present at the board of directors. | | | |
| the 7 th meeting of the 8 th term (2021.5.10) | the 5 th meeting of the 1 st term (2021.5.10) | 1. Approved the assessment of the independence of the auditors. | V | Non | |
| | | 2. Q1 Consolidated report for 2021 | V | Non | |
| | | Resolution of the Audit Committee (2021.5.10): Proposals 1 and 2 were approved by all the directors present at the Audit Committee. | | | |
| | | Follows up for Audit Committee resolutions: Proposals 1 and 2 were passed by all the directors present at the board of directors. | | | |
| the 9 th meeting of the 8 th term (2021.8.9) | the 6 th meeting of the 1 st term (2021.8.9) | 1. Q2 Consolidated report for 2021 | V | Non | |
| | | 2. Approved the case of obtaining the right to use real estate assets from a related party | V | Non | |
| | | 3. Approved the renewal of loan to the related party AblereX Latam Corporation | V | Non | |
| | | 4. Approved the case of Endorsement guarantee | V | Non | |
| | | Resolution of the Audit Committee (2021.8.9) : Proposals 1, 2, 3 and 4 were approved by all the directors present at the Audit Committee. | | | |
| | | Follows up for Audit Committee resolutions: Proposals 1, 2, 3, and 4 were passed by all the directors present at the board of directors. | | | |
| the 10 th meeting of the 8 th term (2021.11.8) | the 7 th meeting of the 1 st term (2021.11.8) | 1. Q3 Consolidated report for 2021 | V | Non | |
| | | 2. Annual audit plan for year 2022 | V | Non | |
| | | Resolution of the Audit Committee (2021.11.8) : Proposals 1 and 2 were passed by all the directors present at the Audit Committee. | | | |
| | | Follows up for Audit Committee resolutions: | | | |

| Board of Directors | Audit Committee | Proposal and processing | Matters listed in 14-5 of the Securities and Exchange Act | Resolutions that have not been approved by the Audit Committee but approved by more than 2/3 of all directors | | |
|--|---|--|---|---|--|--|
| | | Proposals 1 and 2 were passed by all the directors present at the board of directors. | | | | |
| the 13 th meeting of the 8 th term (2022.3.21) | the 8 th meeting of the 1 st term (2022.3.21) | 1. Consolidated report and Business report for 2021 | V | Non | | |
| | | 2. Approved the assessment of the independence of the auditors. | V | Non | | |
| | | 3. Approved the declaration of internal control system of Year 2021. | V | Non | | |
| | | 4. Amendment to the "Procedure for Governing the Acquisition and Disposal of Assets". | V | Non | | |
| | | 5. Approved the loan from US subsidiary Ablrex Corporation Ltd. | V | Non | | |
| | | Resolution of the Audit Committee (2022.3.21): Proposals 1,2,3,4 and 5 were passed by all the directors present at the Audit Committee. | | | | |
| | | Follows up for Audit Committee resolutions: Proposals 1,2,3,4 and 5 were passed by all the directors present at the board of directors. | | | | |

- (1). After the audit report and follow-up report are reviewed, the audit report of the company will be delivered to independent directors for inspection by the end of the next month after the audit project is completed, and the audit supervisor will attend each board of directors to report the audit status of the audit project. The company shall organize a seminar between independent directors and internal audit supervisors every year to fully communicate and make records on issues such as the implementation of the company's audit plan and the implementation of the internal control system.
- (2). In terms of communication with the accountant, the accountant shall communicate with the independent directors on the direction of the audit plan before the audit. If the independent director has any questions about the company's financial or business, he may directly communicate with the company's accountant; the accountant shall communicate with the independent director to explain the inspection situation and results.
- (3). Annual work key points :
- The Audit Committee of the company is composed of 3 independent directors. The Audit Committee aims to assist the board of directors in supervising the company's quality and integrity in the implementation of related accounting, auditing, financial reporting processes and financial control.
- The Audit Committee held 4 meetings in 2021, and the main items considered were :
- Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
 - Evaluation of the effectiveness of the internal control system.
 - In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, establish or amend the procedures for the acquisition and disposal of assets, derivative commodity transactions, Loaning Funds to

Others, Guarantees Endorsements.

- d. Matters with the director's own interests.
- e. Major asset or derivative commodity transactions.
- f. Major Loaning Funds, endorsements or guarantees.
- g. Raising, issuing or private placement of equity securities.
- h. Appointment, dismissal or remuneration of certified accountants.
- i. Appointment and dismissal of financial, accounting or internal audit supervisors.
- j. Annual financial report signed or stamped by the chairman, manager and accounting supervisor, and the Q2 financial report subject to verification by accountants.
- k. Other important matters specified by the company or the competent authority.

(4) Review financial reports

The board of directors has prepared the company's 2021 interim and quarterly financial statements, among which the financial statements have been verified or reviewed by PwC, and a review report has been issued. The above-mentioned financial statements have been reviewed by the Audit Committee and found no discrepancy.

Assess the effectiveness of the internal control system

The Audit Committee evaluated the effectiveness of the company's internal control system strategies and procedures (including financial, operational, risk management, Cyber security, outsourcing, legal compliance and other control measures), and reviewed the regular Reports including risk management and compliance from company's audit department, certified accountants, and management. Refer to the internal control system published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 - Internal Control-Integrated Framework. The Audit Committee recognized that the company's risk management and internal control systems are effective. The company has adopted necessary control steps to monitor and correct violations.

In order to ensure the independence of the certified public accountant firm, the Audit Committee has formulated an independent evaluation form with reference to Article 47 of the Accountants Act and the Bulletin of the Professional Ethics of Accountants No. 10 "Integrity, impartiality, objectivity, and independence", to assess the independence, Professional and competency assessment of accountants, assess whether the company is a mutual related person, mutual business or financial interests and other projects.

3.4.3 Corporate Governance Implementation Status and Deviations and reason from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Illustration | |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” ? | ✓ | | Ablerex has established the “Corporate Governance Best-Practice Principles” and has been approved by the Board of Directors on 2013.3.22 and revised a few times once upon regulation revised to build an effective corporate governance structure, to protect the rights of shareholders, to enhance the power of the Board of Directors, to empower the Supervisors or following Audit Committee, to respect the welfare of the stakeholders, and to improve transparency of information disclosure. It is disclosed annually on annual report and website: http://www.ablerex.com.tw/ch/about_8-2.php . | In compliance with “Corporate Governance Best Practice Principles” Article 1. |
| 2. Shareholding structure & shareholders’ rights | | | | |
| (1). Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓ | | (1). Ablerex has appointed spokesperson and deputy spokesperson to deal with shareholders’ suggestions, doubts, and disputes. The contact information on web site : http://www.ablerex.com.tw/ch/about_8-7-3.php . Besides that, legal consultant was contracted to provide legal advice. | In compliance with “Corporate Governance Best Practice Principles” Article 13. |
| (2). Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? | ✓ | | (2). Ablerex and the shareholder services agent collect the information of major shareholders and the list of ultimate owners of those shares on the regular basis and report the shares owned by Directors, Supervisors, Managers, and the major shareholders who possess over 10% of Ablerex’s shares. | In compliance with “Corporate Governance Best Practice Principles” Article 19. |
| (3). Does the company establish and execute the risk management and firewall system within its conglomerate structure? | ✓ | | (3). The management authorization and obligations are clearly divided between Ablerex and the affiliates. The financial and business relationships within the conglomerate structure follow the regulations and “Business Management Procedures with Specified Stakeholders and Affiliates”. Ablerex also established “Supervision and Management of Subsidiaries” as the | In compliance with “Corporate Governance Best Practice Principles” Article 14 to Article 17. |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Illustration | |
| | | | management and firewall system. | |
| (4). Does the company establish internal rules against insiders trading with undisclosed information? | ✓ | | (4). The Company has formulated the “Procedures for Handling Material Inside Information”, which are disclosed on the corporate governance area of the company's website to establish a good internal major information processing and disclosure mechanism of the Company. Insiders shall not be allowed to buy or sell the company's stocks or other securities of equity nature within 18 hours after the news is unpublished or made public when it is informed that the company has materially affected its stock price. And in order to make insiders follow and refer to, the insider trading of insiders (directors, supervisors, managers, employees etc.), Insider trading, insider equity related laws, regulations, and matters needing attention, etc. are referred to the competent authority's propaganda manual in The company's website is guided by information (path: http://www.ablrex.com.tw/ch/csr_2_1.php). | In compliance with “Corporate Governance Best Practice Principles” Article 10 Paragraph 3. |
| 3. Composition and Responsibilities of the Board of Directors (1). Does the board of directors formulate diversity policies, specific management objectives and implementation? | ✓ | | (1). The "Corporate Governance Best-Practice Principles" of the company clearly stipulates that the board of directors should consider the diversity of membership and should generally possess the knowledge, skills and literacy necessary to perform their duties. And to formulate appropriate diversification policy goals based on its own operation, operation type and development needs. The company currently has setup nine directors, including three employee directors (1/3 of directors' seats) and three independent directors (1/3 of directors' seats). The members have well experience in management, industry knowledge, financial accounting, and environmental protection. With professionalism, it is hoped that in the future, the diversification goal of the board of directors with female directors, law and risk management can be realized. | In compliance with “Corporate Governance Best Practice Principles” Article 20. |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|--|---|
| | Yes | No | Abstract Illustration | |
| | | | The board of directors formulates diversified policies on membership and exposes them on the company's website http://www.ablerex.com.tw/ch/csr_2_1_5.php in Chinese language and public information observatories. | |
| (2). Does the company voluntarily establish other functional committees besides the Remuneration Committee and the Audit Committee? | ✓ | | (2). AblereX sets up functional committees in accordance with regulations. With a professional and objective status, the Remuneration Committee evaluates the remuneration policies and systems of the company's directors, supervisors and managers, and makes recommendations to the board of directors for its decision-making reference. An audit committee was established on 2020.6.19. The SEC Act, the Company Act, and other laws stipulated that the supervisor should exercise the powers, except for the powers of Article 14-4, Paragraph 4 of the SEC Act. Will disclose the composition, responsibilities and operation of the functional committee in the annual report and company website. (https://www.ablerex.com.tw/ch/csr_2_2.php) | In compliance with “Corporate Governance Best Practice Principles” Article 27, 28 and 28-1. |
| (3). Does the company establish a standard to measure the performance of the Board, and implement it annually and report the results of the performance evaluation to the board of directors, and use it as a reference for individual directors' salary, remuneration and nominate renewal? | ✓ | | (3). The company formulated the "Self-Evaluation of the Board of Directors" in 2017 to implement corporate governance, give full play to the functions of the board of directors, functional committees and improve the efficiency of board operations. The company shall carry out performance evaluation every year in accordance with the procedures and evaluation indicators of the "Self-Evaluation of the Board of Directors", report the results of the performance evaluation to the board of directors, and take it for reference of individual directors' remuneration and nominate renewal. The company completed the Self-evaluation of the board of directors and Functional Committee in December 2021, and reported the evaluation results and target for continuous | In accordance with “Corporate Governance Best Practice Principles” Article 37. |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Illustration | |
| | | | strengthening to the board of directors held on January 24, 2022. The evaluation was conducted using an internal questionnaire. Based on the results of the performance evaluation of the board of directors in 2021, the overall operation of the board of directors is excellent and can be used as a reference for individual directors' compensation, remuneration and nominate renewal. The above disclosure is on the company's website and public information observation station. (Path http://www.ablerex.com.tw/ch/csr_2_1.php) | |
| (4). Does the company regularly evaluate the independence of CPAs? | ✓ | | (4). The company evaluates the independence and the adequacy of the independent auditors at least once a year. Based on the size and reputation of the accounting firm, it continuously provides the number of years of auditing services, the nature and extent of non-audit services provided, the fee for auditing, peer review, and whether no legal proceedings or cases corrected or investigated by the competent authority, audit service quality, whether there is regular education, and management The indicators such as the interaction of the hierarchy and the internal auditor are requested. The accountant and his firm are required to provide relevant information and declarations. The verification and assessment of the contents of the information conducted by the Administration Office has resulted in the results of the most recent biannual assessment on Jan 20, 2020, and Jan 19, 2021 and Mar 21, 2022. The company's independent CPA has avoided the appointment matters and those who are directly or indirectly interested in the matter, and are not related to the company, the directors and supervisors, and their certification is independent. The company's evaluation results are also disclosed on the company's website and annual report. (Note 2) | In accordance with “Corporate Governance Best Practice Principles” Article 29. |
| 4. Does the company set up a competent and appropriate number of Corporate Governance persons, and designate a | ✓ | | (1). The company passed the resolution of the board of directors on August 5, 2019, and appointed Mr. Damon Chao to be the Corporate Governance Officer to strengthen the functions of | In compliance with “Corporate Governance Best Practice Principles” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|--|---|
| | Yes | No | Abstract Illustration | |
| Corporate Governance Officer responsible for corporate governance-related matters (including but not limited to providing directors with the information needed to perform business, assisting directors, supervisors to follow Decrees, handling matters related to board and shareholder meetings in accordance with law, handling company registration and change registration, making minutes of board and shareholder meetings, etc.) | | | <p>Corporate Governance and the board of directors. The person has been qualified with he has been in charge of legal affairs and corporate governance for public issue companies for more than five years.</p> <p>(2). The main function of the Corporate Governance Officer is to handle board and shareholder meeting related matters in accordance with the law, assist in preparing records of the board and shareholder meeting, assist directors and supervisors in their appointments and continuing training, provide directors and supervisors with the information needed to perform their business, assist directors, Supervisors to follow laws, etc.</p> <p>(3). The detail information for implementation and training record in 2021 as https://www.ablerex.com.tw/ch/csr_2_7.php (Note.3)</p> | Article 3-1. |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders includes but not limited shareholders, staffs, customers and suppliers, as well as to handle all the issues they care for in terms of corporate social responsibilities? | ✓ | | <p>The company values the rights and interests of stakeholders, and sets up an area for stakeholders on the company website to disclose the identification and attention of stakeholders to major issues of environmental, social and corporate governance, and the contact channels and communication responses of stakeholders (http://www.ablerex.com.tw/ch/csr_3.php)</p> <p>In order to improve the accuracy and timeliness of major information disclosure, spokespersons and deputy spokespersons are set up to speak and communicate on behalf of the company. (https://www.ablerex.com.tw/ch/about_8-7-3.php)</p> | In compliance with “Corporate Governance Best Practice Principles” Article 51 - 52. |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | ✓ | | The Company designates Fubon Securities Corporation Limited to deal with shareholder affairs. | In compliance with “Corporate Governance Best Practice Principles” Article 7 Paragraph 1. |
| 7. Information Disclosure (1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance? | ✓ | | (1). The company's website is http://www.ablerex.com.tw/ch/index.php . It regularly and irregularly exposes the company's financial, corporate social responsibility and business information on the website and | In compliance with “Corporate Governance Best Practice Principles” Article 57. |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|---|------------------------------------|----|---|--|
| | Yes | No | Abstract Illustration | |
| | | | introduces the company on the website. Operational status, including products, technical data and certifications, and company profile. You can also query the company's related financial and business-related information through the "public information observation station "Market Observation Post System (MOPS). | |
| <p>(2). Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3). Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and operating conditions of each month as early as possible before the deadline?</p> | ✓ | | <p>(2). The company has a special person responsible for the disclosure of major information and implements the spokesperson system in accordance with regulations. Stakeholders who invest in the public can query the company's relevant financial and business information through the Chinese and English versions of the company's Chinese and English websites or public information observation stations.</p> <p>(3). Although the company did not announce and report the annual financial report within two months after the end of the fiscal year, they all announced and reported the first, second, and third quarter financial reports and the operating conditions of each month within the prescribed period, which is in compliance with the regulations. In addition to the provisions of the decree, will try our best to reduce the operation time and achieve the goals of advance announcement and declaration.</p> | <p>In compliance with “Corporate Governance Best Practice Principles” Article 55 to Article 58.</p> <p>In compliance with Article 55, Paragraph 1 of the "Code of Practice for Corporate Governance of TWSE/TPEX".</p> |
| <p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations</p> | ✓ | | <p>(1). Status of employee rights: AblereX has been always honest and trust to employees, and their legal rights are all protected under the Labor Standards Act.</p> <p>(2). Employee wellness: AblereX has established the Employees’ Welfare Committee, implemented pension fund and group insurance for employees, and held regular health examination. AblereX also encourages employees to attain all kinds of training and conferences.</p> <p>(3). Investor Relationships: AblereX disclosed information according to the regulations to protect the rights of investors as the responsibilities to shareholders.</p> | <p>In compliance with “Corporate Governance Best Practice Principles” Article 51 to 54 and Article 59.</p> |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|--|---|
| | Yes | No | Abstract Illustration | |
| policies, and purchasing insurance for directors and supervisors)? | | | <p>(4). Supplier Relationships: AblereX has always communicated well with the suppliers.</p> <p>(5). Rights of stakeholders: AblereX set communication channels for stakeholders to make suggestions as protecting the legal right of the stakeholders.</p> <p>(6). Directors’ and Supervisors’ training records: The Directors and Supervisors all possess of professional background knowledge and also attaining training sessions. Note 4 is the Directors’ and supervisors’ training records recently.</p> <p>(7). Managers’ and Auditors’ training records: Note 5.</p> <p>(8). The implementation of risk management policies and risk evaluation measures: The company formulates internal control systems and internal regulations in accordance with relevant laws and regulations and conducts various risk management implementation and evaluation reviews. In response to advancing with the times, conducting risk assessment and analysis based on stakeholders’ concerns about major environmental, social and corporate governance issues and operational risks of the company’s industrial characteristics, and establishing risk management policies or corresponding measures. The “Management policies and procedures” has been approved by Board of Directors on Nov 9, 2020, and it has been disclosed on the company website. (Note 6)</p> <p>(9). The implementation of customer relations policies: AblereX maintains good and stable relationships with the customers to create the profits.</p> <p>(10). Purchasing insurance for directors and supervisors: The proposal of purchasing insurance for directors and supervisors has been discussed and been unanimously approved on the Board meeting of 2021.5.10. The insurance for directors and supervisors was purchased as Note 7.</p> <p>(11) The company has established a Cyber security risk management</p> | |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason |
|--|------------------------------------|----|--|---|
| | Yes | No | Abstract Illustration | |
| | | | framework, Cyber security policies and specific management plans to continuously conduct and evaluate it, and report the annual Cyber security risk management situation at the 2021.11.8 board of directors, and disclose it on the company's website and annual report. (Note 8) | |
| <p>9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Corporate Governance Center in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measures and measures for those who have not yet improved.</p> <p>(1). The efforts of Ablerex in Corporate Governance have been ranked as TOP 5% company from 2015 to 2018, 6-20% in 2019, Top 5% in 2020 and 6-20% in 2021 of Corporate Governance Evaluation Results in Taiwan.</p> <p>(2). In order to strengthen corporate governance and improve corporate risk control, the company has formulated a "risk management policy and procedure" and passed the 2020.11.9 board of directors, and disclosed the relevant risk management scope, organizational structure and operation status on the company's website.</p> <p>(3). The company strengthened the supervisory function of the board of directors, established an intellectual property management system based on the management cycle of PDCA and reported to the board of directors on the operation of the intellectual property management plan in 2021.11.8 and disclosed it on the company's website.</p> <p>(4). The organization and operation of the company's internal audit are disclosed on the company's website. It is stipulated that the appointment and removal of the internal audit supervisor shall be approved by the board of directors, and the appointment and removal of internal auditors, evaluation, and salary and remuneration should be reported to the board of directors, or the audit supervisor shall be signed by the chairman for approval.</p> <p>(5). The company's board of directors and functional committees' performance evaluation methods are approved by the board of directors, and self-evaluation is conducted annually, and the evaluation results are disclosed on the company's website or annual report.</p> <p>(6). The company formulates energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management policies, and evaluates the potential risks and opportunities of climate change to the company now and in the future and takes measures to respond to climate-related issues, and the estimated results are disclosed on the company website.</p> | | | | |

Note 1: Regardless of whether the check box is "Yes" or "No", it should be stated in the summary description field.

Note 2: Evaluation of the independence of CPA

| Evaluation Items/CPA | Result Y/N |
|--|------------|
| 1. Whether or not to pass the CPA exam and have an accountant certificate and obtain an accountant qualification. | Y |
| 2. Whether there has been fraud, breach of trust, misappropriation, falsification of documents, or criminal acts in business, is determined by the declaration of imprisonment of more than one year. | N |
| 3. Whether Guardianship or Auxiliary Declaration has not been revoked. | N |
| 4. Whether the bankruptcy declaration has not been restored. | N |
| 5. Whether he was a civil servant and was dismissed from office, the period of his suspension has not yet expired. | N |
| 6. When the accountant is entrusted with the company's business, whether the overall manpower, time and risk level required for the entrusted case are taken into consideration, and reasonable remuneration will be charged. Do not use unfair methods to attract business. | Y |
| 7. Whether the accountant continues to pursue professional training as required by the competent authority. | Y |
| 8. Does the accountant have the following behavior? (1) Agree that others use their own name to perform business. (2) Perform business in the name of another accountant. (3) Employed by persons not qualified as an accountant to perform the accounting business. (4) Utilize the status of an accountant and engage in unfair competition in industry and commerce. (5) Perform business on events that are of interest to him/herself. (6) To use the name of an accountant as a guarantor outside the accountant business. (7) Acquisition of movable or immovable property managed in business. (8) Require, contract or accept unlawful benefits or remuneration. (9) To solicit business improperly. (10) Propaganda advertisements other than those introduced by accounting firms for opening, relocation, merger, commissioned by clients, and accounting firms. (11) Secrets of business are leaked without the permission of the appointing authority, the principal or the auditee. (12) Other competent authorities have determined that they can influence the credibility of the accountant. | N |
| 9. Does the accountant have the following behavior? (1) Being employed by the company for regular work, providing fixed salary or serving as director and supervisor. (2) A former director, supervisor, manager of a company or a staff member who has a significant influence on a verification case while leaving the company Two years. (3) The relationship with the company's person-in-charge or manager who has a spouse, a direct lineage, a direct in-law or a second parent, etc. system. (4) I or my spouse or underage child has a relationship with the company to invest in or share financial benefits. (5) I or my spouse, underage children and the company have funds to borrow. (6) Enforce management advice or other non accounting business enough to affect independence. (7) Inconsistent with business events, the competent authority deals with accounting rotations, handles accounting transactions on behalf of others, or otherwise affects independence regulation. | N |

Note 3 : Corporate Governance Officer's implementation in 2021 is as follows:

Although the company is not requested to set up a corporate governance officer, based on strengthening corporate governance and other management matters, a comprehensive corporate governance organization was arranged. The company newly set up a Corporate Governance and Sustainable Development Committee in 2017 ahead of the regulation and it is stipulated that the Chairman's special assistant be appointed as the Corporate Governance Officer to serve as the convener of the committee, the company's Corporate Governance, Corporate Social Responsibility and Ethical corporate management teams shall be organized to respond to the increasing number of governance-related matters.

To comply with the statutory requirements, the company passed the board of directors' resolution on August 5, 2019, to appoint the special assistant to chairman as the corporate governance officer to protect shareholders' rights and strengthen the board's functions. Mr. Damon Chao has possessed more than three years of experience in legal affairs and corporate governance in public listed companies, which meets the requirements and regulation.

The status of Eligibility are detailed shown on our website:

http://www.ablerex.com.tw/ch/csr_2_7_1.php ,

In 2021, the total training courses has been completed and is in compliance with the regulations of law. The total training hours are 16 hours. Please refer to our website for details:

http://www.ablerex.com.tw/ch/csr_2_7_3.php

The main function of the corporate governance officer is to handle board and shareholder meeting related matters in accordance with the law, produce board and shareholder meeting records, assist directors and supervisors in their appointments and continuing education, provide directors and supervisors with information needed to perform business, assist directors, and monitor People follow statutes, etc.

The implementation in 2021 is as follows:

1. Assist independent directors and general directors in performing their duties, provide required information and arrange directors' further education:
 - (1) For the revision of the company's business areas and the latest laws and regulations related to corporate governance, provide board members when they take office and update them regularly.
 - (2) Review relevant information confidentiality levels and provide company information required by directors to maintain smooth communication between directors and sales dept.
 - (3) Independent directors, in accordance with the Corporate Governance Best-Practice Principles, assist in arranging relevant meetings when the internal audit supervisor or CPA meets individually to understand the needs of the company's financial business.
 - (4) To assist independent directors and general directors to formulate annual training plans and arrange courses in accordance with the company's industrial characteristics and director's academic and experience background.
2. Assist the board of directors and shareholders in meeting procedures and resolutions and compliance matters:
 - (1) Report to the board of directors, independent directors, Audit Committee the

status of the company's corporate governance operations and confirm whether the company's shareholders' meeting and the board of directors are in compliance with relevant laws and corporate governance codes.

- (2) Assist and remind directors of the laws and regulations to be followed when carrying out business or making a formal resolution of the board of directors and make suggestions when the board of directors will make an illegal resolution.
 - (3) After the meeting, it is responsible for checking the release of important information on important resolutions of the board of directors, ensuring the legality and correctness of the content of the heavy news, and ensuring the equality of investor transaction information.
3. The board of directors shall be informed of the drafting of the agenda of the board of directors seven days in advance, and the meeting shall be convened, and the meeting materials shall be provided. If the issue of interest is to be avoided, a reminder shall be given in advance, and the minutes of the board meeting shall be assisted to be completed within 20 days after the meeting.
 4. Assistance with the pre-registration of shareholders' meetings in accordance with the law, preparation of meeting notices within the statutory deadline, the proceedings of the meeting, the proceedings, the integration of the contents of the annual report, and the amendment of the articles of association or the election of directors for change registration.
 5. Preparation for the establishment of Audit Committee and related matters, gradually improving the establishment of the English version of Corporate Governance regulations, implementation of performance evaluation assessment of the board of directors, continuous and regular or irregular training and education to colleagues, preparation and uploading of the 2020 CSR report in Sept 2021.
 6. Proposed to make reports of [Implementation of Sustainable Development] and [Implementation of Ethical corporate management] in the board of directors on 2021.12.27.

Concerns, communication channels and communication with stakeholders:

| Stakeholder | Focus on issues | | Communication channels, response methods and communication frequency | Communication in 2021 |
|-------------------------|--|--|---|---|
| Employee | Environmental compliance Customer health and safety Customer privacy Occupational safety and health | Socio-economic regulations compliance Employee rights and Labor/Management Relations Product marketing label | Corporate website and internal irregular announcements of various welfare matters Staff welfare committee information irregular announcement Labor management meeting to communicate information on various management tasks and education and training courses | Internal company announcements and email notifications for smooth information The Welfare Committee announces BS and IS monthly. Four labor-management meetings were held during the year and the situation is good. Four sessions will be held during the year, including 240 Hrs employees' work education and training. |
| Government agencies | Environmental compliance Customer health and safety Occupational safety and health Greenhouse gas and air pollution emissions | Socio-economic regulations compliance Labor & Labor / Management Relations Product marketing label | The company website is required to cooperate with the competent authority to supervise and check and correct the information disclosure. The contact office of official documents interacts with the competent authority from time to time to follow Corporate Governance and legal compliance | Good communication with the competent authority, no violations Sept 7, 2021, Voluntary disclosure of corporate social responsibility report at the Public Information Observatory |
| client | Environmental compliance Customer health and safety Customer privacy | Socio-economic regulations compliance Customer relationship management Product marketing label | Customer satisfaction survey for reference of company's internal management There is a specific person inside the company for customer claim channels to handle all cases of related matters to protect the rights of consumers | Implementation of customer satisfaction surveys as a basis for management improvement. A customer satisfaction survey was conducted during the year, and the situation was good. |
| Supplier or contractor | Environmental compliance Supplier Social Assessment | Local purchase | Actively invite suppliers to sign CSR commitments | New supplier highly affirmed and co-signed the assessment. The supplier evaluations are conducted twice during the year. |
| Shareholder or investor | Economic performance Customer health and safety Customer privacy | Socio-economic regulations compliance Customer relationship management | Corporate website instantly reveals relevant information about Corporate Governance, business development, operating performance, etc. | Provide information disclosure and follow regulations to serve shareholders or investors. Hold Shareholders' meeting on Aug 18, |

| Stakeholder | Focus on issues | Communication channels, response methods and communication frequency | Communication in 2021 |
|-------------|---|--|--|
| | | Set up the Shareholders' Mailbox for Investor Communication Annual shareholders' meeting is held and published in Chinese and English version Annual report | 2021, and disclosed CSR report on Website. |
| bank | Environmental compliance Customer privacy Product marketing label Customer health and safety Socio-economic regulations compliance Supplier Environmental Assessment Economic performance | Corporate website instantly reveals relevant information about Corporate Governance, business development, operating performance, etc. Maintain smooth communication with banks and focus on company financial and operational work | Communicate well with correspondent banks and comply with regulations to serve correspondent banking matters |

Note 4: Directors' and supervisors' training records in 2021 :

| Title | Name | Year of Training | Organization | Training | Hours | Qualified "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/ TPEX Listed Companies" |
|----------|-----------|------------------|---|--|-------|--|
| Director | Wen Hsu | 2021 | Taiwan Corporate Governance Association | The actual strategy of business secret attack and defense | 3 | Yes |
| Director | Wen Hsu | 2021 | Taiwan Corporate Governance Association | key messages of Annual report and responsibility analysis | 3 | Yes |
| Director | Y.A. Chen | 2021 | Securities & Futures Institute | Legal Risks and Resolution of Directors and Supervisors from considerable Enterprise fraud | 3 | Yes |
| Director | Y.A. Chen | 2021 | Taiwan Securities Association | Corporate Governance 3.0 - Sustainable Development Plan | 3 | Yes |
| Director | B.C. Chen | 2021 | Securities & Futures Institute | Key Technologies and Business Opportunities for Quantum Technology | 3 | Yes |
| Director | B.C. Chen | 2021 | Securities & Futures Institute | Relevant Norms and Best Practices of the Audit Committee | 3 | Yes |

| Title | Name | Year of Training | Organization | Training | Hours | Qualified "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/ TPEX Listed Companies" |
|---------------|------------|------------------|---|--|-------|--|
| Director | S.C. Tseng | 2021 | Securities & Futures Institute | Practical workshop for junior directors and supervisors (including independent) and corporate governance officer | 6 | Yes |
| Director | S.C. Tseng | 2021 | Securities & Futures Institute | Practical workshop for junior directors and supervisors (including independent) and corporate governance officer | 6 | Yes |
| Director | J.K. Sung | 2021 | Taipei Exchange | 2021 OTC Sustainable Upgrade Forum | 2 | Yes |
| Director | J.K. Sung | 2021 | Taipei Exchange | 2021 OTC Sustainable Upgrade Forum | 2 | Yes |
| Director | J.K. Sung | 2021 | Taipei Exchange | Equity Promotion and Briefing Session for Insider | 3 | Yes |
| Director | J.H. Ho | 2021 | Financial Supervisory Commission | Corporate Governance Forum | 3 | Yes |
| Director | J.H. Ho | 2021 | Taiwan Corporate Governance Association | How to improve corporate governance through TIPS intellectual property management for enterprises | 3 | Yes |
| Ind. Director | Y.J. Ding | 2021 | Taiwan Securities Association | Operating Norms and Supervision Mechanisms of Financial Holding Companies and Discussion on ESG-related Norms | 3 | Yes |
| Ind. Director | Y.J. Ding | 2021 | Securities & Futures Institute | The 10th Business Annual Forum for Chinese Family | 3 | Yes |
| Ind. Director | S.G. Wang | 2021 | Taiwan Corporate Governance Association | Discussion on the Legal Responsibilities of Directors and Supervisors for False Financial Statements | 3 | Yes |
| Ind. Director | S.G. Wang | 2021 | Taiwan Corporate Governance Association | Looking at the new challenges of the board of directors from the perspective of corporate governance 3.0 | 3 | Yes |
| Ind. Director | Y.L. Su | 2021 | Taiwan Corporate Governance Association | Corporate Governance 3.0 from the Perspective of Inspection and Adjustment | 3 | Yes |
| Ind. Director | Y.L. Su | 2021 | Taiwan Corporate Governance Association | The trend of ESG/CSR and sustainable governance in 2021 | 3 | Yes |

Note 5: training records of Managers (Including Corporate Governance officer, financial and accounting Manager and Auditors):

| Title | Name | Year | Organization | Training Course | Hours |
|------------------------------|------------|------|--|--|-------|
| CEO | Wen Hsu | 2021 | Taiwan Corporate Governance Association | The actual strategy of business secret attack and defense | 3 |
| CEO | Wen Hsu | 2021 | Taiwan Corporate Governance Association | key messages of Annual report and responsibility analysis | 3 |
| CSO | Y.A. Chen | 2021 | Securities & Futures Institute | Legal Risks and Resolution of Directors and Supervisors from considerable Enterprise fraud | 3 |
| CSO | Y.A. Chen | 2021 | Securities & Futures Institute | Corporate Governance 3.0 - Sustainable Development Plan | 3 |
| V.P. | J.K. Sung | 2021 | Taipei Exchange | 2021 OTC Sustainable Upgrade Forum | 2 |
| V.P. | J.K. Sung | 2021 | Taipei Exchange | 2021 OTC Sustainable Upgrade Forum | 2 |
| V.P. | J.K. Sung | 2021 | Taipei Exchange | Equity Promotion and Briefing Session for Insider | 3 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | Analysis and Case Study for Related Party Transactions for Directors, Supervisors and Managers | 3 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | Discussion on the Practice of Anti-Money Laundering and Countering the financing of terrorism | 3 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | 2021 OTC Sustainable Upgrade Forum | 2 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | 2021 OTC Sustainable Upgrade Forum | 2 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | Global Risk Perception - Opportunities and Challenges in the Next Decade | 3 |
| Corporate Governance Officer | Damon Chao | 2021 | Securities & Futures Institute | Equity Promotion and Briefing Session for Insider | 3 |
| Accounting | M.H. Liao | 2021 | Accounting Research and Development Foundation | Enterprises cooperate with accountants in auditing tasks: the responsibility of auditing financial reports for "fraud" | 3 |
| Accounting | M.H. Liao | 2021 | Accounting Research and Development Foundation | The latest "Profit-seeking Enterprise Income Tax" Act and Corporate Strategies | 3 |
| Accounting | M.H. Liao | 2021 | Accounting Research and Development Foundation | Application of "Commercial Arbitration" in Enterprises and Analysis of Legal Liability | 3 |

| Title | Name | Year | Organization | Training Course | Hours |
|-----------------|-----------|------|--|---|-------|
| Accounting | M.H. Liao | 2021 | Accounting Research and Development Foundation | The latest "Corporate Governance 3.0 - Blueprint for Sustainable Development" Risk Management Discussion and Response Practices | 3 |
| Auditor Manager | Y.D. Teng | 2021 | Accounting Research and Development Foundation | Intellectual Property Management Trend and Enterprise Application Practice Seminar | 6 |
| Auditor Manager | Y.D. Teng | 2021 | The Institute of Internal Auditors-Chinese | Seminar for Audit of "Cyber Security Protection" and "Cloud data Security" | 6 |

Note 6: Risk management policies and procedures

The risks recognized by the company are unfavorable factors such as potential behaviors, events or the environment, which may affect the company's operating policies and goals, or endanger the company's financial, business, and operational functions, weaken competitiveness or lose. Therefore, the company puts risk management at the core of its business management to assess, prevent, control and deal with the risks and crises that may occur or appear in the company's complex and changeable business environment, and list major issues and risks. Into the scope of supervision and management corresponding to the company's policy objectives and can be tolerated, to ensure that the company's various businesses and overall operations can continue, stable and healthy development, to achieve the company's sustainable operation, good corporate governance, and due diligence corporate social responsibility goals.

Scope of Risk management

The company values the major issues of environmental, social and corporate governance by stakeholders, combined with the operational risks of the company's industrial characteristics. The scope of risk management covers the management of operations, finance, environment, hazards and risks related to relevant laws and regulations and other international regulatory agreements. Its main risk items include but are not limited to the following items:

1. Ethical corporate management and anti-corruption
2. Shareholders' equity
3. Social economic and regulatory compliance
4. Operational and market risk
5. Finance, liquidity and credit
6. Interest rate, exchange rate changes
7. Cyber security Management
8. Intellectual Property Management
9. Climate change and management
10. Wastewater and disposal management
11. Occupational safety
12. Product Safety
13. Supplier Management

The Structure of Risk management organization

Structure of the company's risk management organization includes the board of directors, the corporate governance and sustainability committee, the internal audit, and the management.

1. The board of directors: top decision-making unit of the company's risk management, appoints and supervises the company's management, is responsible for the company's overall operating conditions and sets precise goals, and confirms the

- overall effectiveness of the risk management and internal control systems.
2. Corporate Governance and Sustainability Development Committee: Promote and evaluate corporate governance, environmental, social responsibility and other related matters, review and evaluate the company's operational risk management policies and objectives, and the appropriateness of the relevant internal control procedures and scope adopted by the company.
 3. Internal Audit: According to the company's risk management policies and evaluations, the audit plan is formulated and implemented, and timely improvement suggestions are provided, and the annual self-assessment of the company's internal control systems is promoted to facilitate the company's risk control.
 4. Management: The risk management system shall be planned and revised according to the internal, external environment and regulation revised. Therefore, it is then to carry out the risk management and internal control system.

Risk assessment and management strategy

The company integrates and manages all potential risks such as various strategies, operations, finances and hazards that may affect operations and profitability in an active and cost-effective manner, and evaluates the severity of the impact of risk events on the company's operations with a risk matrix, Define risk levels and priorities, adopt corresponding risk management strategies, and adopt corresponding risk management strategies. The company lists the important risk project management strategies or response measures for risk assessment as follows.

| Issue | Risk assessment item | Risk management policy or correction action |
|-----------------------------|--|--|
| Corporate Governance | Ethical corporate management and Anti-Corruption | Formulate "Corporate Governance Best-Practice Principles", "Procedures for Ethical corporate management and Guidelines for Conduct" and set up external stakeholders' communication channels and other mechanisms for implementation. |
| | Shareholders' equity | Entrust professional stock affairs institutions to handle shareholder matters and set up communication channels between spokespersons and external stakeholders, and set up company website to disclose company finance, business, products, corporate governance and other related information. |
| | Social economic and regulatory compliance | To analyze the changes of relevant laws, regulations, other international laws and take various corresponding measures to continuously evaluate and control. Besides implement corporate governance, |

| Issue | Risk assessment item | Risk management policy or correction action |
|------------------|--------------------------------------|---|
| | | perform corporate social responsibility, and in accordance with relevant laws and regulations such as the Company Law and the Securities and Exchange Act, the company has formulated internal control systems for daily operations, various management rules and regulations, and has obtained the international standard organization ISO 9001 quality management system and ISO14001 The environmental management system certification is based on risk management and legal compliance. |
| Operation | Operational and market risk | Every business unit shall analyze changes in the industry and take various response action to manage and handle market risk it may occur. |
| | Finance, liquidity and credit | Formulate internal control systems and control and procedures for acquiring or disposing of assets, endorsement guarantees, and fund loans. |
| | Interest rate, exchange rate changes | Through the online exchange rate real-time system and the interaction with financial institutions to judge the trend of exchange rate changes. Before quoting customers, we will comprehensively consider future exchange rate trends and factors affecting exchange rates. |
| | Cyber security Management | The Cyber security risk management policy objectives are carried out in Cyber security governance, regulatory compliance, and technology application. From system to application, individual to the whole, the Cyber security management and control mechanism is fully implemented to ensure the accuracy, integrity and safety of information and communication, Achieve Cyber security risk management and guarantee the company's operating results. |
| | Intellectual Property Management | The company values intellectual property rights for industry leaders in the fields of UPS, PQD and other related power conversion and clean energy technologies. Management Measures” and other institutional measures are implemented to protect the company’s intellectual property rights. |

| Issue | Risk assessment item | Risk management policy or correction action |
|--------------------|------------------------------------|---|
| Environment | Climate change and management | By identifying potential climate risks and opportunities, introducing greenhouse gas verification, analyzing the trends and hot spots of greenhouse gas emissions over the years, as the subsequent setting of greenhouse gas reduction targets. Continuous development of green energy products and supply chain management. |
| | Wastewater and disposal management | Formulate "Energy Resource Management Operating Procedures" so that the water quality meets the criteria of the law. The company is assembled and manufactured, and only domestic waste and sewage are discharged to the sewage sewer system. "Waste Management Procedure" The general waste is classified and delivered to qualified recycling companies, and general business waste is entrusted to a qualified resource processor for removal and transportation. |
| Society | Occupational safety | Formulate various strategies and implementation in accordance with laws and regulations. Regular employee health checks the production workshop regularly checks the noise intensity and Labor safety promotion, fire protection seminars and drills. |
| | Product Safety | The laboratories built by the company's R&D center cooperate with certification units to comply with international energy efficiency regulations to ensure that products can be legally sold in various regions around the world and meet customer and product specifications. In accordance with the different laws and regulations of various countries, the access methods of various electronic products must be submitted to test reports or certificates in accordance with relevant local regulations. |
| | Supplier Management | The company has established procedures such as "procurement management procedures", "supplier evaluation procedures" and "supplier environmental impact procedures" to evaluate the quality and environmental impact before |

| Issue | Risk assessment item | Risk management policy or correction action |
|-------|----------------------|--|
| | | dealing with suppliers, and to confirm the actual situation. |

Implementation

The company establishes the Corporate Governance and Sustainability Development Committee to assist the board of directors and functional committees to promote and evaluate related matters such as corporate governance, environment, and social responsibility, and report to the board of directors once a year on the "performance of Ethical corporate management", "performance of corporate social responsibility" and The annual report revealed the "corporate governance implementation", and corporate governance has achieved good results.

Implementation in 2021

The Corporate Governance and Sustainability Development Committee conducts risk assessment and analysis based on stakeholders' concerns about major environmental, social and corporate governance issues and the company's industrial characteristics of the operating risks, establishes risk management policies or countermeasures, and submits them to the company's board of directors on 2021.11.08 "Risk management policies and procedures" verification.

Note 7 : Insurance for directors

| Insured | Insurance Company | Insured Amount (US\$) | Insurance Period |
|---------------|--------------------------|-----------------------|---------------------|
| All Directors | Cathay Century Insurance | 5,000,000 | 2022.4.12~2023.4.12 |

Note 8 :

Cyber security risk management

The company's sustainable development has always valued the rights and interests of stakeholders such as investors, shareholders, customers, suppliers, employees, financial institutions, government organizations, and community residents. In addition to guiding good corporate governance, due diligence in corporate social responsibility, and auxiliary to the appropriate internal control system, operational management and daily operation to achieve the targets of the efficiency of the company's operations, correct and properly financial reporting and follow the regulation.

Along with the advancement of the times and the extension of the development network of information, the security risk is also raising or even affecting operation of the corporate or the loss of finance and business. To face the Cyber security risks, the company shall build

up Cyber security risk for operational management accordingly, such as “Internal Control-Information circulation”, “major internal information processing and insider trading management”, “protection of personal information management” and “computer processing management” etc. to provide for all employees to follow, in order to guarantee that all stakeholders of interests, the company operating performance.

Cyber security Management

The company set up Cyber security risk management policy for the sustainable development, it will go through via Cyber security governance, compliance and technology applications. From system to application or from a part to whole, the full implementation of Cyber security management and control mechanisms, to ensure that information and the communication is correct, complete and safe, to achieve Cyber security risk management, and to protect the company's operating results.

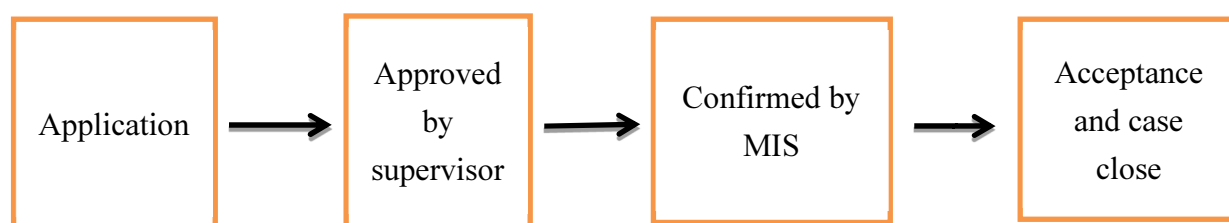
| Cyber Security Strategy | | |
|---------------------------------|--|---|
| Information Security governance | Optimize management mechanism Risk reduction and prevention | Optimize the management mechanism timely, strengthen education and training, implement and implement Cyber security and management. |
| Regulatory compliance | Establish a cycle mechanism to comply with regulation Regular review / revision | Establish a cycle mechanism to comply with regulation of International Information criteria and review and revise regularly. |
| Technology application | Optimize system security applications Firewall, anti-virus software | Lawfully authorized software, equipment configure firewall and anti-virus software, remote replication and All applications for security authority are to be applied in accordance with the provisions of powers and responsibilities. |

Security Management Unit

The MIS is responsible for examining information governance strategy, plan, monitoring and information management implementation of each territory. They shall keep an eye on every Cyber security. Once major security risk events, report to CEO in time and periodically report to Board of Director.

Information Service Process Management

All information application or change for software, system, mail and networking etc. resource. It shall be required to apply via electronic application flow, upon approved by the relevant supervisor, it will be in the process after confirmation.



Cyber security Management Solution

The company make a review of the cyber security risk through risk identification and risk assessment, confirms the adverse impact of the cyber security risk on the company's operation, takes corresponding solutions, and reviews the information structure, network activities, network equipment, server and terminals. Check and assess whether there are bugs or old equipment problems at any time, and also respond to the challenges faced by cyber security, such as APT advanced persistent attacks, DDoS attacks, ransomware, social engineering attacks, steals and other funding issues, the planned cyber security management plan is as follows:

- (1) Network firewall settings
- (2) Antivirus software settings
- (3) System program data access control
- (4) Email management control
- (5) Information system disaster recovery plan

Cyber security management resources

Unit: NTD

| project | 2020 | 2021 |
|-------------------------------------|-----------|-----------|
| Antivirus software | 58,500 | 58,500 |
| Maintenance costs | 1,817,703 | 1,170,800 |
| Computer room gate control fee | 25,000 | 0 |
| Equipment and software upgrade fees | 1,647,370 | 2,256,518 |
| total | 3,548,573 | 3,485,818 |

Security event and insurance

In accordance with the provisions of the implement, the Company Cyber security governance, operation and management of the mechanism properly, not any serious Cyber security event happened. So, the overall Cyber security risk management properly as expectations. The company has assets in the insurance entity, and the main file data under off-site backup, cum information systems disaster recovery plan, such as the future decree specifications, Cyber security management needs to be insured Cyber security risks, then the company will assess the understanding of the relevant rules and supporting measures to decide again.

Review and Improvement of Security Risk Management

The management of the company conducts internal security control and risk supervision and management based on the scope of its function, conducts internal security

control and risk supervision and management, and implements an internal risk control system based on annual self-inspection operations, conducts information cycle internal control self-inspection operations, and evaluates security Manage implementation. In addition, the audit unit tracks the execution status, and the annual audit plan is included in the audit line to ensure the implementation and effectiveness review or improve the reference basis.

The implementation in 2021 is as follows:

- To prevent Covid-19 and maintain stable operations in 2021, the company divided and work from home from May to July. In response to this arrangement and considering information security issues, all WFH people are connected to the company via VPN. According to the demand proposed by various departments, establish a whitelist and authentication authorization, and check if the VPN is used normally from time to time
- Regular system updates
Replace the Firewall at Kaohsiung site, the new system has better functions and facilitates record viewing. And perform Windows Server system updates to patch known vulnerabilities.
- Regularly review user access permissions before the end of each year to prevent unauthorized access to data.
- Use the centralized anti-virus system - Kaspersky to monitor virus events and eliminate them at any time.
- Publicize the concept of information security from time to time and change the encrypted connection of POP and SMTP mail.
At present, most of the Internet connections are encrypted with SSL, and websites that do not use it will display "Not Secure", but the connection method of many email mailboxes has not been changed. Unsecured connections use clear text transmission of account numbers and passwords, which are easily intercepted by people with intentions. Completely change and use encrypted connections and promote the safekeeping of passwords to avoid leakage.

(2021.11.08 Submitted to the Board of Directors of the Company for the approval of the Company's 'Information Security Risk Management'.)

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Remuneration Committee Member Information

| Eligibility Name | Qualifications and experience (Note 1) | Independence status (Note 2) | Number of independent directors of other public companies |
|---|--|--|---|
| Convenor/ Independent Director Y.J. Ding | Independent Director and member of Audit committee Indiana University/ PhD. Acted as President of IBF Financial Holding, Chairman of Waterland Securities Co., Ltd. Rich experience in business management, Finance and industry knowledge. None of the provisions of Article 30 of the Company Law. Current position: None | Mr. Y.J. Ding, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 0 |
| Independent Director S.G. Wang | Independent Director and member of Audit committee Chung Yuan Christian University / Bachelor of Civil Engineering Acted as Chief of team leader of Engineering Division, Taipei Water Department Rich experience in business management and industry knowledge and Environmental Protection. None of the provisions of Article 30 of the Company Law. Current position: None | Mr. S.G. Wang, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 0 |
| Independent Director Y.L. Su | Independent Director and member of Audit committee Ph.D. in System Engineering, Georgia Institute of Technology. Act as CEO of General Energy Solutions Inc. Rich experience in business management, Finance and industry knowledge. None of the provisions of Article 30 of the Company Law. Current position: Act as CEO of General Energy Solutions Inc. | Mr. Y.L. Su, his spouse and relatives within the second degree have never served as directors, supervisors or employees of the company or its related enterprises; he, his spouse, relatives within the second degree (or in the name of others) do not hold shares in the company; Moreover, he has not served as a director, supervisor or employee of a company that has a specific relationship with the company; nor has he provided the company or its related companies with business, legal, financial, accounting and other services in the past two years. | 1 |

The Committee shall consist of 3 members appointed by resolution of the board of directors. One of the members shall serve as convener.

The professional qualifications and degree of independence of the members of the Committee shall meet the requirements set out in Articles 5 and 6 of the Regulations.

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

Operations of Remuneration Committee and Major resolution in 2021:

1. The number of the Remuneration Committee was 3 and all members are

- composed of newly elected independent directors from the 4th Term.
2. Period of the term: 06-19-20 to 06-18-23. There are 3 meetings in 2021. The attendance of Committee for the 3 meetings:

| Title | Name | Meetings (A) | Attendance (B) | By Proxy | Attendance Rate (%) (B/A) |
|-----------------------------------|-----------|--------------|----------------|----------|---------------------------|
| Convener/ Independent Director | Y.J. Ding | 3 | 3 | 0 | 100% |
| Committee/ In. Director | S.G. Wang | 3 | 3 | 0 | 100% |
| Committee/ In. Director | Y.L. Su | 3 | 3 | 0 | 100% |
| Sum | | 9 | 9 | 0 | 100% |

Other Notice :

- In the event the Board of Directors does not adopt or revise the recommendation proposed by Remuneration Committee, the agenda shall indicate the date of Board Meeting, term, agenda content, outcome of board resolution, and the company actions to opinions brought by Remuneration Committee (For compensation approved by the Board of Directors surpassing the recommendation brought by the Remuneration Committee, provide explanation of the discrepancy and reason): None.
- In the event the member opposes and reserve opinions against the matters resolved by the Remuneration Committee with records or written declaration, describe the date of Board Meeting, term, agenda content, outcome of board resolution, and the company actions to opinions brought by Remuneration Committee: None.

To review salary and remuneration periodically

The function of the company's compensation and remuneration committee is to evaluate the salary and remuneration policies and systems of the company's directors, supervisors and managers with a professional and objective status. It meets at least three times a year and may hold meetings at any time as needed to propose to the board of directors Suggestions for reference in decision-making.

- The power of the company's compensation and remuneration committee
 - Regularly review the company's remuneration rule and propose amendments.
 - Formulate and regularly review the company's directors, supervisors and managers' performance and remuneration policies, systems, standards and structures.
 - Regularly evaluate the remuneration of the company's directors, supervisors and managers.
- Once the compensation and remuneration committee perform its functions, it shall be based on the following standards
 - Salary management should conform to the company's salary philosophy.
 - The performance evaluation and remuneration of directors, supervisors and managers should refer to the usual level of payment in the industry and consider the reasonableness of the relationship between personal performance and the company's operating performance and future risks.
 - Directors and managers should not be guided to engage in behaviors that exceed the risk appetite of the company in pursuit of remuneration.
 - The ratio of the short-term performance of directors and senior managers and the payment time of part of the variable salary payment should be determined in consideration of the characteristics of the industry and the nature of the company's business.
 - The members of this committee shall not participate in discussion and voting on their personal salary and remuneration decisions.

The major resolution of the Remuneration Committee (2021)

| Board of Director | the Remuneration Committee | Issue | Resolution | Follow up |
|---|--|--|--|---|
| 6 st meeting of 8 th Term (2021.03.19) | 4 th meeting of 4 th Term (2021.03.19) | Review the company's 2020 annual employee compensation and the compensation and distribution of directors. | The proposal was approved by whole committee and submit to BOD. | Sent to Board of Directors and approved by all directors presented. |
| 9 th meeting of 8 th Term (2021.08.09) | 5 th meeting of 4 th Term (2021.08.09) | 1. Review the case of the distribution of the amount of compensation for managers in 2020 2. Created the "Regulation for Year-end and Performance Bonus " | 1. The proposal was approved by whole committee and submit to BOD. 2. The proposal was approved by whole committee and submit to BOD. | Sent to Board of Directors and approved by all directors presented. |
| 11 th meeting of 8 th Term (2021.12.27) | 6 th meeting of 4 th Term (2021.12.27) | Review the 2021 manager's year-end bonus. | The proposal was approved by whole committee and submit to BOD. | Sent to Board of Directors and approved by all directors presented. |

3.4.5 Implementation of the promotion of sustainable development and the differences and reasons for the code of practice for sustainable development of listed OTC companies:

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Explanation ² | |
| 1. Dose the company established a <u>governance structure to promote sustainable development</u> , and set up a dedicated (or part-time) unit to promote sustainable development, those senior Management is authorized by the board of directors to handle and <u>supervised</u> by the board of directors? | V | | <p>Under the supervision of the Board of Directors, the Company set up the Corporate Governance and Sustainable Development Committee on 2018.5.2. The Company set up Corporate Governance Officer from 2018.12.1 and approved by Board of Directors and the officer shall oversee all relative amendment of Corporate Governance, Corporate Social Responsibility and Ethical corporate management. This committee is the highest-level sustainable development decision-making center in the company. The chairman serves as the chairman, the Corporate Governance Officer serves as the convener, and a number of senior executives' team from different fields jointly review the company's core operational capabilities and formulate medium- and long-term sustainable development. plan.</p> <p>The "Corporate Governance and Sustainability Development Committee" serves as a cross-departmental communication platform that integrates vertically and horizontally connected. It has jurisdiction over the "Corporate Governance Team", "Corporate Social Responsibility Team" and "Ethical corporate management Team" for all aspects of environmental, society and corporate governance. Management function, identify sustainable issues related to company operations and stakeholders, formulate corresponding strategies and policies, compile budgets related to sustainable</p> | In accordance with Article 7 and 9 of “Corporate Social Responsibility Best Practice Principles” for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|--|
| | Yes | No | Abstract Explanation ² | |
| | | | <p>development of each organization, plan, implement, and track implementation results to ensure sustainability. The development strategy is fully implemented in the company's daily operations.</p> <p>The "Corporate Governance and Sustainability Development Committee" reports to the Board of Directors on the implementation results on the implementation of the Company's 2021-year corporate social responsibility on 2021.12.27. The content includes (1) identifying the concerns of stakeholders and formulating action plans to respond; (2) goals and policy revisions on sustainability-related issues; (3) supervising the implementation of sustainable management issues and evaluating the implementation situation.</p> <p>The Board of Directors recognized and affirmed the operation and execution of the "Corporate Governance Sustainability Development Committee".</p> | |
| 2. Does the company conduct risk assessments of environmental, social and Corporate Governance issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? | V | | <p>The company formulated "risk management policies and procedures" on 2020.11.9 to conduct risk assessments on environmental, society and corporate governance issues related to company operations to ensure that the overall operation can be sustained and stable, good corporate governance and due diligence in corporate social responsibility.</p> <p>According to this procedure, the Corporate Governance and Sustainable Development Committee compiled a "Risk Management Assessment Questionnaire" for the company's risk management categories and risk projects and issued it to all teams in October 2021. All team analyzed and judged the possibility of risk events based on its actual situation. The company has made an analysis of</p> | In accordance with Article 1, 5, 6 and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Explanation ² | |
| | | | <p>its nature and degree of impact and has reported to the Audit Committee and the Board of Directors in November 2021 on the implementation of the company's 2021-year risk management. ESG issues will be included in the risk assessment in the coming year according to the instructions of the Board of Directors.</p> <ol style="list-style-type: none"> 1. This disclosure covers the Company's sustainability performance in major locations between January 2021 and December 2021. The risk assessment boundary is based on the Company and is based on the relevance of the operation of the industry and the degree of impact on the major subject matter. 2. The Corporate Governance Sustainability Committee conducts analysis and communicates with internal and external stakeholders based on the principle of materiality, so as to assess the ESG issues of great significance, formulate risk management policies for effective identification, measurement, supervision and control, and take specific action plans to reduce the impact of related risks. 3. Based on the assessed risks, formulate relevant risk management policies or countermeasures as follows: (Note 1) | |
| <p>3. Environmental issues (1). Does the company establish an appropriate environmental management system based on its industrial characteristics?</p> | V | | <p>(1). The company has established and obtained ISO14000 environmental management system certification according to the characteristics of the industry. It attaches great importance to the impact of climate change on the company's development. By identifying climate risks and opportunities, it conducts annual greenhouse gas verification and analyzes the trend and</p> | <p>In accordance with Article 13 and 14 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”</p> |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|---|
| | Yes | No | Abstract Explanation ² | |
| | | | points of greenhouse gas emissions over the years for follow-up. It’s to set greenhouse gas reduction targets. The environmental management system includes wasted water and waste management and includes aspects of climate change and greenhouse gas to meet the basic principle of compliance with environmental regulations, it will gradually implement and promote environmental sustainability and assigned the corporate governance and sustainable development committee to supervise and manage. | |
| (2). Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environment? | V | | (2). The company is committed to the production and development of energy-saving products. In 2020, Ablerex estimated three main products, a single-phase uninterruptible power system and a three-phase uninterruptible power system, which can help customers save 3,486,843.6 kWh in total, it’s about 12,552,634.6 GJ which can reduce about 1,774.8 Tons of greenhouse gas emissions. Due to the increase in shipments of PV inverters, single-phase UPS and three-phase UPS in 2020 over the previous year, and new added estimated energy-saving benefits of solar inverters, the energy-saving assistance for customers in 2020 increased over 2019 1,150.4 kWh of electricity. In addition, the energy storage system (ESS500KW) launched by Ablerex in 2019 belongs to the first generation product, and there is no consistent international regulatory energy efficiency standard, so it is not included in the aforementioned quantitative range of energy saving efficiency; however, this model is an integrated two-way power conversion system, The | In accordance with Article 12 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|---|
| | Yes | No | Abstract Explanation ² | |
| | | | energy storage cabinet system solution of energy storage battery, system controller and cloud energy management system can coordinate with grid dispatching for real/virtual power adjustment. Its two-way power converter efficiency can reach 98.3%, and it can be scheduled according to time and electricity price. Discharging at peak times and charging at night can help reduce the power contract capacity on the user side and improve energy efficiency. Please refer to the 2020 CSR Report P.30 ~36.) | |
| (3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to respond to climate-related issues? | V | | (3). The sustainable development of the company has always been the commitment and obligation that the company has adhered to since its establishment. Through the identification of potential climate risks and opportunities, GHG inventory operations are conducted to analyze the trends and hotspots of GHG emissions over the years, as a follow-up goal for GHG reduction. The company's environmental management system includes wastewater and waste management and incorporates climate change and greenhouse gas aspects. Based on the basic principle of compliance with environmental regulations, it is gradually implemented to promote environmental sustainability. "Energy resource utilization management procedures", "Waste management procedures", "Waste gas treatment and monitoring management procedures", "Environmental supervision and measurement management procedures" have been formulated for all colleagues to follow, and the Corporate Governance Sustainable Development Committee has been instructed to carry | In accordance with Article 17 of “Corporate Social Responsibility Best In accordance with Article 16 and 17 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|--|
| | Yes | No | Abstract Explanation ² | |
| | | | out Supervision and management. As per the framework of the Task Force on Climate-related Financial Disclosure (TCFD), the company's Governance, Strategy, Risk management, Metrics and Targets for climate-related risks and opportunities are disclosed and placed on the company's website. (Note 6) | |
| (4) Does the company statistical analysis the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management? | V | | (4) In order to cooperate with the promotion of energy conservation and carbon reduction policies, the company has implemented a number of energy conservation and carbon reduction measures. It also refers to relevant regulations and develops specific improvement goals according to the actual situation. Please refer to our website https://www.ablerex.com.tw/ch/CSR/3.6.2.2.pdf As per (Note 7) | In accordance with Article 16 and 17 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |
| 4. Social issues (1). Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions? | V | | (1). In order to attach importance to the promotion of labor and business ethics policies, in addition to adopting the principles and spirit of the Global Reporting Initiative (GRI) to formulate and implement human rights-related policies, the company has also formulated "work rules" to regulate the company's rights and obligations related to employee human rights, and we believe that every employee should be treated fairly and humanely and with respect. It also formulated "Sexual Harassment Prevention and Punishment Measures" and provided a channel for grievances to safeguard the rights and interests of female employees. This labor human rights policy is formulated so that the entire company will | In accordance with Article 18 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|---|------------------------------------|----|---|---|
| | Yes | No | Abstract Explanation ² | |
| | | | <p>abide by the principles of social responsibility and labor conditions related to labor rights. In addition, in order to fulfill our social responsibilities, we work hand in hand with our partners to formulate a "Supplier Social Responsibility Code" to expand our influence.</p> <p>The Company's "Human Rights Policy" respects the protections stipulated in the Human Rights Covenant and publishes it on the Company's website. Web site: https://www.ablerex.com.tw/ch/CSR/csr_3_1.pdf</p> | |
| (2). Does the company formulate and implement reasonable employee welfare measures (including compensation, vacation and other welfare, etc.), and appropriately reflect operating performance or results in employee compensation? | V | | <p>(2). The company has formulated the "Working Rules" in accordance with the Labor Standard Act, which summarizes the chapters on salary, bonuses, working hours, vacations, attendance and assessment, and welfare measures, as well as the company's articles of association. If the company's annual profit is obtained, it should be based on that year. The performance situation provides 6% to 10% for employee compensation. In addition, the remuneration committee considers the company's relevant policies, employee performance evaluation system and corporate social responsibility policy, and considers the salary and remuneration policies, systems, standards and structures into the salary and remuneration policy. Employee remuneration, workplace diversity and equality, the company respects the protections stipulated in the Human Rights Convention and publishes it on the company's website: https://www.ablerex.com.tw/ch/CSR/3.3.2.pdf</p> | In accordance with Article 21 of "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies." |
| (3). Does the company provide safe and healthy work environments for its employees, and organize | V | | <p>(3). The health of employees is the greatest wealth of an enterprise! For the company, it can provide a complete</p> | In accordance with Article 20 of "Corporate Social |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|---|
| | Yes | No | Abstract Explanation ² | |
| training on safety and health for its employees on a regular basis? | | | <p>health and safety plan, enhance the corporate sense of honor and responsibility, establish a corporate image, and implement corporate social responsibility; for employees, it not only provides a safe and healthy working environment, but also improve morale, improve health, increase job satisfaction, and extend its benefits to families and communities, creating a win-win situation. The company has set labor safety and health goals and implementation plans, regularly organizes employee health checks in accordance with laws and regulations and provides sports and leisure rooms and breastfeeding rooms for employees to use. The production workshop regularly checks the noise intensity, and the areas involving heavy objects are required to wear safety shoes and promote labor safety. In terms of safety, the company organizes a half-yearly labor safety, hygiene and fire safety training. In order to monitor the quality of the office environment, we carry out cleaning and maintenance of the office area and environmental disinfection according to the annual plan, and regularly commission professional institutions to conduct drinking water quality testing of drinking water machines. (For details, please refer to pages 149~155 of the company's 2021-year annual report)</p> <p>i. In 2020, a total of 6 industrial safety accidents occurred, of which 5 were traffic accidents involving employees commuting to and from off duty. The improvement countermeasures require that units with occupational accidents should understand the working conditions of employees and avoid overwork,</p> | Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|--|---|
| | Yes | No | Abstract Explanation ² | |
| | | | <p>and asked employees to be careful and pay attention to traffic safety when commuting to and from off duty. Meanwhile, inspections of labor safety deficiencies will be carried out from time to time, and a total of 10 deficiencies have been proposed for improvement. Please refer to the company's website for the types of work-related injuries, frequency of work-related injuries, occupational diseases, percentage of lost days and absenteeism by region and gender in the last two years, as well as the total number of work-related fatalities: https://www.ablerex.com.tw/ch/CSR/3.3.3.pdf</p> <p>ii. The company has formulated an occupational safety and health management plan and implemented it. New recruits are all provided with education and training on environmental safety and health. During their employment, the company will hold labor safety and health and fire safety training every six months. Colleagues are also encouraged to reflect on issues at labor-management meetings and various communication channels to understand the issues related to occupational safety and health of colleagues in real time.</p> | |
| (4). Does the company create an effective career development training program for employees? | V | | (4). The company provides professional training and timely adjustment of work content according to the nature of the employees' work, so as to increase their experience in applying what they have learned and requires them to participate in external continuing or qualified | In accordance with Article 21 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons Companies.” |
|---|------------------------------------|----|--|---|
| | Yes | No | Abstract Explanation ² | |
| | | | refresher courses in accordance with laws and regulations to obtain relevant certificates or professional skills and strengthen their career Development capabilities. In addition, in the personnel evaluation and promotion, we also refer to the training and performance of employees, and actively encourage self-study and function enhancement to enable further integration between individuals, families, and work, and to cultivate talents, retain talents, and grow personally. Get a virtuous circle. | |
| (5). Regarding the issues for health and safety of customers, privacy, marketing and labeling, does the company formulate relevant consumer protection policies and appeal procedures to comply with relevant laws and regulations and international standards? | V | | (5). The laboratory established by the company's R&D center cooperates with certification authorization units to meet international energy efficiency standards to ensure that products can be legally sold in various regions around the world and meet customer and market energy-saving product specifications. Because the laws and regulations of different countries are different, the access methods of various electronic products must submit test reports or certificates in accordance with relevant local regulations. The company has established customer complaint processing procedures to provide transparent and effective consumer complaint procedures for products and services. In addition, the Corporate Social Responsibility Area is set up on the company's website, which includes the establishment of a stakeholder communication channel to facilitate consumer complaints and opinions expressed by various stakeholders. From 2016 onwards, the English Corporate Social Responsibility Area website is also | In accordance with Article 23 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|--|---|
| | Yes | No | Abstract Explanation ² | |
| | | | available for foreign language stakeholders to think of a platform for further understanding of the company's business situation and providing complaints. Each year, we regularly implement customer satisfaction surveys, analyze and improve the results of the investigations, and conduct internal audits on these operations to ensure the implementation of this policy and related operations. | |
| (6). Does the company formulate a supplier management policy that requires suppliers to follow relevant regulations and issues regarding environmental protection, occupational safety and health, or labor rights? | V | | (6). The company originally created procedures such as "Supplier Evaluation Procedures" and "Supplier Environmental Impact Procedures", to evaluate the quality and environmental impact situation before trading, and to confirm the actual situation. Separately set the "Corporate Social Responsibility Code" and "Supplier Social Responsibility Code" and evaluate new suppliers in accordance with regulations to determine whether they have affected the society in the past, and follow-up planning will further increase manufacturers' impact on environmental and social assessment bonus items (ISO -9001 & 14001, OHSAS18001, etc.), as an important reference for business dealings. By cooperating with suppliers and partners to build a green value chain, the company will jointly improve environmental protection, safety and health performance, and further establish a harmonious relationship of environmental sustainability and co-prosperity. The company's Group Purchasing Office conducts supply chain management in accordance with company regulations, and summarizes new supplier evaluation, screening, and signing of corporate social responsibility | In accordance with Article 26 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|---|---|
| | Yes | No | Abstract Explanation ² | |
| | | | commitments; supplier evaluation; supplier audit and other projects during the period. The results meet the expected goals, and the implementation situation is announced on the company's website: https://www.ablerex.com.tw/ch/CSR/3.1.3.pdf | |
| 5. Does the company refer to internationally used reporting standards or guidelines, and compile reports such as sustainable development reports that disclose the company's non-financial information? Did the previous disclosure report obtain the assurance or assurance of a third-party verification unit? | V | | Corporate sustainable development have always been our commitments and obligations since the company was founded. Since 2015, the Company has proactively issued the annual publication "Corporate Responsibility Report of Ablerex Electronics Co., Ltd.". To fully improve the quality of the report disclosure and be in line with international trends, the company's 2020 CSR report follows the guidelines of the Global Sustainability Reporting (GRI) Global Sustainability Report issued by the Global Reporting Initiative (GRI) in 2016 Compiled with rule. It is hoped that by adopting the "GRI Standards" (hereinafter referred to as the GRI Standards) program, the information disclosed in the report can better meet the expectations of stakeholders, and fully demonstrate the company's efforts to achieve sustainable development. (Note 3) The CSR report will be revised to the ESG report from 2022 and start to ask the counseling agency to start preparations for obtaining the assurance of a third-party verification unit. | In accordance with Article 29 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” |
| 6. If the Company has established Sustainable Development Best-Practice based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company's "Corporate Social Responsibility Best-Practice Principle" was approved by the board of directors in November 2015, and revised in November 2016 and March 2020, and the Sustainable Development Best-Practice Principle was approved by the board of directors on 2021.12.27. it's to strengthen the implementation of sustainable development. The company regularly reviews the implementation of this Principle and makes improvements accordingly. So far, there is no discrepancy in implementation. | | | | |
| 7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: | | | | |

| Evaluation Item | Implementation Status ¹ | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|-----------------------------------|---|
| | Yes | No | Abstract Explanation ² | |
| (1). Ablerex payout dividends in consecutive 11 years from 2010-2020 in pursuing the maximum interest of shareholders. | | | | |
| (2). Ablerex provides employee benefits package including holding and subsidizing domestic and foreign company trips every year, the activity has been pending due to Pandemic in 2020, holiday bonus for three traditional Chinese festivals, and offering health examinations for employees every 3 years. | | | | |
| (3). The efforts of Ablerex in Corporate Governance have been ranked as TOP 5% company from 2015 to 2018, TOP 6-20% in 2019, Top 5% in 2020 and Top 6-20% of Corporate Governance Evaluation Results in Taiwan in 2021. | | | | |
| (4). Ablerex has arranged external consultation and established a team in structuring the relevant system. The CSR report of Ablerex, as per website (http://www.ablerex.com.tw/ch/csr_3_7.php), had been disclosed for 5 years from 2015. The 2020 CSR report can be found on website as per https://www.ablerex.com.tw/ch/CSR/CSR20210930.pdf | | | | |
| (5). Develop and reaffirm a human rights policy. (Note 4) | | | | |
| (6). Social participation | | | | |
| (6.1) industry-academia cooperation/collaboration project In addition to provide quality products and services, the company is actively pursuing various social welfare activities in addition to the global pursuit of better green energy quality. In recent years, through the combination of core technology and social welfare, the company has actively invested human and financial resources in environmental energy education and fostering talents for green energy. In 2021, it invested about NTD900 thousands to support a number of research projects in production and education and sponsored the research on the application of stacked power converters and micro grid technology in KUAS of Applied Sciences and related to the solar power generation system of the National Kaohsiung University of Marine Science and Technology. The research of conversion technology has enabled the company's product R&D and university academic practice to develop mutually beneficial above-mentioned cooperation between industry and universities, a total of 4 supervisors joined in 2021, benefiting 15 students and with a total of 1,176 person*hours. | | | | |
| (6.2) Indonesian Mulandali Tua District Health Care Support Program In response to the SDGs sustainable development goals of universal care value without borders, the company also invested resources in Medan, Indonesia to help cultivate the basic health care capabilities of local schoolteacher and community health caregivers and improve the basic equipment of local health education. and basic health awareness of school children in the local community the company also sponsors more than NTD640,000 and NTD668,000 funds in 2019 and 2020 to support provide Indonesian Medan. Delitoo District Health Care Support Program. | | | | |
| (7) Set up the Corporate Governance Sustainable Development Committee, which has a Corporate Governance Team, a Corporate Social Responsibility Team and a Corporate Ethical corporate management Team. Note 5 | | | | |
| (8) The issues of concern, communication channels and communication between the company and stakeholders in 2021 are as Note 2. | | | | |
| (9) The corporate responsibility reports of the past years are placed on the company's website: http://www.ablerex.com.tw/ch/csr_3_7.php for download. | | | | |
| 8. If the corporate social responsibility reports have received assurance from external institutions, they should state as below: N/A | | | | |

Note 1: Risk assessment and correction action in 2021

| Issue | Risk assessment item | Risk Rating | Risk management policy or correction action | Execution Assessment |
|----------------------|--|-------------|---|----------------------|
| Corporate Governance | Ethical corporate management and Anti-Corruption | Low | Formulate "Corporate Governance Best-Practice Principles", "Procedures for Ethical corporate management and Guidelines for Conduct" and set up external stakeholders' communication channels and other mechanisms for implementation. | Excellent |
| | Shareholders' equity | Low | A professional stock affairs institutions entrusted to handle shareholder matters and set up communication channels between spokespersons and external stakeholders, and set up company website to disclose company finance, business, products, corporate governance and ... etc. | Excellent |
| | Social economic and regulatory compliance | Low | To analyze the changes of relevant laws, regulations, other international laws and take various corresponding measures to continuously evaluate and control. Besides implement corporate governance, perform corporate social responsibility, and in accordance with relevant laws and regulations such as the Company Law and the Securities and Exchange Act, the company has formulated internal control systems for daily operations, various management rules and regulations, and has obtained the international standard organization ISO 9001 quality management system and ISO14001 The environmental management system certification is based on risk management and legal compliance. | Excellent |
| Operation | Operational and market risk | Low | Every business unit shall analyze changes in the industry and take various response action to manage and handle market risk it may occur. | Good |
| | Finance, liquidity and credit | High | Formulate internal control systems and control and procedures for acquiring or disposing of assets, endorsement guarantees, and fund loans. | Excellent |
| | Interest rate, exchange rate changes | Medium | (1) Continue to strengthen the concept of currency exchange risk avoidance among financial personnel, through the online exchange rate real-time system and strengthening the interaction with financial institutions so as to study and judge the exchange rate fluctuation trend for responding to the negative impact of exchange | Good |

| Issue | Risk assessment item | Risk Rating | Risk management policy or correction action | Execution Assessment |
|-------------|----------------------------------|-------------|--|----------------------|
| | | | <p>rate fluctuations.</p> <p>(2) Before preparing a quotation, comprehensively consideration and evaluation of the future trend and the factors to determine an appropriate and reasonable quotation to minimize the impact of exchange rate changes.</p> <p>(3) To achieve a certain degree of natural hedging effect through the control of the mutual offset of the recurring foreign currency A/R and A/P.</p> <p>(4) Evaluate and purchase various derivative financial products that can effectively reduce exchange rate risks in accordance with the company's "Operation Procedures for Acquiring and Disposing of Assets", and strictly control the hedging positions by the responsible supervisor to avoid improper transactions so as to reduce exchange rate risks and losses.</p> | |
| | Cyber security Management | Low | The Cyber security risk management policy objectives are carried out in Cyber security governance, regulatory compliance, and technology application. From system to application, individual to the whole, the Cyber security management and control mechanism is fully implemented to ensure the accuracy, integrity and safety of information and communication, Achieve Cyber security risk management and guarantee the company's operating results. | Excellent |
| | Intellectual Property Management | Low | The company values intellectual property rights for industry leaders in the fields of UPS, PQD and other related power conversion and clean energy technologies. Management Measures” and other institutional measures are implemented to protect the company’s intellectual property rights. | Excellent |
| Environment | Climate change and management | Low | By identifying potential climate risks and opportunities, conducting greenhouse gas verification, analyzing the trends and hot spots of greenhouse gas emissions over the years, as the subsequent setting of greenhouse gas reduction targets. Continuous development of green energy products and supply chain | Good |

| Issue | Risk assessment item | Risk Rating | Risk management policy or correction action | Execution Assessment |
|---------|------------------------------------|-------------|--|----------------------|
| | | | management. | |
| | Wastewater and disposal management | Low | Formulate "Energy Resource Management Operating Procedures" so that the water quality meets the criteria of the law. The company is assembled and manufactured, and only domestic waste and sewage are discharged to the sewage sewer system. "Waste Management Procedure" The general waste is classified and delivered to qualified recycling companies, and general business waste is entrusted to a qualified resource processor for removal and transportation. | Excellent |
| | Occupational safety | Low | Formulate various strategies and implementation in accordance with laws and regulations. Regular employee health checks the production workshop regularly checks the noise intensity and Labor safety promotion, fire protection seminars and drills. | Excellent |
| Society | Product Safety | Low | The laboratories built by the company's R&D center cooperate with certification units to comply with international energy efficiency regulations to ensure that products can be legally sold in various regions around the world and meet customer and product specifications. To comply with the different laws and regulations of various countries, the access methods of various electronic products must be submitted to test reports or certificates in accordance with relevant local regulations. | Excellent |
| | Supplier Management | Low | The company has established procedures such as "procurement management procedures", "supplier evaluation procedures" and "supplier environmental impact procedures" to evaluate the quality and environmental impact before dealing with suppliers, and to confirm the actual situation. | Good |

Note 2 Concerns, communication channels and communication with stakeholders :

| Stakeholder | Focus on issues | | Communication channels, response methods and communication frequency | Communication in 2021 |
|---------------------|--|--|---|--|
| Employee | Environmental compliance Customer health and safety Customer privacy Occupational safety and health | Socio-economic regulations compliance Labor & Labor / Management Relations Product marketing label | Corporate website and internal irregular announcements of various welfare matters Staff welfare committee information irregular announcement Labor management meeting to communicate information on various management tasks and education and training courses | Internal company announcements and email notifications for smooth information The Welfare Committee announces BS and IS monthly. Four labor-management meetings were held during the year and the situation is good. Four sessions will be held during the year, including 244 Hrs and 61 employees' work education and training. |
| Government agencies | Environmental compliance Customer health and safety Occupational safety and health Greenhouse gas and air pollution emissions | Socio-economic regulations compliance Labor & Labor / Management Relations Product marketing label | The company website is required to cooperate with the competent authority to supervise and check and correct the information disclosure. The contact office of official documents interacts with the competent authority from time to time to follow Corporate Governance and legal compliance | Good communication with the competent authority, no violations 2021.9.7 Voluntary disclosure of corporate social responsibility report at the Public Information Observatory |
| client | Environmental compliance Customer health and safety Customer privacy | Socio-economic regulations compliance Customer relationship management Product marketing label | Customer satisfaction survey for reference of company's internal management There is a specific person inside the company for customer claim channels to handle all cases of related matters to protect the rights of consumers | Implementation of customer satisfaction surveys as a basis for management improvement. A customer satisfaction survey was conducted during the year, and the situation was good. |

| Stakeholder | Focus on issues | | Communication channels, response methods and communication frequency | Communication in 2021 |
|-------------------------|---|--|---|--|
| Supplier or contractor | Environmental compliance Supplier Social Assessment | Local purchase | Actively invite suppliers to sign CSR commitments | New supplier highly affirmed and signed the commitments. The supplier evaluations are conducted twice during the year. |
| Shareholder or investor | Economic performance Customer health and safety Customer privacy | Socio-economic regulations compliance Customer relationship management | Corporate website instantly reveals relevant information about Corporate Governance, business development, operating performance, etc. Set up the Shareholders' Mailbox for Investor Communication Annual shareholders' meeting is held and published in Chinese and English version Annual report | Provide information disclosure and follow regulations to serve shareholders or investors. Hold Shareholders' meeting on Aug 18, 2021 and disclosed CSR report on Website. |
| bank | Environmental compliance Customer privacy Product marketing label Customer health and safety | Socio-economic regulations compliance Supplier Environmental Assessment Economic performance | Corporate website instantly reveals relevant information about Corporate Governance, business development, operating performance, etc. Maintain smooth communication with banks and focus on company financial and operational work | Communicate well with correspondent banks and comply with regulations to serve correspondent banking matters |

Note 3: Set up the operation and implementation of the unit

| Year | Stage | Work projects | period | Scheduled completion date | Execution progress |
|-------------|----------------------|---|---------------|----------------------------------|---------------------------|
| 2021 | Planning Phase | 1. Identify major topics | Jan to Feb | 2/26 | as planned |
| | | 2. CSR Workshop | Mar | 3/12 | as planned |
| | Implementation phase | 3. Update report outline structure | Mar | 3/19 | as planned |
| | | 4. Verification of 2020 performance and collection of information | Mar to Apr | 4/30 | as planned |
| | | 5. Verification of Greenhouse gas emissions | Apr to May | 5/28 | as planned |
| | | 6. Calculate product energy savings | Apr to May | 5/28 | as planned |
| | | 7. drafting CSR report | Apr to June | 6/30 | as planned |
| | Confirmation phase | 8. CSR report draft final | July~Aug | 8/27 | as planned |
| | | 9. Report editorial | Aug~Sept | 9/10 | as planned |
| | | 10. Release of 2020 CSR Report | Sept | 9/17 | 9/7 |

Human rights policy

Updated on 2021.12.14

In order to value the promotion of labor and business ethics policies, the company has adopted the principles and spirit of the Global Reporting Initiative's (GRI Standards) in 2016. In addition to the implementation of human rights related policies, and in accordance with the government's "Labor Standards Act" and other related laws and regulations, the "work rules" are established to regulate the company's rights and obligations related to the human rights of employees. To protect the basic human rights and related rights and interests of employees, it is believed that every employee should be treated with fair humane treatment and respect and established "control measures and punitive measures against sexual harassment" and provided a complaints pipeline to safeguard the rights and interests of female employees.

Human rights assessment

The company is committed to the sustainable development and operation of the company, and value people and the environment, and assumes and promotes social responsibility for employees, consumers and the overall environment. In order to reflect the commitment to providing a safe and healthy workplace, an environmental engineering and health management unit has been set up to deploy occupational safety and health personnel to manage the occupational safety and health of employees, and regular health inspections for in-service employees are held. And work together with partners to formulate a "Supplier Social Responsibility Code" and sign a corporate social responsibility commitment to expand its influence.

Human rights concerns and practices

Comply with relevant local government regulations and international guidelines

The company has a detached ethical standard and must comply with relevant local government regulations and international standards and regulations. When implementing business activities, it should adopt standards that can provide employees with the greatest guarantees.

Ablerex follows the laws and regulations of the governments in various regions, when there are major changes in the company's operations that may affect the rights and interests of employees, or when there are major changes in employees' positions, they will be notified and discussed in advance.

If the labor contract is to be terminated, a notice period will be given in accordance with the Labor Standards Act as follows:

- Those who continue to work for more than three months but less than one year shall be notified ten days ago.
- Those who continue to work for more than one year but less than three years will be notified 20 days in advance.
- Those who continue to work for more than three years shall be notified 30 days in advance. "

Eliminate discrimination and reasonably ensure equal job opportunities

The company ensures equal treatment in employment, salary and welfare, training opportunities, promotion, dismissal or retirement and other labor rights and interests, and does not discriminate based on age, gender, physical and mental disabilities, race, ethnicity, nationality, religion or other status, etc. Factors are treated unfairly.

Prohibition of child labor

The company must not illegally employ child labor (15 to 16 years old according to Enforcement Rules of the Labor Standards Act), and it is absolutely prohibited that child workers work from 8 p.m. to 6 a.m. or engage in heavy and dangerous work in order to comply with the norms of the ILO Convention No. 138 and the UN Convention on the Rights of the Child. .

Prohibition of Inhuman treatment

The company prohibits personal injury, improper physical punishment, threats of physical, sexual and other harassment, verbal violence, or any other form of intimidation.

Prohibition of forced labor

The company stipulates that working hour (including overtime) should not exceed local laws and regulations and one day off during the seven days of work. The attendance system is set to list abnormal attendance situations, and special personnel are set to review abnormal records, and the relevant unit supervisors are notified to understand the work status of colleagues. Properly work arrangements to take care of the health of colleagues and the quality of family life.

Respect employees' freedom of association and right of collective bargaining

The company respects the freedom of assembly and association of employees and the right to collective bargaining. According to China's trade union law, employees have the right to organize and join trade unions.

Provide a working environment with safety and health

The health of employees is the greatest wealth of an enterprise! To the company, the health promotion can provide a complete health and safety plan, enhance the sense of honor and responsibility of the company, establish a corporate image, and implement corporate social responsibility; for employees, it's not only providing a safe and healthy working environment, It can also increase morale, improve health, increase job satisfaction, extend its benefits to families and communities, and create a win-win situation.

Physical and mental health and work balance

The company has a gymnasium and washrooms to provide colleagues to strengthen their bodies during their leisure time. In addition, all employees at work provide general health check every three years, and the cost of the check is borne by the company. In terms of safety, the company organizes labor safety and health and fire safety training once every six months. In order to supervise the quality of the office environment, we implement office area cleaning and maintenance and environmental disinfection operations in accordance with the annual plan, and regularly appoint professional organizations to conduct drinking water quality checking for drinking fountains. It is for all to provide employees with a healthy, safe and hygienic environment.

Human rights risk mitigation measures

● **Human rights protection training practices**

- Provide relevant laws and regulations for newcomer training

The company will arrange new recruit training for new recruits, summarizing company profile, business philosophy, quality policy, work rules, employee code of ethics and conduct, management of personal data protection, employee environmental safety and hygiene introduction, Ethical corporate management code, corporate social responsibility Codes, supplier social responsibility codes, human rights policies, major internal information processing and insider transaction management measures, product introductions, Cyber security risk management, respect for intellectual property rights, welfare courses, etc., to understand the company's corporate culture, vision and working environment, And put the relevant measures on the company website and internal staff system for all colleagues to follow.

- Provide employee opinions or appeal channels

The company prohibits personal injury, improper corporal punishment, threats of physical, sexual and other harassment, verbal violence or any other forms of intimidation. Set up internal and external feedback or appeal channels.

- Occupational Safety Training

The company organizes labor safety and health and fire safety training every six months to enhance the awareness of environmental work and health. Occupational safety and health personnel may retrain in accordance with the regulations of the competent authority to ensure continuous improvement.

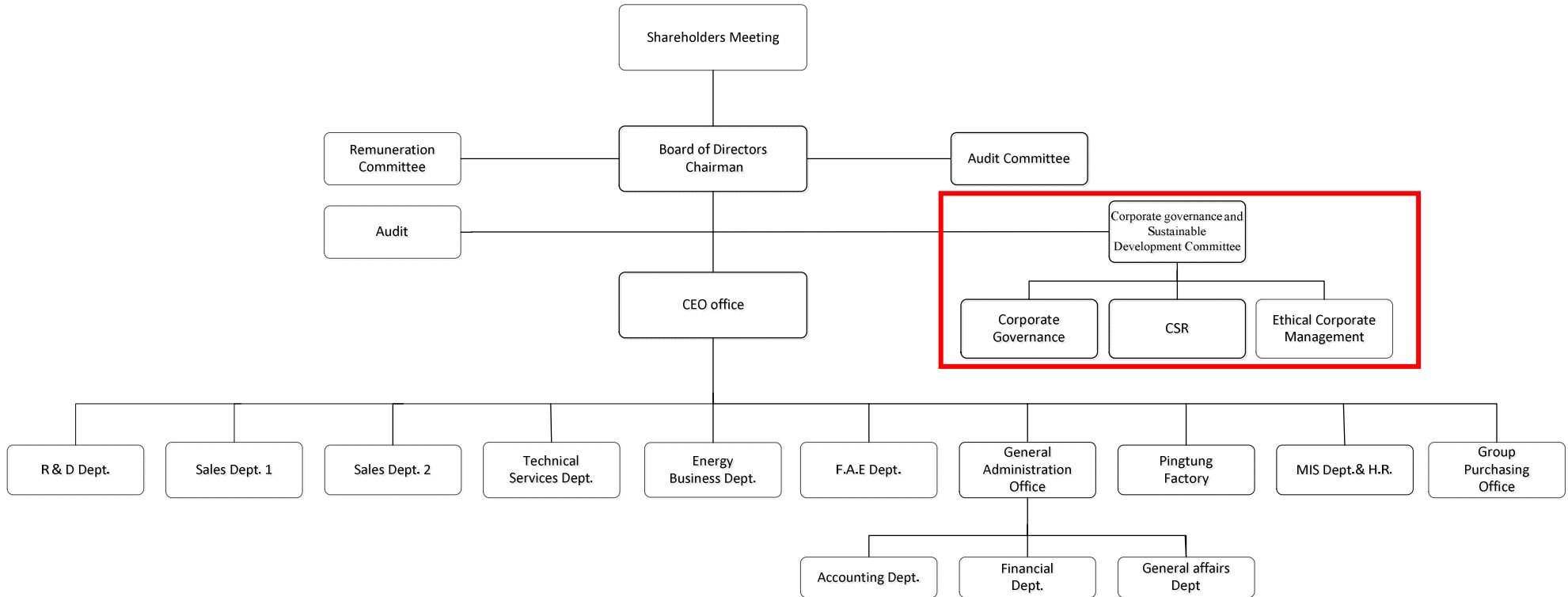
- **Number of participants in training related to promoting human rights protection**
In 2021, there will be a total of 244 hours of internal staff education and training with 61 people.

Note 5: To improve and implement the management functions of the company in all aspects of environment, society and corporate governance, the "Corporate Governance and Sustainability Development Committee" is specially set up, under the jurisdiction of the "Corporate Governance Team", "Corporate Social Responsibility Team", "Ethical corporate management Team". The description and organizational structure are as follows:

| committee | member | requirements | Functional team | Primary authority | Implementation Plan in 2022 |
|--|---|--|--------------------------------------|---|--|
| Corporate Governance and Sustainable Development Committee (The organization Chart of the Committee as note 5.) | Chairman: Chairman | The Corporate Governance and Sustainable Development Committee is supervised by the board of directors and the chairman of the board of directors. The internal audit periodically reviews the implementation of each business year and issues a report to the board of directors. The Corporate Governance and Sustainable Development Committee plans, coordinates, and tracks the execution status of each task according to the government decrees, the announcement of the competent authority, and the | Corporate Governance team | <ul style="list-style-type: none"> ➤ Ensure the enhancement of shareholders' rights, assistant directors and supervisors' functions, and protect the interests of stakeholders, and timely and fully improve information transparency. ➤ Strengthen colleagues' compliance with laws and regulations, continue to improve corporate governance and internal control systems, and conduct regular and irregular self-inspections. ➤ The contents of corporate governance evaluation indicators for the year are the key points for implementation. Based on the implementation schedule of each indicator, continuous progress tracking and management are conducted. | <ul style="list-style-type: none"> ➤ Executive board performance evaluation operations. ➤ Gradually improve the establishment of the English version of the corporate governance rules. ➤ To pursue the ranking of the seventh corporate governance at 5% of the top company. |
| | Convener: Corporate Governance Officer | | Corporate Social Responsibility team | <ul style="list-style-type: none"> ➤ According to the relevant indicators of corporate social responsibility in corporate governance evaluation, related operations and activities are executed, and the implementation status is continuously improved and tracked. ➤ We will do our best to fulfill corporate social responsibilities and promote the balance between economic, social and environmental ecology and sustainable development, and effectively manage environmental social risks and impacts. ➤ Identification, statistics, and compilation of corporate social responsibility report. | <ul style="list-style-type: none"> ➤ Assist the relevant departments of renowned domestic universities in understanding the company's operating industry and promote the cooperation between industry and education. ➤ Prepare and upload 2021 ESG Reports to MOPS or company websites. ➤ Enhance the linkage between the company's core business activities and the United Nations Sustainable Development Goals (SDGs). ➤ Enhance the synergy of socially weak care or active development activities |
| | Members: Each department head of the company is an ex officio member | | Ethical Corporate Management team | <ul style="list-style-type: none"> ➤ According to the relevant indicators of the ethical corporate management in the corporate governance evaluation, relevant operations and activities are executed, and the implementation | <ul style="list-style-type: none"> ➤ Continuously or irregularly conduct advocacy and education training with colleagues. ➤ Statistics and analysis of dishonest conduct, number of reported cases, and case status, |

| committee | member | requirements | Functional team | Primary authority | Implementation Plan in 2022 |
|-----------|--------|---|-----------------|---|--|
| | | <p>relevant internal management rules of the company. According to the nature of the function, each task of the relevant department is assigned.</p> <p>The Corporate Governance and Sustainable Development Committee regularly report the implementation results of the annual plan to the board of directors before the end of the year, and sets the implementation plan for the next year.</p> | | <p>status is continuously improved and tracked.</p> <ul style="list-style-type: none"> ➤ Ethical corporate management policy and prevention plan formulation and supervision. ➤ Assist the board of directors and management to check and evaluate the effective operation of the preventive measures established by the implementation of the ethical corporate management, and to evaluate the relevant business processes and follow the conditions to create a report | <p>and improvement of internal control related operations.</p> <ul style="list-style-type: none"> ➤ Fixed at the end of the year to check and evaluate the implementation of the integrity of the business, and report to the board of directors on the relevant content. ➤ Encourage colleagues to use the annual leave of the year and implement the agent system. ➤ Strengthen the supervision and verification frequency of overseas subsidiaries |

Organization Chart of Corporate Governance and Sustainable development Committee:



Note 6:

Climate change risk management and response

Extreme weather has become frequently in recent years. In addition to identifying operational risks, as per the TCFD (Task Force on Climate-Related Financial Disclosures) climate-related financial disclosure proposal in 2021. The four disclosure cores of “Management” and “Metrics and Targets” establish a risk framework to understand the impact of the company on climate change risks, and then point out reactive strategy.

| | |
|------------|--|
| Governance | Regarding issues related to climate change, the company conducts discussions and management through meetings of the corporate governance and sustainable development committee, with the chairman serving as the chairman, and a meeting is held every year. Regarding issues such as utilization efficiency and other environmental impacts, we regularly report climate change issues and implementation status to the Board of Directors every year. |
| Strategy | Regarding issues related to climate change, the company conducts discussions and management through meetings of the corporate governance and sustainable development committee, with the chairman serving as the chairman, and a meeting is held every year. Regarding issues such as utilization efficiency and other environmental impacts, we regularly report climate change issues and implementation status to the Board of Directors every year. Transition Risks : (1) Changes in local laws and regulations lead to an increase in the company's operating costs. (2) Changes in customer demand led to reduced company orders (3) The company invested more in R&D spending. |
| | Physical Risks: (1) Rising temperature: Changes in raw material sources increase costs, cooling equipment increases energy consumption, and power rationing crisis (2) Typhoon disaster: road interruption, shortage of raw materials, damage to public equipment, shutdown due to flooding (3) Rising sea levels: Road disruptions, shortages of raw materials, damage to utilities, floods, shutdowns |
| | Opportunity: (1) Development and reserve of main raw materials in the supply chain, second supplier, energy saving and carbon |

| | |
|---------------------|---|
| | <p>reduction in office environment, continuous development of green energy products</p> <p>(2) Development and reserve of main raw materials in the supply chain, second supplier, adjustment of production areas, continuous development of power equipment and green energy products</p> <p>(3) Development and reserve of main raw materials, second supplier, adjustment of production areas, continuous development of power equipment and green energy products</p> |
| Risk Management | <p>Through the meeting, members are convened to discuss the risks and opportunities of gas transition, and the following risks are identified, and action plans are proposed:</p> |
| | <p>1. Transition Risk Response:</p> <p>(1) Immediately follow the latest laws and regulations, check the compliance of the company's current situation with the laws and regulations, and then develop various measures to meet the laws and regulations.</p> <p>(2) Integrate the concept of reducing environmental impact into all stages of the product life cycle, and work together with the supply chain to continuously develop energy-saving products.</p> |
| | <p>2. Response to physical risks: The company has successively introduced the ISO 14001 environmental management system, and reduced risks to a controllable level through regular drills through methods such as planning goals, implementing implementation, reviewing results, and continuous improvement.</p> |
| Metrics and Targets | <p>1. Reduction in greenhouse gas emissions per NTD 10 million (Tons/10 million): reduction 1% per year</p> |
| | <p>2. Water saving (K liters/people): reduction 1% per year</p> |
| | <p>3. Waste per unit of revenue: reduction 2% per year</p> |

Note 7.

i. Since 2016, the company began to conduct greenhouse gas inventories in Taipei office and Pingtung factory with reference to ISO14064-1. The main sources of greenhouse gas emissions identified are electricity, transportation vehicles (diesel), refrigeration equipment (refrigerants), etc.

A. Quantitative management target for energy conservation and carbon reduction:
In response to global climate change, the world tried most to promote energy conservation and carbon reduction. The company's target for carbon emissions will be reduced by 1% per year over previous year.

B. Achieve target management measures:

Electric lighting, replacing traditional lamps with high-efficiency and power-saving lamps.

Office and factory lighting moving line planning and adjustment, minimize regional lighting control.

Temperature management for Air-conditioning, central time control, and short-sleeved breathable shirts issued by the company in summer.

Annually review and analyze the electricity consumption and re-define the optimal contracted capacity.

Plan the attendance and freight schedule and arrange the attendance and freight reasonably.

C. The current situation of the company has been reached:

| Item | Year | Greenhouse Gas Emissions (Tons CO ₂ e/year) | | |
|--|------|--|---------------|---------------|
| | | 2019 | 2020 | 2021 |
| Scope1 (Ton/Year) | | 17.60 | 17.53 | 107.55 |
| Scope2 (Ton/Year) | | 437.64 | 483.04 | 569.28 |
| Annual emission (Scope 1+2) | | 455.24 | 500.57 | 676.83 |
| Revenue (Parent Company Only) | | 2,135,634,000 | 2,024,768,000 | 2,550,234,000 |
| Annual emission/Revenue (Ton/NTD 10 million) | | 2.132 | 2.472 | 2.654 |

Analyses:

The company's greenhouse gas emission sources are electricity, transport vehicles (diesel), refrigeration equipment (refrigerant) and so on. The total greenhouse gas emissions in 2021 will be about 2.654 metric tons of CO₂e per 10 million revenues, an increase of 7.4% compared with the 2020 co₂e emissions of about 2.472 metric tons of CO₂e per 10 million revenue, mainly due to the impact of the epidemic, Ablerox to meet customer requirements, testing in the factory area, and the establishment of air-conditioned electronic warehouses in warehouses, resulting in an increase in electricity consumption.

ii. Water consumption in the last 2 years:

The company's manufacturing is based on the assembly. The type of waste and sewage discharged at each operating site and factory area from mainly domestic sewage. The wasted water is discharged to the sewage sewer system in accordance with regulations.

A. Water quantification management target:

In response to global climate change, the stabilization of water supply has become a issue for all countries. The Company failed to fulfill its social responsibilities and respond to the global water shortage issue, the water consumption management

target was to be reduced by 1% over previous year.

B. Achieve target management measures:

The sanitary equipment is to be replaced with the water-saving seal product and the handwashing station is equipped with a water-saving device.

Reduce the water consumption, adjust the triangle valve and reduce the water output.

Annual review and analysis of water consumption to ensure that water is used appropriately.

C. The current situation of the company has been reached:

Period 2019-2021 Scope: Covering the Taipei Office and the Pingtung Factory.

| Type | Methodology | Unit: KL (1,000 Liter) | | |
|--|--------------------|------------------------|--------|--------|
| | | 2019 | 2020 | 2021 |
| Tap water | Bill (Kilo Liters) | 3,003 | 3,512 | 4,258 |
| Total (Kilo Liters) | | 3,003 | 3,512 | 4,258 |
| Employee (people) | | 314 | 323 | 333 |
| Average consumption (Kilo liters/person) | | 9.564 | 10.873 | 12.787 |

Analyses:

The company's manufacturing is mainly assembly, the waste sewage discharged at each plant is mainly domestic sewage, in order to ensure that the domestic sewage discharge complied with the relevant laws and regulations on the prevention and control of water pollution, the water quality meets the release standards of the decrees, and the waste sewage discharged is discharged to the sewage sewer system in accordance with the regulations. The water consumption per person in 2021 was 12.787 thousand liters, an increase of 17.6% compared with 10.873 liters per person in 2020, mainly due to the increase in employees and the impact of the epidemic.

iii. waste management:

The company's manufacturing is mainly assembly, and wastes at each operating location and factory are divided into two categories: general waste and general business waste. Among them, general business waste is entrusted to local qualified cleaning and transportation operators to be transported to the government-designated incineration plant or landfill.

A. Quantitative waste management target:

In order to promote the sustainable environment, the company cherishes resources, from design to production to reduce the amount of waste, the management goal is 2% reduction over the previous year.

B. Achieve target management measure:

Implement the classification and recycling of resources and advocate the concept of caring for the earth.

Implement low-carbon procurement as the principle, give priority to local suppliers as much as possible, and make production reports electronic to reduce waste generation.

Improve the ability of the maintenance team, with replacement of the parts to avoid the direct scrapping.

The used pallet will be for delivery of domestic market.

C. The current situation of the company has been reached:

| Code | Item | Unit | 2019 | 2020 | 2021 | Type | Description |
|--------------------------|------------------------|------------------------|-----------|-----------|-----------|---|----------------------------------|
| D-1801 | general waste | Ton | 5.140 | 5.020 | 5.510 | Domestic refuse | |
| E-0217/ E-0221 | general business waste | Ton | 0.711 | 0.196 | 0.150 | Scraps of electronic components, products + PCB | improving maintenance technology |
| Total | | Ton | 5.85 | 5.22 | 5.66 | - | - |
| Revenue (Parent Company) | | NTD thousand | 2,135,634 | 2,024,768 | 2,550,234 | - | - |
| Waste/Revenue | | Ton/ NTD 10 million | 0.027 | 0.026 | 0.022 | - | - |

Analyses :

The company's manufacturing is mainly assembly, and the waste at each operating plant is divided into two categories, such as general waste and general business waste, of which general business waste is entrusted to the local qualified cleaning industry to be transported to the government-designated incineration plant or landfill. In FY2021, it generated about 0.022 metric tons of waste per 10 million revenues, which is about 15.4% less than the approximately 0.026 metric tons of waste generated per 10 million revenues in 2020, and the implementation of waste management measures will continue.

3.4.6 Ethical corporate management implementation status deviation and reasons of Ethical corporate management for TWSE/TPEX companies :

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Abstract Explanation | |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1). Does the company formulate an ethical corporate management policy approved by the board of directors, and clearly state the policies and practices of Ethical Corporate management in the regulations and external documents, and the commitment of the board of directors and management to actively implement the business policy?</p> | V | | <p>(1). The first version of the Ethical Corporate Management Best-Practice Principles of AblereX has been approved by the Board of Directors in 2014.5.12. during which time the relevant provisions have been amended in accordance with the changes in the regulations of the competent authorities, and the Corporate Governance and Development Committee has been evaluated in accordance with the Corporate Governance Evaluation in 2018.12.1. It is responsible for coordinating relevant indicators to reveal the implementation situation in the company's webpage corporate governance zone, annual report and report in the board of directors. It is implemented in internal management and external business activities in a transparent and fully exposed manner, in line with the operation of the company's ethical corporate management code. The website of the Corporate Governance Zone in English will be continuously improved to fully expose the company's operating conditions, so that overseas stakeholders can understand the company's implementation strategies and specific measures. According to laws and regulations, the current or new directors and senior management are required to sign a statement of compliance with the Ethical corporate management policy on Aug 5, 2019.</p> | <p>In accordance with Article 1, 4, 5, 6, 8 and 21 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p> |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Abstract Explanation | |
| (2). Does the company establish an evaluation mechanism for the risk of unethical, regularly analyze and evaluate business activities with a higher risk of unethical in the business scope, and formulate a plan to prevent unethical, at least listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies? | V | | (2). The Company passed the “Ethical Corporate Management Best-Practice Principles” at the Board of Directors at 2014.5.12 and formulated the “Procedures for Ethical corporate management and Guidelines for Conduct” at 2016.11.09 to consider concrete measures for risk assessment and prevention of Ethical corporate management and dishonesty. In 2018.12.1, the Corporate Governance Development Committee is responsible for coordinating and preventing the occurrence of any illegal situations based on the corporate governance evaluation indicators and setting up external communication channels for stakeholders to prevent dishonesty. And track the implementation situation, the annual audit plan is included in the audit items to ensure implementation and effectiveness review or improve the reference basis. On Aug 5, 2019, it also revised the implementation of bribery risk assessment and control, allowing anonymous whistleblower and measures to protect the informant from being improperly handled due to the reporting situation. | In accordance with Article 7 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (3). Does the company clearly set out the operating procedures, behavior guidelines, punishment and appeal system for violations in the prevention of unethical behavior, implementation, and regularly review and revision of the plan before it is revealed? | V | | (3). In accordance with the provisions of the "Ethical corporate management Best-Practice Principles" and relevant laws and regulations, the Company has formulated "Procedures for Ethical corporate management and Guidelines for Conduct" and has a "Code of Ethical Conduct for Directors, Supervisors and Managers" and "Code of Ethical Conduct for Employees". Defining dishonest behaviors, and regulating the company's personnel should pay attention to, prohibit and deal with operating procedures when performing business. To effectively implement the aforementioned normative content, the company's website has an investor connection platform, stakeholder contact information, and customer service pages. For all kinds of information demanders and information feedback personnel to contact the relevant responsible personnel of the company. | In accordance with Article 2, 6, 10-17 and 26 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Abstract Explanation | |
| | | | And track the implementation situation, the annual audit plan is included in the audit items, and the Corporate Governance Development Committee reports the implementation of the board of directors to ensure implementation and effectiveness review or improve the reference basis. | |
| 2. Fulfill operations ethical corporate management policy (1). Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts? | V | | (1). When the company conducts business activities, it is always observing trades in the industry and paying attention to the necessary objects in financial and other aspects to assess whether there is a record of dishonesty and to establish as much as possible integrity in the signed contracts. Penalties related provisions to avoid losses due to dishonest conduct and to ensure the integrity of the company's claims and transaction process. Although it has not yet been fully incorporated into the two parties' sales contracts, it has since 2016 urged new supplier suppliers to sign the “Supplier/Subcontractor's Social Responsibilities Letter of Commitment” and announced, “Operational Procedures and Conduct Guidelines for Honest Business Operation”. “The Code of Conduct for Employees and Ethics,” and other specifications to assist with compliance. | In accordance with Article 9 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (2) Does the company set up a dedicated unit to promote corporate ethical management under the board of directors, and regularly (at least once a year) report to the board of directors on its ethical | V | | (2) Under the supervision of the Board of Directors, the Company established the “Corporate Governance and Sustainable Development Committee” in accordance with the Corporate Governance Evaluation Indicators at 2018.12.1 and set up Corporate Governance Officer to undertake the revision of the “Ethical Corporate Management” after 201.8.5, and the promotion of related business. After the implementation of the announcement, it will continue to arrange education training or publicity | In accordance with Article 17 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| corporate management policy and plans to prevent unethical and monitor implementation? | | | operations for the previous tasks, so as to promote the implementation of the ethical corporate management policy for all employees and related parties and continue to report in the board of directors every year to ensure the implementation of corporate Ethical corporate management. Reported to the board of directors on 2021.12.27 for the implementation in 2021. | |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | V | | (3) To avoid conflicts of interest, AblereX has stipulating both Chinese and English version of “Procedures for Ethical corporate management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers”, “Guidelines for the Adoption of Codes of Ethical Conduct for Employees”, and “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”, which clearly stated the managerial procedures and communication channels. The website provides the stakeholder area, the investor area, etc., and also informs the stakeholders of the presentation and communication in the Corporate Social Responsibility Report (page 17-20 of the 2020 CSR Report). The Directors, Supervisors, and Managers are also highly self-discipline that they express opinions and answer questions while absent in discussion and voting when the discussion issues are related to their own interests. | In accordance with Article 19 and 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (4) Whether the company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on | V | | (4). The Company has established an effective accounting system and internal control system. It conducts self-evaluation of the internal control system on a regular basis every year to confirm the design, implementation and implementation of internal control. In order to review the implementation of Ethical corporate management, the annual audit plan is included in the audit items, and the Corporate Governance and Development Committee reports the implementation of the board of | In accordance with Article 20 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Abstract Explanation | |
| the results of the assessment of the risk of unethical behavior, draws up relevant audit plans, and checks the compliance with the plan to prevent unethical, or commission a CPA to perform the audit? | | | directors to ensure implementation and review or improve the reference basis. | |
| (5). Does the company regularly hold internal and external educational trainings on ethical corporate management policy ? | V | | (5). The company actively sends personnel to participate in external education training and advocacy meetings related to external related integrity operations. Internally, it promotes and guides the annual newcomer’s education and actively promotes employees in various meetings (Increased policy advocacy, human rights, and Ethical Management, corporate social responsibility for report items in labor-management conferences) from time to time. Foster a clean, honest, fair and responsible attitude. Please refer the web site : https://www.ablerex.com.tw/ch/csr.php | In accordance with Article 22 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| 3. Operation of the impeachment channel (1) Does the company establish both a reward system and an impeachment hotline, as well as pointing an appropriate person to follow-up for the accused? | V | | (1). The Company has stipulated in the "Guidelines for Operational Procedures and Conduct in Honest Business Operations" that the reporting and reward system and special personnel are responsible. The Company's website also discloses corporate liaisons, spokespersons, and internal auditors' contact information and e-mail addresses. (Path: http://www.ablerex.com.tw/en/about_8-4-5-5.php) If anyone found that the company's personnel violated the integrity of the act, it can be reported. | In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Abstract Explanation | |
| (2) Has the company established standard operating procedures for investigations to receive reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms? | V | | 2. AblereX has established a reporting system in Article 21 of the “Guidelines for the Operational Procedures and Conduct of Honest Business Conduct”, which describes the prosecution channels, information that should be provided, and the handling procedures after receiving the reports. Upon receipt of the report, the designated personnel will follow the prescribed procedures. Processing, written statements keep the identity of the prosecutor and the contents of the prosecution confidential. If the investigation is true, the prosecutor is immediately required to stop the relevant actions, and after the confirmation, it is appropriate to dispose of articles 21 to 23 of the code, and if necessary, seek compensation for damages through legal proceedings. Will be punished according to relevant company regulations | In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (3) Does the company take measures to protect prosecutors from improper disposition due to the report? | V | | 3. The “Code of Conduct for the Employee's Ethical Behavior” stipulates those colleagues has the reporting responsibilities and obligations. If any violation of laws, regulations, or the Code is discovered, it should be reported and reported to the supervisor. During the investigation of the company’s handling of the report, it will Full confidentiality and protection of the parties' privacy rights and their personal interests and promised to protect the prosecutors from improper treatment due to the prosecution. The personnel participating in the investigation shall be responsible for the confidentiality of the content of the complaint. Violators shall be transferred by the competent authority to the Personnel Supervisor for discussion. | In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| 4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its | V | | AblereX discloses the status of Ethical Corporate Management and the related measures in the “Corporate Governance” session on the website and in the annual report. (Web site: | In accordance with Article 25 of “the Ethical Corporate Management |

| Evaluation Item | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| implementation on the company’s website and MOPS? | | | http://www.ablerex.com.tw/ch/about_8-4.php The company’s chapters on “Corporate Governance” under the “Corporate Social Responsibilities” section of the company’s website and the section on corporate governance of annual reports disclose the implementation of credit management and related measures. The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2015 to 2018, TOP 6-20% in 2019 and Top 5% in 2020 Corporate Governance Evaluation Results in Taiwan. Will make persistent efforts to strive for good results. There have been no irregularities records or reports of the company and will continue to communicate adequately and convey the correct business philosophy. | Best-Practice Principles for TWSE/TPEX Listed Companies” |
| <p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. Ablerex stipulated “Procedures for Ethical corporate management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers” based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, the related regulations, and the mission statement of honesty, transparency, and responsibility as the regulations of daily operations for all employees. There is no discrepancy between regulations and implementations.</p> | | | | |
| <p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies Ablerex stipulated “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” which stated the directors, managers, employees, and consultants to exercise the due care of a good administrator and signed the confidential agreements as the requests of the Ethical Corporate Management Best-Practice Principles. Directors, managers, employees, and consultants, who are aware of the inside information, shall not reveal the inside information. Directors, managers, employees, and consultants shall not ask or collect the undisclosed inside information which is not relevant to their duties. In order to enable insiders to follow and refer to, the relevant insiders (directors, supervisors, managers, employees, etc.), insider trading and insider equity-related laws and regulations and applicable precautions, etc., are referred to the competent authority’s publicity manual in this manual The company’s website (path: http://www.ablerex.com.tw/ch/csr_2_1.php) is subject to advocacy.</p> | | | | |

- 3.4.7 Corporate Governance Guidelines and Regulations: Please refer to Ablerex's website: http://www.ablerex.com.tw/ch/about_8-4.php
- 3.4.8 Other Important Information Regarding Corporate Governance: N/A
- 3.4.9 Enforcement of internal control shall reveal the following items:
1. Declaration of Internal Control: Please refer to Page 181 of Annual Report.
 2. If the company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None.
- 3.4.10 The punishment delivered to the company and the staff of the company, or the punishment delivered by the company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings up to the date of the annual report printed.

A. Major Resolutions of Shareholders' Meeting

| Date | Shareholders' Meeting | Major Resolutions | Follow up | | | | | | | | | | | | |
|---|------------------------------|---|--|--------------------|------------------|-----------------|-----------------|------------|------------|--------|---------|-------|--------|-------|-------|
| 2021/8/18 | General Shareholders Meeting | Matter to be Approved 1. Adoption of the 2020 Business Report and Financial Statement | <p>Ex-Dividend Date: Sept 24, 2021 The earnings distribution recognized by the shareholders' meeting of the company, the shareholders' cash dividend distribution was completed on Oct 14, 2021. (Totally NTD1.0 per share)</p> <p>1. It was published on the company's website at 2021.8.18 and processed in accordance with the revised procedures.</p> <p>2. It was published on the company's website at 2021.8.18 and processed in accordance with the revised procedures.</p> <p>3. Approved by the Ministry of Economic Affairs for registration at 2021.8.27 and published on the company's website.</p> | | | | | | | | | | | | |
| | | <table border="1"> <thead> <tr> <th>Attendance to vote</th> <th>Affirmative vote</th> <th>Against vote</th> <th>Abstention vote</th> </tr> </thead> <tbody> <tr> <td>28,636,692</td> <td>28,465,489</td> <td>22,315</td> <td>148,888</td> </tr> <tr> <td>100%</td> <td>99.4%</td> <td>0.08%</td> <td>0.52%</td> </tr> </tbody> </table> | | Attendance to vote | Affirmative vote | Against vote | Abstention vote | 28,636,692 | 28,465,489 | 22,315 | 148,888 | 100% | 99.4% | 0.08% | 0.52% |
| | | Attendance to vote | | Affirmative vote | Against vote | Abstention vote | | | | | | | | | |
| | | 28,636,692 | | 28,465,489 | 22,315 | 148,888 | | | | | | | | | |
| | | 100% | | 99.4% | 0.08% | 0.52% | | | | | | | | | |
| | | 2. Adoption of the Proposal for Distribution of 2020 Profit | | | | | | | | | | | | | |
| | | <table border="1"> <thead> <tr> <th>Attendance to vote</th> <th>Affirmative vote</th> <th>Against vote</th> <th>Abstention vote</th> </tr> </thead> <tbody> <tr> <td>28,636,692</td> <td>28,465,489</td> <td>22,315</td> <td>148,888</td> </tr> <tr> <td>100%</td> <td>99.4%</td> <td>0.08%</td> <td>0.52%</td> </tr> </tbody> </table> | | Attendance to vote | Affirmative vote | Against vote | Abstention vote | 28,636,692 | 28,465,489 | 22,315 | 148,888 | 100% | 99.4% | 0.08% | 0.52% |
| | | Attendance to vote | | Affirmative vote | Against vote | Abstention vote | | | | | | | | | |
| | | 28,636,692 | | 28,465,489 | 22,315 | 148,888 | | | | | | | | | |
| | | 100% | | 99.4% | 0.08% | 0.52% | | | | | | | | | |
| | | Matter to be Discussed 1. Amendment to the Procedure for Election of Directors | | | | | | | | | | | | | |
| | | <table border="1"> <thead> <tr> <th>Attendance to vote</th> <th>Affirmative vote</th> <th>Against vote</th> <th>Abstention vote</th> </tr> </thead> <tbody> <tr> <td>28,636,692</td> <td>28,456,474</td> <td>29,315</td> <td>150,903</td> </tr> <tr> <td>100%</td> <td>99.37%</td> <td>0.1%</td> <td>0.53%</td> </tr> </tbody> </table> | | Attendance to vote | Affirmative vote | Against vote | Abstention vote | 28,636,692 | 28,456,474 | 29,315 | 150,903 | 100% | 99.37% | 0.1% | 0.53% |
| Attendance to vote | Affirmative vote | Against vote | Abstention vote | | | | | | | | | | | | |
| 28,636,692 | 28,456,474 | 29,315 | 150,903 | | | | | | | | | | | | |
| 100% | 99.37% | 0.1% | 0.53% | | | | | | | | | | | | |
| 2. Amendment to the Rules and Procedures of Shareholders' Meeting | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>Attendance to vote</th> <th>Affirmative vote</th> <th>Against vote</th> <th>Abstention vote</th> </tr> </thead> <tbody> <tr> <td>28,636,692</td> <td>28,456,374</td> <td>29,415</td> <td>150,903</td> </tr> <tr> <td>100%</td> <td>99.37%</td> <td>0.1%</td> <td>0.53%</td> </tr> </tbody> </table> | Attendance to vote | Affirmative vote | Against vote | Abstention vote | 28,636,692 | 28,456,374 | 29,415 | 150,903 | 100% | 99.37% | 0.1% | 0.53% | | | |
| Attendance to vote | Affirmative vote | Against vote | Abstention vote | | | | | | | | | | | | |
| 28,636,692 | 28,456,374 | 29,415 | 150,903 | | | | | | | | | | | | |
| 100% | 99.37% | 0.1% | 0.53% | | | | | | | | | | | | |
| 3. Amendment to "Article of Incorporation" | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>Attendance to vote</th> <th>Affirmative vote</th> <th>Against vote</th> <th>Abstention vote</th> </tr> </thead> <tbody> <tr> <td>28,636,692</td> <td>28,456,474</td> <td>29,415</td> <td>150,803</td> </tr> <tr> <td>100%</td> <td>99.37%</td> <td>0.1%</td> <td>0.53%</td> </tr> </tbody> </table> | Attendance to vote | Affirmative vote | Against vote | Abstention vote | 28,636,692 | 28,456,474 | 29,415 | 150,803 | 100% | 99.37% | 0.1% | 0.53% | | | |
| Attendance to vote | Affirmative vote | Against vote | Abstention vote | | | | | | | | | | | | |
| 28,636,692 | 28,456,474 | 29,415 | 150,803 | | | | | | | | | | | | |
| 100% | 99.37% | 0.1% | 0.53% | | | | | | | | | | | | |

B. Major Resolutions of Board Meetings

| Item | Date | Shareholders' Meeting and Board Meetings | Major Resolutions |
|------|-----------|--|--|
| 1 | 2021.1.25 | Board Meeting | <p>【 the 5th meeting of the 8th term 】</p> <ol style="list-style-type: none"> 1. Approved the motion on the application for the renewal of credit limits. 2. Approved the proposal for providing guarantee. |
| 2 | 2021.3.19 | Board Meeting | <p>【 the 6th meeting of the 8th term 】</p> <ol style="list-style-type: none"> 1. Approved annual consolidated financial statements and the business report of the Year 2020. 2. Approved the assessment of the independence of the auditors. 3. Approved the declaration of internal control system of Year 2020. 4. Approved the directors' and employees' compensation of Year 2020. 5. Approved the earning distribution of the Year 2020. 6. Approved the amendments to "Amendment to Rules and Procedures of Shareholders' Meeting" of the Company. 7. Approved the amendments to "Article of Incorporation" of the Company. 8. Approved the date and agenda of the Year 2021 Annual Shareholders' Meeting. |
| 3 | 2021.5.10 | Board Meeting | <p>【 the 7th meeting of the 8th term 】</p> <ol style="list-style-type: none"> 1. Approved the assessment of the independence of the auditors. 2. Acknowledged the Q1 consolidated financial statements of Year 2021. 3. Approved the motion on the application for the renewal of credit limits. 4. Disseminate the relevant status and example for Disgorgement of short-swing trading. (Extempore motion) |
| 4 | 2021.7.19 | Interim Board Meeting | <p>【 the 8th meeting of the 8th term 】</p> <ol style="list-style-type: none"> 1. Approved to amend the date and agenda of the Year 2021 Annual Shareholders' Meeting. 2. Approved the motion on the application for the renewal of credit limits. |
| 5 | 2021.8.9 | Board Meeting | <p>【 the 9th meeting of the 8th term 】</p> <ol style="list-style-type: none"> 1. Approved the Q2 consolidated financial statements of Year 2021. 2. Approved the distribution of managers' employee remuneration of the Year 2020 proposed by the Remuneration Committee. 3. Approved the creation of the "procedure of the year-end performance bonus". 4. Approved the motion of acquiring the right to use real estate assets from a related party. 5. Approved the amendments to the "Corporate Governance |

| Item | Date | Shareholders' Meeting and Board Meetings | Major Resolutions |
|------|------------|--|---|
| | | | Best-Practice Principles” 6. Approved the renewal of credit limits of AblereX Latam Corporation. 7. Approved the motion on the application for the renewal of credit limits. 8. Approved the proposal for providing guarantee. |
| 6 | 2021.11.8 | Board Meeting | 【 the 10th meeting of the 8th term 】 1. Acknowledged the Q3 consolidated financial statements of Year 2021. 2. Discussed and approved the Year 2022 Audit Plan. 3. Approved the motion on the application for the renewal of credit limits. |
| 7 | 2021.12.27 | Board Meeting | 【 the 11th meeting of the 8th term 】 1. Approved the motion on the application for the renewal of credit limits. 2. Approved the Business budget of 2022. 3. Review the 2021 manager performance bonus determination proposed by the Remuneration Committee. |
| 8 | 2022.1.24 | Board Meeting | 【 the 12th meeting of the 8th term 】 1. Approved the motion on the application for the renewal of credit limits. 2. Approved the proposal for providing guarantee. |
| 9 | 2022.3.21 | Board Meeting | 【 the 13th meeting of the 8th term 】 1. Approved annual consolidated financial statements and the business report of the Year 2021. 2. Approved the assessment of the independence of the auditors. 3. Approved the declaration of internal control system of Year 2021. 4. Approved the directors' and employees' compensation of Year 2021. 5. Approved the earning distribution of the Year 2021. 6. To review and approve the distribution of cash dividend from Capital Surplus. 7. Approved the amendment to the “Procedure for Governing the Acquisition and Disposal of Assets”. 8. Approved the amendment to the “Corporate Governance 9. Approved the date and agenda of the Year 2021 Annual Shareholders' Meeting. 10. Approved the motion on the application for the renewal of credit limits. 11. Approved the Loans from U.S. subsidiary AblereX Corporation Limited |

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor or

Dissenting to Important Resolutions Passed by the Board of Directors: As per Page 26.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D Manager in the most recent years and up to the date of the annual report printed: None

3.5 Information Regarding the Company's Audit Fee, Replacement and Independence

3.5.1 CPAs Fee

Unit : NTD in thousand

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Auditing fees | Non-auditing fees | Total | Remark |
|-----------------|-----------------|-------------------------------|---------------|-------------------|-------|--|
| PwC | Chou, Hsiao-Tzu | 2021.1.1 ~ 2021.12.31 | 4,200 | - | 4,200 | For the internal rotation policy of the firm, the certified accountant S.L. Li was changed to Z.X. Lai |
| | Lai, Zhong-Xi | | | | | |
| | Chou, Hsiao-Tzu | 2021.1.1 ~ 2021.12.31 | - | 705 | 705 | Translation fees for English financial reports |
| | Fan, Xian -Qing | 2021.1.1 ~ 2021.12.31 | - | 600 | 600 | Transfer pricing consulting services |
| | Li, Yi-Hwa | 2021.1.1 ~ 2021.12.31 | - | 200 | 200 | CSR reporting consulting services |

- (1). If the auditing fee paid in the year retaining service from another CPA Firm is less than the auditing fee paid in the year before, the amount of auditing fee before and after the change of CPA Firm and the reasons for the said change must be disclosed: None.
- (2). If the auditing fee paid in the year retaining service from another CPA Firm is over 10% less than the auditing fee paid in the year before, the amount of auditing fee before and after the change of CPA Firm and the reasons for the said change must be disclosed: None.

3.6 CPA's changing information within 2 years:

3.6.1 Information for changing accountant:

A. About the former accountant

| | | | |
|-----------------------------------|--|-------|-----------|
| changing date | 2021.5.10 | | |
| Reason and description | For internal rotation of the PwC firm, change the auditing accountant S.L. Li. | | |
| statement for being terminated by | Situation | Party | Principal |

| | | | | |
|--|--------------------------------|---|------------------------------------|------|
| principal or accountant or refused to accept the appointment | initiative terminating mandate | | -NA- | -NA- |
| | Refuse (or Renew) commission | | -NA- | -NA- |
| Comments and reasons for issuing audit reports other than unqualified opinions within the last two years | -NA- | | | |
| disagree with the issuer | With | | accounting principles or practices | |
| | | | Disclosures in Financial Reporting | |
| | | | Check scope or steps | |
| | | | Others | |
| | W/O | V | | |
| | Description | | | |
| Other matters (Those who should be disclosed in Article 10, Paragraph 6, Item 4 to Item 1, Item 7) | -NA- | | | |

B. About Successor Accountants

| | |
|--|---------------|
| Accounting Firm | PwC |
| Accountant name | Lai, Zhong-Xi |
| date of appointment | May 10, 2021 |
| Pre-appointment accounting treatment or accounting principles for specific transactions and Opinion consultation matters and results that may be issued on financial reports | -NA- |
| Written opinions of the successor accountants on matters with which the predecessor accountants disagreed | -NA- |

3. Reply letter from the former accountant on items 1 and 2-3 of Article 10, subparagraph 6 of this standard: -NA-

3.6.2 The most recent year's certified accountant :

| Fiscal Year | Accountant Firm | CPA |
|-------------|-----------------|------------------------|
| 2016~2020 | PwC | H.T. Chou and S.L. Li |
| 2021~ | PwC | H.T. Chou and Z.X. Lai |

3.7 The Chairman, CEO, and Financial or Accounting Managers of the Company who had worked for the independent Auditor or the related party in the most recent years: None

3.8 Information on Net Change in Shareholders and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% shareholding or more

3.8.1 Information on Net Change in Shareholding of Directors, Supervisors, and Managers and Major Shareholders:

Unit : Share

| Title | Name | 2021 | | 2022.4.30 | |
|----------------------------------|--------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | | Net Change in Shareholding | Net Change in Share Pledged | Net Change in Shareholding | Net Change in Share Pledged |
| Director/Chairman (over 10%) | Steven Hsu | 0 | 0 | 0 | 0 |
| Director and over10% shareholder | UIS Co., Ltd | 0 | 0 | -399,000 | 0 |
| UIS Co., Ltd-Legal Rep. | C.S. Chen | 0 | 0 | 0 | 0 |
| UIS Co., Ltd-Legal Rep. | B.C. Chen | 0 | 0 | 0 | 0 |
| Director | Y.A. Chen | 0 | 0 | 0 | 0 |
| Director | J.K. Sung | 0 | 0 | 0 | 0 |
| Supervisor | James Ho | 0 | 0 | -33,000 | 0 |
| Supervisor | Z.M. Yen | 0 | 0 | 0 | 0 |
| Supervisor | S.H. Chen | 1,000 | 0 | 0 | 0 |
| V.P. (Group Purchasing) | Hank Xiao | 0 | 0 | 0 | 0 |
| V.P. (RD) | J.H. Lee | 0 | 0 | 0 | 0 |
| Chief Engineer | G.F. Hwang | 0 | 0 | 0 | 0 |
| Corporate Governance Officer | Damon Chao | 0 | 0 | 0 | 0 |
| Manager of Sales Dept I. | Odin Huang | 0 | 0 | 0 | 0 |
| Financial Manager | Jeff Lin | 0 | 0 | 0 | 0 |
| Accounting Manager | Emma Liao | 0 | 0 | 0 | 0 |

*UIS Co., Ltd., the legal person director of the company, reassigned Mr. S.C. Tseng as the new legal representative to replace the Mr. C.S. Chen from 2021.11.10.

Note: Shareholders holding more than 10% of the company's total shares shall be identified as major shareholders and listed separately.

3.8.2 Shall the counterparty of share change or share pledged be the related party, the name of the counterparty, the relation with the Company, Directors, Supervisors, or the Shareholders of 10% shareholding or more, and the shares of changing or pledging shall be disclosed.

A. Shares Trading with Related Parties – None

B. Shares Pledge with Related Parties --

| Name (Note 1) | Reason (Note 2) | Change date | Deal relative person | The relationship between the counterparty and the company, directors, supervisors and shareholders holding more than 10 percent of the shares | Share | Shareholding ratio | Pledge ratio |
|------------------|--------------------|----------------|----------------------------|---|-----------|-----------------------|-----------------|
| Y.A. Chen | Pledge | 2016.5.24 | Hua Nan Bank | None | 2,485,763 | 5.52% | 64.36% |

Note 1: Names of directors, supervisors, managers and shareholders holding more than 10% of the company's shares

Note 2: Pledged or redeemed.

3.9 Shareholders who hold the top ten shareholdings, information about each other's financial accounting standards bulletin No. 6 related parties or relatives within the spouse, second parents, etc.:

As of 2022.4.30 / Unit : share : %

| NAME | Current Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | NOTE |
|--|----------------------|--------|----------------------------------|--------|---|---|--|-----------------|------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| UIS Co., Ltd. Legal person: H.W. Lee | 14,587,502 | 32.42% | 0 | 0 | 0 | 0 | H.W. Lee | Chairman | |
| H.W. Lee | 154,450 | 0.34% | 0 | 0 | 0 | 0 | UIS Co., Ltd. | Rep of Major | |
| Wen Hsu | 9,638,177 | 21.42% | 219,973 | 0.49% | 0 | 0 | S.J. Du | Spouse | |
| Y.A. Chen | 2,485,763 | 5.52% | 0 | 0 | 0 | 0 | None | None | |
| AES Investment corporation Rep. H.H.Ko | 695,000 | 1.54% | 0 | 0 | 0 | 0 | None | None | |
| H.H. Ko | 50,000 | 0.11% | 0 | 0 | 0 | 0 | AES Investment corporation | Rep of Major | |
| M.H. Liao | 665,800 | 1.48% | 31,000 | 0.07% | 0 | 0 | None | None | |
| J.T. Investment Co., Ltd. Rep. S.H. Chen | 500,000 | 1.11% | 0 | 0 | 0 | 0 | None | None | |
| S.H. Chen | 0 | 0 | 0 | 0 | 0 | 0 | J.T. Investment Co., Ltd. | Rep of Major | |
| S.J. Du | 219,973 | 0.49% | 9,638,177 | 21.42% | 0 | 0 | Wen Hsu | Spouse | |

| NAME | Current Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | NOTE |
|---|----------------------|-------|-------------------------------|---|-------------------------------------|---|--|--------------|------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| J.K. Sung | 200,921 | 0.45% | 0 | 0 | 0 | 0 | None | None | |
| H.W. Lee | 154,450 | 0.34% | 0 | 0 | 0 | 0 | UIS Co., Ltd. | Rep of Major | |
| Taishin Securities Co., Limited J.H. Guo | 150,000 | 0.33% | 0 | 0 | 0 | 0 | None | None | |
| J.H. Guo | 0 | 0 | 0 | 0 | 0 | 0 | Taishin Securities Co., Limited | Rep of Major | |

3.10 Ownership of Shares in Affiliated Enterprises

2021.12.31 Unit: shares/ %

| Affiliated Enterprises | Ownership by the Company | | Direct or Indirect Ownership by Directors, Supervisors, Managers | | Total Ownership | |
|--|--------------------------|-----|--|---|-----------------|-----|
| | Shares | % | Shares | % | Shares | % |
| Ablere Electronics (Samoa) Co. Ltd | 6,635,000 | 100 | - | - | 6,635,000 | 100 |
| Ablere Corporation | 250,000 | 100 | - | - | 250,000 | 100 |
| Ablere International Corporation Limited | 10,000 | 100 | - | - | 10,000 | 100 |
| Ablere Electronics (S) Pte. Ltd | 2,140,763 | 100 | - | - | 2,140,763 | 100 |
| Ablere Electronics UK Limited | 100,000 | 100 | - | - | 100,000 | 100 |
| Wada Denki Co., Ltd. | 3,000 | 100 | | | 2,970 | 99 |
| Ablere Electronics Italy S.R.L | 100,000 | 100 | - | - | 100,000 | 100 |
| Ablere Electronics (Suzhou) Co. Ltd | 5,460,000 | 100 | - | - | 5,460,000 | 100 |
| Ablere Electronics (Beijing) Co. Ltd | 1,175,000 | 80 | - | - | 1,175,000 | 80 |
| Ablere Overseas Corporation Limited | 6,635,000 | 100 | - | - | 6,635,000 | 100 |
| Ablere Electronics (Thailand) Co., Ltd. | 280,000 | 70 | | | 280,000 | 70 |
| Ablere Latam Corporation | 3,650 | 86 | | | 3,650 | 86 |

Note:

All the above company is long-term investment at equity.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 History of capitalization

A. Capital formation

| Month/ Year | Par value (NT\$) | Authorized shares | | Issued shares | | Remarks | | |
|----------------|------------------------|-------------------|---------------------|-------------------|---------------------|---|-----------------------------|-------|
| | | Shares (1,000) | Amount (\$1,000) | Shares (1,000) | Amount (\$1,000) | Source of capital | Non- monetary Capital | other |
| May, 1998 | 10 | 20,000,000 | 200,000,000 | 20,000,000 | 200,000,000 | UIS Abler established and paid in capital | N/A | N/A |
| Aug, 2001 | 10 | 14,080,000 | 140,800,000 | 14,080,000 | 140,800,000 | NTD 59,200,000 capital reduction to offset company losses | N/A | N/A |
| May, 2002 | 10 | 25,680,000 | 256,800,000 | 25,680,000 | 256,800,000 | UIS Abler issued NTD116,000,000 common stock to merge PEC | N/A | N/A |
| July, 2004 | 10 | 45,000,000 | 450,000,000 | 31,000,000 | 310,000,000 | NTD53,200,000 common stock issued by cash | N/A | N/A |
| June, 2007 | 13 | 80,000,000 | 800,000,000 | 38,000,000 | 380,000,000 | NTD56,000,000 common stock issued by cash and NTD14,000,000 issued through capitalization of earnings | N/A | N/A |
| June, 2009 | 10 | 80,000,000 | 800,000,000 | 40,609,666 | 406,096,660 | NTD21,660,000 new share issued through capitalization of earnings and NTD4,436,660 through employee bonus | N/A | N/A |
| Sept, 2020 | 185 | 80,000,000 | 800,000,000 | 45,000,000 | 450,000,000 | NTD43,903,340 common stock issued by cash | N/A | N/A |

B. Type of shares

Apr. 30, 2021 / Unit: share

| Type of shares | Authorized Shares | | | Remarks |
|--------------------|----------------------------------|-----------------|------------|---------|
| | Available for trading on the TSE | Unissued shares | Total | |
| Order common stock | 45,000,000 | 35,000,000 | 80,000,000 | |

Note: Listed on TPex at Sep 9, 2010.

C. Self-registration system: None

4.1.2 Status of shareholders

Status of shareholders

Apr. 30, 2022 / Unit: share

| Status of shareholders Quantity | Government Agencies | Financial Institutions | Other Juridical persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------------------|---------------------|------------------------|-------------------------|--------------------------|--|------------|
| Number of Shareholders | 0 | 0 | 11 | 6,018 | 22 | 6,051 |
| Shareholding | 0 | 0 | 16,097,502 | 28,105,383 | 797,115 | 45,000,000 |
| Shareholding ratio (%) | 0 | 0 | 35.77% | 62.46% | 1.77% | 100% |

Note: No shareholdings by the fund from Mainland China.

4.1.3 Status of shareholding Distributed

Apr 30, 2022/Unit : Persons; Share; %

| Classification | Number of Shareholders | Shareholding | Shareholding Ratio(%) |
|----------------------|------------------------|--------------|-----------------------|
| 1 to 999 | 2,121 | 238,734 | 0.531 |
| 1,000 to 5,000 | 3,413 | 5,957,940 | 13.240 |
| 5,001 to 10,000 | 273 | 2,180,550 | 4.846 |
| 10,001 to 15,000 | 80 | 1,033,345 | 2.296 |
| 15,001 to 20,000 | 50 | 917,681 | 2.039 |
| 20,001 to 30,000 | 28 | 710,586 | 1.579 |
| 30,001 to 40,000 | 20 | 696,113 | 1.547 |
| 40,001 to 50,000 | 16 | 742,000 | 1.649 |
| 50,001 to 100,000 | 33 | 2,429,845 | 5.400 |
| 100,001 to 200,000 | 9 | 1,100,070 | 2.445 |
| 200,001 to 400,000 | 2 | 420,894 | 0.935 |
| 400,001 to 600,000 | 1 | 500,000 | 1.111 |
| 600,001 to 800,000 | 2 | 1,360,800 | 3.024 |
| 800,001 to 1,000,000 | 0 | 0 | 0.000 |
| Over 1,000,001 | 3 | 26,711,442 | 59.359 |
| Total | 6,051 | 45,000,000 | 100.000 |

4.1.4 List of Major Shareholders: Shareholders who hold over 5% of AblereX's stock or the Top 10 shareholders and their holding amount and percentage.

2022.4.30 / Unit: Share, %

| Shareholders' Name | Shares | Holding Percentage (%) |
|--|------------|------------------------|
| UIS Co., Ltd. (Rep. H.W. Lee) | 14,587,502 | 32.42% |
| H.W. Lee | 154,450 | 0.34% |
| Wen Hsu | 9,638,177 | 21.42% |
| Y.A. Chen | 2,485,763 | 5.52% |
| AES Investment Corporation (Rep. H.H. Ko) | 695,000 | 1.54% |
| H.H. Ko | 50,000 | 0.11% |
| Emma Liao | 665,800 | 1.48% |
| J.T. Investment Co.(Rep. S.H.Chen) | 500,000 | 1.11% |
| S.H. Chen | 0 | 0 |
| S.J. Du | 219,973 | 0.49% |
| J.K. Sung | 200,921 | 0.45% |
| H.W. Lee | 154,450 | 0.34% |
| Taishin Securities Co., Ltd. (Rep. J.H. Guo) | 150,000 | 0.33% |
| J.H. Guo | 0 | 0 |

4.1.5 Market Price, Net Worth, Earnings & Dividend per Share for last 2 years:

| Item | | Year | 2020 | 2021 | 2022.3.31 (Note 8) |
|---------------------------------|--|----------------------------------|--------|--------|-----------------------|
| Market Price per Share (Note 1) | Highest | | 47.55 | 44.20 | 62.70 |
| | Lowest | | 23.65 | 33.10 | 39.45 |
| | Average | | 40.21 | 38.52 | 54.98 |
| Net Worth per Share (Note 2) | Before Distribution | | 32.58 | 33.06 | 32.36 |
| | After Distribution | | 31.58 | 31.81 | - |
| Earnings per Share | Weighted Average Shares | | 45,000 | 45,000 | 45,000 |
| | Diluted Earnings per share | Before Adjustment | 0.93 | 1.60 | 1.40 |
| | | After Adjustment (Note 3) | 0.93 | 1.60 | - |
| Stock Dividends | Cash Dividend | | 1.00 | 1.05 | - |
| | stock grants | Dividends from Retained Earnings | - | - | - |
| | | Dividends from Capital Surplus | - | - | - |
| | Accumulated Undistributed Dividends (Note 4) | | - | - | - |
| Return on Investment | PE ratio (Note 5) | | 43.23 | 24.08 | - |
| | Price/Dividends Ratio (Note 6) | | 40.21 | 36.69 | - |
| | Cash Dividend Yield Rate (Note 7) | | 2.49 | 2.73 | - |

*If there is a rights issue of capital by converting surplus or capital reserves into capital increases, market price and cash dividend information should be disclosed retrospectively adjusted according to the number of shares issued.

Note 1 : The maximum and minimum market prices of common stocks for each year are listed, and the average market price of each year is calculated based on the transaction value and volume of each year.

Note 2 : Please fill in the number of shares issued at the end of the year and the distribution according to the resolution of the board of directors or the following year's shareholders' meeting.

Note 3 : If retrospective adjustments are required due to gratuitous allotments, etc., the pre- and post-adjusted earnings per share should be shown.

Note 4 : If the conditions for the issuance of equity securities stipulate that the dividends unpaid in the current year are accumulated to the year of surplus, the accumulated unpaid dividends up to 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 : Net value per share and earnings per share shall be filled in with information that has been verified (reviewed) by an accountant for the most recent quarter ended on the date of publication of the annual newspaper; the remaining fields shall be filled in with the information of the current year as of the date of publication of the annual newspaper.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy stated in the Articles of Incorporation:

- (1) As regulated in Article 25-1 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute 6-10% of earning as employee compensation and not more than 2% of earning as compensation as remuneration to directors and supervisors. But the company still has accumulated losses, should be made up. The remuneration to directors shall be Cash. Employees' compensation shall be made by stock or cash. It shall be held by the board of directors by attending more than two-thirds of the directors and attending a majority of the directors' consent, and report to the shareholders' meeting. In addition to the employees of the Company, the employees of the Company shall pay the employees of the Company who meet certain conditions.

As regulated in Article 26 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute tax and compensate the accumulated loss of previous years, and then contribute 10% of earnings as legal reserve unless the accumulated legal reserve reached the amount of the capital of the Company. Secondly, the Company shall contribute to special reserve based on the laws or regulations of administrations, together with accumulated undistributed earnings as distributable earnings. If earnings remain, the Company shall retain part of earning before Board of Directors make a distribution proposal according to the operation conditions and submit the proposal to shareholders' meeting for resolution.

The distribution proposal proposed by the Board of Directors shall, under the consideration of no other special occasion, be no less than 65% of the after-tax earnings of current year in principles. As regulated in Article 26-1 of Articles of Incorporation in operation, distribution of shareholders' dividend could be in the form of cash or shares, which the cash distribution proportion to shareholders shall no less than 20% of shareholders' dividend.

The form and proportion of such earning distribution is based on the future fund needs of the Company and the long-term operation plan, which could be proposed by Board of Directors under the consideration of the current operation status with the balance of taking care of shareholders' rights, dividend policies, and planning fund demand, and submit to shareholders' meeting for adjustments and resolutions.

(2) Proposed Distribution of Dividend for this meeting of shareholders

Unit : NTD

| Items | Amount | Description |
|--|-------------------|--|
| 2021 Net income | 72,161,672 | |
| Add/Less: 2021 Retain earnings adjustments | 3,839,736 | Old-version pension actuarial difference. |
| 2021 Net profit subtotal | 76,001,408 | |
| Less: provision of legal reserve (10%) | -7,600,141 | |
| Add: Special surplus reserve | 9,317,540 | Other Stockholder's Equity- (Appropriations on the debit balance of Exchange Differences on Translation of Foreign Financial Statements) |
| Add: 2020 undistributed earnings | 32,571,825 | |
| 2021 Distributable earnings | 91,655,552 | |
| Less: cash dividend to shareholders | 47,250,000 | NTD 1.05 cash dividend per share (Note: The allocated amount already includes special surplus reserve.) |
| Undistributed earnings | 44,405,552 | |

Note: This proposal of Profit distribution has been approved by Board of Directors' resolution on Mar 21, 2022.

(3) Expectation of significant change on dividend policies: None.

4.1.7 Impact of the proposed stock dividend in shareholders meeting on business performances and EPS:

Board of Directors decided to distribute cash dividend from profit in 2020 and no stock dividend. The Company did not have financial forecast, so this clause is not applicable.

4.1.8 Compensation to employees, directors and supervisors

1. Information of dividend to employee and remuneration to directors and supervisors was stated in the Articles of Incorporation:

As stated in Article 25-1 of the Articles of Incorporation, the Company shall contribute not less than 6% of its annual earning as employees' compensation and not more the 2% as remuneration to directors and supervisors. But the Company shall compensate its accumulated losses first.

In addition to the employees of the Company, the distribution of employees' bonus could include the employees of subsidiaries who meet certain conditions.

2. Accounting process applied to the estimation base of dividend to employees and remuneration to Directors, Supervisors, and employees, outstanding shares computing

base for stock dividend distribution, and the spread between amounts distributed and estimated:

Compensation to employees estimated to be NTD 5,112 thousand and to Directors and Supervisors to be NTD 1,698 thousand is estimated 6.01% and 1.99% of annual profit in 2021, accordingly. The differences between actual distribution amount resolved by Board of Directors and the estimated amount will be adjusted as changes in accounting estimates.

3. Dividend distribution of employees resolved by the board of directors

a. Distribution amount of cash dividend and stock dividend to employees and remuneration to directors and supervisors:

Board of Directors has approved to distribute NTD 5,112 thousand as employees' remuneration in 2021 and NTD 1,698 thousand as remuneration to directors and supervisors. The distribution amount is same as the estimated amount reported in 2021.

b. Proposed stock dividend to employees and its ratio to total net income of individual financial report and to total employees' remuneration:

Board of Directors has approved to distribute employees' compensation by cash, and no stock dividend is distributed to employees, so the ratio of stock dividend distributed to employees to total net income of individual financial report and to total employees' remuneration is zero.

4. Actual distribution of employees' bonus and remuneration of Directors and Supervisors for previous year:

The actual earning distribution of 2020 is as stated. The differences NTD 1 thousand less than the recognized employees' compensation is mainly due to the distribution changes with profit, which has been adjusted in the profit or loss of 2021.

| Item | 2020 Earnings Distribution | | Difference | Cause of Difference |
|---|---|--|------------|-------------------------------|
| | Shareholders' Meeting approved on Dec. 31, 2020 | Board of Directors approved on Mar. 19, 2021 | | |
| Remuneration of Directors and Supervisors | \$1,088 | \$1,080 | -\$8 | Distribute practice tolerance |
| Employees' cash compensation | \$3,263 | \$3,270 | \$7 | Distribute practice tolerance |

- 4.1.9 Buyback of Treasury Stock: None
- 4.2 Bonds: None
- 4.3 Preferred Shares: None
- 4.4 Global Depository Receipts: None
- 4.5 Employee Stock Options: None
- 4.6 Restricted Employee Shares: None
- 4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None
- 4.8 Financing Plans and Implementation: None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Main areas of business operations

- (1) Manufacturing and distribution of uninterruptible power system (UPS).
- (2) Manufacturing and distribution of active power filter.
- (3) Manufacturing and distribution of photovoltaic power inverter system.
- (4) Agent of large capacity UPS through project distribution and services.
- (5) Offering maintenance and technical services.

(2) Revenue distribution

Unit ; NT\$ thousands; %

| Major Divisions \ Year | 2020 | | 2021 | |
|------------------------|-------------|-------------|-------------|--------------------|
| | Total Sales | Total Sales | Total Sales | (%) of Total Sales |
| UPS | 805,863 | 34.12% | 977,587 | 32.75% |
| APF | 110,008 | 4.66% | 126,078 | 4.22% |
| PV | 55,873 | 2.37% | 106,680 | 3.57% |
| Project | 979,076 | 41.45% | 1,284,309 | 43.03% |
| Service | 89,510 | 3.79% | 100,296 | 3.36% |
| Others | 321,593 | 13.61% | 389,727 | 13.07% |
| Total | 2,361,923 | 100.00% | 2,984,677 | 100.00% |

(3) Main Products and Services

- (1) Independent R&D, manufacturing, and distribution of single-phase uninterruptible power system (commonly known as single-phase UPS or small UPS) at 20KVA (and below).
- (2) Independent R&D, manufacturing, and distribution of three-phase uninterruptible power system (commonly known as three-phase UPS or mid/large UPS) at 10KVA (and above).
- (3) Agent distribution of Europe's SOCOMEC three-phase uninterruptible power system (commonly known as three-phase UPS or mid/large UPS) at 15KVA (and above).
- (4) Independent R&D, manufacturing, and distribution of power quality improvement equipment – active power filter (abbreviated as APF, also known as active power harmonics conditioner).
- (5) Independent R&D, manufacturing, and distribution of green energy system photovoltaic inverter (PV Inverter), also known as solar inverter.
- (6) Design and manufacturing services for OEM/ODM/OIM (Original Innovative Management) models.
- (7) Maintenance and technical services for the products.

(4) New Products Planned for Development

- (1) High efficiency, miniaturization, lightweight, intelligent, modular, networked and distributed and other multi-functional UPS new technology development.
- (2) Mid-sized and large three-phase high frequency parallel UPS
- (3) High-precision Power quality management technology
- (4) Hybrid system PV Inverter
- (5) Power management/monitoring software technology
- (6) Smart Grids application related PDU
- (7) Large-capacity energy storage ESS

5.1.2 Industry Overview

(1) Macroeconomic Environment

① Uninterruptible Power Supply (UPS)

With the rapid development of high-tech electronic products in recent years, the operation of procedure-control workstations computer and precision instruments at high-tech production facilities relies heavily on quality and reliable power supply to maintain normal operation. Poor power quality could result in erroneous action for precision equipment or even disruption of the manufacturing process, leading to severe losses. Common problems relating to power quality include voltage distortion, overvoltage, under voltage, power disruption, and so forth. And as such, ensuring high quality and reliable supply of power has become a vital issue for the power company and all users. In order to prevent issues of power disruption or unstable voltage, most users would incorporate uninterruptible power supply (UPS) systems to ensure power quality and in turn enhance the reliability of precision equipment operation.

Within their given electricity storage capacity, UPS is designed with power converter interface to supply the required power in the event of anomalies with the AC mains supply. And as such, UPS systems have been extensively used as the backup power solution for information, communication, and precision instruments to prevent sudden power failure from halting equipment operation, thereby improving the reliability of equipment operation. And as such, the demand for UPS has been continually growing.

UPS systems can generally be separated into three major categories: Off-line, On-line and Line interactive. These three types of UPS systems each has their own strengths, weaknesses, and suitable applications. Common Off-line UPS are typically single-phase low-capacity products with relatively few functions, therefore are available at cheaper price points. Such products are generally used for PCs and other peripheral equipment. Designed with hot standby functionality, when AC mains supply is normal, the switch between the UPS and load would be activated to prevent the circulation of electrical current between the AC mains supply and the UPS system. However, should the main supply fail, the load would be exposed to a few milliseconds of power failure due to the transition of the switch. This would in turn lower the operating efficacy of the load. On-line UPS system operates by converting the AC power from the AC mains supply into DC power through a DC/AC inverter. A percentage of the DC power is stored into the battery charger while a part of the DC power is sent through a DC/AC inverter to be converted to steady, reliable AC power to be fed to the load. When in operation, an On-line UPS system features a two-stage power inverter between the load and AC mains supply. And as such, the quality of

power from the load would not be susceptible to the influence of AC mains supply, making the On-line UPS the best power protection solution for the load equipment. This explains why On-line UPS systems are frequently deployed for instruments and equipment that require power of better quality. However, since the power carried by the load on such UPS systems requires conversion through a two-stage inverter, the circuitry design would be more sophisticated and have lower efficacy. As for Line interactive UPS systems, such systems feature paralleled operation of the power inverter and AC mains supply as their technological basis, with the power inverter responsible for charging and discharging the battery at the same time. In other words, when the AC mains supply is working normally, its power will be directly sent to the load and charge the battery through the power inverter. When the AC mains supply fails, the stored power on the battery would be sent to the load through the power inverter. Such UPS systems feature relatively simpler system architecture and are relatively cheaper in cost. And since the load is directly powered from the AC mains supply when it is working normally, there will be no recurrent energy loss. However, the issue of conversion time remains.

In recent years, to improve the efficiency of On-line UPS systems, in addition to adopting three-stage power inverters to handle the task of conversion, the system also features a new economic operation mode. In this mode, the DC/AC inverter of the UPS system would be set to hot standby, with the AC mains supply providing power directly to the load.

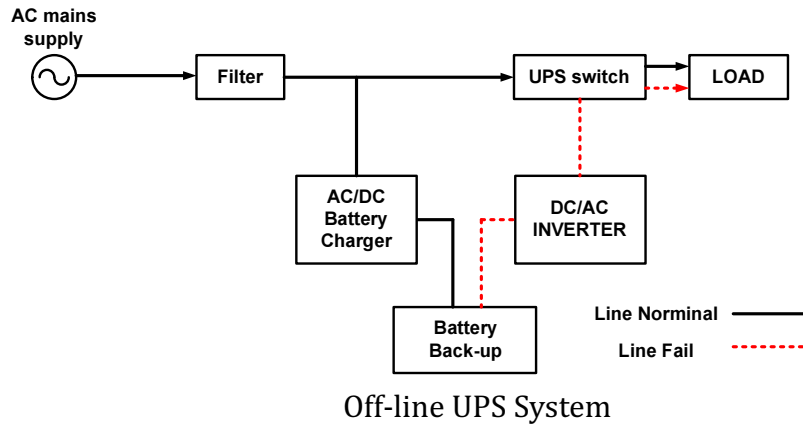
Table 1 Strengths and Weaknesses of the three UPS System Architectures

| Type | Strengths | Weaknesses |
|------------------|--|---|
| Off-Line | <ol style="list-style-type: none"> 1. Simple circuitry 2. Higher power efficiency 3. Low cost, compact form factor | <ol style="list-style-type: none"> 1. Brief power disruption (~1ms) 2. Lacks voltage stabilization function; power quality is susceptible to the effects of AC mains supply |
| On-Line | <ol style="list-style-type: none"> 1. No brief power disruption 2. Improves upon literally all existing issues of power quality with AC mains supply | <ol style="list-style-type: none"> 1. Higher cost 2. Sophisticated control circuitry 3. Inferior efficiency |
| Line Interactive | <ol style="list-style-type: none"> 1. Simple circuitry 2. Low cost | <ol style="list-style-type: none"> 1. Brief power disruption 2. Sophisticated control mechanism |

A. Off-line

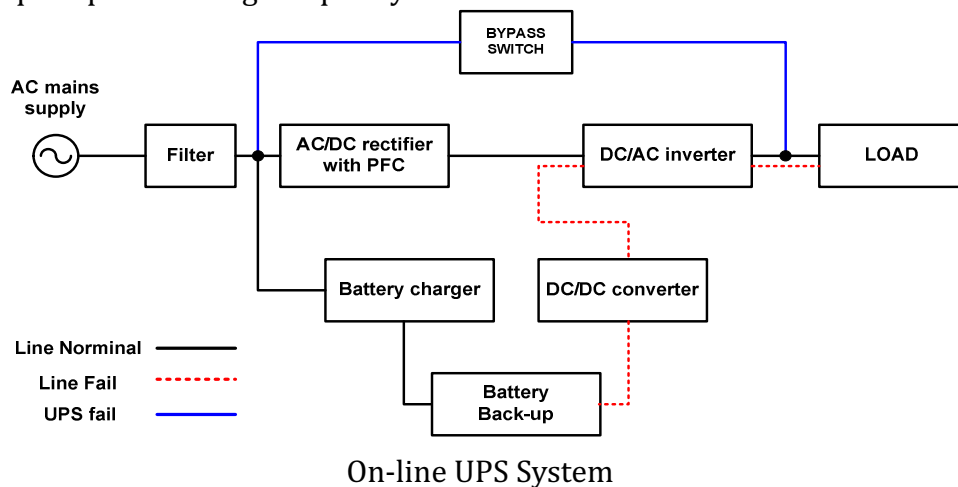
The architecture of an off-line UPS system primarily features an AC/DC charger, a battery, and a DC/AC inverter. When the line is normal, the required power comes directly from AC mains supply while a portion of the power goes through the AC/DC battery charger to charge the battery. Since the inverter is running without load, the quality of the power of load is determined directly by the AC mains supply. When the line fails, the inverter will convert the power from the battery to AC current and keep connected equipment running. Typical off-line UPS systems only provide backup power but do not improve power quality. In addition, when the line fails, the system will have a momentary lapse of switch transition. And as such, off-line UPS systems are not truly “uninterruptible” in the truest sense of the term due to its “instantaneous

disruption". When the voltage falls below the permitted value, the system will automatically switch over to providing power from the battery, enabling the user to continue with equipment operation without noticing the disruption. The reaction time of this "instantaneous disruption" before the battery kicks in is under 0.1 seconds. Additionally, off-line UPS systems provide square waves and are therefore suited only for PCs. And as such, the product is mostly used in smaller systems or for equipment that are less important.



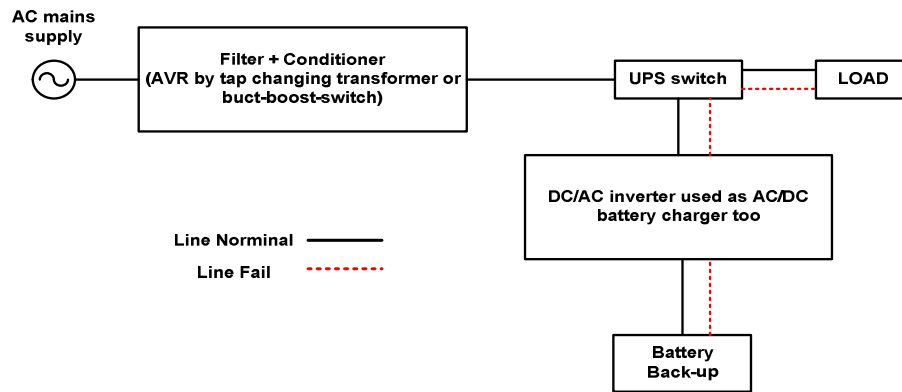
B. On-line

On top of having a more sophisticated architecture compared to off-line UPS, on-line UPS systems are most distinctively different due to their means of power control. When the line is normal, the power will go through the AC/DC rectifier, with a portion of the DC current going to the battery charger to charge the battery while the other portion is converted to AC current to power the connected equipment. When the AC mains supply fails, the inverter will continue to supply power, which will come from the battery. This means that there will be no disruption of power and since the connected equipment is isolated from the AC mains supply by the on-line UPS system, power quality is essentially controlled by the UPS. This makes it possible to resolve issues of over/under voltage, surge, electromagnetic interference, or frequency drift. Not only that, on-line UPS has sine wave output, making it suitable for all equipment. As such, on-line UPS systems are typically used for precision equipment that require power of higher quality.



C. Line-interactive

Line-interactive UPS systems operate on similar principles as off-line UPS systems, with the most distinctive feature of having a multi-tap variable-voltage autotransformer (i.e., operating as both an AC/DC inverter and a rectifier). In addition to charging the battery during normal operation, the autotransformer will automatically function as an inverter when AC mains supply fails to deliver power from the battery to the connected equipment. Since the product design did not include a bypass switch between the AC mains supply and the load, such system will still experience “instantaneous disruption” in the event of a power failure (with an extremely short response time between the disruption to battery power supply under 0.04 seconds). As line-interactive UPS systems output sine waves, they can work with more equipment compared to off-line UPS systems. With functionalities falling between off-line and on-line UPS systems, line-interactive UPS systems are more suited for the needs of small enterprises or website servers.



Line-Interactive UPS System

Within their given electricity storage capacity, UPS is designed with power converter interface to supply the required power in the event of anomalies with the AC mains supply. And as such, UPS systems have been extensively used as the backup power solution for information, communication, and precision instruments to prevent sudden power failure from halting equipment operation, thereby improving the reliability of equipment operation. Therefore, such products have definitive values in the market. Furthermore, with more and more electronic equipment and applications emerging in consumers’ lives (such as cable TV, broadband internet access, wireless communication base stations, surveillance systems, security systems, and telematics), the UPS market that once did not exist, is now seeing gradual growth in demand. One can anticipate significant potential for growth for the UPS market in the near future. Ablerex has been specializing in the development and manufacturing of UPS ever since its foundation, with a focus centered on the development of high-end on-line UPS that requires extensive technical know-how and great effort on continual improvement on the functionalities of our line-interactive UPS. We strive to satisfy our customers’ needs by achieving maximum performance with lower costs. This would prevent the company from engaging in a price war with other

manufacturers in the low-end offline UPS product market.

② Active Power Filter (APF)

Due to the rapid development of power semiconductor component manufacturing technology and power electronic applications, power electronic equipment has been extensively used in different domains. Nevertheless, power electronic equipment has the inherent flaws of high input current harmonics and low input power factor, with harmonic currents being responsible for the deterioration of power quality. In recent years, precision equipment has been extensively used in different industries and such equipment has relatively high requirement for power quality. Consequently, the power company had to establish harmonics regulation standards to limit the amount of harmonic current generated by users to maintain the quality of power from the electricity distribution system.

Traditionally, passive power filters are designed with passive components such as inductors and capacitors. Due to their low-price points, such products have been extensively used to mitigate harmonic currents. However, passive power filters have the following shortcomings: (1) Change of impedance in a power system could severely affect the characteristics of the filter. (2) Parallel resonance could occur between the power reactor and passive power filter and consequently amplifying the load's harmonic current, resulting in even greater harmonic current distortion. (3) Serial resonance could occur between the power reactor and passive power filter, which may in turn cause harmonic currents from other non-linear load to enter the passive power filter, resulting in an overload of the passive power filter. (4) Filter parameters are difficult to design due to the changes in system status or deviations of filter capacitance or inductance. (5) Filter characteristics cannot be fixed due to changes in load. Given these shortcomings, active power filter had been developed in recent years as an alternative. An active power filter features a power transducer built with power semiconductor switching components such as GTO, IGBT, or power transistors. Active power filter not only solves the problem of harmonics but also compensates virtual work to convert the input current of AC mains supply to pure sine waves of the same phase as the AC mains supply voltage. An active power filter comprises three components: a converter, an energy storage component and a control circuitry. In the past, passive power filters have been used to mitigate harmonics, but the product still has notable drawbacks that current technologies cannot overcome. In contrast, active power filter was developed in recent years due to the advancement in power electronic technologies as to suppress harmonics while regulating harmonics and improving power factor.

Presently, there are three types of filters that are designed to suppress harmonics: 1. Traditional passive power filter (PPF), 2. Active power filters (APF) and 3. Hybrid power filters (HPF). The following section will provide brief descriptions for each type of power filter.

A. Passive Power Filter

Traditionally, passive power filter (PPF) comprises passive components including capacitors, reactors, and resistors. However, due to the characteristics of specific passive components, PPFs do suffer from inherent drawbacks. For example, the result of harmonic absorption of a PPF may change along with any change in the system's impedance. In addition, when unknown external harmonic current enters the system or any change of the systems' load/additional

harmonic load could cause the existing PPF to overload or resonate, thereby leading to accidents. In addition, power capacitors and inductors in PPFs have error margins. Increases in usage duration and temperature changes could cause the values of the power capacitor or inductor to shift and thereby impede its filtering capabilities. Not only those, but the passive components are also heavy and bulky, making PPFs requiring more physical space.

B. Active Power Filter

Active power filter (APF) is an AC/DC conversion equipment that applies relevant power electronic technologies. Depending on the load demand, APF would create a harmonic current that is of the opposite phase of that from the load and send it to the power system. The harmonic currents would cancel each other and achieve the filtering of harmonics. APF is therefore used to resolve destructive issues caused by harmonic currents, such as transformer overheat, voltage distortion, and machine failure. However, power electronic components of high power are restricted by their switching frequencies, and this result in specific limit of power capacity for APF.

C. Hybrid Power Filter

As both passive and active power filters have their limitations that are hard to overcome, products that combine features of both active and passive power filters were developed as a result. Such products are known as hybrid power filters (HPF). HPF incorporates a power transducer to improve upon the characteristics of PPF while resolving the issue of resonance. Compared to APFs, PPFs make it possible to reduce the capacity of the power transducer, rendering its application on larger capacity filter systems.

The exclusive technology we have developed for our APF feature immediate response control, which enables real-time compensation at any point during each current cycle to create a harmonic current that is the opposite of that of the load and send it to the power system. This harmonic current would cancel the harmonic current at the load, thus resulting in a current wave that is close to sine at the power system and thereby achieving harmonic filtering. Such rapid response capabilities make our APF ideal for equipment with substantial load changes, such as pumps used to maintain water or barometric pressure, high-end passenger/cargo elevators, and other high-tech industries. Presently, the world's APF market is dominated by US and Japanese manufacturers including FUJI, TOSHIBA, MERLIN, ABB and so forth, with no other leading manufacturers in Taiwan. With our immediate response control technology, our APFs have outstanding transient response capabilities that enable immediate compensation at any point during each current cycle, unlike other products designed for Fast Fourier Transform (FFT) that only output response after the load has changed and delayed for two cycles. In addition to breaking through the existing limits of current product architecture and technological deployment, this technology is also compliant with pertinent international safety regulations, thereby allowing the company to distribute the products more extensively. We have essentially debunked the misconception that conventional high-spec products will inevitably fail in their safety regulation compliance and our APFs have proven to have a great

competitive edge in the domestic market. Coupled with the latest 150A European/US standard series we have developed in 2012, our APFs are expected to bring positive boost to the company's operational growth soon.

③ PV Inverter

A. Status of the global solar power market:

Compared to 2011, the demand for PV inverter in Europe has fallen significantly. But thanks to the explosive growth of the Chinese market, AblereX managed to achieve a total of 31 GW in sales in 2012, translating to a growth margin of 5%. Nevertheless, the drastic decline in market prices has resulted in a decrease in real revenue for manufacturers.

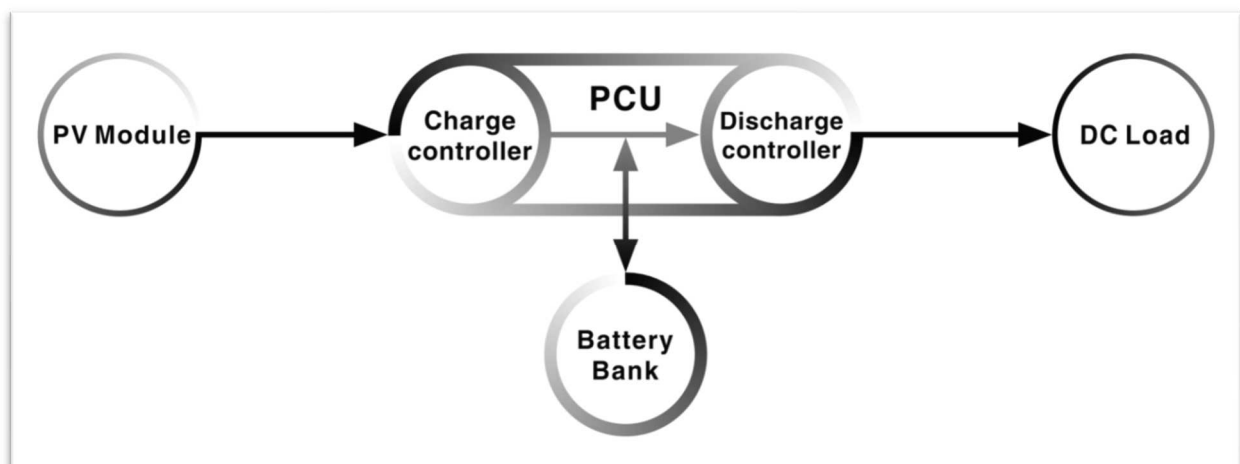
According to IMS Research's prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2017. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly while the demand for residential PV system will be less apparent.

It is estimated that approximately 60% of the PV system installation in the future will take place in Asia, mainly China, and the majority of them would be PV stations. As for residential PV systems, Japan will be the only market that may promise some potential.

B. Types of solar PV systems

1. Stand-Alone System

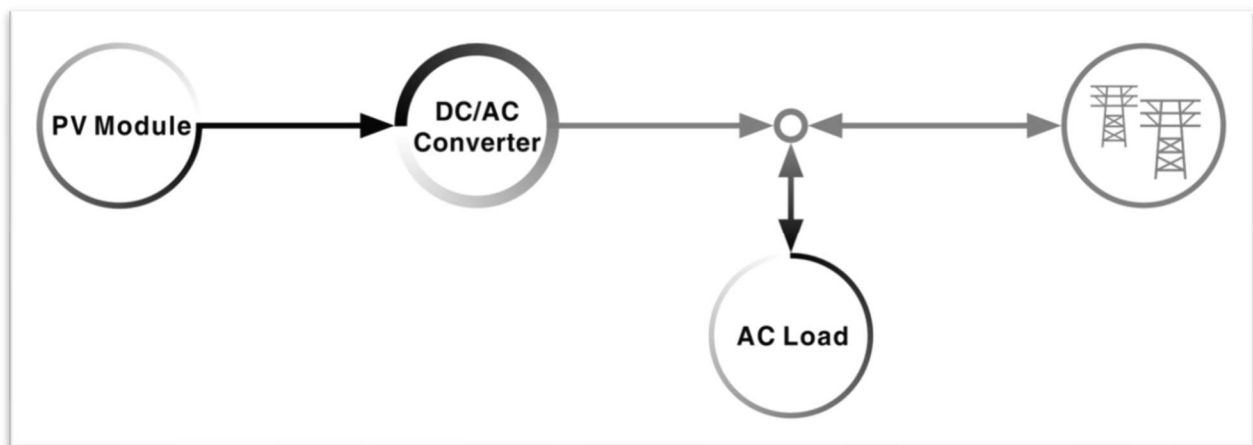
As its name implies, a stand-alone PV system can generate the power that is required without having to be connected to the power distribution grid of the power company. Since the system will not be able to generate electricity in the absence of sunlight at night or in poor weather, stand-alone systems have incorporated battery banks that store power when there is ample sunlight to ensure stable supply of power. Stand-alone systems are primarily installed in regions where the power grid is hard or unable to reach (i.e., remotely populated mountainous regions or offshore islands). Such systems are also commonly installed to function as small power systems for road displays, billboards, road lights, and other illumination equipment.



Architecture of Stand-Alone System

2. Grid-Connected System

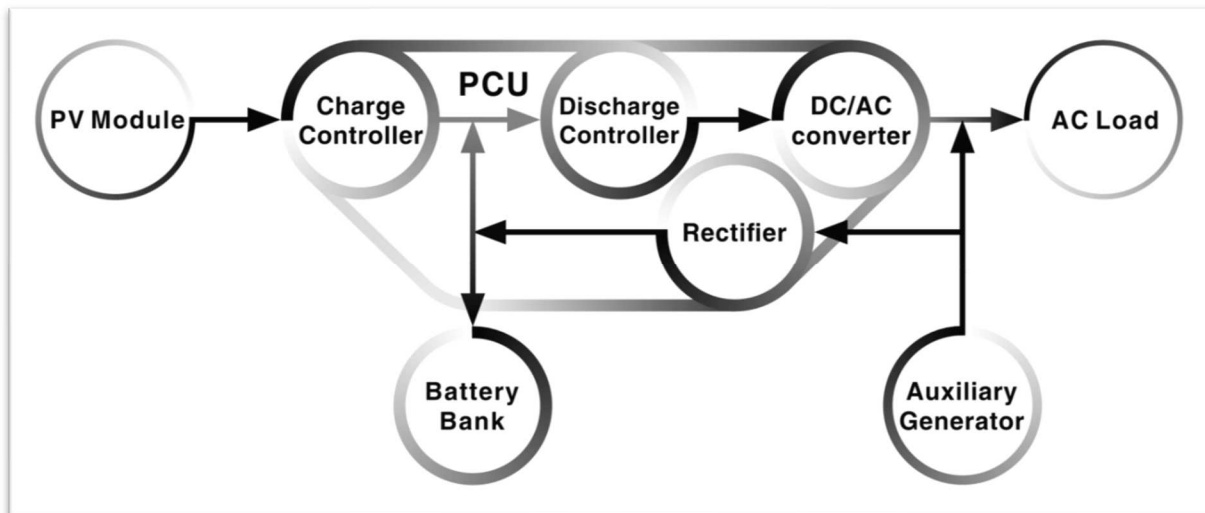
A Grid-connected system generates power in a parallel connection with the city power grid. The system would generate power for the load and the power company will cover the insufficient part of power. With such system, the city power grid can be perceived as an infinitely large and everlasting free battery bank.



Architecture of Grid-Connected System

3. Hybrid System

A PV hybrid system operates in conjunction with the city power grid and a battery bank. During normal operation, the system is connected to the city power grid, responsible for supply power to the load, and charging the battery bank and at night, power supplied by the grid will take over. In the event of disasters such as typhoons or torrential rains that resulted in a power outage, the battery bank would still have adequate power in reserve so that relevant rescue operations can take place before the city power grid is restored.



Architecture of Hybrid System

Current Status and Future Development of PV

The following section is a summary of Ablerex's primary application and breakthrough in the area of PV inverter development:

(1) Anti-islanding technologies

Islanding refers to the condition in which a PV inverter continues to power a location when the electrical grid power has been disrupted. When this happens, it would result in an isolated power generation system that may cause partial power instability for users. Not only that, as the PV inverter continues to deliver power, the connected electrical grid (PV and city power grid connected in serial or parallel connection) may remain powered. This can be dangerous to the utility workers as they run the risk of electrocution. And as such, in the event of a power failure, PV inverters must be designed to immediately disconnect from the grid so that even if they remain operational and deliver power, the city power grid will stay unpowered to protect relevant electronic systems and the safety of operators. Presently, the islanding detection feature offered by typical products involves passive detection, which suffers from the shortcomings of poor sensitivity and interference. Due to these issues, such products offer very limited stability. Through the integration of hardware and software, Ablerex have achieved breakthrough of existing technological bottleneck with solutions that integrate the strengths of both active and passive detection through DSP control algorithm.

(2) Maximum Power Point Tracking

Output power of solar panels are affected by a few external factors, such as the intensity of sunlight, temperature, component aging, PV material, and so forth. To ensure optimal performance of the PV cell, PV inverter must be subjected to appropriate control so that it can ensure maximum power output from the PV cell regardless of the operating environments. Such control method is known as maximum power point tracking.

(3) Grid Connection Control Technology

As solar PV generation system takes the energy generated by the solar panels and sends it directly to an electrical grid through a parallel circuit, it is imperative that relevant protective measures be thoroughly developed. Specific technical and legal issues (such as power system stability) that may arise from the operation of sending power to an electrical grid must be addressed. Designing a multi-functional solar PV system involves power conversions of different functions. Naturally, the design process has to take the issue of corresponding controls into consideration. Therefore, we have taken advantage of the high computing power of digital signal processing (DSP) as the solution for PV-inverter control.

④ Energy Storage System for Home

As sources of intermittent energy, solar energy is not continuously available and can be easily affected by numerous environmental factors. Thus, the output power of solar energy can be described as unstable and unpredictable power source. When a large quantity of grid connected PV systems are installed on the electrical grid, the intermittency characteristics of solar energy will have given a serious impact on the electrical grid such as the fluctuation of voltage and frequency, safety, stability, and electrical power quality. Therefore, the development of grid connected PV system has been limited. To deduct intermittency characteristics of solar energy cause impact on the power grid, the transmittance of solar PV system must be developed. At the same time, the battery storage system can solve the fluctuation of voltage and poor electrical power quality caused by over capacities of grid connected renewable energy system. Since the Smart Grid was established, liberalization of the electricity market has rapidly accelerated the business from various sectors have been selling electricity by time-of-use pricing. Users allow to purchase the lowest price of electricity at the off-peak period and storage into the battery bank. and discharge the saved energy at the peak period, which the electricity price is extremely high, to avoid the consumption of electricity or even sell back to the utility. Other than functions mentioned above, if the utility grid is ordinary condition, users can operate charging/ discharging the power from our battery module during the night. When the utility grid has unpredictable problem occurred, our system would disconnect with the utility automatically and continuously provide power to loads by using storage energy.

(2) Relationship with Up-, Middle- and Downstream Companies

① UPS manufacturing process (Up, Mid-, and Downstream)

| Upstream | | Mid-stream | Downstream |
|------------------|------|------------------------------------|-----------------------|
| Raw material | | Manufacturing | End user |
| Wire material | PCB | UPS Power Provider Manufacturer | Medical equipment |
| Packing material | IGBT | | Public infrastructure |
| Cabinet | | | Aviation Equipment |
| Battery | | | Military equipment |
| Transformer | | | Business entities |
| Transistor | | | Telecommunication |
| Capacitor | | | equipment |
| Software design | | | PC equipment |
| | | | Household appliances |
| | | | Other |

Ablere specializes in the design and manufacturing of UPS products. Our upstream vendors are primarily suppliers of relevant components (transformer, cabinet, wire material, capacitor, PCB, etc), battery supplier and software developer. Distributed through our network channels, our products are sold to end users in different sectors, including medical care, aeronautics, military equipment, finance, security, nuclear power, petrochemical, telecommunication, PC equipment, and so forth.

With the boisterous growth of the Internet and ICT sectors, the requirements for power supply quality have been steadily increasing. This has attracted more enterprises to adopt UPS solutions to protect their PC equipment, thereby propelling the demand for UPS. Consequently, such trends promise substantial potential for our business growth in the future.

② APF

| Upstream | | Mid-stream | Downstream |
|------------------|------|------------------|---|
| Raw material | | Manufacturing | End user |
| Wire material | PCB | APF manufacturer | Steel plant/machinery |
| Packing material | IGBT | | factory |
| Cabinet | | | Telecommunication |
| Battery | | | equipment |
| Transformer | | | Large industrial |
| Transistor | | | equipment |
| Capacitor | | | Taipower distribution |
| Software design | | | grid |
| | | | Applications where harmonics improvement are required |
| | | | Applications where harmonics improvement are required |
| | | | Other |

Ablerex specializes in the design and manufacturing of APF. Our upstream vendors are primarily suppliers of relevant components (transformer, cabinet, wire material, capacitor, PCB and etc), battery supplier and software developer. Distributed through our network channels, our products are sold to end users in different sectors, including steel machinery factories, telecommunication, large industrial equipment, Taipower distribution grid and applications where harmonics improvement are required.

With various sectors demanding higher power quality, more and more businesses found themselves needing APF to improve power quality and reduce power loss. Due to the technical threshold required for the product, there are few local or foreign manufacturers for the product. And as such, our APF are rather competitive in the market, and it is one of our key products that we promote aggressively.

③ Solar PV inverter manufacturing process (Up, Mid-, and Downstream)

| Upstream | Mid-stream | Downstream |
|--|-----------------------|---|
| Raw material | Manufacturing | End user |
| Silicon material Silicon wafer Solar cell cutting Solar cell Software design | PV Inverter System | Construction industry Telecommunication industry Public infrastructure High-tech fabrication plant PC equipment Household power supply Other |

In the solar PV industry, Ablerex assumes the role of a designer and manufacturer of PV inverter in system and inverter. Distributed through our network channels, our products are sold to end users in different sectors for system integration, including construction industry, telecommunication industry, public infrastructure, high-tech fabrication plants, and so forth.

The solar PV industry promises vast business opportunities in the foreseeable future. Due to the high technological threshold, we have few domestic competitors. Our PV inverter have definitive competitive advantages in terms of quality and pricing, and Ablerex has in fact become a global leading manufacturer in this area and a designated ODM partner for several major brands around the world. PV inverter has been the product that has generated substantial revenues for Ablerex.

④ ESS for home manufacturing process (Up, Mid-, and Downstream)

| Upstream | Mid-stream | Downstream |
|--|--------------------------------------|--|
| Raw material | Manufacturing | End user |
| Silicon material Silicon wafer Solar cell cutting Solar cell Software design Battery cell | Residential Energy Storage System | Construction industry Telecommunication industry Public infrastructure High-tech fabrication plant PC equipment Household power supply Other |

In the Energy Storage industry, Ablerex specializes in the area of system and inverter technologies and assumes the role of a designer and manufacturer of inverter for ESS. Distributed through our network channels, our products are sold to end users in different sectors for system integration, including construction industry, telecommunication industry, public infrastructure, high-tech fabrication plants, and so on.

Energy Storage industry promises vast business opportunities in the foreseeable future. Due to the high technological threshold, there are only few competitors seen in the domestic market. Our inverter for ESS definitely have competitive advantages in quality and pricing of the product. In fact, Ablerex has become a leading manufacturer in domestic industry and has been designated as an ODM partner by several major domestic companies. Our ESS has already brought substantial revenues for Ablerex.

(3) Product Trends

① For UPS

A. Trend for modular design to prevent over allocation

Modular UPS comprises multiple modules to achieve easy scalability. One of the issues with traditional UPS is the over allocation of power system. For example, when a user's actual power load is at 12KVA, he would end up purchasing a traditional UPS at 20KVA to save himself from the hassle of expansion in the future. This would result in an over allocation of the system, which a modular UPS would be able to overcome.

B. Diversification of product design and electronic consumption

In the future, UPS systems will continue towards the path of becoming more compact, lightweight, high efficiency, and low noise. With these characteristics, UPS systems will gradually shift from large server rooms and find a place in normal office space. And as such, we should dedicate more attention to exterior design and usability to deliver a more pleasant user experience.

C. Heading towards intelligent and network development

With constant innovations in technology today, users have become accustomed to expecting more from UPS products in terms of their quality and functionality. Traditional analog power control UPS has been ousted by full digital control, which enables the user to schedule and control specific machine

parameters through the CPU of the UPS, which can now be simultaneously connected to multiple PCs. Not only that, but the user can also take advantage of its communication interface and PC, along with smart monitoring software and network protocol to manage and analyze his PC and UPS system locally or even remotely with greater convenience and efficiency.

D. High reliability and safety

The development UPS systems will be steered towards higher reliability and safety

(a) Automatic detection: Upon start-up, the UPS will perform a check on all component (inverter, battery and so forth) load to detect potential issues.

(b) Self-protection: Through designs of self-protection, the UPS system will automatically shut down in the event of UPS overload, short circuit or overheat to prevent other hardware damages that might otherwise have been caused by UPS failure.

② APF

Harmonics suppression has always been a vital issue when it comes to power quality improvement. Following the rapid growth of non-linear load that has resulted in deteriorating power quality, the power company had no alternatives but to establish harmonics control standards in order to limit the number of harmonics generated by users so as to maintain the quality of power for the whole system. Therefore, in addition to the development of high power APFs, the product will also have multiple functions such as virtual work compensation and voltage suppression. At present, APFs are more expensive than PPFs and the discrepancy is even greater when the load exceeds 500KW, at which point APF becomes no longer economical. And as such, hybrid filters have been created with an architecture that combines the advantages of both the active and passive types. In the future, hybrid power filters will become a trend in the domain of harmonics improvement technology.

③ PV Inverter

In addition, towards high power development for PV inverters, it would be viable to pursue other alternative energy development such as wind power generation to expand the market further. In 2008, Ablerex has obtained the Intertek GS certificate – the first ever issued in Taiwan. Not only that, the company has received certifications from nations including Germany, Spain, France, Italy, Belgium, England, USA and Japan. The company shall continue to stay abreast with the latest market trends and submit more applications to other countries, and this will be beneficial to the expansion of the PV inverter market in the future.

④ Energy Storage System

The future of Energy Storage System (ESS) will not only develop in high efficiency and for commercial use, but also it will be able to resolve the renewable energy problem of intermittent electricity generation for wind power and solar power. The development of this system allows problems to be solved while expanding its potential market further. From 2016, Ablerex has continuously been applied for certifications in Germany, Australia, and Japan. We strongly believe

these certifications from different regions would be beneficial to expand the ESS market and has generated substantial revenue for Ablerex.

(4) Product Competition

Presently, our main product lines include UPS, APF, and PV inverter. Their characteristics and whether they are replaceable will be covered as follows:

① UPS

As its name implies, an uninterruptible power supply (UPS) functions by delivering power to connected equipment in the place of AC mains supply during a power outage, similar to way emergency lighting works. However, an UPS features more sophisticated design that dramatically reduce the switching duration from AC mains and battery/inverter to make up for the shortcoming of significantly longer power outage duration with typical fuel-powered generators or other emergency power source, without creating the issues of noise and air pollution that fuel-powered generators have. Unless conventional power generators achieve significant improvement in their speed of power supply while minimizing environmental pollution, they will not be able to fully replace UPS.

② APF

Power filters are equipment primarily used to improve power quality and suppress harmonics. Presently, such products fall under three categories: active, passive, and hybrid. Each has its distinctive advantages and weaknesses. At present, the development of power filter is headed for higher power and multi-functionality designs. Barring the invention of new harmonic suppression equipment in the future, there are no existing products that could replace APFs.

③ PV Inverter

PV inverter is primarily used to convert the AC current stored in solar panels to DC power for direct usage and connection to the city power grid. Barring the invention of new conversion equipment or new solar cells that could convert DC current to AC current by themselves, there are no existing products that could replace PV inverters.

④ Energy Storage System

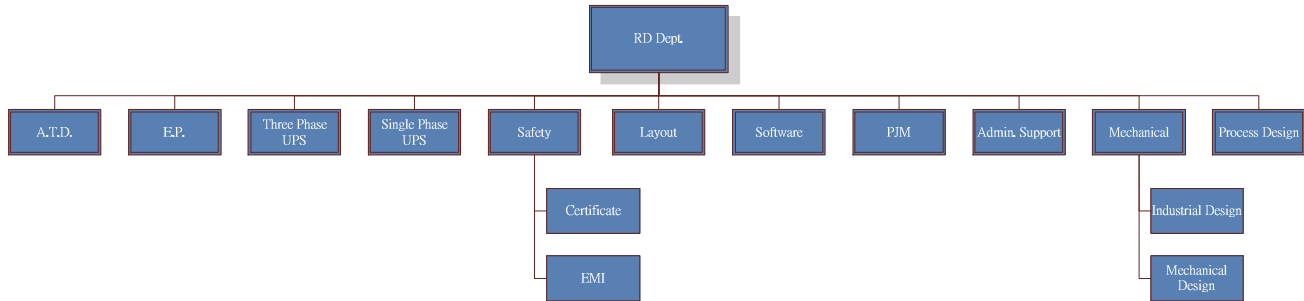
ESS is mainly used to convert the AC current stored in solar panels to DC power or to save the generated power in the battery bank for direct usage and connection to the power grid. Unless the invention of conversion equipment or new solar cells that could convert DC current by itself, otherwise, there are no other alternative products.

5.1.3 Research and Development

(1) Technical level and R&D of our business

Right from the initiation of the company, Ablerex has established its R&D unit, which focused on the research and development of small UPS. With the development of new products and technologies, the R&D unit has also expanded in scale. At present, the R&D Department can be separated into smaller units based on their respective product lines, including Single-phase UPS, Three-phase UPS and E.P. In addition, sections such as the Mechanical structure, technical support, Software, Process design, safety, Layout, PJM and Technical research have also been established to provide relevant support for the three sections. Through the planning, development, design and safety regulation control for new

product development handled by each corresponding section, the R&D Department endeavors to provide products and services that are precisely aligned to existing market demands. The following will cover the organization of our R&D Department and their corresponding responsibilities:



| Department | Section | Primary job description |
|------------|---------------------------|--|
| R&D | Single-Phase UPS Section | Responsible for the development of single-phase UPS product and technology. |
| | Three-Phase UPS Section | Responsible for the development of three-phase UPS product and technology. |
| | E.P. Section | Responsible for the research and development of products and technologies for green energy and smart grids such as APF (active power filters), power management systems, and energy storage systems. |
| | Mechanical Design Section | Responsible for all products' exterior and mechanical designs. |
| | Technical Support Section | Responsible for the general support (i.e., construction of BOM, patent and safety regulation application, document management, acquisition of R&D samples and so forth). |
| | Software Section | Responsible for the development of software bundled with products and the system platform for Cloud computing. |
| | Process design Section | Responsible for the production requirements of all products that meet the manufacturability. |
| | Safety Section | Responsible for the safety certification of all products |
| | Layout Section | Responsible for circuit planning and wiring configuration of all products |
| | PJM Section | Responsible for tracking and controlling the progress of all product development schedules |

The accumulation of know-how that we have grasped from pre-development, development, and post-development of various products enabled the R&D Department to accrue its IP assets. Strengthening innovative R&D and acquiring patents have become a vital strategy for businesses to remain competitive in the market. During the past few years, AblereX has experienced significant growth in the number of local and foreign patents received and these patents brought concrete benefit to the improvement of our technical capabilities. With relevant deployments in place, our IP assets enabled us to engage in technical exchanges with major international players and even take part in collaboration models of licensing patent rights through technical exchanges. This not only enhanced the company's reputation in terms of its technical capacity and brand value in the industry but also boosts customers' confidence in our technical capabilities.

Consequently, our IP assets offer profound positive impacts on our business expansion.

Status of trademark application

Unit: No. of case

| Region | Trademark | | | Total |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Pending | Approval announced | Certificate collected | |
| Taiwan | 0 | 0 | 5 | 5 |
| China | 0-Ablerex 0-Suzhou | 0-Ablerex 0-Suzhou | 5-Ablerex 1-Suzhou | 5-Ablerex 1-Suzhou |
| USA | 0 | 0 | 3 | 3 |
| EU | 0 | 0 | 5 | 5 |
| UK | 0 | 0 | 5 | 5 |
| Total | 0 | 0 | 24 | 24 |

Status of trademark application as of Mar 31, 2022.

Status of patent application: including patents received and on processing

At present, AblereX has acquired a total of 126 patents, and 125 of which are patents of invention. These patents have been utilized on our main products and aptly reflect AblereX's capacity for research and innovation.

| Taiwan | Patent received | 9 | 9 | 19 | 5 | 6 | 48 |
|---------------------|------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| | Under review | 0 | 0 | 1 | 0 | 0 | 1 |
| | certificate processing | 0 | 0 | 0 | 0 | 0 | 0 |
| Taiwan Total | | 9 | 9 | 20 | 5 | 6 | 49 |
| China | Patent received | 8 | 10 | 11 | 5 | 4 | 38 |
| | Under review | 0 | 0 | 0 | 0 | 2 | 2 |
| | certificate processing | 0 | 0 | 0 | 0 | 0 | 0 |
| China Total | | 8 | 10 | 11 | 5 | 6 | 40 |
| USA | Patent received | 10 | 11 | 12 | 2 | 4 | 39 |
| | Under review | 0 | 0 | 0 | 0 | 0 | 0 |
| | certificate processing | 0 | 0 | 0 | 0 | 0 | 0 |
| USA Total | | 10 | 11 | 12 | 2 | 4 | 39 |
| Italy | Patent received | 1 | 0 | 0 | 0 | 0 | 1 |
| | Under review | 0 | 0 | 0 | 0 | 0 | 0 |
| | certificate processing | 0 | 0 | 0 | 0 | 0 | 0 |
| Italy Total | | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | | 28 | 30 | 43 | 12 | 16 | 129 |

Number of patent applications as of Mar 31, 2022

Paper

The publication of technical papers not only brings exposure to the company but also represents the company's level in terms of innovative technology. Through the participation in various conferences and paper publication, we aim to draw more opportunities for collaboration.

Looking towards the future with numerous competitors in the global market, given our existing resources, we ought to dedicate more attention to innovation so as to propel business growth. Through commitment of resources to patent and paper strategies and deployment, we shall gradually accumulate Ablere's IP asset, which will no doubt prove invaluable to the company's overall competitiveness in the future.

Journal Paper:

Unit: Article

| Document Type | | No. published | Total |
|---------------------|----------|---------------|-------|
| Periodical articles | Local | 15 | 35 |
| | Overseas | 20 | |
| Conference paper | Local | 16 | 27 |
| | Overseas | 11 | |
| Total | | 62 | |

Papers published as of Mar 31, 2022

(2) R&D staffs and their academic credentials

As of Mar 31, 2022, we have a total of 119 employees on our R&D staff, with their academic credential distribution as shown in the table below:

As of Mar 31, 2022/Unit: Person

| Academic credentials | PhD | Masters | Bachelor | College | Senior High School | Total |
|----------------------|------|---------|----------|---------|--------------------|---------|
| No. of employees | 2 | 64 | 47 | 2 | 4 | 119 |
| Percentage % | 1.68 | 53.78 | 39.50 | 1.68 | 3.36 | 100.00% |

(3) Research and Development Expenses in the Past Five Years

| Item \ Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022Q1 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|---------|
| R&D Expense | 144,289 | 151,895 | 142,655 | 147,421 | 157,541 | 39,829 |
| Revenue | 2,394,838 | 2,530,613 | 2,462,390 | 2,361,923 | 2,984,677 | 661,908 |
| Percentage of Revenue | 6.03% | 6.00% | 5.79% | 6.24% | 5.28% | 6.02% |

(4) The following is an overview of the technologies and products that AblereX has successfully developed:

| Year | Product Category | Successfully developed technology or product | Description of characteristics/purpose |
|--|--|--|---|
| 2021 | UPS | Line-interactive UPS PSA4 500VA~1500VA | Featuring new full-bridge architecture, the new model offers the following advantages: 1. Improved efficiency. 2. Compact PCB 3. Low cost 4. Higher power wattage 5. Autonomy time longer than Glamor 6. Support dual channel of communication Simultaneously (Wife, RS232 and USB) |
| | | Line-interactive UPS PST4 350VA~850VA | Power strip form factor 1. higher efficiency 2. Compact size 3. Low cost |
| | | On-line UPS ARES 1K~3K RT / Tower Model for 230Vac System | 1. Increased product capacity (power factor increased from 0.9 to 1.0) 2. Wifi Adopted for friendly interface 3. Versatile battery bank configurations (1K: 2-3 batteries; 2K: 4-6 batteries; 3K: 6-8 batteries) |
| | | Line-interactive UPS Clumbus 750VA~3kVA For 230Vac system | 1. Increased product capacity (power factor increased from 0.6 to 0.7) 2. New added SNMP and DryContact Card 3. LCD panel display function |
| | | Line-interactive single-phase UPS Clumbus 750VA~3kVA For 120Vac system | 1. Improve power factor of current product from 0.6 to 0.7. 2. Increase SNMP and DryContact Card 3. LCD panel function 4. UL certified model |
| | | A.T.S. (Auto Transfer Switch) iTS with CAM | 1. Switching time from 21ms~16ms. 2. Support firmware update of USB 3. Initial output relay at N.O. position 4. Support Emergency power off function 5. High MTBF design |
| | | Three-phase UPS TAURUS 10K~100K | 1. Adopted a new three-level architecture to significantly improve the unit's overall operating performance 2. Output power factor increased to PF=1.0 3. New accelerated ECO operation mode with transferring speed < 3ms |
| | | Three-phase UPS Kronos 10K~40K | 1. Adopted a new three-level architecture to significantly improve the unit's overall operating performance 2. Output power factor decreased to PF=0.9 to be highly competitive 3. New accelerated ECO operation mode with transferring speed < 3ms |
| Three-phase UPS for UL Kronos 10K~20K | 1. A new three-level architecture adopted to improve the unit's operating performance significantly. 2. Output power factor increased to PF=1.0 3. A new accelerated ECO operation mode with | | |

| Year | Product Category | Successfully developed technology or product | Description of characteristics/purpose |
|------|--|--|---|
| | | | transferring speed < 3ms 4. UL certified model |
| | Power Management Development | Battery Management System BMSIII plus RF Receiver | In addition to the wireless transmission functionality that is also featured in the previous generation, the product has also been designed with battery voltage equalizer technology to prevent battery overvoltage with greater precision. We have designed with additional function that allows determine battery condition, remaining discharging time, and diagnosing life cycle of deteriorated battery. |
| | | Raspberry Pi Intelligent HMI | Adding a wifi function; moreover, to strengthen the development of Green Product related application software. |
| | | AC PDU2.0 Power System Management | According to the market demand for DC current communication server, we have developed AC PDU power management systems with applications similar to our previous AC PDU, but the main difference is the improvement of measurement accuracy, and its monitoring interface is upgraded from the 7-inch touch panel to the Raspberry Pi intelligent interface. |
| | APF | APF ESD34 150/100A | Features immediate response control that delivers outstanding transient response for the APF by enabling immediate compensation at any point during each current cycle. We have also increased product compensation capacity and catered to the demands for IP00/IP20. |
| | | APF 480V UL | In addition to the breakthrough of existing product architecture and technology utilization, the product is more compliant with existing international safety regulations, making its distribution more extensive. |
| | | APF 80A Rack Module | Next-gen product that offers significant improvement in power density to reduce spatial requirement for installation. Next-gen hot swapping technology. New controller that adds all-level harmonics compensation and load balancing mechanism. Adopting a multi-level switching structure, the product reduces IGBT switching loss while increasing the number of harmonics compensation while correcting power factor. |
| | | APF 80A Wall Mount | Next-gen wall mounted product that offers significant improvement in power density to reduce spatial requirement for installation. |
| | | APF 60A/100A | In addition to improving the current product architecture and technology, adding different capacity parallel applications makes this product portfolio more flexible. |
| | | SVG 70kVAR | Speed up the Reactive Power Compensation response in half cycle (10ms) to reach the target of requiring compensation of load |
| | | ESS PVI | Single Phase Residential ESS |
| | Energy Storage System ESS5000/4000/3300 | | Through the smart meter interface, the user can command the Self-consumption function based on the |

| Year | Product Category | Successfully developed technology or product | Description of characteristics/purpose |
|------|------------------|--|--|
| | | | <p>calculation of voltage, current, and power factor through out the controller. The controller will automatically order the command to the rectifier to adjust power generation from solar panel and battery discharge/ charge power. This system also fits to time-of-use pricing program users that throughout the setting of smart meter, users will be able to control discharging or charging electricity by adjusting the setting of off peak and on peak time-of-use periods. Users can buy electricity in the off-peak period to storage into the system and sell this storage electricity in the on peak period to accomplish the goal of saving energy resource and the most efficiency way of use. Our ESS inverter can use any batteries if the voltage of inverter matches the voltage of battery bank within the range of 40~60V. The customer can consider choosing our ESS Li-ion battery module option which includes the Battery Management System in it. Our system is suitable for the Lead-acid, Lit-ion, LiFePO4, SiC, Seawater battery, etc.</p> |
| | | Energy Storage System | <p>A new generation of ESS with a single unit capacity from 20kW to 85kW. The capacity of the system can be expanded in parallel according to user needs, up to 2MW; and it is equipped with high energy density lithium battery modules.</p> <p>The smart meter (ESS-MET), which can integrate with PCS and PV inverter device to perform complete dispatch function of energy storage system, includes following function as Time of use price, auto schedule control, peak cut, self-consumption, emergency power ... etc.</p> |
| | GPS | Three-phase PV inverter ES 52000 | <p>This three-phase 52kW PV product can be used with solar modules, and the number of parallel units can reach the best operating point to achieve the best cost of the solar power system; intelligent MPPT tracking can effectively increase the overall power generation of the solar system. Products will be higher competitive.</p> |
| | | Three-phase PV inverter ES 60000 | <p>This three-phase 60kW PV product is used in the 480Vac system, and further provides PV inverter energy density to make the product more competitive.</p> |
| | | Three-phase PV inverter ES 66000 | <p>This three-phase 66kW PV product can be used with solar modules, and the number of parallel units can reach the best operating point to achieve the best cost of the solar power system; intelligent MPPT tracking can effectively increase the overall power generation of the solar system. Products will be higher competitive.</p> |
| | | Three-phase PV inverter ES 75000 | <p>This three-phase 75kW PV product is used in the 480Vac system, and further provides PV inverter energy density to make the product more competitive.</p> |

| Year | Product Category | Successfully developed technology or product | Description of characteristics/purpose |
|------|------------------|--|--|
| | | Single-phase PV inverter ES7200HC | As the solar panel production improves year after year, panel efficiencies continue to improve as well. To apply to the improvement of solar panel and market's needs, we have developed a new inverter of 7.2kW model. This new inverter is designed with single MPPT function and 1000V DC input, to rise power density and to make the product lighter. |
| | | Taiwan CNS15382 Grid regulation | In response to Taiwan's enactment of national grid-connected regulations, the full range of PV inverter models sold in Taiwan are about to reach the requirements of the standard. |

5.1.4 Long-Term and Short-Term Business Development Plans

(1) Short-term business development plan

① Product strategy

- a. A low-end single-phase UPS product line launched to meet the needs of the low-price market.
- b. Renew the high-end products from generation to generation to maintain the advantage in the market.
- c. Integrate products from different products to provide total solutions.
- d. Development-oriented "designed for simplified mass production" for manufacturing cost advantages.

② Production strategy

- a. Conduct more intelligent monitoring equipment, run deeply into the manufacturing process, and continuously reduce quality risks.
- b. In response to the trend of rising labor costs, part of the process is transferred to automation to reduce labor and improve manufacturing efficiency and efficiency.
- c. Improve energy utilization and move towards a green factory.

③ Marketing strategy

- a. Adopt the strategy of adapting measures to local conditions, implement localized operations, utilize technological advantages, and combine the market characteristics of different regions to develop differentiated localized brands.
- b. Provide integrated brand services from design to after-sales, planning to maintenance.

④ Financial coordination

Based on the principle of stable operation, the company uses its own funds and operating surplus as the main working capital but will also use bank financing in a timely and appropriate amount to seek the optimization of ROE.

(2) Long-term business development plan

(A) Product strategies and goals

In terms of product development, the company shall adhere to the following strategies:

- ① Make the existing product series more complete and continue to complete products with different prices to meet multiple choices.

- ② To refine and deepen our ODM/OEM collaboration models with leading manufacturers around the world and jointly development mainstream products so that we could become the main supplier or partner of strategic alliance with leading manufacturers. This will allow us to expand our scale of production, improve product quality, lower our costs and in turn make the company more competitive.
- ④ Close integration between new product development, our core technologies, and patented technologies to boost our products' competitive edges and enhance our lead against other competitors in terms of technical capabilities.
- ④ Close coordination with the development of new energy technologies and foray into the research and development of relevant products for green and renewable energies such as solar PV and fuel cells so as to enhance their applications in "smart power grid".

(B) Production strategies

- ① Improve upon existing manufacturing processes to achieve compliance with relevant eco-friendly standards and green product development by launching pollution-free processes.
- ② Continue to deepen the application of Industrialization 4.0, coupled with big data analysis, to increase production efficiency, improve quality and achieve the goal of reducing costs at the same time.
- ④ Implement total quality management to maintain optimal internal operation at all times.

(C) Marketing strategies

To attain continual improvement in the company's sales, expand the market share of our products and increase the value of AblereX in the global supply chain, we shall adhere to the following marketing strategies:

- ① To deliver the best services in all our processes and all aspects of our operation.
- ② To demonstrate AblereX's existing core technologies and capabilities and our determination and drive to carry onward in our improvement of technical capabilities.
- ③ To fortify our search and collaboration with other leading companies around the world and foster partnerships so that we could become one of the primary suppliers of mainstream products in the business.
- ④ To expand our original product and establish distribution channels for specific products in appropriate region/territory.
- ⑤ To collect information of local market, connect with our customers and deliver prompt services through our offshore locations.

(D) Financial strategies

- ① To strengthen exchange management and make appropriate use of financial hedging tools to ensure our costs and revenues, thereby reducing the risks and losses from foreign exchanges.
- ② To make appropriate use of financial leveraging to lower operating costs.
- ③ To expand our fundraising channels into the capital market so that we can obtain funding at lower costs and facilitate relevant expansion plans.

(E) R&D strategies:

- ① To focus on development continuously for products about power quality improvement and power supply reliability.
- ② To inject more R&D resources for new energy, renewable energy, energy recycling, and energy conservation so that we could develop relevant products for the market in the future.
- ③ To insist on technological innovation and continue with aggressive patent deployment so that we can strengthen our technical competitiveness.
- ④ Under the consideration of manufacturing feasibility, customization flexibility, and diversity of function choices, make products to meet market needs at a cost.
- ⑤ Improve the development capabilities of high-power capacity products, and develop in the direction of large-scale, industrialization, and modularization.

5.2 Market and Sales Overview

5.2.1 Market analysis

(1) Sales (Service) regions

Unit: NT\$ thousand, %

| Item | Year | 2021 | |
|--------------------------------|---------|-----------|---------|
| | | Amount | % |
| Domestic operating income | | 1,483,828 | 49.71% |
| International operating income | Asia | 871,588 | 29.20% |
| | America | 178,795 | 5.99% |
| | Europe | 434,326 | 14.55% |
| | Others | 16,140 | 0.55% |
| Total | | 2,984,677 | 100.00% |

(2) Market share (%) of Major Product Categories in the Last Two Years

Ablerex is primarily involved in the production and distribution of UPS, APF, PV Inverters, and the subcontracting of power related projects. Presently, we have many competitors in the domestic market, including PCM, Delta Electronics, CyberPower and so forth. However, our products and products from these competitors are distinctively different and as most of these products are customized products, relevant information have been difficult to obtain. This renders a precise calculation of market share to be impossible.

(3) Supply & demand and potential growth of market in the future

① UPS

Despite the long history of the UPS industry, the sector still has much room for growth waiting for businesses to commit and cultivate. Even though the migration of local businesses may significantly reduce the quantity of factory equipment in Taiwan, UPS manufacturers will still be able to locate new market and point of entry. With the prevalence of PC systems and the growing sophistication of machinery functions, end users will grow to better appreciate the necessity and importance of UPS systems. In addition to enterprises and server rooms where UPS have long played a vital role, UPS products have gradually found their way to general

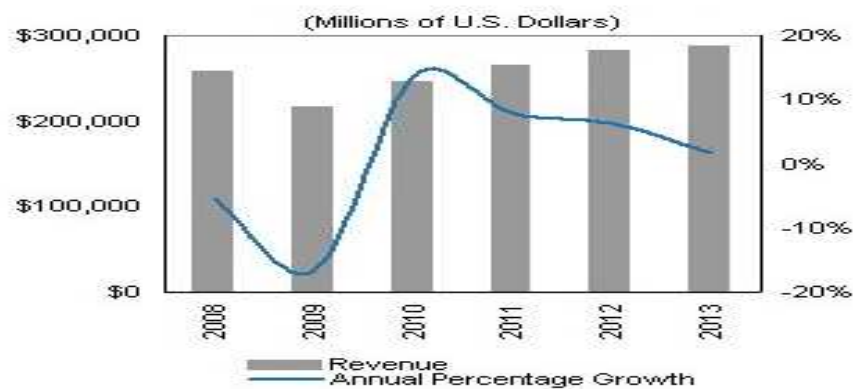
consumers. Between large and sophisticated home multimedia entertainment systems and personal PCs, the demand for UPS is starting to stem from even the average consumers.

② APF

With the rapid development of high-tech industries, literally all of their precision instruments require high quality power systems in order to maintain normal operation. However, as most of the high-tech instruments run non-linear load (such as the semiconductor industry), they generate substantial number of harmonics current pollution that has adverse impact on power quality, leading to issues such as voltage distortion, overvoltage, and even equipment failure. Consequently, APFs have been installed to mitigate the harmonic currents generated by the load and have therefore been perceived as valuable investments.

In the mid-year update of “Semiconductor Applications Forecaster” published by the American market research organization IDC in 2011, the global semiconductor sales in 2012 will achieve an annual growth of 5% to reach US\$ 318 billion and by 2015, the global semiconductor sales will reach US\$ 378 billion, with compound annual growth rate at 6% spanning from 2011 to 2015. It is therefore natural to predict that the demands for APF will increase as the semiconductor

Fig. 1: Global Semiconductor Revenue Forecast



Source : iSuppli · 2009年09月

③ PV Inverter

According to IMS Research’s prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2020. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly while the demand for residential PV system will be less apparent.

It is estimated that approximately 60% of the PV system installation in the future will take place in Asia, mainly China, and most of them would be PV stations. As for residential PV systems, Japan will be the only market that may promise some potential.

④ Energy Storage System

According to Energytrend’s prediction, the ESS market will continuously grow in future. Especially clear and more needs after 2018 to 2020. We estimate the demand of ESS converter (normally 5kW) will likely increase in the foreseeable future.

(4) Competitive niche

Factors such as the yield rate of UPS, productivity and specifications have become the key criteria that global leading brands and channel operators use as guidelines in their selection of UPS supplier. Presently, Ablerex has the following competitive edge in terms of its marketing, product development, and manufacturing process:

① Marketing

The company has been actively taking part in major local and international electronics fairs in recent years and has achieved significant exposure in the global sector chains. In addition, our products have received safety certifications in numerous countries, and this helps to facilitate the expansion of our business. We also offer a comprehensive selection of small and micro-UPS products that can satisfy customers' varying needs. With our positive image and solid R&D capabilities, the company has proven itself to be capable of developing new products in accordance with customers' needs and this has in turn made Ablerex a preferred partner of collaboration for international brand names compared to other local competitors. Consequently, this will be beneficial in our search for ODM/OEM collaboration opportunities.

② Product development

With UPS products becoming more compact and more intelligent with modular and network functionalities, Ablerex has shifted its core technologies towards the development of high speed and high precision. In terms of product development, the company not only has adequate capacity for relevant software and hardware design but also managed to reach top class level when it comes to product development speed and design quality. We can work with customers' needs to make relevant changes and technological reforms to launch new products at the right timing so that we are able to compete in the market with products of better performance, superior quality at lower costs.

③ Manufacturing process

Manufacturing process improvement is an important factor in the control of production costs, while quality stability functions as a critical criterion of customer satisfaction and future business expansion. And as such, we have carefully planned and mapped out the entire manufacturing process for the development of new products and have been making continual improvement on our process and quality control so as to facilitate manufacturing processes while lowering relevant costs and enhancing quality. Ablerex has the professional manufacturing capacity to handle independent product development, software design, manufacturing, automated assembly, and testing. Not only that, but we also deliver products of outstanding quality, punctual shipping schedules and comprehensive after sales services to stay competitive in the market.

(5) Favorable and Unfavorable Factors in the Long Term

① UPS and APF

Favorable factors

A. Continual upgrading of high-tech industries to propel the continual increase in the demand for UPS and power quality improvement

As high-tech industries upgrade their production capabilities, they would inevitably use more expensive manufacturing processes of higher precision. As a result, their demand for power quality would grow in proportion, thereby driving up the demand for UPS and APF to improve their power quality.

B. Superior R&D capabilities to achieve stable product quality

After accumulating years of experience and expertise from independent research, Ablerex has obtained 131 patents, and 128 of which are invention patents that have been featured on our key products. Not only that, we have also been accredited to ISO 9001 and ISO14001 standards that speak for our high product quality. At the same time, we have also improved our productivity and expanded our production capacity to satisfy the needs of our customers.

Unfavorable factors

A. Product diversification may impede the improvement of production efficiency

With different equipment requiring different capacities and power factors for UPS and APF products, our product lines have become more diverse and this is disadvantageous to the improvement of production efficiency.

Counterstrategy:

We shall improve our production-distribution coordination to achieve precise control of product delivery schedules and always monitor changes in market demand through information systems. The manufacturing department will also make flexible adjustments to its production plan to better manage the delivery schedule and satisfy our customers' needs without compromising the benefits of concentrated batch production.

B. Low energy storage density that is unable to cater to the need for long operation duration

The greatest drawback of battery banks used for normal UPS systems is their low energy storage density. To construct a large, scaled energy storage system, the batteries would take up substantial physical space.

Counterstrategy:

Due to cost considerations, normal UPS systems use lead-acid batteries. In the future, lithium batteries that offer higher storage density and longer lifecycle might become a viable alternative. Although lithium batteries are significantly more expensive, with the advancement in battery technology and development of electric car batteries, its development in the future is still worth looking forward to.

② PV Inverter

Favorable factors

A. Continual demand for energy keeps international oil prices up

With the rise of emerging nations such as China, India, Brazil and the ongoing growth of US and European economies, the global demand for energy has continued to grow. In addition, as the global petroleum reserve declines over the years, international oil prices have remained high and thus driving nations around the world to seek for alternative energies to mitigate the rising energy costs and energy shortage. Among the alternative energy sources, solar power has received the most abundant investments. With the certainty of growing

energy demands in the future, the use of renewable energy will become more prevalent.

B. Growing awareness for environmental protection

The Kyoto Protocol prescribes specific targets of greenhouse gas reduction and is supplemented with multiple flexible operating regulations such as emission trading clean development mechanism and joint implementation. The protocol also touched on the issues of environmentally harmful subsidy reform. The Copenhagen UN Climate Change Conference also involved negotiations of greenhouse gas emission goals with specific carbon reduction objectives and discussions on assisting developing nations to combat global warming. These events have gone to show that the issue of environmental protection is of primary concern to nations around the world and due to the considerations for sustainability, governments will no doubt actively develop renewable energy industries.

C. Government subsidies to reduce installation costs

Due to the low conversion factor of solar power at present, the cost of solar PV generation is still higher compared to other traditional means of power generation. The relatively expensive costs of solar PV system installation will no doubt create additional economic strains on the public that wishes to have solar PV systems. And as such, governments around the world have promulgated subsidy policies, causing the solar PV market to experience explosive growth and continual increase in market demand.

Unfavorable factors

A. Increase in the number of competitors, leading to intense price competition

With the demands gradually growing, there will inevitably be more competitors in the business, only to be followed by price wars and struggle for orders with lower pricings. This would in turn impact the profit margin for products.

Counterstrategy:

The company shall continue to research and innovate in the future so that we can develop products of higher efficiency and functions and other high-end products to differentiate from the low-cost market. In addition, we will also commit more resources to the development of other alternative energies to stay competitive.

B. The industry is susceptible to the impact of government policies

As the solar PV industry is susceptible to the impact of government policies, product demand may become limited during period of depression when the government is likely to cut down on subsidies to reduce spending.

Counterstrategy:

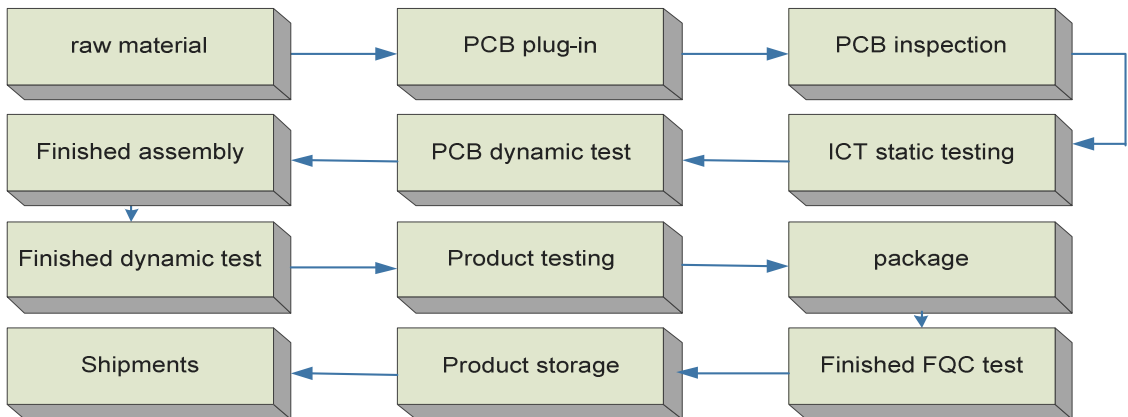
We will continue to develop new customers and cultivate new customer base in different countries to better understand the needs of our future clients. In addition, we will foray into the respective markets to lower the risks of being overly dependent on the distribution in specific regions.

5.2.2 Production Procedures of Main Products

(1) Primary purpose of main products

| Main product categories | Purpose & Functions |
|-------------------------|---|
| UPS | At the moment of power failure, the UPS will temporarily supply power from its battery bank to prevent damages on PC, communication device, consumer electronics, high tech products medical equipment and so forth due to power disruption or power surge. |
| APF | Generates a compensatory current that is of the opposite phase of the harmonics at the load to effectively improve power quality while preventing excessive harmonic currents from causing interferences or damages on power equipment or production processes. |
| PV Inverter | Utilizes DC current from solar PV cell and converts it to AC currents similar to the power from city power grid for direct usage or parallel connection to the power grid. PV inverter is a key component in solar PV generation systems. |
| ESS | The ESS includes smart meter (ESS-MET), inverter (ESS-INV), and battery module (ESS-BAT). |

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

The main raw materials used for our products include battery, transformer, semiconductor parts, plastic materials, metal cased PCB, wire materials, and so forth and these are sourced by a number of suppliers. However, the ratio of supply for these materials have been carefully managed to prevent over-concentration of order for specific suppliers. In addition, Ablerex has maintained positive collaboration with most suppliers over the years and in an effort to ensure supply stability, we have made an effort to stay in touch with other suppliers. And as such, supply status has been positive for Ablerex and no incident of short supply or supply disruption has occurred.

(4) Major Suppliers and Clients

- A. The names of suppliers who have accounted for more than 10% of the total purchases in any of the most recent two years, as well as their amounts and ratios, and explain the reasons for their increase or decreases:

Unit: NT\$ Thousand; %

| Year | 2020 | | | | 2021 | | | | | 2022Q1 | | | | |
|------|----------|-----------|---------|----------------------|------|---------|-----------|---------|----------------------|--------|---------|---------|---------|----------------------|
| Item | Name | Amount | % | Relation with issuer | Item | Name | Amount | % | Relation with issuer | Item | Name | Amount | % | Relation with issuer |
| 1 | SOCOMECH | 98,395 | 6.36% | None | 1 | ENERSYS | 108,203 | 5.35% | None | 1 | ENERSYS | 65,079 | 12.12% | None |
| 2 | Other | 1,448,858 | 93.64% | - | 2 | Other | 1,913,988 | 94.65% | - | 2 | Other | 471,678 | 87.88% | - |
| | Total | 1,547,253 | 100.00% | - | | Total | 2,022,191 | 100.00% | - | | Total | 536,757 | 100.00% | - |

Note 1: The name of the customer who has sold more than 10% of the total sales in the last two years and the amount and proportion of the goods sold, but the name of the customer or the transaction object shall not be disclosed as an individual and not a related person because the contract stipulates that the name of the customer shall not be disclosed.

Note 2: As of the printing date of the annual newspaper, companies listed or whose shares have been traded in the place of business of securities dealers shall disclose the most recent financial information verified by an accountant or verification.

Cause of change: None

- B. Major Clients (10%) in the Last Two Calendar Years The names of clients who have accounted for more than 10% of the total purchases in any of the most recent two years, as well as their amounts and ratios, and explain their reason for their increases or decreases:

Unit: NT\$ Thousand; %

| Year | 2020 | | | | 2021 | | | | | 2022Q1 | | | | |
|------|-------|-----------|---------|------|------|--------|-----------|---------|------|--------|-------|---------|---------|--------|
| Item | Name | Amount | % | Item | Name | Amount | % | Item | Name | Amount | % | Item | Name | Amount |
| 1 | (A) | 208,669 | 8.83% | None | 1 | (F) | 485,711 | 16.27% | None | 1 | (A) | 72,123 | 10.90% | None |
| 2 | (F) | 177,054 | 7.50% | - | 2 | (A) | 348,663 | 11.68% | - | 2 | (F) | 71,230 | 10.76% | - |
| | Other | 1,976,200 | 83.67% | - | | Other | 2,150,303 | 72.05% | - | | Other | 518,555 | 78.34% | - |
| | Total | 2,361,923 | 100.00% | - | | Total | 2,984,677 | 100.00% | - | | Total | 661,908 | 100.00% | - |

Cause of change: No significant deviation in two years.

(5) Production in the Last Two Years

Unit: piece; NT\$ Thousand

| Major Products \ Year | 2020 | | | 2021 | | |
|-----------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| UPS | 275,000 | 180,792 | 770,222 | 275,000 | 206,963 | 922,877 |
| APF | 2,500 | 2,048 | 63,547 | 2,500 | 1,833 | 64,097 |
| PV inverter | 8,000 | 6,960 | 289,536 | 8,000 | 6,340 | 283,206 |
| Project | Note | | 794,485 | Note | | 1,053,910 |
| Other | Note | | 1,234,924 | Note | | 1,531,705 |
| Total | 285,500 | 189,800 | 3,152,714 | 285,500 | 215,136 | 3,855,795 |

Note : Factory mainly produces UPS, APF, PV inverters and related components (PCB'A), components of each system for different equipment, so the data is non-comparative.

(6) Shipments and Sales in the Last Two Years

| Item \ Year | 2020 | | | | 2021 | | | |
|--------------|----------|------------------|----------|------------------|----------|------------------|----------|------------------|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| UPS | 234 | 2,375 | 155,554 | 803,488 | 87 | 1,293 | 192,781 | 976,294 |
| APF | - | - | 1,488 | 110,008 | - | - | 1,659 | 126,078 |
| PV | 1,608 | 48,417 | 191 | 7,456 | 2,815 | 94,499 | 176 | 12,181 |
| Project | | 979,076 | | - | | 1,280,478 | | 3,831 |
| Service | | 89,510 | | - | | 100,296 | | - |
| Other | | 5,331 | | 316,262 | | 7,262 | | 382,465 |
| Total | - | 1,124,709 | - | 1,237,214 | - | 1,483,828 | - | 1,500,849 |

5.3 Human Resources Analysis

Number of employees, average seniority of service, average age and education distribution ratio for the last two years and as of April 30, 2022

Apr. 30, 2022, Unit: people, age, %

| Year | | 2020 | 2021 | 2022/4/30 |
|------------------------------|------------------------------|--------|--------|-----------|
| Number of Employees | Direct Labor | 143 | 132 | 158 |
| | Indirect Labor | 94 | 86 | 79 |
| | Administrative staff | 410 | 432 | 404 |
| | Total | 647 | 650 | 641 |
| Average age | | 37.2 | 38.36 | 39.01 |
| Average seniority of service | | 6.8 | 7.52 | 7.93 |
| Education (%) | Ph. D. | 0.31% | 0.31% | 0.31% |
| | Masters | 13.29% | 13.08% | 13.42% |
| | Bachelor's Degree | 29.52% | 30.92% | 31.51% |
| | College | 19.78% | 20.31% | 20.28% |
| | Senior High School | 21.79% | 20.15% | 20.44% |
| | Junior High School and below | 15.30% | 15.23% | 14.04% |

Note: The numbers are for all group

5.4 Environmental protection Expenditure

5.4.1 Total Losses and Penalties

According to the law, the applicant shall apply for the establishment of a permit or pollution discharge permit or should pay pollution control costs or the establishment of environmental protection units responsible for the person, the application, payment or establishment of the statement: the company in the production process and No major sources of pollution, but in order to avoid changes in the law also set up environmental protection personnel, and regularly check the status of the law to determine whether the impact of the company's operations.

5.4.2 Major equipment to prevention and their usage and potential benefit: None.

5.4.3 Until the date of publication, any improvement in environmental pollution for past two years: None

5.4.4 (Including remedial measures) and possible expenses (including non-response measures that may occur in the future due to the total amount of the damage suffered by the Company in the last two years and as of the date of publication) Loss, disposition and indemnity, if it is not reasonably possible, it shall state the fact that it can reasonably be estimated.: None

5.4.5 The current pollution situation and its improvement on the company's earnings,

competitive position and capital expenditure and the expected impact of the next two years of major environmental capital expenditure: None.

5.5 Labor Relations

5.5.1 Employee's welfare package, education and training, retirement plan, and employee rights

(1) Employee's welfare package:

In addition to following the Labor Standards Act and the relevant regulations, Ablerex provides group insurances covering healthcare, accidents, and health examinations for employees. Ablerex also established the Employees' Welfare Committee which oversees employees' welfares including subsidies of weddings, funerals, in hospitals, and birthing, and holds activities regularly, such as birthday parties and domestic/foreign trips, to take care the life of employees.

(2) Education and training:

Ablerex holds internal management and specialist training program and encourage employees to attain courses and training held by professional institutions to enhance the proficiency and core competitiveness of employees. The education and training records are as follows:

| Item | Courses | Trainees | Hours | Costs |
|-------------------------------|---------|----------|-------|---------|
| 1. Training for New employees | 4 | 60 | 240 | 0 |
| 2. Specialist training | 72 | 200 | 565.5 | 277,902 |
| Total amount | 76 | 260 | 805.5 | 277,902 |

(3) Retirement plan and the implementation:

Ablerex has formulated the retirement and pension plans for employees according to the Labor Standards Act. A certain percentage of salary payment is allocated as retirement reserve funds and if it is not enough for the payment of pension, the additional part will be listed as expense in the financial reports.

Since the implementation of Labor Pension Act in 2005.7.1, for the employees, adopting the defined contribution plan of pension, the pension fund will be paid and deposited in the personal pension fund account for no less than 6% of monthly salary by Ablerex.

(4) Employee rights:

Ablerex has advocated to humane management and set up many channels for employees to communicate with employers. Ablerex thinks highly of all kinds of employees' welfare and feedbacks of communication, so that Ablerex has harmonious relationship between employer and the employees. There is not any dispute on labor relation to be negotiated since Ablerex established. Yet, Ablerex still devote to better employees' welfares to enhance the harmonious labor relation and to prevent any possible labor disputes.

(5) Code of employee's conduct and ethics:

Ablerex has stipulated "Ethical Corporate Management Best-Practice Principles" and relevant managerial regulations for Directors, Managers, and employees to

prohibit unethical behaviors, the chances of pursuing personal interests, bribery, to protect and properly use the assets of the company, to abide by regulations, and to encourage to report any illegal or unethical behaviors.

(6) Working environment and worker's safety protection:

Ablerex considers the importance of the working environment and personal safety protection measures for employees. Use ISO9001 and 14001 management systems to carry out major environmental considerations/occupational safety and health risk control, and use target and plan management to prioritize improvement, while lower risks are controlled by operation control methods. After good operation and improvement, all Obtained obvious results and control, the company's major goals and management plan are summarized as follows:

| No. | Target | Solution | Status | Execution |
|-----|--|--|---|---|
| 1 | Change to lead-free product | 10% leaded product change to lead-free product | There are still very few leaded products in the Company, although it still complied with international standard, but also as a goal to go. | Lead-free raw materials and lead-free electrical product development test, the production line has been fully changed accordingly. |
| 2 | 10% recycling of Office total used | program for A4 paper and laser printer cartridge recycling | Recycling | Set A4 recycling paper dedicated machine, toner cartridges are re-transfer manufacturers to use |
| 3 | Energy saving and carbon reduction and improvement | Saving water saving measures | The company set the energy policy in 2019, electricity consumption decreased by 1% over 2020, (result is increasing 8.8%) water consumption decreased by 1% over 2020, (result is increasing 21.2%) | <ol style="list-style-type: none"> 1. Implement energy conservation and reduce electricity expenses. 2. Central air-conditioning use period control. 3. master the various units of electricity, to review the possible loss of power. 4. Analyze the rationality of electricity and set the optimal contract capacity. 5. The faucet is equipped with a water-saving device to reduce the amount of water. 6. Use water-saving equipment when replacement. |

Follow-up activities on environmental and occupational safety and health promotion

A. Harmful substances limit (ROHS)

ROHS came into effect in July 1, 2006, the products sold to the EU shall not contain six hazardous substances includes lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ether. The Company actively promoted green

production and procurement, to achieve in the process, and has been with the main customers to meet the products without harmful substances, access to customer recognition.

B. Plan for Occupational Disaster Prevention

To achieve the goal of zero disaster, the Company plans to prepare the annual occupational disaster prevention plan at the end of each year, and then formulate detailed implementation plans according to the contents of the occupational disaster prevention plan and will be implemented by the institution according to the planned time and content. The system explores the lack of implementation, at every three months of the safety and health committee or the labor meeting, to fix the occupational disaster prevention plan. In accordance with the resolution of the Safety and Health Committee during the year, we will set down the occupational disaster prevention plan, re-implementation, re-audit, review and revise the plan for the next year. We will continue to reduce the risk of harm to the public through the PDCA The goal of the disaster. Once an accident occurs, it will require countermeasure. There were 4 accidents for work safety in 2021 and 2 of them are traffic accidents involving employees on the way to and from work. The team is required to understand and improve the working conditions of the employees. Employees are required be careful on the way to and from work. At the same time, Work safety's inspections will also be implemented from time to time.

C. Implement the autonomous inspection

Employees in the face of different operating environment, process, operation and operation, may be due to unsafe operations, equipment or management and other factors, resulting in physical harm, to this end, the company is actively promoting the autonomous inspection, this is a measure to promote the discovery of potential hazards, and strive to improve and effectively control. The company carries out autonomous inspection the items, including equipment, the use of raw materials, operating environment, operating machinery and motor vehicles.

D. On-site job environment measurement and personal protection of employees

In the implementation of the operating environment of the Company, the operating environment measurement plan containing the sampling strategy is prepared, and the project is collected from the basic data collection, the process flow and the hazard record. Through the observation, interview record, survey, (CO₂), noise, ... and so on.

Site workplace planning safety line, the protection part of the necessary equipment, such as the protection of protective equipment, earplugs, etc., on the part of the staff assigned to the safety shoes to strengthen the protection. Regular health checks every three years, the most recent implementation date 2021.08.25.

E. Strengthen corporate social responsibility to take care of employees

In the spirit of corporate social responsibility, the Company has a Code of Ethics on Employee Practitioners, which clearly protects

employees' work fairly and maintains their work. We also set up the Supplier Corporate Social Responsibility (CSR) Code for Supplier Management and Specifically, they are required to sign back the declaration, the specific requirements of the staff must also protect the rights and interests.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past 2 years and as of the date of this annual report:

Ablerex values the welfare of all employees and has harmonious relationship between employer and the employees. AblereX has no major dispute on labor relation in the past 2 years and up to the printing date of this Annual Report. Therefore, there should be no concerns on the loss resulting from labor disputes.

5.6 Cyber security risk management

(1) Describe the security risk management framework, information security policy, specific management plan and resources invested in the safety management of Information and communication, etc.:

The company's sustainable development has always valued the rights and interests of stakeholders such as investors, shareholders, customers, suppliers, employees, financial institutions, government organizations, and community residents. In addition to guiding good corporate governance, due diligence in corporate social responsibility, and auxiliary to the appropriate internal control system, operational management and daily operation to achieve the targets of the efficiency of the company's operations, correct and properly financial reporting and follow the regulation.

Along with the advancement of the times and the extension of the development network of information, the security risk is also raising or even affecting operation of the corporate or the loss of finance and business. To face the Cyber security risks, the company shall build up Cyber security risk for operational management accordingly, such as "Internal Control-Information circulation", "major internal information processing and insider trading management", "protection of personal information management" and "computer processing management" etc. to provide for all employees to follow, in order to guarantee that all stakeholders of interests, the company operating performance.

Cyber security Management

The company set up Cyber security risk management policy for the sustainable development, it will go through via Cyber security governance, compliance and technology applications. From system to application or from a part to whole, the full implementation of Cyber security management and control mechanisms, to ensure that information and The communication is correct, complete and safe, to achieve Cyber security risk management, and to protect the company's operating results.

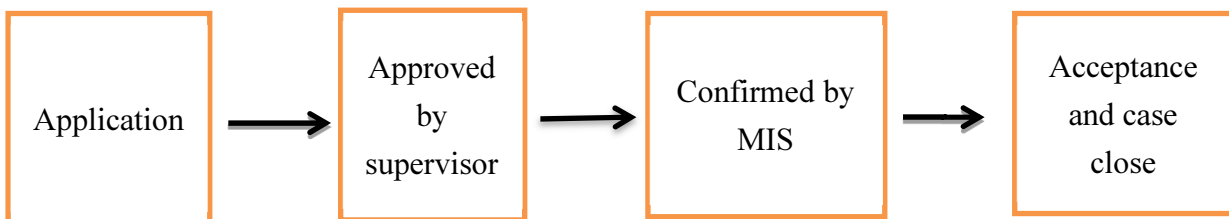
| Cyber Security Strategy | | |
|---------------------------------|--|--|
| Information Security governance | Optimize management mechanism Risk reduction and prevention | Optimize the management mechanism timely, strengthen education and training, implement and implement Cyber security and management. |
| Regulatory compliance | Establish a cycle mechanism to comply with regulation Regular review / revision | Establish a cycle mechanism to comply with regulation of International Information criteria and review and revise regularly. |
| Technology application | Optimize system security applications Firewall, anti-virus software | Lawfully authorized software, equipment configures firewall and anti-virus software, remote replication and All applications for security authority are to be applied in accordance with the provisions of powers and responsibilities. |

Security Management Unit

The information management unit is responsible for examining information governance strategy, plan, monitoring and information management implementation of each territory. They shall keep an eye on every Cyber security. Once major security risk events, report to CEO in time and periodically report to Board of Director.

Information Service Process Management

All information application or change for software, system, mail and networking etc. resource. It shall be required to apply via electronic application flow, upon approved by the relevant supervisor, it will be in the process after confirmation.



Cyber security Management Solution

The company make a review of the cyber security risk through risk identification and risk assessment, confirms the adverse impact of the cyber security risk on the company's operation, takes corresponding solutions, and reviews the information structure, network activities, network equipment, server and terminals. Check and assess whether there are bugs or old equipment problems at any time, and also respond to the challenges faced by cyber security, such as APT advanced persistent attacks, DDoS attacks, ransomware, social engineering attacks, steals and other funding issues, the planned cyber security management plan is as follows:

- (1) Network firewall settings
- (2) Antivirus software settings

- (3) System program data access control
- (4) Email management control
- (5) Information system disaster recovery plan

Cyber security management resources

Unit: NTD

| project | 2020 | 2021 |
|-------------------------------------|-----------|-----------|
| Antivirus software | 58,500 | 58,500 |
| Maintenance costs | 1,817,703 | 1,170,800 |
| Computer room gate control fee | 25,000 | 0 |
| Equipment and software upgrade fees | 1,647,370 | 2,256,518 |
| total | 3,548,573 | 3,485,818 |

Security event and insurance

In accordance with the provisions of the implement, the Company Cyber security governance, operation and management of the mechanism properly, not any serious Cyber security event happened. So, the overall Cyber security risk management properly as expectations. The company has assets in the insurance entity, and the main file data under off-site backup, cum information systems disaster recovery plan, such as the future decree specifications, Cyber security management needs to be insured Cyber security risks, then the company will assess the understanding of the relevant rules and supporting measures to decide again.

Review and Improvement of Security Risk Management

The management of the company conducts internal security control and risk supervision and management based on the scope of its function, conducts internal security control and risk supervision and management, and implements an internal risk control system based on annual self-inspection operations, conducts information cycle internal control self-inspection operations, and evaluates security Manage implementation. In addition, the audit unit tracks the execution status, and the annual audit plan is included in the audit line to ensure the implementation and effectiveness review or improve the reference basis.

The implementation in 2021 is as follows:

- To prevent Covid-19 and maintain stable operations in 2021, the company divided and work from home from May to July. In response to this measure and considering information security issues, all WFH people are connected to the company via VPN. According to the demand proposed by various departments, establish a whitelist and authentication authorization, and check if the VPN is used normally from time to time
- Regularly review user permissions before the end of each year to prevent unauthorized access to data.
- Use the centralized anti-virus system - Kaspersky to monitor virus events and eliminate them at any time.

- Publicize the concept of information security from time to time and change the encrypted connection of POP and SMTP mail.

At present, most of the Internet connections are encrypted with SSL, and websites that do not use it will display "Not Secure", but the connection method of many email mailboxes has not been changed. Unsecured connections use clear text transmission of account numbers and passwords, which are easily intercepted by people with intentions.

Completely change and use encrypted connections and promote the safekeeping of passwords to avoid leakage.

- (2) List the losses, possible impacts and countermeasures suffered by major information security incidents in the most recent year and as of the date of publication of the annual newspaper, and if it is impossible to reasonably estimate, the facts that it cannot reasonably estimate shall be explained: There is no such circumstance.

5.7 Important Contracts

Principal current contractual agreements shown below were effective or expired during the most recent reporting period:

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|----------------------|------------------|-----------------------|-------------------------------------|--------------|
| Equipment Purchasing | Chunghwa Telecom | 2020.11.20~2021.11.15 | UPS | None |
| Equipment Purchasing | Micron | 2021.6.8~2021.12.31 | F11B FAC SUPS capacity expansion | None |
| Equipment Purchasing | KYEC | 2021.11.17~2022.1.9 | CH5 2F Cleanroom UPS | None |
| Equipment Purchasing | Chunghwa Telecom | 2021.12.30~2022.11.18 | Banqiao Data Center UPS and Battery | None |

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet/Income Statement

A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit : NTD in Thousand

| Item | Year | Summarized Balance Sheets of Latest 5 years | | | | | 03-31-2022 (Note 3) |
|--|---------------------|---|-----------|-----------|-----------|-----------|------------------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Current assets | | 1,778,637 | 1,763,345 | 1,848,379 | 2,003,389 | 2,406,092 | 2,206,733 |
| Non-current financial assets at fair value through other comprehensive | | 0 | 0 | 81,000 | 81,000 | 81,000 | 81,000 |
| Real estate, plant and equipment | | 868,528 | 835,870 | 788,501 | 753,320 | 751,209 | 748,136 |
| Right-of-use asset | | 0 | 0 | 16,267 | 8,640 | 10,498 | 8,063 |
| Intangible assets | | 45,238 | 44,326 | 45,162 | 45,837 | 46,684 | 46,827 |
| Deferred income tax assets | | 31,762 | 37,154 | 45,206 | 46,040 | 47,763 | 43,654 |
| Other non-current assets | | 25,151 | 31,182 | 29,806 | 27,073 | 29,844 | 29,100 |
| Total assets | | 2,749,316 | 2,711,877 | 2,854,321 | 2,965,299 | 3,373,090 | 3,163,513 |
| Current liabilities | Before distribution | 1,080,485 | 1,078,347 | 1,256,452 | 1,351,434 | 1,751,251 | 1,553,936 |
| | After distribution | 1,192,985 | 1,145,847 | 1,301,452 | 1,396,434 | Note 2 | - |
| long-term debt payable | | 0 | 0 | 5,683 | 22,691 | 9,479 | 27,281 |
| Deferred income tax liabilities | | 76,392 | 83,030 | 81,991 | 87,337 | 88,793 | 90,810 |
| Income from Lease - non current | | 0 | 0 | 5,449 | 1,820 | 4,334 | 2,626 |
| Other non-current liabilities | | 21,793 | 21,761 | 23,414 | 22,575 | 17,769 | 17,772 |
| Total liabilities | Before distribution | 1,178,670 | 1,183,138 | 1,372,989 | 1,485,857 | 1,871,626 | 1,692,425 |
| | After distribution | 1,291,170 | 1,250,638 | 1,417,989 | 1,530,857 | Note 2 | - |
| Shareholders' equity | Before distribution | 1,561,092 | 1,517,642 | 1,468,689 | 1,465,903 | 1,487,587 | 1,456,383 |
| | After distribution | 1,448,592 | 1,450,142 | 1,423,689 | 1,420,903 | Note 2 | - |
| Capital | | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| Additional paid-in capital | Before distribution | 774,878 | 734,378 | 734,378 | 720,878 | 720,878 | 711,878 |
| | After distribution | 734,378 | 734,378 | 720,878 | 720,878 | Note 2 | - |
| Retained earnings | Before distribution | 365,749 | 367,706 | 336,595 | 347,135 | 378,136 | 337,330 |
| | After distribution | 293,749 | 300,206 | 305,095 | 302,135 | Note 2 | - |
| Other equities | | (29,535) | (34,442) | (52,284) | (52,110) | (61,427) | (42,825) |
| Minority interests | | 9,554 | 11,097 | 12,643 | 13,539 | 13,877 | 14,705 |
| Total shareholders' equities | Before distribution | 1,570,646 | 1,528,739 | 1,481,332 | 1,479,442 | 1,501,464 | 1,471,088 |
| | After distribution | 1,458,146 | 1,461,239 | 1,436,332 | 1,434,442 | Note 2 | - |

Note 1: All the financial data stated above have been reviewed by CPAs.

Note 2: Earnings distribution of 2021 has been approved by Board of Directors.

Note 3: Audited by CPAs.

B. Consolidated Condensed Income Statement - Based on IFRS

Unit : NTD Thousands

| Item | Year | Financial Summary for The Last Five Years (Note 1) | | | | | 03-31-2022 (Note 2) |
|---|------|--|-----------|-----------|-----------|-----------|------------------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Operating revenue | | 2,394,838 | 2,530,613 | 2,462,390 | 2,361,923 | 2,948,677 | 661,908 |
| Gross profit | | 561,775 | 611,560 | 573,933 | 576,822 | 633,996 | 144,909 |
| Income from operations | | 96,738 | 84,632 | 25,864 | 52,953 | 77,979 | 866 |
| Non-operating income/expenses | | (65) | 19,402 | 17,481 | 7,736 | 9,223 | 7,915 |
| Income before tax | | 96,673 | 104,034 | 43,345 | 60,689 | 87,202 | 8,781 |
| Income from operations of continued segments - after tax | | 80,539 | 74,916 | 40,555 | 42,626 | 72,801 | 6,760 |
| Income from discontinued operations | | 0 | 0 | 0 | 0 | 0 | - |
| Net income (Loss) | | 80,539 | 74,916 | 40,555 | 42,626 | 72,801 | 6,760 |
| Other comprehensive income (income after tax) | | (16,387) | (4,323) | (20,462) | 484 | (5,779) | 19,114 |
| Total comprehensive income | | 64,152 | 70,593 | 20,093 | 43,110 | 67,022 | 25,874 |
| Net income attributable to shareholders | | 79,610 | 73,156 | 39,500 | 41,917 | 72,162 | 6,444 |
| Net income attributable to non-controlling interest | | 929 | 1,760 | 1,055 | 709 | 639 | 316 |
| Comprehensive income attributable to Shareholders of the parent | | 63,229 | 69,050 | 20,331 | 42,233 | 66,684 | 25,046 |
| Comprehensive income attributable to non-controlling interest | | 923 | 1,543 | (238) | 877 | 338 | 828 |
| Earnings per share (NTD) | | 1.77 | 1.63 | 0.88 | 0.93 | 1.60 | 0.14 |

Note 1: All the financial data stated above have been reviewed by CPAs.

Note 2: Audited by CPAs.

6.1.2 Stand Alone Condensed Balance Sheet/ Income Statement – Based on IFRSs

A. Stand Alone Condensed Balance Sheet – Based on IFRSs

Unite : NTD Thousands

| Item | Year | Summarized Balance Sheets of Latest 5 years (Note 1) | | | | | 03-31-2022 (Note 3) |
|---|---------------------|--|-----------|-----------|-----------|-----------|------------------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Current assets | | 1,305,054 | 1,197,732 | 1,325,014 | 1,351,409 | 1,604,171 | N/A |
| Non-current financial assets at fair value through other comprehensive income | | 0 | 0 | 81,000 | 81,000 | 81,000 | |
| Investment by equities | | 712,703 | 670,139 | 640,484 | 666,834 | 661,145 | |
| Real estate, plant and equipment | | 573,660 | 551,597 | 533,608 | 514,479 | 518,813 | |
| Right-of-use asset | | 0 | 0 | 8,623 | 2,713 | 3,419 | |
| Intangible assets | | 28,954 | 28,053 | 28,818 | 29,433 | 30,317 | |
| Deferred income tax assets | | 31,762 | 37,154 | 45,206 | 46,040 | 47,763 | |
| Other non-current assets | | 15,544 | 20,802 | 21,408 | 19,933 | 22,520 | |
| Total assets | | 2,667,677 | 2,505,477 | 2,684,161 | 2,711,841 | 2,969,148 | |
| Current liabilities | Before distribution | 1,008,400 | 883,044 | 1,107,377 | 1,135,873 | 1,374,075 | |
| | After distribution | 1,120,900 | 950,544 | 1,152,377 | 1,180,873 | Note 2 | |
| Deferred income tax liabilities | | 76,392 | 83,030 | 81,991 | 87,337 | 88,793 | |
| Income from Lease - non current | | 0 | 0 | 2,690 | 153 | 924 | |
| Other non-current liabilities | | 21,793 | 21,761 | 23,414 | 22,575 | 17,769 | |
| Total liabilities | Before distribution | 1,106,585 | 987,835 | 1,215,472 | 1,245,938 | 1,481,561 | |
| | After distribution | 1,219,085 | 1,055,335 | 1,260,472 | 1,290,938 | Note 2 | |
| Capital | | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 | |
| Additional paid-in capital | Before distribution | 774,878 | 734,378 | 734,378 | 720,878 | 720,878 | |
| | After distribution | 734,378 | 734,378 | 720,878 | 720,878 | Note 2 | |
| Retained earnings | Before distribution | 365,749 | 367,706 | 336,595 | 347,135 | 378,136 | |
| | After distribution | 293,749 | 300,206 | 305,095 | 302,135 | Note 2 | |
| Other equities | | (29,535) | (34,442) | (52,284) | (52,110) | (61,427) | |
| Total shareholders' equities | Before distribution | 1,561,092 | 1,517,642 | 1,468,689 | 1,465,903 | 1,487,587 | |
| | After distribution | 1,448,592 | 1,450,142 | 1,423,689 | 1,420,903 | Note 2 | |

Note 1: All the financial data stated above have been reviewed by CPAs.

Note 2: Earnings distribution of 2021 has been approved by Board of Directors.

Note 3 : The company doesn't not prepare Stand Alone Report.

B. Stand Alone Condensed Income Statement – Based on IFRSs

Unit : NTD Thousands

| Item \ Year | Financial Summary for The Last Five Years (Note 1) | | | | | 03-31-2022 (Note 2) |
|--|--|-----------|-----------|-----------|-----------|------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Operating revenue | 2,224,269 | 2,313,012 | 2,135,634 | 2,024,768 | 2,550,234 | N/A |
| Gross profit | 385,707 | 448,521 | 356,228 | 342,267 | 400,307 | |
| Income from operations | 78,153 | 121,373 | 42,839 | 21,446 | 71,498 | |
| Non-operating income/expenses | 13,089 | (25,488) | (2,596) | 28,591 | 6,813 | |
| Income before tax | 91,242 | 95,885 | 40,243 | 50,037 | 78,311 | |
| Income from operations of continued segments - after tax | 79,610 | 73,156 | 39,500 | 41,917 | 72,162 | |
| Income from discontinued operations | - | - | - | - | - | |
| Net income (Loss) | 79,610 | 73,156 | 39,500 | 41,917 | 72,162 | |
| Other comprehensive income (income after tax) | (16,381) | (4,106) | (19,169) | 316 | (5,478) | |
| Total comprehensive income | 63,229 | 69,050 | 20,331 | 42,233 | 66,684 | |
| Earnings per share | 1.77 | 1.63 | 0.88 | 0.93 | 1.60 | |

Note 1: All the financial data stated for last 5 years have been reviewed by CPAs.

Note 2 : The company doesn't not prepare Stand Alone Report.

6.1.3 Auditors' Opinions from 2017 to 2021

CPAs and their auditing opinions in the past 5 years

| Year | Accounting Firms | CPAs | Audit Opinions |
|------|------------------|------------------------------------|---------------------|
| 2017 | PwC | Chou, Hsiao-Tzu and Lee, Hsiu-Ling | unqualified opinion |
| 2018 | PwC | Chou, Hsiao-Tzu and Lee, Hsiu-Ling | unqualified opinion |
| 2019 | PwC | Chou, Hsiao-Tzu and Lee, Hsiu-Ling | unqualified opinion |
| 2020 | PwC | Chou, Hsiao-Tzu and Lee, Hsiu-Ling | unqualified opinion |
| 2021 | PwC | Chou, Hsiao-Tzu and Lai, Zhong-Xi | unqualified opinion |

6.2 Five-Year Financial Analysis

A. Consolidated Condensed Financial Analysis - Based on IFRS

Unit : NTD Thousands

| Item | | Year | Financial Summary for The Last Five Years (Note 1) | | | | | 03-31-2022 (Note 2) | |
|---------------------|-----------------------------------|-------------------|--|--------|--------|--------|--------|------------------------|------|
| | | | 2017 | 2018 | 2019 | 2020 | 2021 | | |
| Financial structure | Ratio of liabilities to assets | | 42.87 | 43.62 | 48.10 | 50.10 | 55.48 | 53.49 | |
| | Ratio of long-term capital to | | 192.14 | 195.42 | 202.64 | 214.23 | 215.89 | 215.14 | |
| Solvency (%) | Current ratio (%) | | 164.61 | 163.52 | 147.11 | 148.24 | 137.39 | 142.00 | |
| | Quick ratio (%) | | 79.62 | 71.55 | 65.03 | 62.15 | 66.62 | 53.11 | |
| | Times interest earned ratio | | 42.46 | 43.48 | 8.88 | 10.88 | 14.18 | 6.18 | |
| Operating ability | Account receivable | | 4.11 | 4.21 | 4.21 | 4.24 | 4.23 | 3.66 | |
| | Days sales in accounts | | 88.80 | 86.69 | 86.69 | 86.08 | 86.28 | 99.72 | |
| | Inventory turnover (times) | | 1.77 | 1.83 | 1.69 | 1.48 | 1.80 | 1.46 | |
| | Account payable turnover | | 3.66 | 4.55 | 4.59 | 3.91 | 4.61 | 3.54 | |
| | Average days in sales | | 206.21 | 199.45 | 215.97 | 246.62 | 202.77 | 250.00 | |
| | Fixed assets turnover | | 2.67 | 2.96 | 3.03 | 3.06 | 3.96 | 3.53 | |
| | Total assets turnover | | 0.85 | 0.92 | 0.88 | 0.81 | 0.94 | 0.81 | |
| Profitability | Ratio of return on total | | 2.93 | 2.82 | 1.62 | 1.63 | 2.46 | 0.25 | |
| | Ratio of return on | | 5.01 | 4.83 | 2.69 | 2.88 | 4.88 | 0.45 | |
| | Ratio to issued capital stock (%) | Operating income | | 21.50 | 18.81 | 5.75 | 11.77 | 17.33 | 0.19 |
| | | Income before tax | | 21.48 | 23.12 | 9.63 | 13.49 | 19.38 | 1.95 |
| | Profit ratio (%) | | 3.36 | 2.96 | 1.65 | 1.80 | 2.44 | 1.02 | |
| | Earnings per share (NT\$) | | 1.77 | 1.63 | 0.88 | 0.93 | 1.60 | 0.14 | |
| Cash flow (%) | Cash flow ratio (%) | | 4.79 | 10.17 | 4.04 | 9.03 | 0.00 | 15.66 | |
| | Cash flow adequacy ratio | | 48.65 | 44.29 | 54.23 | 50.08 | 16.80 | 38.78 | |
| | Cash reinvestment ratio (%) | | 0.00 | 0.00 | 0.00 | 4.10 | 0.00 | 12.59 | |
| Leverage | Degree of operating | | 3.68 | 4.69 | 12.84 | 6.70 | 5.04 | 91.39 | |
| | Degree of financial leverage | | 1.02 | 1.02 | 1.26 | 1.13 | 1.09 | -1.04 | |

*In case that the financial information in IFRSs Regulation less than 5 years, the following table (2) shall be prepared separately by GAAP Regulation.

Note 1: All the financial data stated for last 5 years have been reviewed by CPAs.

Note 2: Audited by CPAs.

Consolidated Financial Analysis – Under IFRSs

The causes of the financial ratio change over 20% in the last two years:

1. Solvency:

- The interest protection multiple for 2021 increased by 33.33% over 2020, which was due to the increase in profit before tax.

2. Operating ability:

- The inventory turnover rate (times) in 2021 increased by 21.62% over 2020, which was caused by the increase in inventory and sales costs at the end of the period.
- The turnover rate (times) of real estate, plant and equipment in 2021 increased by 29.41% over 2020, which was caused by the increase in operating income and the decrease in the amount of real estate, plant and equipment at the end of the period.

3. Profitability:

- The return on assets in 2021 increased by 50.92% over 2020, which was due to the increase in net profit in the current period.
- The return on equity in 2021 increased by 69.44% over 2020, which was due to the increase in net profit in the current period.
- The ratio of operating profit to paid-up capital in 2021 increased by 47.24% over 2020, which was caused by the increase in operating profit.
- The ratio of net profit before tax to paid-up capital in 2021 increased by 43.66% over 2020, which was caused by the increase in profit and loss before tax.
- The net profit rate in 2021 increased by 35.56% over 2020, which was caused by the increase in net profit in the current period.
- The 2021 earnings per share increased by 72.04% compared to 2020 due to the increase in net profit for the current period.

4. Cash Flow:

- The decrease in the cash flow ratio in 2021 compared to 2020 was due to net cash outflows from operating activities.
- The cash flow allowance ratio in 2021 decreased by 66.45% over 2020 due to net cash outflow from operating activities.
- The decrease in the cash reinvestment ratio in 2021 compared to 2020 was due to net cash outflows from operating activities.

5. Leverage:

- The operating leverage in 2021 decreased by 24.78% over 2020, which was due to the increase in operating profit.

B. Stand Alone Condensed Financial Analysis - Based on IFRSs

| Item | | Year | | Financial Summary for The Last Five Years (Note 1) | | | | | 03-31-2022 (Note 2) | |
|-------------------------|--|-------------------|--------|--|--------|--------|-----|--|------------------------|-------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | | | | |
| Financial structure (%) | Ratio of liabilities to assets (%) | 41.48 | 39.42 | 45.28 | 45.94 | 49.89 | N/A | | | |
| | Ratio of long-term capital to fixed assets (%) | 289.24 | 294.13 | 295.49 | 306.32 | 307.44 | | | | |
| Solvency (%) | Current ratio (%) | 129.41 | 135.63 | 119.65 | 118.97 | 116.74 | | | | |
| | Quick ratio (%) | 69.32 | 71.82 | 62.35 | 54.06 | 72.43 | | | | |
| | Times interest earned | 41.03 | 57.40 | 15.14 | 15.07 | 19.08 | | | | |
| Operating ability | Account receivable turnover (times) | 4.04 | 4.19 | 3.95 | 4.06 | 3.96 | | | | |
| | Days sales in accounts | 90 | 87 | 92 | 89 | 92 | | | | |
| | Inventory turnover | 2.62 | 2.86 | 2.64 | 2.21 | 2.87 | | | | |
| | Account payable turnover (times) | 7.99 | 7.42 | 5.10 | 4.11 | 5.39 | | | | |
| | Average days in sales | 139 | 127 | 138 | 165 | 127 | | | | |
| | Fixed assets turnover (times) | 3.75 | 4.11 | 3.93 | 3.86 | 4.93 | | | | |
| | Total assets turnover (times) | 0.81 | 0.89 | 0.82 | 0.75 | 0.89 | | | | |
| Profitability | Ratio of return on total assets (%) | 2.99 | 2.88 | 1.60 | 1.65 | 2.66 | | | | |
| | Ratio of return on shareholders' equity (%) | 4.98 | 4.75 | 2.64 | 2.85 | 4.88 | | | | |
| | Ratio to issued capital stock | Operating income | 17.36 | 26.97 | 9.51 | 4.76 | | | | 15.88 |
| | | Income before tax | 20.27 | 21.30 | 8.94 | 11.11 | | | | 17.40 |
| | Profit ratio (%) | 3.57 | 3.16 | 1.84 | 2.07 | 2.82 | | | | |
| | Earnings per share (NT\$) | 1.77 | 1.63 | 0.88 | 0.93 | 1.60 | | | | |
| Cash flow (%) | Cash flow ratio (%) | 9.34 | 18.73 | 1.61 | 8.68 | 0.00 | | | | |
| | Cash flow adequacy ratio (%) | 37.65 | 42.45 | 38.79 | 41.58 | 31.86 | | | | |
| | Cash reinvestment ratio | 0.00 | 3.14 | 0.00 | 3.40 | 0.00 | | | | |
| Leverage | Degree of operating leverage | 3.83 | 2.90 | 6.14 | 11.75 | 4.45 | | | | |
| | Degree of financial | 1.03 | 1.01 | 1.07 | 1.19 | 1.06 | | | | |

Note 1: The financial data stated above for last five years have been reviewed by CPAs.

Note 2 : The company doesn't not prepare Stand Alone Report.

Financial Analysis – Stand Alone - Under IFRSs

The causes of the financial ratio change over 20% in the last two years:

1. Solvency:

- The 2021 quick ratio increased by 33.98% over 2020 due to the increase in current assets.
- The interest protection multiple in 2021 increased by 26.61% over 2020 years, which was caused by the increase in pre-tax profit and loss.

2. Operating ability:

- The inventory turnover rate (times) in 2021 increased by 29.86% over 2020, which was caused by the increase in the cost of goods sold.
- The turnover rate (times) of payables in 2021 increased by 31.14% over 2020, which was caused by the increase in the cost of goods sold.
- The average sales date in 2021 decreased by 23.03% over 2020, which was caused by the increase in inventory turnover.
- The turnover rate (times) of real estate, plant and equipment in 2021 increased by 27.72% over 2020, which was caused by the increase in operating income and the decrease in the amount of real estate, plant and equipment at the end of the period.

3. Profitability:

- The return on assets in 2021 increased by 61.21% over 2020, which was due to the increase in net profit in the current period.
- The return on equity in 2021 increased by 71.23% over 2020, which was due to the increase in net profit in the current period.
- The ratio of operating profit to paid-up capital in 2021 increased by 233.61% over 2020, which was caused by the increase in operating profit.
- The ratio of net profit before tax to paid-up capital in 2021 increased by 56.62% over 2020, which was caused by the increase in profit and loss before tax.
- The net profit rate in 2021 increased by 36.23% over 2020, which was caused by the increase in net profit in the current period.
- The 2021 earnings per share increased by 72.04% compared to 2020 due to the increase in net profit for the current period.

4. Cash Flow:

- The decrease in the cash flow ratio in 2021 compared to 2020 was due to net cash outflows from operating activities.
- The cash flow allowance ratio in 2021 decreased by 23.38% over 2020 due to net cash outflows from operating activities and decreased inventories.
- The decrease in the cash reinvestment ratio in 2021 compared to 2020 was due to net cash outflows from operating activities.

5. Leverage:

- The operating leverage in 2021 decreased by 62.13% over 2020, which was due to the increase in operating profit.

Note : Financial Analysis Formula

1. Financial structure

- (1) Ratio of Liabilities to assets = total liabilities / total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Times interest earned ratio = before the income tax and interest expense net interest / current interest expense.

3. Operating ability

- (1) Account Receivable Turnover (including accounts receivable and bills due from operations) = Net Sales/Avg. Accounts Receivable (Including Receivables and Receivables due to Operation) Balance.
- (2) Days sales in accounts receivable = 365/receivables turnover.
- (3) Inventory turnover = cost of goods sold/average stock.
- (4) Account Payable Turnover (including accounts payable and bills payable as a result of operations) = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
- (5) Average days in sales = 365/inventory turnover.
- (6) Property, plant and equipment turnover = net sales/average net property, plant and equipment.
- (7) Total assets turnover = net sales/average total assets.

4. Profitability

- (1) Ratio of Return on assets = [after tax loss + interest expense × (1-tax rate)] / average total assets.
- (2) Ratio of Return on equity = post-tax profit/loss/average total equity.
- (3) Profit ratio = after-tax profit/loss/net sales.
- (4) Earnings per share = (Equity attributable to owners of parent - special share dividend) / weighted average number of shares outstanding.

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other Non-current assets + working capital).

6. Leverage :

- (1) Degree of Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
- (2) Degree of Financial leverage = operating interest / (operating interest - interest expense).

- 6.3 Audit Committee's Report for the Most Recent Year : Please refer to Page 182 of the annual report.
- 6.4 Consolidated Financial Statements for the Most Recent Years: Please refer to Page 251 to 324 for the details
- 6.5 Parent Company Only Financial Statements for the Most Recent Years: Please refer to Page 183 to 250 for the details.
- 6.6 Impact of financial difficulties of the Company and related party on the Company's financial position: None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Condensed Financial Position – Under IFRSs

NTD Thousands; %

| Item | Year | 2020 | 2021 | Difference | |
|---|------|-----------|-----------|------------|----------|
| | | | | Amount | % |
| Current assets | | 2,003,389 | 2,406,092 | 402,703 | 20.10 |
| Non-current financial assets at fair value through other comprehensive income | | 81,000 | 81,000 | 0 | 0.00 |
| Real estate, plant, and equipment | | 753,320 | 751,209 | (2,111) | (0.28) |
| Right-of-use asset | | 8,640 | 10,498 | 1,858 | 0.00 |
| Intangible assets | | 45,837 | 46,684 | 847 | 1.85 |
| Deferred tax assets | | 46,040 | 47,763 | 1,723 | 3.74 |
| Other non-current assets | | 27,073 | 29,844 | 2,771 | 10.24 |
| Total assets | | 2,965,299 | 3,373,090 | 407,791 | 13.75 |
| Current liabilities | | 1,351,434 | 1,751,251 | 399,817 | 29.58 |
| long-term debt payable | | 22,691 | 9,479 | (13,212) | 0.00 |
| Deferred tax liabilities | | 87,337 | 88,793 | 1,456 | 1.67 |
| Income from Lease - non current | | 1,820 | 4,334 | 2,514 | 0.00 |
| Other non-current liabilities | | 22,575 | 17,769 | (4,806) | (21.29) |
| Total liabilities | | 1,485,857 | 1,871,626 | 385,769 | 25.96 |
| Shareholders' equity, attributable to owners of parent | | 1,465,903 | 1,487,587 | 21,684 | 1.48 |
| Capital stock | | 450,000 | 450,000 | 0 | 0.00 |
| Additional paid-in capital | | 720,878 | 720,878 | 0 | 0.00 |
| Retained earnings | | 347,135 | 378,136 | 31,001 | 8.93 |
| Other equities | | (52,110) | (61,427) | (9,317) | 17.88 |
| Non-controlling equities | | 13,539 | 13,877 | 338 | 2.50 |
| Total shareholders' equity | | 1,479,442 | 1,501,464 | 22,022 | 1.49 |

Analysis of changes in financial ratios, which changes more than 20% and the changed amount is over NT\$10 million:

1. Current assets: mainly due to an increase in A/R.
2. Current liabilities: Mainly due to an increase in short loan and A/P.
3. Long-term loan: It is due to the repayment of loan in accordance with the contract
4. Total Liabilities: Mainly due to short loan, increases in A/P and decreases in long-term loan.

7.2 Financial Performance

A. Condensed Consolidated Financial Performance Analysis – Under IFRSs

| Item | Year | NTD Thousands; % | | | |
|----------------------------------|------|------------------|-----------|------------|----------|
| | | 2020 | 2021 | Difference | |
| | | | | Amount | % |
| Net Sales | | 2,361,923 | 2,984,677 | 622,754 | 26.37 |
| Cost of Good Sold | | 1,785,101 | 2,350,681 | 565,580 | 31.68 |
| Gross Profit | | 576,822 | 633,996 | 57,174 | 9.91 |
| Operating Expense | | 523,869 | 556,017 | 32,148 | 6.14 |
| Operating Income | | 52,953 | 77,979 | 25,026 | 47.26 |
| Non-operating Income and Expense | | 7,736 | 9,223 | 1,487 | 19.22 |
| Income Before Tax | | 60,689 | 87,202 | 26,513 | 43.69 |
| Income Tax | | 18,063 | 14,401 | (3,662) | (20.27) |
| Net Income | | 42,626 | 72,801 | 30,175 | 70.79 |

Analysis of changes in financial ratios, which changes more than 20% and the changed amount is over NT\$10 million:

1. Operating income: mainly due to the increase in sales.
 2. Operating costs: Mainly due to the increase in operating income.
 3. Operating profit: Mainly due to the increase in operating income.
 4. Income tax expense: Mainly due to the reduction in income tax for offspring companies.
 5. Net profit: Mainly due to an increase in operating income.
- B. Estimated sales volume and its basis, the possible impact on the company's future financial business and the response plan:

According to research by industry research institutions, with the rise of the Internet of Things (IoT) and smart buildings, the increase in the number of data centers around the world, the growth trend of virtualization and cloud computing, and the increasing popularity of multi-cloud and network upgrades, it is expected to push The global UPS market is growing; in addition, the substantial increase in demand for reliable power solutions that can support mass manufacturing will also drive the growth of the uninterruptible power system (UPS) market. According to the estimates of many production and adjustment agencies, between 2020 and 2027, the compound annual growth rate of the uninterruptible power supply (UPS) market is expected to be 3-5%, and the market size in 2027 is estimated to reach a maximum of 14.7 billion US dollars.

Global demand is expected to continue to grow positively, fueled by policy incentives and continued declines in supply chain prices, according to Trend Force Energy Trend research. The Taiwan government has set the "2025 Renewable Energy Development Goal", which will enable Taiwan to achieve a cumulative installed capacity of 20GW of solar energy in 2025. In addition, the Legislative Yuan has passed the amendment to the "Renewable Energy Development Regulations" on April 12, 2019, reaffirming this solar installation target, which will ensure that the domestic solar energy industry has a certain proportion of the stable domestic demand market, and will not fluctuate greatly with the international environment. . Under this goal, as of September 2021, the total installed capacity has only reached 7GW, and there is still a level of 13GW to be set in the next few years, and there is still a lot of room for growth. Therefore, there will also be a significant demand for solar power converters, which are integral components of solar power generation systems.

According to Bloomberg New Energy Finance (BNEF) estimates, the global energy storage installation capacity will increase to 358GW in 2030, an increase of up to 20 times compared to 2020. At the same time, in response to energy transformation, Taiwan will drive the demand for energy storage market. According to Taipower's plan for battery energy storage in 2025, it is predicted that Taiwan's energy storage scale will expand to 20GWh in 2030, and the market size will reach NT\$200 billion, which can bring industrial ecology. business opportunities with supply chain partners.

After reviewing the market development situation and the company's own conditions, in addition to continuing to expand the ODM and OBM sales business in the international market of UPS, and actively participating in domestic UPS project projects and providing maintenance services, as well as selling its own brands The company will use the company's accumulated application experience in the field of power electronics, combined with the self-made PCS and energy management system, to expand and invest in the construction, promotion and investment of energy storage equipment. The company will aim to increase the overall profit, increase the sales volume and sales of various products, and actively increase the market share of various products.

7.3 Analysis of Cash Flow

7.3.1 Liquidity analysis of the recent years

| Item \ Year | 2021 | 2020 | Financial ratio change |
|--------------------------|-------|-------|------------------------|
| Current ratio | 0.00 | 9.03 | -100.00% |
| Cash Flow adequacy ratio | 16.81 | 50.08 | -66.43% |
| Cash reinvestment ratio | 0.00 | 4.10 | 100.00% |

Analysis of financial ratio change:

- (1) Current ratio : Since the company's cash flow from operating activities in 2021 is a net outflow, the ratio is 0; and the main cause for the net outflow of cash flow from operating activities is the proportion of revenue in Q4 of 2021 to the annual revenue Up to 33.96%, and 56.12% of which were concentrated in December, resulting in a substantial increase in the balance of accounts receivable/bills at the end of the year; the increase in inventory is also one of the reasons.
- (2) Cash Flow adequacy ratio : The ratio is less than 1 because the company's net cash inflows from operating activities in the last five years are not sufficient to cover capital expenditures, inventory increases and cash dividends in the corresponding period. Since the operating activities in 2021 showed a net cash outflow, the proportion dropped significantly.
- (3) Cash reinvestment ratio : Zero due to net cash outflow from operating activities in 2021.

7.3.2 Remedy for cash deficit and liquidity insufficient: Operating profits of the company has been stable, still get full support from financial institutions and no liquidity insufficient up to the date of the report printed.

7.3.3 Analysis of cash liquidity in 1 year

Unit: NT\$ thousand

| Beginning cash balance (1) | Expected net cash flow from operating activity of the year (2) | Expected cash outflow of the year (3) | Expected cash surplus (deficit) (1)+(2)-(3) | Remedial measures for the expected insufficient cash | |
|----------------------------|--|---------------------------------------|---|--|----------------|
| | | | | Investing plan | Financing plan |
| 268,948 | 160,213 | 194,475 | 234,686 | - | - |

1. Analysis of cash flow change in one year:

- (1) Operating activity: It is expected that the profit will be maintained in 2022. With the A/P and A/R conditions and the control of inventory, it is expected that the business activities will continue to show a net inflow of cash.
- (2) Investing activity: Mainly for research and development equipment purchase and production line equipment updates and upgrades.
- (3) Financing activity: It is expected to repay loans from financial institutions and distribute cash dividends.

2. Remedial measures for the expected insufficient cash and liquidity analysis: N/A

7.4 Impact of major capital expenditure on finance and business: None

7.5 Investment policies, reasons for gain or loss and improvement plan regarding investment plans in current year and the next year

7.5.1 Investment Policies:

In response to the need to strengthen the company's business development and upstream and downstream integration, the company will be prepared to assess the implementation of the investment plan after the investment.

7.5.2 Reasons for gain or loss and improvement plan regarding investment plans in current year

Dec. 31, 2021; Unit: NTD thousand

| Invested Company | Invested Amount | Investment Policy | Recognition of the investment gain or loss in the latest year | Main reason of gain or loss | Improvement plan |
|--------------------------------------|-----------------|---|---|---|--------------------------------|
| Ablerex Electronics (SAMOA) Co. LTD. | US\$ 6,635 | To set up Ablerex-SZ and Holding company of Ablerex-BJ. | NT\$(19,695) | mainly recognized profit loss from ABLEREX-SZ | Increase sales and reduce cost |
| Ablerex Corporation | US\$ 250 | To promote and sales for America territory. | NT\$13,681 | mainly recognized profit from ABLEREX-LATAM | - |
| Ablerex International Corp. LTD. | HK\$ 10 | Trading Company between Ablerex and Ablerex-SZ. | NT\$1,070 | Support to expand sales | - |
| Ablerex Electronics(s) PTE. LTD | US\$ 1,480 | To promote and sales for EMEA. | NT\$10,268 | Expand sales territory | - |
| Ablerex Electronics UK LTD. | GBP 100 | To set up Holding company of Ablerex-IT. | NT\$3,600 | Expand sales territory | - |
| WADA DENKI CO., LTD. | JPY 29,700 | To promote and sales for Japan territory. | NT\$ (2,967) | Expand sales territory to slowly | Increase sales and reduce cost |

Note: The Company recognizes the write-down of the investment gains and losses.

7.5.3 Investment Plan in the next year: None

7.6 Risk Management and Evaluation until the report printed

7.6.1 The impact of interest rate, exchange rate, and inflation on the company's income and expense and the responsive measures:

1. The impact of interest rate change:

The Group's financial costs in 2021 and 2020 were NTD 6,611 thousand and NTD 6,143 thousand, respectively. The ratio of financial costs to net operating income for the current period was 0.22% and 0.26%, respectively. The financial cost expenses accounted for a very small proportion of the net operating income of the Group, and Most of the group's financing is short-term fixed-rate loan, so no significant fair value interest rate risk is expected to occur. The Group will maintain a close relationship with the correspondent banks based on the principle of sound and conservative financial management, to immediately grasp relevant information on interest rate changes and reduce the impact of interest rate fluctuations on the

Group.

2. The impact of exchange rate fluctuation:

The business of the Group involves a number of non-functional currencies (the functional currency of the Company is NT, and the functional currency of some subsidiaries is US \$ and RMB). Therefore, the foreign currency assets affected by the exchange rate fluctuation and liability information and foreign currency market risk analysis as follows.

| | <u>2021.12.31</u> | | | <u>Fiscal 2021</u> | | |
|-------------------------------------|----------------------------|-------------|--------------|--------------------|------------------------------|---|
| | Book amount | | | variation | Affect net profit before tax | Affect other comprehensive gains and losses |
| <u>(currency : monetary assets)</u> | <u>Currency (thousand)</u> | <u>Rate</u> | <u>(NTD)</u> | | | |
| <u>Financial assets</u> | | | | | | |
| <u>monetary items</u> | | | | | | |
| USD : NTD | \$7,457 | 27.6800 | \$206,410 | 1% | \$2,064 | \$- |
| RMB : NTD | 499 | 4.3440 | 2,168 | 1% | 22 | - |
| JPY : NTD | 15,686 | 0.2405 | 3,772 | 1% | 38 | - |
| USD : RMB | 31 | 6.3720 | 858 | 1% | 9 | - |
| SGD : USD | 959 | 0.7392 | 19,622 | 1% | 196 | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>monetary items</u> | | | | | | |
| USD : NTD | \$4,555 | 27.6800 | \$126,082 | 1% | \$1,261 | \$- |
| USD : RMB | 948 | 6.3720 | 26,241 | 1% | 262 | - |
| SGD : USD | 244 | 0.7392 | 4,992 | 1% | 50 | - |

The Group will maintain close contact with correspondent banks to grasp the relevant information of exchange rate changes in real time and reduce the impact of exchange rate changes on the company.

3. The responsive measures to the risk of exchange rate fluctuation:

- a. Continue to strengthen personnel concepts for exchange hedging, through a greater interaction for real exchange rate system with financial institutions, so as to judge to the impact of exchange rate fluctuations arising.
- b. Before quoting to customer, the company will estimate the trends and factors that influence the exchange rate in future. More comprehensive consideration is required to determine a reasonable pricing and to minimize the effect of changes in the exchange rate.
- c. To achieve a certain degree of natural hedging effect through an offset for regular A/P and A/R.
- d. Under the "Regulations Governing the Acquisition and Disposal of Assets", the company will effectively reduce the purchase of various assess derivative financial instruments exchange rate risks by hedging part of responsibilities in charge of strict control to prevent inappropriate transactions to reduce exchange rate risks arising from the exchange losses.

4. The impact of inflation

The company has not been inflationary circumstances have a significant impact on profit or loss so far. In addition to pay attention to fluctuations in the market price, and to maintain a good interaction with suppliers and customers, in order to adjust product prices and raw material stocks. It should be able to effectively reduce the impact of inflation on the Company.

7.6.2 Conducting high-risk and high-leveraged investment, granting loans to others, endorsement & guarantee and derivatives policy, main cause of profit and loss, and the responsive measures:

- a. The company has dedicated to the core business since established. No high-risk nor high-leveraged investment has been implemented.
- b. The company conducts loaning funds according to “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees”. The information of the company and the subsidiaries loaning funds to others up to the date of the report printed is disclosed as the following:

(1) Information of the subsidiaries loaning funds to others up to the date of the report printed:

| Date of loan funds | Date approved by BoD | Company Name | Approved loan | Loan balance | Rate | Collateral | Collateral | Due date |
|--------------------|----------------------|---------------------------|---------------|--------------|------|-------------------|------------|-----------|
| 2021/8/23 | 2021/8/9 | Ablerex Latam Corporation | US\$1,500,000 | USD10,00,000 | 1.0% | Due for repayment | Credit | 2022/8/23 |
| 2021/9/6 | | | | USD500,000 | | | | 2022/8/23 |

(2) Subsidiary of the company, The Company's subsidiary company funds loans and other information:

Ablerex International Corporation Limited (Ablerex-HK), a subsidiary of the Company, is funded with Ablerex Electronics (Suzhou) Co., Ltd. (abbreviation Ablerex-SZ) for the development of its operations. The status of loaning is listed below:

| Date of loan funds | Date approved by BoD | Company Name | Approved loan | Loan balance | Rate | Collateral | Collateral | Due date |
|--------------------|----------------------|--|---------------|--------------|--------|-------------------|------------|-----------|
| 2019/8/23 | 2019/8/5 | Ablerex Electronics (Suzhou) Co., Ltd. | US\$3,000,000 | USD2,000,000 | 2.475% | Due for repayment | Credit | 2022/8/22 |

(3) The company conducts endorsement guarantees according to the internal policy “Procedures for Making of Endorsements / Guarantees”. Information of the company

and the subsidiaries making endorsements / guarantees up to the date of the report printed is disclosed as the following:

Unit: US\$

| Date of Endorsement / Guarantee | Date approved by BoD | Guaranteed Company | Relationship with Ablerex | Collateral | Guarantee Items | Undertaking Bank | Endorsement/ Guarantee Amount |
|---------------------------------|----------------------|--------------------|---------------------------|------------|-----------------|------------------|-------------------------------|
| 2021/12/6 | 2021/8/9 | Ablerex-HK | Subsidiary | N/A | Bank financing | China Trust | USD 2,000,000 |
| 2021/12/20 | 2021/8/9 | Ablerex-HK | Subsidiary | N/A | Bank financing | Taipei Fubon | USD 2,500,000 |
| 2022/3/25 | 2021/1/24 | Ablerex-HK | Subsidiary | N/A | Bank financing | Mega Bank | USD 3,000,000 |
| Total | | | | | | | USD 7,500,000 |

(4) The purpose of the company engaging in the derivatives trading is to avoid the risk of change in foreign currency assets or liabilities due to the fluctuation of exchange rate. The derivatives trading is focused on forward foreign exchange contract, and the trading procedure is abided by the internal regulation "Procedures for Acquisition or Disposal of Assets". The risk of derivatives trading is limited.

7.6.3 Future R&D projects and corresponding budget:

It is fundamental for R&D in the electronic industry. So the R&D should provide the plan every year. According to plan provision related to R&D to ensure competitive niche of the Company. The company has always attached great importance to research and development of products, the trend growth of the R&D costs in the following table to know the year, the future will continue to foster outstanding research and development personnel and actively involved in research resources to cope with the changing market trends and improve their own it Competitiveness.

The Company's research and development philosophy is:

- (1) to focus on improving power quality and improve reliability of power supply products
- (2) development and integration of advanced power electronics and digital control technology
- (3) introduced into academic research, access to innovation and key technologies
- (4) the implementation of the patented technology layout, improve the industry barriers to competition
- (5) really grasp technology trends and market demand, real-time development of new products

The company's future research plans and programs as follows:

- (1) downsize, intelligence, and other network-oriented and decentralized
- (2) three-phase high frequency parallel among large UPS
- (3) Power Quality Management Technology
- (4) High-power grid-connected PV Inverter
- (5) Power Management Software Technology
- (6) Smart Grid Applications Related Products
- (7) Wireless Battery Monitoring System (Wireless BMS)

| Project | Description |
|---|--|
| Three-phase high frequency parallel among large UPS | 1. Solve the issue of flexibly changed output load, to develop a UPS with multiple parallel operation functions, and develop towards modularization and high-efficiency multi-functional use. 2. Propose a fast transfer solution of DC/AC backup power supply to improve the short power-off time problem caused by the backup power system at the moment of power-off transition in the hot standby state. |
| Power Quality Management Technology | According to the demand of the load end, a harmonic current that is inverse to the load harmonic current is injected into the power system. This harmonic current and the load harmonic current cancel each other, so that the power system end obtains a current waveform close to sinusoidal and achieves the filtering of harmonics. effect. To improve some damage problems caused by harmonic currents, such as transformer overheating, rotating machinery disturbance, voltage distortion, damage to power components and machine failures, etc., to make the power system more stable. |
| High-power grid-connected PV Inverter | Develop new islanding effect detection technology to break through the existing barriers and patent barriers and use the three-phase three-phase parallel power conversion interface technology as the green energy of solar energy as its electrical energy, to achieve energy saving and carbon reduction the goal. |
| Power Management Software Technology | Mainly use embedded system development, and its main purpose is to provide a system development platform required for general industrial control applications based on PC-based architecture, with the functions required in general industrial applications, and more; through comprehensive design in advance Consider, provide different equipment for different application requirements. |
| Smart Grid Applications Related Products | The introduction of smart grid product development can record the power generation/power consumption relationship diagrams at different points in time, which can be used as a household power monitoring system and achieve energy-saving effects. And with the company's current PV Inverter products, as a basis for energy saving, improve the integrity of PV Solution and increase market competitiveness. |
| Wireless Battery Monitoring System (Wireless BMS) | Developed a database/curve viewing system with wireless transmission function, which can remotely monitor and diagnose battery operation status, save on-site installation costs and use it with UPS to make the product more diversified. |

The investment for last three years and the research and development costs expected in 2016 as follows:

Unit: NTD in Thousands

| Item / Year | 2019 | 2020 | 2021 | Expected in 2022 |
|--------------|---------|---------|---------|------------------|
| R&D invested | 142,655 | 147,421 | 157,541 | 172,428 |
| Growth | -6.08% | 3.34% | 6.86% | 16.96% |

7.6.4 The impact of domestic and international policies and law change on the company's finance and business and the responsive measures:

The company follows national policies, decrees and international norms, implements various operating activities, and holds the changes in important policies, laws and regulations, and timely adjusts the company's internal systems and operating activities in order to comply with the specifications and ensure smooth operation of the company. In recent years, due to the international trend of net-zero carbon reduction and the active introduction of renewable energy

and energy storage in domestic energy policies, these are favorable conditions for the sales and promotion of solar power converters and energy storage equipment produced and supplied by the Company.

7.6.5 The impact of technology change (including information security risks) and industrial change on the company's finance and business and the responsive measures:

Under the trend of cloud computing, the demand for building data centers continues increasing. Because cloud devices are devices with a high energy density, and these devices have important tasks of storing and exchanging data, it is impossible to use only office-level energy management systems. Therefore, a large-scale, high-power and fast-response energy management system has become a key requirement for the new generation of energy systems. Under this trend, UPS (Uninterruptible Power System) has evolved from the past as a corporate energy rescue to energy Management equipment. Under this trend, the ability to produce UPSs with high density, low energy consumption, high stability and long durability will be the key to success in mastering the power management of data centers.

In response to industry development and product application trends, in addition to enhancing the technology of UPS uninterruptible power equipment, the company is also committed to the development of high value-added power quality improvement systems, green energy systems and energy storage systems and other related power electronic products. Every year, the company invests a large amount of research and development manpower and funds for theoretical technology application research and new product design and development, in order to respond to the trend of future electronic products and maintain a competitive advantage.

The company make a review of the cyber security risk through risk identification and risk assessment, confirms the adverse impact of the cyber security risk on the company's operation, takes corresponding solutions, and reviews the information structure, network activities, network equipment, server and terminals. Check and assess whether there are bugs or old equipment problems at any time, and respond to the challenges faced by cyber security, such as APT advanced persistent attacks, DDoS attacks, ransomware, social engineering attacks, steals and other funding issues, the planned cyber security management plan is as follows:

- (1) Network firewall settings
- (2) Antivirus software settings
- (3) System program data access control
- (4) Email management control
- (5) Information system disaster recovery plan

7.6.6 The impact of industrial image change on business risk management and the responsive measures:

Since its establishment, the company has been adhering to the business target of reliability, ethical management and has continued to actively strengthen the company's internal management and improve its quality management capabilities. At the same time, we actively implement ESG in line with the trend, and actively publish CSR reports to establish a good

corporate image of the company. In the corporate governance evaluation, it has successively achieved good results and ranked among the top. The company's corporate image has not changed significantly in the most recent year and the reporting year, and there are no reports about any adverse corporate image in the market. In the future, the company will pursue the greatest shareholders' rights and employees' rights and will also contribute to the largest society of the company. responsibility.

7.6.7 The expected effect, potential risk, and responsive measures of merger:

The companies did not have any merger conducted in 2021 and up to the date of the annual report printed.

7.6.8 The expected effect, potential risk, and responsive measures of plant expansion:

The companies did not have any plant expansion in 2021 and up to the date of the annual report printed.

7.6.9 The risk due to concentration of procurements and sales and the responsive measures:

a. The risk due to concentration of procurements and the responsive measures:

The main raw materials of products include batteries, steel sheets, transformers, semiconductor electronic components, etc. Due to the large number of suppliers, the purchase amount and proportion of each manufacturer will not be too high or excessively dependent, so there is no excessive concentration of purchases Risk. In order to maintain flexibility in the bargaining of raw material prices, the company has not forced to sign long-term supply contracts with suppliers, but in terms of major raw materials, it maintains the supply of several suppliers, and the company and each supplier All maintain a long-term good cooperative relationship to ensure the stability of the supply source.

b. The risk due to concentration of sales and the responsive measures:

The company's main sales target is branded customers and agency distributors all over the world. However, under the trend of global corporate mergers and acquisitions, there is indeed a trend of centralized sales; this trend will make the company face production and revenue vulnerable to a small number of customers. And face greater price pressure. The Company has adopted product diversification and actively expanded its response to emerging markets. It will tend to diversify the products, customers, and regional combinations that are shipped to prevent the risk of excessive sales concentration.

7.6.10 The impact of massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding, the risk, and the responsive measures:

There was not any massive stock transfer or change by directors, and shareholders with over 10% shareholding in 2021 and up to the date of the annual report printed.

7.6.11 The impact of right to operation changes on the company, the risk, and the responsive measures:

No right changed on the company up to the date of the annual report printed so N/A for the issue.

7.6.12 Legal and non-legal events:

- (1) The result of the judgments settled or ongoing lawsuits, non-lawsuits or administrative lawsuits in the last 2 years up to the date of the report printed, which could cause significant impact on shareholders' equity or security price of the company, should reveal the arguing facts, amount engaged, litigation starting date, the main parties of the suit, and present situation: None.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by Directors, Supervisors, President, Person in charge, and shareholders with over 10% holdings of the company and subsidiaries in the last 2 years up to the date of the report printed. The result could cause significant impact on shareholders' equity or security price of the company: None.
- (3) Anything listed in Article 157 of Securities and Exchange Act had been implemented by Directors, Supervisors, managers, and shareholders with over 10% holdings of the company and the response of the company in the last 2 years up to the date of the report reprinted: None

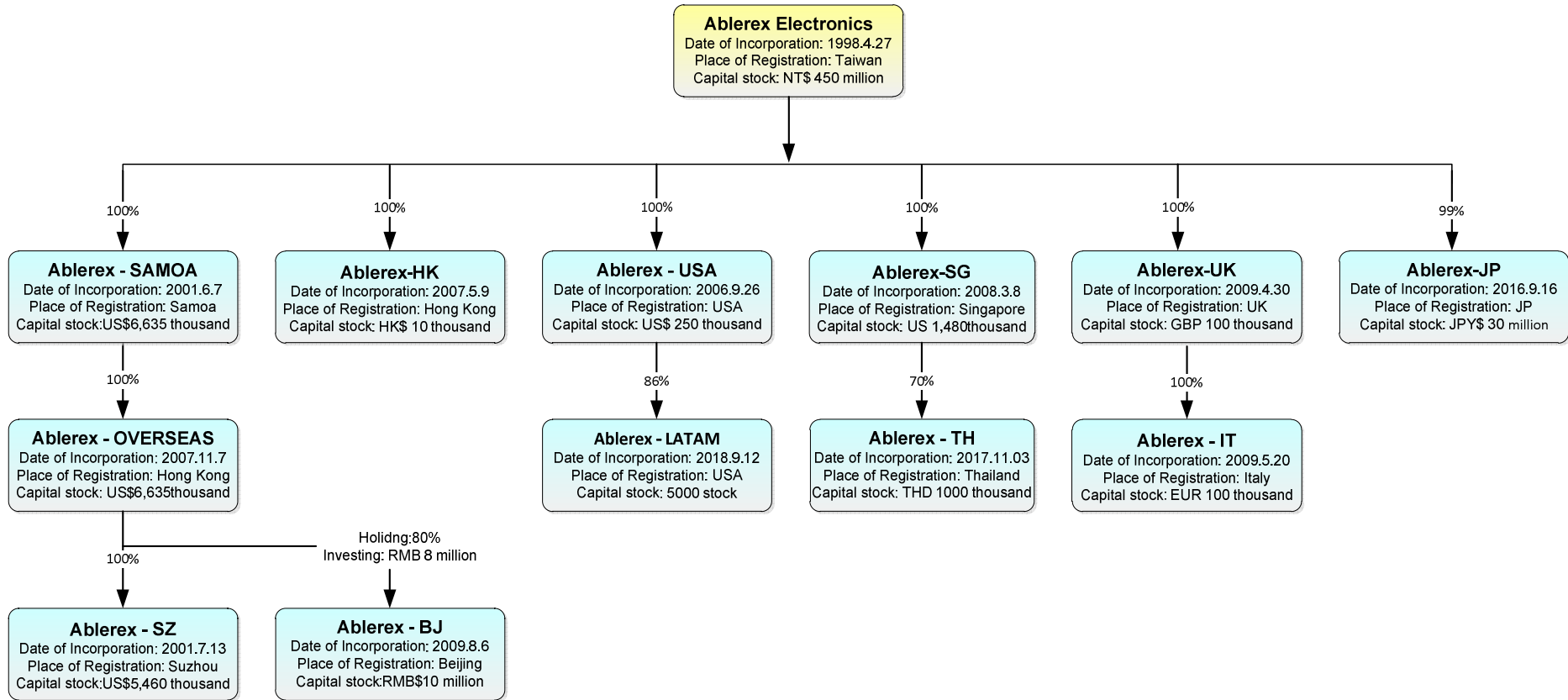
7.6.13 Other significant risks and responsive measures: None

7.7 Other important matters: None

VIII. Special Disclosure

8.1 Consolidated financial statements of the related party

8.1.1 Organization structure of related party:



8.1.2 Company profile of related party:

2021.12.31, Unit : NTD Thousand

| Company Name | Date of Setup | Address | Paid-Up Capital | Business |
|---|---------------|--|-----------------|--|
| Ablerex Electronics (Samoa) Co. Ltd. (Ablerex-Samoa) | 2001.06.07 | Offshore Chambers, P.O. Box 217, Apia, Samoa. | 213,979 | Holding |
| Ablerex Overseas Corporation Limited (Ablerex-Overseas) | 2007.11.07 | 1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong. | 213,979 | Holding |
| Ablerex Electronics (Suzhou) Co. Ltd. (Ablerex-SZ) | 2001.07.13 | NO.36 WANGWU ROAD SUZHOU, 215128 | 200,817 | Manufacturing and Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Electronics (Beijing) Co. Ltd. (Ablerex-BJ) | 2009.08.06 | 21 St. Thomas Street BRISTOL BS1 6JS | 46,406 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Corporation (Ablerex-USA) | 2006.09.26 | 1175 South Grove Ave. unit 103 Ontario CA 91761, USA | 8,063 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex International Corporation Limited (Ablerex-HK) | 2007.05.09 | 1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong. | 41 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Electronics (S) PTE. LTD. (Ablerex-SG) | 2002.04.17 | 23 New Industrial Road #05-03 Solstice Business Center Singapore 536209 | 53,623 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Electronics UK Limited (Ablerex-UK) | 2009.04.30 | 21 St. Thomas Street BRISTOL BS1 6JS | 3,961 | Holding |
| Ablerex Electronics Italy S.R.L (Ablerex-IT) | 2009.5.20 | Via Ponte San Michele, 6, 36100 Vicenza, Italy | 3,390 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| WADA DENKI CO., LTD. (Ablerex-JP) | 2016.09.16 | No. 10 Nihonbashi Ningyocho 1-19-6, Chuo-ku, Tokyo | 8,268 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Electronics (Thailand) Co. Ltd. | 2017.6.15 | No.99/237, Sukhaphiban 5 Road, O-ngoen Sub-district, Sai Mai District, Bangkok | 1,000,000 | Sales of UPS system, PV equipment and relative Power Electronics products. |
| Ablerex Latam Corporation | 2018.9.12 | 1500 NVV 89th Court, Suite 122, Doral, FL33172, USA | 15,250 | Sales of UPS system, PV equipment and relative Power Electronics products. |

8.1.3 Presumed to have the same shareholder information as controls and subordinates:

None

8.1.4 Overall relationship the business and division of labor covered by the business of the enterprise:

1. The Company produced electronic products via the following relationship branches:

(1) AblereX Electronics (Suzhou) Co. Ltd.

2. The Company sold electronic products via the following relationship branches:

(1) AblereX Corporation

(2) AblereX Electronics (S) PTE. LTD.

(3) AblereX Electronics Italy S.R.L

(4) AblereX Electronics (Suzhou) Co. Ltd.

(5) AblereX Electronics (Beijing) Co. Ltd.

(6) WADA DENKI CO., LTD

(7) AblereX Electronics (Thailand) Co. Ltd.

(8) AblereX Latam Corporation

8.1.5 The information of directors, supervisors and general manager for relationship between enterprises

| Company Name | Title | Name | Share | Share Rate |
|---|------------|----------------------------|-----------|------------|
| AblereX Electronics (Samoa) Co. Ltd. (AblereX-Samoa) | Director | Y.A. Chen | 6,635,000 | 100% |
| AblereX Corporation (AblereX-USA) | Director | Wen Hsu | 250,000 | 100% |
| | Director | YI FANG Chang | | |
| AblereX International Corporation Limited (AblereX-HK) | Director | Wen Hsu | 10,000 | 100% |
| Joint Rewards Trading Corp. (*) (Joint) | Director | Wen Hsu | 3,000 | 100% |
| AblereX Electronics (S) PTE. LTD.(AblereX-SG) | Director | Wen Hsu | 2,140,763 | 100% |
| AblereX Electronics UK Limited (AblereX-UK) | Director | Wen Hsu | 100,000 | 100% |
| AblereX Overseas Corporation Limited (AblereX-Overseas) | Director | Y.A. Chen | 6,635,000 | 100% |
| AblereX Electronics Italy S.R.L (AblereX-IT) | Director | Roberto | NA* | 100% |
| AblereX Electronics (Suzhou) Co. Ltd. (AblereX-SZ) | Chairman | Y.A. Chen | NA* | 100% |
| | Director | Wen Hsu | | |
| | Director | L.Wang | | |
| | Supervisor | Z.F. Lin | | |
| AblereX Electronics (Beijing) Co. Ltd. (AblereX-BJ) | Chairman | Wen Hsu | NA* | 80% |
| | Director | Y.A. Chen | | |
| | Director | Y.P. Chu | | |
| | Supervisor | Z.C. Xiao | | |
| Wada Denki Co., Ltd. (*) | Chairman | Wen Hsu | 3,000 | 100% |
| | Chairman | Wada | | |
| | Director | Joseph Hwang | | |
| | Supervisor | Z.F. Lin | | |
| AblereX Electronics (Thailand) Co. Ltd. (AblereX (Thailand)) | Director | Tan Kok Peng | 280,000 | 70% |
| | Director | Suthiphat Jenphiphatkun | | |
| AblereX Latam Corporation (AblereX-LATAM) | Director | Wen Hsu | 3,650 | 86% |

* Wada Denki Co., LTD.: It has been passed with a special resolution of the board of directors on 2020.5.8 to transfer 1% of its share to the manager of the subsidiary due to tax planning.

* The company type for the limited company, so no shares.

8.1.6 Overview of the relationship branch

2021.12.31
Unit : NT thousands (EPS in NTD)

| Caompany Name | Capital | Asset | Liabilities | Net | Revenue | Profit and loss | Profit and loas (after tax) | EPS (NTD) after Tax |
|---|---------|---------|-------------|---------|-----------|-----------------|-----------------------------|---------------------|
| Ablerex Corporation | 6,920 | 82,330 | 21,973 | 60,357 | 107,816 | 14,698 | 13,649 | 55 |
| Ablerex International Corporation Limited | 13,840 | 64,857 | 56,008 | 8,849 | 70,237 | 4,264 | 5,061 | 1,386 |
| Ablerex Electronics (S) Pte. Ltd. | 35 | 151,766 | 122,117 | 29,649 | 764,632 | (54) | 1,070 | 107 |
| Ablerex Electronics (Thailand) Co Ltd. | 46,024 | 153,229 | 68,171 | 85,058 | 213,277 | 5,147.0 | 8,706.00 | 4.07 |
| Ablerex Electronics U.K Limined.. | 334 | 14,458 | 10,507 | 3,951 | 38,455 | 603 | (249) | (0.62) |
| Ablerex Electronics Italy S.R.L. | 3,730 | 17,287 | 0 | 17,287 | 0 | 0 | 3,803 | 38.03 |
| Wada Denki Co., LTD. | 3,132 | 92,013 | 74,726 | 17,287 | 213,636 | 6,173 | 3,803 | NA(Note 2) |
| Ablerex Electronics (Samoa) Co., Ltd. | 7,215 | 7,629 | 1,613 | 6,016 | 1,888 | (3,847) | (2,980) | (993.44) |
| Ablerex Overseas Corporation Limited | 183,657 | 456,551 | 117 | 456,434 | 0 | (39) | (18,884) | (2.85) |
| Ablerex Electronics (Suzhou) Co., Ltd. | 183,657 | 456,434 | 0 | 456,434 | 0 | (46) | (18,845) | (2.84) |
| Ablerex Electronics (Beijing) Co., Ltd. | 187,777 | 922,907 | 515,635 | 407,272 | 1,260,653 | (2,181) | (19,007) | NA(Note 2) |
| Ablerex Electronics (Beijing) Co., Ltd. | 43,393 | 99,671 | 42,775 | 56,896 | 136,586 | (61) | 140 | NA(Note 2) |

Note 1 : In the case of a foreign company, the relevant figures are converted to NT at the exchange rate.

| Currency | sight | Average |
|----------|---------|---------|
| USD | 27.68 | 28.0088 |
| EUR | 31.32 | 33.1566 |
| RMB | 4.33930 | 4.34131 |
| GBP | 37.3 | 38.5568 |
| JPY | 0.2405 | 0.2554 |
| ThaiBaht | 0.8347 | 0.8823 |

Note 2 : The company type is the limited company, so no shares.

8.1.7 Related Business Consolidated Financial Statements: Please refer to the consolidated financial statements on pages 251 to 324 of this booklet.

8.1.8 Relationship Report: N/A

8.2 Subscription of marketable securities privately in the most recent years and up to the date of the report printed: None.

8.3 The stock shares of the company held or disposed by the subsidiaries in the most recent years and up to the date of the report printed: None.

8.4 Supplementary disclosures: Commitment matters and handling situation for OTC as:

| Commitment for OTC | Situation |
|---|---|
| <p>2. Committed to add "the Company shall not give up the Capital Increasing of ABLEREX ELECTRONICS (SAMOA) CO., LTD. (ABLEREX-SAMOA), JOINT REWARDS CORP, ABLEREX INTERNATIONAL, ABLEREX CORPORATION, ABLEREX ELECTRONICS (S) PTE LTD. and ABLEREX ELECTRONICS U.K. LIMITED " in "acquisition or disposal of assets processing procedures". ABLEREX-SAMOA will not give up the Capital Increasing of ABLEREX-OVERSEAS. ABLEREX-UK will not give up the Capital Increasing of ABLEREX-ITALY S.R.L., ABLEREX-OVERSEAS will not give up the Capital Increasing of ABLEREX-Suzhou and ABLEREX-BEIJING. : In the future, if the Company is due to agree by the strategic alliance or other consortium of the Securities and Exchange Commission of the Republic of China, the Company shall waive the capital increase or divestment of the Company. The resolution was adopted. And if the amendment is to be amended, it should be disclosed by the public information observatory and disclosed to Tpex.</p> | <p>This clause has been updated and has not been amended to date</p> |
| <p>4. Committed to carried out annual internal audit by the person in Ablerex-SZ after the company registered in OTC.</p> | <p>Has executed the application as per the company committed. Ablerex Electronics (Suzhou) Co., Ltd. has established an audit room in September 2009 and assign a full-time auditor to carry out the internal audit operations.</p> |

IX. Occurrence of events defined in Securities and Exchange Act Article 36.3.2 that has great impact on shareholder's equity or security price in the most recent years and up to the date of the report printed: N/A

Ablerex Electronics Company Limited
Statement of Internal Control System

Date: March 21, 2022

Based on the findings of a self-assessment, Ablerex Electronics Company Limited (Ablerex) states the following with regard to its internal control system during the year 2021:

1. Ablerex's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Ablerex takes immediate remedial actions in response to any identified deficiencies.
3. Ablerex evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. Ablerex has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Ablerex believes that on December 31, 2021, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Ablerex's Annual Report for the year 2021 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 21, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Ablerex Electronics Company Limited

Steven Hsu
Chairman and President

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of profits. Chou, Hsiao-Tzu/CPA and Lai, Zhong-Xi/CPA, The CPA firm of PricewaterhouseCooper was retained to audit AblereX's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

AblereX Electronics Co., Ltd.

Chairman of the Audit Committee: Sir Y.J. Ding

March 21, 2022

(As per Page 10 of Chinese version of "Handbook for the 2022 Annual Shareholders' Meeting")

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ABLEREX ELECTRONICS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of Ablerex Electronics Co., Ltd. as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies. In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements of the current period are stated as follows:

Appropriateness of cut-off of project construction revenue

Description

Please refer to Note 4(24) for accounting policy on revenue recognition and Note 6(16) for composition of operating revenue. For the year ended December 31, 2021, the Company's project construction revenue amounted to NT\$1,291,795 thousand, accounting for 51% of net sales.

The Company's operating revenue is comprised of sales revenue and project construction revenue. The main composition of the project construction revenue is the sale of large equipment and installation related projects. The project needs to be completed through the Company's installation of large-scale equipment, and after the relevant documents are executed by both parties and the client can obtain and consume the benefits provided by the asset, the Company will have deemed to have completed the contractual performance obligations and can recognize the project construction revenue. Due to the fact that the income of the Company's project construction involves manual operation, it may result to inappropriate timing recognition of revenue. Considering that the amount of income recognized by the Company's project construction in a timely manner has a significant impact on the parent company only financial statements, we have deemed the appropriateness of the project construction income as one of the significant audit matters for the year.

How our audit addressed the matter

We performed the following audit procedures in order to assess cut-off of project construction revenue:

1. Assessed and obtained an understanding of the Company's internal control procedures of the project construction revenue recognition, and confirmed the related internal controls were performed effectively.
2. Performed cut-off test on project construction revenue transactions, and selected samples to check that the project construction revenue had been recorded in the proper period accordingly.
3. Tested the accuracy and completeness of project construction list and traced to a related document that can prove revenue in order to confirm that the recognition amount and timing were appropriate.

Valuation of allowance for inventory valuation losses

Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of allowance for inventory valuation losses. Also, please refer to Note 4(11) for accounting policies on investments accounted for using equity method, Note 6(5) for details of investments accounted for using equity method, and Note 13(3) for disclosure of investments accounted for using equity method.

As of December 31, 2021, the Company's inventories and allowance for inventory valuation losses amounted to \$682,669 thousand and \$79,463 thousand, respectively, and the Company's investments accounted for using equity method amounted to \$661,145 thousand, of which the Company's wholly-owned subsidiary, Ablrex Electronics (Suzhou) Co., Ltd, of \$407,714 thousand was the major operating entity. The Company and its directly wholly-owned subsidiary, Ablrex Electronics (Suzhou) Co., Ltd, are engaged in the design, manufacture and sales of uninterruptible power supply systems, equipment to power quality devices and others. Due to the rapid technological innovations and the competitive nature of the market, there is a higher risk of inventory losses due to the market value decline or obsolescence. The Company recognises inventories at the lower of cost and net realizable value. Obsolete or slow-moving inventories were assessed individually. The Company's and its subsidiary's estimation and determination of the net realizable value of inventories are subjected to management's judgement, involves a high level of uncertainty. Considering that the inventories and inventory valuation loss of the Company and its directly wholly-owned subsidiary, Ablrex Electronics (Suzhou) Co., Ltd, which is accounted for using equity method, were significant to the parent company only financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the adequacy of the measurement of net realisable value and provision on allowance for inventory valuation losses:

1. Assessed the reasonableness of policies relating to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Company's and its subsidiary's operation and industry.
2. Verified the accuracy of the inventory aging report and net realisable value report in order to

confirm that the information in the reports were consistent with the Company's and its subsidiary's inventory policies.

3. Checked the appropriateness of the estimation basis adopted by the Company and its subsidiary for the evaluation of the net realizable value, verified the accuracy of inventory selling and purchase prices, and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.
4. Reviewed the appropriateness of the estimation basis for the evaluation of net realisable value, randomly checked supporting documents of product sales and purchases and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 company 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 Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

We also:

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

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

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

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

Chou, Hsiao-Tzu

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | December 31, 2021 | | December 31, 2020 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) and 8 | \$ 109,081 | 4 | \$ 124,727 | 5 |
| 1150 | Notes receivable, net | 6(3) | 24,282 | 1 | 13,999 | - |
| 1170 | Accounts receivable, net | 6(3) | 641,358 | 22 | 315,541 | 12 |
| 1180 | Accounts receivable - related parties | 6(3) and 7 | 170,860 | 6 | 113,333 | 4 |
| 1200 | Other receivables | | - | - | 118 | - |
| 1210 | Other receivables - related parties | 7 | 47,199 | 1 | 45,290 | 2 |
| 1220 | Current tax assets | 6(23) | 2,294 | - | 892 | - |
| 130X | Inventories | 6(4) | 603,206 | 20 | 730,751 | 27 |
| 1410 | Prepayments | | 5,697 | - | 6,564 | - |
| 1470 | Other current assets | 6(1) and 8 | 194 | - | 194 | - |
| 11XX | Current Assets | | <u>1,604,171</u> | <u>54</u> | <u>1,351,409</u> | <u>50</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 81,000 | 3 | 81,000 | 3 |
| 1550 | Investments accounted for under equity method | 6(5) | 661,145 | 22 | 666,834 | 24 |
| 1600 | Property, plant and equipment | 6(6) | 518,813 | 17 | 514,479 | 19 |
| 1755 | Right-of-use assets | 6(7) | 3,419 | - | 2,713 | - |
| 1780 | Intangible assets | | 30,317 | 1 | 29,433 | 1 |
| 1840 | Deferred income tax assets | 6(23) | 47,763 | 2 | 46,040 | 2 |
| 1900 | Other non-current assets | 6(8) | 22,520 | 1 | 19,933 | 1 |
| 15XX | Non-current assets | | <u>1,364,977</u> | <u>46</u> | <u>1,360,432</u> | <u>50</u> |
| 1XXX | Total assets | | <u>\$ 2,969,148</u> | <u>100</u> | <u>\$ 2,711,841</u> | <u>100</u> |

(Continued)

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2021 | | December 31, 2020 | |
|--|--------------------------------------|-------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ 615,781 | 21 | \$ 362,000 | 13 |
| 2130 | Current contract liabilities | 6(16) | 178,775 | 6 | 213,366 | 8 |
| 2150 | Notes payable | | 3,873 | - | 3,936 | - |
| 2170 | Accounts payable | | 222,903 | 8 | 206,914 | 8 |
| 2180 | Accounts payable - related parties | 7 | 158,968 | 5 | 201,070 | 7 |
| 2200 | Other payables | 6(10) | 118,657 | 4 | 95,374 | 4 |
| 2230 | Current income tax liabilities | 6(23) | 7,174 | - | - | - |
| 2250 | Provisions for liabilities - current | 6(11) | 56,909 | 2 | 47,720 | 2 |
| 2280 | Current lease liabilities | 7 | 2,552 | - | 2,649 | - |
| 2300 | Other current liabilities | | 8,483 | - | 2,844 | - |
| 21XX | Current Liabilities | | <u>1,374,075</u> | <u>46</u> | <u>1,135,873</u> | <u>42</u> |
| Non-current liabilities | | | | | | |
| 2570 | Deferred income tax liabilities | 6(23) | 88,793 | 3 | 87,337 | 3 |
| 2580 | Non-current lease liabilities | 7 | 924 | - | 153 | - |
| 2640 | Accrued pension liabilities | 6(12) | 17,769 | 1 | 22,575 | 1 |
| 25XX | Non-current liabilities | | <u>107,486</u> | <u>4</u> | <u>110,065</u> | <u>4</u> |
| 2XXX | Total Liabilities | | <u>1,481,561</u> | <u>50</u> | <u>1,245,938</u> | <u>46</u> |
| Equity | | | | | | |
| Share capital | | | | | | |
| 3110 | Share capital - common stock | 6(13) | 450,000 | 15 | 450,000 | 17 |
| Capital surplus | | | | | | |
| 3200 | Capital surplus | 6(14) | 720,878 | 24 | 720,878 | 26 |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(15) | 217,453 | 7 | 213,249 | 8 |
| 3320 | Special reserve | | 52,110 | 2 | 52,283 | 2 |
| 3350 | Unappropriated retained earnings | | 108,573 | 4 | 81,603 | 3 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | | (61,427) | (2) | (52,110) | (2) |
| 3XXX | Total equity | | <u>1,487,587</u> | <u>50</u> | <u>1,465,903</u> | <u>54</u> |
| Significant contingent liabilities and unrecognized contract commitments | | | | | | |
| Significant events after the balance sheet date | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 2,969,148</u> | <u>100</u> | <u>\$ 2,711,841</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Items | Notes | Year ended December 31 | | | |
|------|--|--------------------|------------------------|-----------|------------------|-----------|
| | | | 2021 | | 2020 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(16) and 7 | \$ 2,550,234 | 100 | \$ 2,024,768 | 100 |
| 5000 | Operating costs | 6(4)(21)(22) and 7 | (2,149,927) | (84) | (1,682,501) | (83) |
| 5950 | Net operating margin | | <u>400,307</u> | <u>16</u> | <u>342,267</u> | <u>17</u> |
| | Operating expenses | 6(21)(22) and 7 | | | | |
| 6100 | Selling expenses | | (100,752) | (4) | (108,569) | (6) |
| 6200 | General and administrative expenses | | (70,516) | (3) | (64,831) | (3) |
| 6300 | Research and development expenses | | (157,541) | (6) | (147,421) | (7) |
| 6000 | Total operating expenses | | (328,809) | (13) | (320,821) | (16) |
| 6900 | Operating profit | | <u>71,498</u> | <u>3</u> | <u>21,446</u> | <u>1</u> |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(17) | 531 | - | 352 | - |
| 7010 | Other income | 6(18) and 7 | 2,226 | - | 2,686 | - |
| 7020 | Other gains and losses | 6(19) | 2,429 | - | 2,824 | - |
| 7050 | Finance costs | 6(20) | (4,330) | - | (3,555) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 6(5) | <u>5,957</u> | - | <u>26,284</u> | <u>1</u> |
| 7000 | Total non-operating income and expenses | | <u>6,813</u> | - | <u>28,591</u> | <u>1</u> |
| 7900 | Profit before income tax | | <u>78,311</u> | <u>3</u> | <u>50,037</u> | <u>2</u> |
| 7950 | Income tax expense | 6(23) | (6,149) | - | (8,120) | - |
| 8200 | Profit for the year | | <u>\$ 72,162</u> | <u>3</u> | <u>\$ 41,917</u> | <u>2</u> |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial gains on defined benefit plans | 6(12) | \$ 4,799 | - | \$ 177 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(23) | (960) | - | (35) | - |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | <u>3,839</u> | - | <u>142</u> | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Other comprehensive (loss) income, before tax, exchange differences on translation | | (11,646) | - | 217 | - |
| 8399 | Income tax relating to the components of other comprehensive income | 6(23) | <u>2,329</u> | - | (43) | - |
| 8360 | Components of other comprehensive (loss) income that will be reclassified to profit or loss | | (9,317) | - | 174 | - |
| 8300 | Other comprehensive (loss) income for the year | | <u>(\$ 5,478)</u> | - | <u>\$ 316</u> | - |
| 8500 | Total comprehensive income for the year | | <u>\$ 66,684</u> | <u>3</u> | <u>\$ 42,233</u> | <u>2</u> |
| 9750 | Total basic earnings per share | 6(24) | <u>\$ 1.60</u> | | <u>\$ 0.93</u> | |
| 9850 | Total diluted earnings per share | 6(24) | <u>\$ 1.60</u> | | <u>\$ 0.93</u> | |

The accompanying notes are an integral part of these parent company only financial statements.

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Share capital - common stock | Capital surplus, additional paid-in capital | Retained Earnings | | | Financial statements translation differences of foreign operations | Total equity |
|---|-----------|---------------------------------|---|-------------------|-----------------|--|---|--------------|
| | | | | Legal reserve | Special reserve | Unappropriated retained earnings | | |
| <u>2020</u> | | | | | | | | |
| Balance at January 1, 2020 | | \$ 450,000 | \$ 734,378 | \$ 209,610 | \$ 34,442 | \$ 92,543 | (\$ 52,284) | \$ 1,468,689 |
| Profit for the year | | - | - | - | - | 41,917 | - | 41,917 |
| Other comprehensive income for the year | 6(12)(13) | - | - | - | - | 142 | 174 | 316 |
| Total comprehensive income | | - | - | - | - | 42,059 | 174 | 42,233 |
| Appropriation and distribution of 2019 earnings: | 6(15) | | | | | | | |
| Legal reserve | | - | - | 3,639 | - | (3,639) | - | - |
| Special reserve | | - | - | - | 17,841 | (17,841) | - | - |
| Cash dividends to shareholders | | - | - | - | - | (31,500) | - | (31,500) |
| Cash dividends paid from additional paid-in capital | 6(14) | - | (13,500) | - | - | - | - | (13,500) |
| Changes in non-controlling interests | | - | - | - | - | (19) | - | (19) |
| Balance at December 31, 2020 | | \$ 450,000 | \$ 720,878 | \$ 213,249 | \$ 52,283 | \$ 81,603 | (\$ 52,110) | \$ 1,465,903 |
| <u>2021</u> | | | | | | | | |
| Balance at January 1, 2021 | | \$ 450,000 | \$ 720,878 | \$ 213,249 | \$ 52,283 | \$ 81,603 | (\$ 52,110) | \$ 1,465,903 |
| Profit for the year | | - | - | - | - | 72,162 | - | 72,162 |
| Other comprehensive income (loss) for the year | 6(12)(13) | - | - | - | - | 3,839 | (9,317) | (5,478) |
| Total comprehensive income (loss) | | - | - | - | - | 76,001 | (9,317) | 66,684 |
| Appropriation and distribution of 2020 earnings: | 6(15) | | | | | | | |
| Legal reserve | | - | - | 4,204 | - | (4,204) | - | - |
| Special reserve | | - | - | - | (173) | 173 | - | - |
| Cash dividends to shareholders | | - | - | - | - | (45,000) | - | (45,000) |
| Balance at December 31, 2021 | | \$ 450,000 | \$ 720,878 | \$ 217,453 | \$ 52,110 | \$ 108,573 | (\$ 61,427) | \$ 1,487,587 |

The accompanying notes are an integral part of these parent company only financial statements.

ABLEREX ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------------|------------------------|---------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 78,311 | \$ 50,037 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense (including depreciation) | 6(6)(7)(21) | 37,042 | 37,139 |
| Amortisation expense | | 8,590 | 8,697 |
| Loss on disposal of investments | | - | 19 |
| Interest income | 6(17) | (531) | (352) |
| Share of loss of subsidiaries for using equity method | | (5,957) | (26,284) |
| Interest expense | 6(20) | 4,330 | 3,555 |
| Unrealised foreign exchange gain (loss) | | 917 | (211) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | (10,283) | 17,497 |
| Accounts receivable, net | | (325,817) | 59,531 |
| Accounts receivable - related parties | | (57,527) | 20,260 |
| Inventories | | 127,545 | (105,350) |
| Other receivables | | 118 | (118) |
| Other receivables - related parties | | (1,909) | (14,557) |
| Prepayments | | 867 | 2,580 |
| Changes in operating liabilities | | | |
| Current contract liabilities | | (34,591) | 43,681 |
| Notes payable | | (63) | (3,070) |
| Accounts payable | | 15,989 | 8,264 |
| Accounts payable - related parties | | (42,102) | 828 |
| Other payables | | 23,236 | (695) |
| Provisions for liabilities - current | | 9,189 | 7,279 |
| Other current liabilities | | 5,639 | (105) |
| Defined benefit liability | | (7) | (662) |
| Cash (outflow) inflow generated from operations | | (167,014) | 107,963 |
| Interest paid | | (4,284) | (3,529) |
| Interest received | | 531 | 352 |
| Income tax refunded (paid) | | 725 | (6,175) |
| Net cash flows (used in) from operating activities | | (170,042) | 98,611 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Proceeds from disposal of investments accounted for using equity | | - | 113 |
| Acquisition of property, plant and equipment | 6(6) | (33,761) | (11,117) |
| Increase in other non-current assets | | (10,196) | (3,415) |
| Acquisition of intangible assets | | (2,692) | (2,749) |
| Increase in prepayment of equipment | | (439) | (1,559) |
| Increase in deposits | | (828) | (516) |
| Net cash flows used in investing activities | | (47,916) | (19,243) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term loans | 6(25) | 4,216,585 | 3,057,868 |
| Decrease in short-term loans | 6(25) | (3,962,804) | (3,080,635) |
| Repayment of principal portion of lease liabilities | 6(25) | (5,552) | (6,466) |
| Cash dividends paid | 6(15) | (45,000) | (31,500) |
| Cash dividends paid from additional paid-in capital | 6(14) | - | (13,500) |
| Net cash flows from (used in) financing activities | | 203,229 | (74,233) |
| Effect of exchange rate changes on cash and cash equivalents | | (917) | 211 |
| Net (decrease) increase in cash and cash equivalents | | (15,646) | 5,346 |
| Cash and cash equivalents at beginning of year | | 124,727 | 119,381 |
| Cash and cash equivalents at end of year | | \$ 109,081 | \$ 124,727 |

The accompanying notes are an integral part of these parent company only financial statements.

ABLEREX ELECTRONICS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

(1) Ablere Electronics Co., Ltd (the “Company”), formerly UIS Ablere Electronics Co., Ltd., was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) on April 27, 1998. The Company merged with PEC Technology Co., Ltd. on April 1, 2002, with the Company as the surviving company and was then renamed as Ablere Electronics Co., Ltd. The shares of the Company have been trading on the Taipei Exchange since September 9, 2010.

(2) The Company is primarily engaged in the following business activities:

- A. Manufacturing and sales of uninterruptible power supply systems.
- B. Manufacturing and sales of equipment to power quality devices.
- C. Manufacturing and sales of solar energy equipment.
- D. Maintenance and technical services.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These parent company only financial statements were authorised for issuance by the Board of Directors on March 21, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’ | January 1, 2021 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021(Note) |

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment : proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet

date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses' based on transaction nature.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on normal capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using the equity method - subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the parent company only financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|-------------|
| Buildings and structures | 10~35 years |
| Machinery and equipment | 5~10 years |
| Transportation equipment | 5 years |
| Office equipment | 5 years |
| Leasehold improvements | 10 years |

(13) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest

method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost and the cost is mainly the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Intangible assets

- A. Trademark right and patent rights

Trademark right and patent rights are stated at cost, have a finite useful life and are amortised on a straight-line basis over its estimated useful life of 5 years.

- B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

- C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(15) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Provisions

Provisions (primarily warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit

obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Company to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. Sales revenue

- (a) The Company manufactures and sells uninterrupted power supply equipment and system, improved power quality system and equipment and solar energy equipment and other related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been

transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- (b) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sale of goods—Project construction

- (a) The Company provides sales services related to uninterruptible power system and equipment, improved power quality system and equipment and solar energy system and equipment. The project construction revenue includes equipment sales and installation services, and the contract involves and provides integrated services. Therefore, the equipment and installation are indistinguishable and are regarded as a single performance obligation. The Company installs equipment, the customer performs the acceptance procedure, and the Company opens the warranty book. The customer obtains the control of the equipment and the benefits arising therefrom. When all the acceptance criteria are met, the Company completes the contractual performance obligated of contract to recognize revenue.
- (b) The Company's obligation to provide a repair for project construction under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognized when the project construction is completed and the warranty book is delivered to the customer. As this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

C. Service revenue

The Company provides related services of maintaining uninterruptible power supply equipment, improved power quality system and equipment and solar energy system and equipment. Service revenue is recognized as income during the financial reporting period in which the services are provided to customers. Revenue from fixed price contracts is recognised as a percentage of the number of months of service actually provided on the balance sheet date. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognized as a contract assets when the services provided by the Company exceed the customers' payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Company.

D. Costs of obtaining a customer contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

Evaluation of inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the Company's carrying amount of inventories was \$603,206.

B. Estimation of provisions for liabilities

The sale of goods requires consideration of the cost incurred or to be incurred in connection with the transaction. Therefore, the Company formulates the proposed policy for the determination of the warranty for the sale of the product, which is used to measure the actual operating profit and loss of the company. The Company's liability determination is based on the Company's policy based on the historical warranty data of the product as the basis for the assessment, and the related product warranty liabilities are estimated to estimate the future maintenance costs.

As of December 31, 2021, the Company estimated the liability provision to be \$56,909.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 396 | \$ 395 |
| Checking accounts and demand deposits | 108,685 | 124,332 |
| Time deposits | <u>194</u> | <u>194</u> |
| | 109,275 | 124,921 |
| Transferred to 'Other current assets' | (194) | (194) |
| | <u>\$ 109,081</u> | <u>\$ 124,727</u> |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. For details on cash and cash equivalents provided as a pledge or collateral, please refer to Note 8.

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

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------|--------------------------|--------------------------|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | <u>\$ 81,000</u> | <u>\$ 81,000</u> |

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to \$81,000, as at December 31, 2021 and 2020, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are \$1,755 and \$162 for the years ended December 31, 2021 and 2020, respectively.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was all \$81,000.

D. Information relating to price risk of financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

(3) Notes and accounts receivable (including related parties)

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Notes receivable | \$ 24,282 | \$ 13,999 |
| Accounts receivable | \$ 645,627 | \$ 319,810 |
| Less: Allowance for bad debts — accounts receivable | (4,269) | (4,269) |
| | <u>\$ 641,358</u> | <u>\$ 315,541</u> |
| Accounts receivable - related party | <u>\$ 170,860</u> | <u>\$ 113,333</u> |

A. The ageing analysis of accounts receivable and notes receivable is as follows:

| | <u>December 31, 2021</u> | | | <u>December 31, 2020</u> | | |
|----------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|----------------------------|-----------------------------|
| | <u>Accounts receivable</u> | <u>Related parties</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Related parties</u> | <u>Notes receivable</u> |
| Not overdue | \$ 640,155 | \$ 170,860 | \$ 24,282 | \$ 311,967 | \$ 113,333 | \$ 13,999 |
| Within 30 days | 2,026 | - | - | 3,068 | - | - |
| 31 to 60 days | 712 | - | - | 95 | - | - |
| 61 to 90 days | 1,547 | - | - | 3,436 | - | - |
| Over 91 days | 1,187 | - | - | 1,244 | - | - |
| | <u>\$ 645,627</u> | <u>\$ 170,860</u> | <u>\$ 24,282</u> | <u>\$ 319,810</u> | <u>\$ 113,333</u> | <u>\$ 13,999</u> |

The above ageing analysis was based on past due date.

- B. As at December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables (including related parties) from contracts with customers amounted to \$549,899.
- C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable (including related parties) was \$24,282 and \$13,999; \$812,218 and \$428,874, respectively.
- D. The Company does not hold any collateral as security.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

| | December 31, 2021 | | |
|--------------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 105,121 | (\$ 33,652) | \$ 71,469 |
| Work in process | 19,132 | (1,152) | 17,980 |
| Semi-finished goods | 109,539 | (27,791) | 81,748 |
| Finished goods | 46,882 | (7,014) | 39,868 |
| Goods | 41,802 | (9,854) | 31,948 |
| Goods in transit | 29,956 | - | 29,956 |
| Unfinished constructions | 330,237 | - | 330,237 |
| | <u>\$ 682,669</u> | <u>(\$ 79,463)</u> | <u>\$ 603,206</u> |

| | December 31, 2020 | | |
|--------------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 92,156 | (\$ 32,426) | \$ 59,730 |
| Work in process | 27,913 | (1,618) | 26,295 |
| Semi-finished goods | 113,509 | (30,402) | 83,107 |
| Finished goods | 81,646 | (6,163) | 75,483 |
| Goods | 76,426 | (12,482) | 63,944 |
| Goods in transit | 35,181 | - | 35,181 |
| Unfinished constructions | 387,011 | - | 387,011 |
| | <u>\$ 813,842</u> | <u>(\$ 83,091)</u> | <u>\$ 730,751</u> |

The cost of inventories recognised as expense for the year:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cost of goods sold | \$ 2,084,495 | \$ 1,625,545 |
| Maintenance cost | 55,060 | 43,328 |
| Gain on reversal of decline in market value | (3,628) | (230) |
| Others | 14,000 | 13,858 |
| | <u>\$ 2,149,927</u> | <u>\$ 1,682,501</u> |

For the years ended December 31, 2021 and 2020, the Company reversed a previous inventory write-down because the inventories were subsequently disposed or sold.

(5) Investments accounted for using equity method

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------|-------------------|-------------------|
| Ablerex Electronics (Samoa) Co., Ltd. | \$ 450,420 | \$ 473,807 |
| Ablerex Corporation | 60,357 | 48,190 |
| Ablerex International Co., Ltd. | 29,649 | 29,418 |
| Ablerex Electronics (S) Pte. Ltd. | 100,405 | 92,782 |
| Wada Denki Co., Ltd. | 5,867 | 9,961 |
| Ablerex Electronics U.K.Ltd. | 14,447 | 12,676 |
| | <u>\$ 661,145</u> | <u>\$ 666,834</u> |

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2021 for the information regarding the Company's subsidiaries.

(6) Property, plant and equipment

| | 2021 | | | | | | |
|---|-------------------|-------------------|------------------|-----------------------------|---------------------|---------------------------|-------------------|
| | Land | Buildings | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Total |
| <u>At January 1</u> | | | | | | | |
| Cost | \$ 166,077 | \$ 442,186 | \$ 20,596 | \$ 1,358 | \$ 34,802 | \$ 6,027 | \$ 671,046 |
| Accumulated depreciation | - | (125,039) | (10,008) | (700) | (16,540) | (4,280) | (156,567) |
| | <u>\$ 166,077</u> | <u>\$ 317,147</u> | <u>\$ 10,588</u> | <u>\$ 658</u> | <u>\$ 18,262</u> | <u>\$ 1,747</u> | <u>\$ 514,479</u> |
| Opening net book amount as at January 1 | \$ 166,077 | \$ 317,147 | \$ 10,588 | \$ 658 | \$ 18,262 | \$ 1,747 | \$ 514,479 |
| Additions | - | 18,229 | 9,533 | 182 | 5,817 | - | 33,761 |
| Transfer | - | - | - | - | 2,094 | - | 2,094 |
| Depreciation charge | - | (21,422) | (2,379) | (249) | (6,883) | (588) | (31,521) |
| Closing net book amount as at December 31 | <u>\$ 166,077</u> | <u>\$ 313,954</u> | <u>\$ 17,742</u> | <u>\$ 591</u> | <u>\$ 19,290</u> | <u>\$ 1,159</u> | <u>\$ 518,813</u> |
| <u>At December 31</u> | | | | | | | |
| Cost | \$ 166,077 | \$ 455,775 | \$ 30,129 | \$ 1,170 | \$ 35,466 | \$ 5,835 | \$ 694,452 |
| Accumulated depreciation | - | (141,821) | (12,387) | (579) | (16,176) | (4,676) | (175,639) |
| | <u>\$ 166,077</u> | <u>\$ 313,954</u> | <u>\$ 17,742</u> | <u>\$ 591</u> | <u>\$ 19,290</u> | <u>\$ 1,159</u> | <u>\$ 518,813</u> |

| | Land | Buildings | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Total |
|--|-------------------|-------------------|------------------|-----------------------------|---------------------|---------------------------|-------------------|
| <u>At January 1</u> | | | | | | | |
| Cost | \$ 166,077 | \$ 468,800 | \$ 19,282 | \$ 1,251 | \$ 30,158 | \$ 6,027 | \$ 691,595 |
| Accumulated depreciation | - | (132,801) | (8,038) | (439) | (13,020) | (3,689) | (157,987) |
| | <u>\$ 166,077</u> | <u>\$ 335,999</u> | <u>\$ 11,244</u> | <u>\$ 812</u> | <u>\$ 17,138</u> | <u>\$ 2,338</u> | <u>\$ 533,608</u> |
| Opening net book amount as at January 1 | \$ 166,077 | \$ 335,999 | \$ 11,244 | \$ 812 | \$ 17,138 | \$ 2,338 | \$ 533,608 |
| Additions | - | 2,558 | 911 | 107 | 7,541 | - | 11,117 |
| Transfer | - | - | 403 | - | - | - | 403 |
| Depreciation charge | - | (21,410) | (1,970) | (261) | (6,417) | (591) | (30,649) |
| Closing net book amount as at December 31 | <u>\$ 166,077</u> | <u>\$ 317,147</u> | <u>\$ 10,588</u> | <u>\$ 658</u> | <u>\$ 18,262</u> | <u>\$ 1,747</u> | <u>\$ 514,479</u> |
| <u>At December 31</u> | | | | | | | |
| Cost | \$ 166,077 | \$ 442,186 | \$ 20,596 | \$ 1,358 | \$ 34,802 | \$ 6,027 | \$ 671,046 |
| Accumulated depreciation | - | (125,039) | (10,008) | (700) | (16,540) | (4,280) | (156,567) |
| | <u>\$ 166,077</u> | <u>\$ 317,147</u> | <u>\$ 10,588</u> | <u>\$ 658</u> | <u>\$ 18,262</u> | <u>\$ 1,747</u> | <u>\$ 514,479</u> |

A. The abovementioned equipment are all assets for its own use.

B. The significant components of buildings include buildings, air conditioners, elevators and utility construction. Buildings are depreciated over 26 to 35 years, and others are depreciated over 10 years.

C. There were no borrowing costs capitalised as part of property, plant and equipment.

(7) Leasing arrangements – lessee

A. The Company leases various assets including buildings (including land), transportation equipment and office equipment. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise parking spaces. Low-value assets comprise office equipment. On December 31, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$1,294 and \$492, respectively.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------|----------------------------|----------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Buildings (including land) | \$ 3,269 | \$ 2,129 |
| Transportation equipment | - | 271 |
| Office equipment | 150 | 313 |
| | <u>\$ 3,419</u> | <u>\$ 2,713</u> |
| | <u>2021</u> | <u>2020</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Buildings (including land) | \$ 5,087 | \$ 5,692 |
| Transportation equipment | 271 | 541 |
| Office equipment | 163 | 257 |
| | <u>\$ 5,521</u> | <u>\$ 6,490</u> |

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$6,396 and \$698, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------|-------------|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 57 | \$ 97 |
| Expense on short-term lease contracts | 1,294 | 492 |
| Expense on leases of low-value assets | 127 | 217 |

F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$7,030 and \$7,272, respectively.

(8) Other non-current assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------|--------------------------|--------------------------|
| Overdue receivable | \$ 33,861 | \$ 33,884 |
| Allowance for bad debts | (33,861) | (33,884) |
| – overdue receivable | | |
| Prepayments for equipment | 725 | 2,880 |
| Guarantee deposits | 11,319 | 10,491 |
| Deferred expenses | 10,476 | 6,562 |
| | <u>\$ 22,520</u> | <u>\$ 19,933</u> |

(9) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 615,781</u> | 0.89% ~ 1.00% | None |

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | <u>\$ 362,000</u> | 0.95% ~ 1.01% | None |

For collaterals on bank borrowings and book value information, please refer to Note 7.

(10) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Year-end bonus payable | \$ 37,223 | \$ 34,742 |
| Wages and salaries payable | 16,421 | 16,507 |
| Employees' compensation and directors' remuneration | 10,616 | 6,327 |
| Payable for other short-term employee benefits | 6,446 | 5,971 |
| Others | <u>47,951</u> | <u>31,827</u> |
| | <u>\$ 118,657</u> | <u>\$ 95,374</u> |

(11) Provisions for liabilities -current

| | <u>2021</u> | <u>2020</u> |
|------------------------|------------------|------------------|
| Warranty: | | |
| At January 1 | \$ 47,720 | \$ 40,441 |
| Additional provisions | 13,923 | 13,858 |
| Used during the period | (<u>4,734</u>) | (<u>6,579</u>) |
| At December 31 | <u>\$ 56,909</u> | <u>\$ 47,720</u> |

The Company's provisions for warranties are primarily for uninterruptible power supplies and solar energy related products. The provisions for warranties are estimated based on historical warranty data of uninterruptible power supplies and solar energy related products.

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the

retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method of the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Present value of funded defined benefit obligations | (\$ 52,102) | (\$ 57,019) |
| Fair value of plan assets | <u>34,333</u> | <u>34,444</u> |
| Net defined benefit liability | <u>(\$ 17,769)</u> | <u>(\$ 22,575)</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | <u>2021</u> | | |
|--|---|--------------------------------------|--|
| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
| At January 1 | (\$ 57,019) | \$ 34,444 | (\$ 22,575) |
| Current service cost | (242) | - | (242) |
| Interest (expense) income | (168) | 102 | (66) |
| | <u>(57,429)</u> | <u>34,546</u> | <u>(22,883)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 508 | 508 |
| Change in demographic assumptions | (133) | - | (133) |
| Financial assumptions change | 2,154 | - | 2,154 |
| Experience adjustments | <u>2,270</u> | <u>-</u> | <u>2,270</u> |
| | <u>4,291</u> | <u>508</u> | <u>4,799</u> |
| Pension fund contribution | - | 315 | 315 |
| Pensions paid | <u>1,036</u> | <u>(1,036)</u> | <u>-</u> |
| At December 31 | <u>(\$ 52,102)</u> | <u>\$ 34,333</u> | <u>(\$ 17,769)</u> |

| | 2020 | | |
|--|--|------------------------------|----------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| At January 1 | (\$ 56,160) | \$ 32,746 | (\$ 23,414) |
| Current service cost | (217) | - | (217) |
| Interest (expense) income | (417) | 245 | (172) |
| Past service cost | 671 | - | 671 |
| | <u>(56,123)</u> | <u>32,991</u> | <u>(23,132)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,073 | 1,073 |
| Change in demographic assumptions | (5) | - | (5) |
| Financial assumptions change | (2,731) | - | (2,731) |
| Experience adjustments | 1,840 | - | 1,840 |
| | <u>(896)</u> | <u>1,073</u> | <u>177</u> |
| Pension fund contribution | - | 380 | 380 |
| At December 31 | <u>(\$ 57,019)</u> | <u>\$ 34,444</u> | <u>(\$ 22,575)</u> |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | 2021 | 2020 |
|-------------------------|-------|-------|
| Discount rate | 0.70% | 0.30% |
| Future salary increases | 2.00% | 2.00% |

Assumptions regarding future mortality experience are set based on the fifth Taiwan Standard Ordinary Experience Mortality Table (2012 TSO).

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

| | <u>Discount rate</u> | | <u>Future salary increases</u> | |
|--|-----------------------|-----------------------|--------------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit | <u>(\$ 1,301)</u> | <u>\$ 1,350</u> | <u>\$ 1,329</u> | <u>(\$ 1,288)</u> |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit | <u>(\$ 1,529)</u> | <u>\$ 1,590</u> | <u>\$ 1,559</u> | <u>(\$ 1,507)</u> |

The sensitivity analysis above is based on one assumption which changed while the other conditions that remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$871.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

| | | |
|---------------|----|---------------|
| Within 1 year | \$ | 1,157 |
| 1-2 year(s) | | 1,537 |
| 3-5 years | | 4,639 |
| Over 5 years | | 48,208 |
| | \$ | <u>55,541</u> |

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$11,507 and \$11,265, respectively.

(13) Share capital

As of December 31, 2021, the Company’s authorised capital was \$800,000, consisting of 80 million shares of ordinary stock, and the paid-in capital was \$450,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The Company’s ordinary shares at the beginning of the period are the same with the outstanding shares at the end of the

period.

(14) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The shareholders resolved to appropriate capital surplus in cash at their meeting on August 18, 2021 and June 19, 2020:

| | <u>Year ended December 31, 2019</u> | |
|---|-------------------------------------|--|
| | <u>Amount</u> | <u>Cash per share (in dollars)</u> |
| Capital surplus appropriated in cash | <u>\$ 13,500</u> | <u>\$ 0.30</u> |

The cash appropriation of capital surplus is in agreement with the proposal submitted by the Board of Directors.

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the accumulated legal reserve has reached the total capital stock balance. Special reserve shall be appropriated in accordance with related regulations promulgated by competent authorities, and the special reserve along with the accumulated unappropriated retained earnings from previous years is considered as the distributable earnings. The remainder, if any, after considering the operating status, and through a proposition by the Board of Directors and a resolution by the shareholders, shall be retained.
- B. The Company's dividend policy is based on the Company's current operation status, future capital requirements, long-term operation plan, shareholders' benefits, balanced dividends and the Company's long-term financial plan, etc. The appropriation is proposed by the Board of Directors and then approved by the shareholders during their meeting. Cash dividends shall not be less than 20% of the total dividends distributed to shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit

balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

- E. The appropriation of 2020 earnings as proposed by the shareholders on August 18, 2021 and the appropriation of 2019 earnings as resolved by the shareholders on June 19, 2020 are as follows:

| | <u>Year ended December 31, 2020</u> | | <u>Year ended December 31, 2019</u> | |
|-----------------|-------------------------------------|--|-------------------------------------|--|
| | <u>Amount</u> | <u>Dividend per share (in dollars)</u> | <u>Amount</u> | <u>Dividend per share (in dollars)</u> |
| Legal reserve | \$ 4,204 | | \$ 3,639 | |
| Special reserve | (173) | | 17,841 | |
| Cash dividends | 45,000 | \$ 1.00 | 31,500 | \$ 0.70 |

The distribution of earnings in respect of the year 2020 was proposed pursuant to a resolution passed by the Board of Directors on March 19, 2021. For the information relating to the distribution of earnings as approved by the Board of Directors or shareholders, please refer to the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- F. The Company's earnings distribution in 2021 was proposed at the board meeting on March 21, 2022, please refer to Note 11.

(16) Sales revenue

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|---------------------|
| Sales revenue | \$ 1,158,143 | \$ 956,182 |
| Project construction revenue | 1,291,795 | 979,076 |
| Service revenue | 100,296 | 89,510 |
| | <u>\$ 2,550,234</u> | <u>\$ 2,024,768</u> |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following:

| <u>Year ended December 31, 2021</u> | <u>First Business Division</u> | <u>Second Business Division</u> | <u>Technical Services Division</u> | <u>Energy Division</u> | <u>Total</u> |
|-------------------------------------|------------------------------------|---|--|----------------------------|---------------------|
| Total segment revenue | <u>\$ 1,022,799</u> | <u>\$ 1,043,273</u> | <u>\$ 244,139</u> | <u>\$ 240,023</u> | <u>\$ 2,550,234</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | \$ 1,022,799 | \$ 1,043,273 | \$ 170,167 | \$ 221,538 | \$ 2,457,777 |
| Over time | - | - | 73,972 | 18,485 | 92,457 |
| | <u>\$ 1,022,799</u> | <u>\$ 1,043,273</u> | <u>\$ 244,139</u> | <u>\$ 240,023</u> | <u>\$ 2,550,234</u> |

| <u>Year ended December 31, 2020</u> | <u>First Business Division</u> | <u>Second Business Division</u> | <u>Technical Services Division</u> | <u>Energy Division</u> | <u>Total</u> |
|-------------------------------------|------------------------------------|---|--|----------------------------|---------------------|
| Total segment revenue | \$ 660,612 | \$ 888,857 | \$ 219,391 | \$ 255,908 | \$ 2,024,768 |
| Timing of revenue recognition | | | | | |
| At a point in time | \$ 660,612 | \$ 888,857 | \$ 150,659 | \$ 244,595 | \$ 1,944,723 |
| Over time | - | - | 68,732 | 11,313 | 80,045 |
| | <u>\$ 660,612</u> | <u>\$ 888,857</u> | <u>\$ 219,391</u> | <u>\$ 255,908</u> | <u>\$ 2,024,768</u> |

B. Contract liabilities

The Company has recognised the following revenue-related contract liabilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|-------------------------------------|--------------------------|--------------------------|------------------------|
| Contract liabilities: | | | |
| Contract liabilities | | | |
| – advance receipts for construction | \$ 156,666 | \$ 195,375 | \$ 163,135 |
| Contract liabilities | | | |
| – advance sales receipts | 22,109 | 17,991 | 6,550 |
| | <u>\$ 178,775</u> | <u>\$ 213,366</u> | <u>\$ 169,685</u> |

(a) Significant changes in contract liabilities

None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | | |
| Sales revenue | <u>\$ 187,959</u> | <u>\$ 143,287</u> |

(17) Interest income

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------|---------------|
| Interest income from bank deposits | <u>\$ 531</u> | <u>\$ 352</u> |

(18) Other income

| | <u>2021</u> | <u>2020</u> |
|----------------------|-----------------|-----------------|
| Dividend income | \$ 1,755 | \$ 162 |
| Other income, others | 471 | 2,524 |
| | <u>\$ 2,226</u> | <u>\$ 2,686</u> |

(19) Other gains and losses

| | 2021 | 2020 |
|---------------------------------|-----------------|-----------------|
| Foreign exchange gain | \$ 2,433 | \$ 2,843 |
| Loss on disposal of investments | - | (19) |
| Others | (4) | - |
| | <u>\$ 2,429</u> | <u>\$ 2,824</u> |

(20) Finance costs

| | 2021 | 2020 |
|------------------|----------|----------|
| Interest expense | \$ 4,330 | \$ 3,555 |

(21) Expenses by nature

| By function \ By nature | 2021 | | | 2020 | | |
|--------------------------|-----------------|--------------------|------------|-----------------|--------------------|------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense | \$ 79,183 | \$ 222,598 | \$ 301,781 | \$ 73,986 | \$ 209,904 | \$ 283,890 |
| Depreciation charges | 14,077 | 22,965 | 37,042 | 14,113 | 23,026 | 37,139 |
| Amortization charges | 647 | 7,943 | 8,590 | 338 | 8,359 | 8,697 |

(22) Employee benefit expense

| | 2021 | 2020 |
|---------------------------------|-------------------|-------------------|
| Wages and salaries | \$ 254,743 | \$ 241,005 |
| Labor and health insurance fees | 23,878 | 21,630 |
| Pension costs | 11,815 | 10,983 |
| Directors' remuneration | 1,690 | 1,460 |
| Other personnel expenses | 9,655 | 8,812 |
| | <u>\$ 301,781</u> | <u>\$ 283,890</u> |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 6% to 10% for employees compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$5,112 and \$3,263, respectively; while directors' and supervisors' remuneration was accrued at \$1,698 and \$1,088, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 6% and 2% of distributable profit of current year for the year ended December 31, 2021.

The difference of \$1 between employees' compensation (directors' and supervisors' remuneration) as resolved by the Board of Directors and the amount recognised in the 2020 financial statements of \$3,263, \$1,088 had been adjusted in profit or loss for 2021. The

appropriation was in the form of cash.

Information about the appropriation of employees' compensation (bonus) and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|-----------------|
| Current tax: | | |
| Current tax on profit for the period | \$ 9,946 | \$ 5,027 |
| Prior year income tax overestimation | (4,899) | (1,341) |
| Total current tax | <u>5,047</u> | <u>3,686</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>1,102</u> | <u>4,434</u> |
| Income tax expense | <u>\$ 6,149</u> | <u>\$ 8,120</u> |

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|--------------|
| Currency translation differences | (\$ 2,329) | \$ 43 |
| Remeasurement of defined benefit obligations | <u>960</u> | <u>35</u> |
| | <u>(\$ 1,369)</u> | <u>\$ 78</u> |

B. Reconciliation between income tax expense and accounting profit:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-----------------|
| Tax calculated based on profit before tax and statutory tax rate | \$ 15,662 | \$ 10,007 |
| Expenses that should be excluded according to tax laws | - | (17) |
| Income exempted according to tax law | (351) | (32) |
| Effect from tax credit of investment | (4,263) | (497) |
| Prior year income tax overestimation | <u>(4,899)</u> | <u>(1,341)</u> |
| Income tax expense | <u>\$ 6,149</u> | <u>\$ 8,120</u> |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

| | At January 1, 2021 | Recognised in profit or loss | Recognised in other comprehensive income | At December 31, 2021 |
|---|-----------------------|---------------------------------|--|-------------------------|
| Temporary differences: | | | | |
| –Deferred tax assets: | | | | |
| Unrealised warranty provision | \$ 9,544 | \$ 1,838 | \$ - | \$ 11,382 |
| Allowance for market value decline and loss for inventories | 16,618 | (726) | - | 15,892 |
| Accrued pension liabilities | 4,515 | (1) | (960) | 3,554 |
| Allowance for bad debts | 6,669 | (792) | - | 5,877 |
| Translation differences of foreign operations | 5,609 | - | 2,329 | 7,938 |
| Others | 3,085 | 35 | - | 3,120 |
| | <u>46,040</u> | <u>354</u> | <u>1,369</u> | <u>47,763</u> |
| –Deferred tax liabilities: | | | | |
| Gain on foreign long-term equity investments | (87,337) | (1,063) | - | (88,400) |
| Others | - | (393) | - | (393) |
| | <u>(87,337)</u> | <u>(1,456)</u> | <u>-</u> | <u>(88,793)</u> |
| | <u>(\$ 41,297)</u> | <u>(\$ 1,102)</u> | <u>\$ 1,369</u> | <u>(\$ 41,030)</u> |
| | At January 1, 2020 | Recognised in profit or loss | Recognised in other comprehensive income | At December 31, 2020 |
| Temporary differences: | | | | |
| –Deferred tax assets: | | | | |
| Unrealised warranty provision | \$ 8,088 | \$ 1,456 | \$ - | \$ 9,544 |
| Allowance for market value decline and loss for inventories | 16,664 | (46) | - | 16,618 |
| Accrued pension liabilities | 4,683 | (133) | (35) | 4,515 |
| Allowance for bad debts | 6,474 | 195 | - | 6,669 |
| Translation differences of foreign operations | 5,652 | - | (43) | 5,609 |
| Others | 3,645 | (560) | - | 3,085 |
| | <u>45,206</u> | <u>912</u> | <u>(78)</u> | <u>46,040</u> |
| –Deferred tax liabilities: | | | | |
| Gain on foreign long-term equity investments | (81,991) | (5,346) | - | (87,337) |
| | <u>(81,991)</u> | <u>(5,346)</u> | <u>-</u> | <u>(87,337)</u> |
| | <u>(\$ 36,785)</u> | <u>(\$ 4,434)</u> | <u>(\$ 78)</u> | <u>(\$ 41,297)</u> |

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings per share

| | 2021 | | |
|--|---------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 72,162 | 45,000 | \$ 1.60 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 72,162 | 45,000 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 149 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 72,162 | 45,149 | \$ 1.60 |
| | | 2020 | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 41,917 | 45,000 | \$ 0.93 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 41,917 | 45,000 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 104 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 41,917 | 45,104 | \$ 0.93 |

(25) Changes in liabilities from financing activities

| | 2021 | | |
|--|--------------------------|-------------------|--|
| | Short-term borrowings | Lease liabilities | Liabilities from financing activities- gross |
| At January 1 | \$ 362,000 | \$ 2,802 | \$ 364,802 |
| Changes in cash flow from financing activities | 253,781 | (5,552) | 248,229 |
| Changes in other non-cash items | - | 6,227 | 6,227 |
| At December 31 | \$ 615,781 | \$ 3,477 | \$ 619,258 |

| | 2020 | | |
|--|--------------------------|-------------------|--|
| | Short-term borrowings | Lease liabilities | Liabilities from financing activities- gross |
| At January 1 | \$ 384,767 | \$ 8,688 | \$ 393,455 |
| Changes in cash flow from financing activities | (22,767) | (6,466) | (29,233) |
| Changes in other non-cash items | - | 580 | 580 |
| At December 31 | <u>\$ 362,000</u> | <u>\$ 2,802</u> | <u>\$ 364,802</u> |

7. Related Party Transactions

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|--|---|
| United Integrated Services Co., Ltd. | The entity using the equity method to account for the investment in the Company |
| Ablerex Electronics (Samoa) Co., Ltd. (Ablerex-Samoa) | The Company's subsidiary |
| Joint Rewards Trading Corp. (Joint) | The Company's subsidiary (Note) |
| Ablerex Corporation (Ablerex-USA) | The Company's subsidiary |
| Ablerex International Co., Ltd. (Ablerex-HK) | The Company's subsidiary |
| Ablerex Electronics (S) Pte. Ltd. (Ablerex-SG) | The Company's subsidiary |
| Ablerex Electronics U.K. Ltd. (Ablerex-UK) | The Company's subsidiary |
| Wada Denki Co., Ltd. (Ablerex-JP) | The Company's subsidiary |
| Ablerex Overseas Co., Ltd. (Ablerex-Overseas) | The Company's second-tier company |
| Ablerex Electronics Italy S.R.L. (Ablerex-IT) | The Company's second-tier company |
| Ablerex Electronics (Thailand) Co., Ltd. | The Company's second-tier company |
| Ablerex Latam Corporation (Ablerex-Latam) (Note) | The Company's second-tier company |
| Ablerex Electronics (Suzhou) Co., Ltd. (Ablerex-SZ) | The Company's third-tier company |
| Ablerex Electronics (Beijing) Co.,Ltd. (Ablerex-BJ) | The Company's third-tier company |
| Eco Energy Corporation | Other related party |
| Directors, supervisors, general manager and vice general manager | The Group's key management |

Note: Joint Rewards Trading Corp. (Joint) completed the cancellation of registration on September 28, 2020.

(2) Significant related party transactions and balances

A. Sales revenue

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Subsidiary | \$ 418,617 | \$ 376,413 |
| Entities with significant influence to the Group | 907 | 145 |
| Other related parties | 4,259 | - |
| | <u>\$ 423,783</u> | <u>\$ 376,558</u> |

- (a) Except for goods sold to a subsidiary, AblereX-SZ, that were through AblereX-HK at no price difference, transaction prices to remaining subsidiaries were based on mutual agreement. The credit term to subsidiaries is 120 days after monthly billings, excluding 90 days after monthly billings to AblereX-SZ, and the credit terms to customers are 60 to 120 days after monthly billings.
- (b) The transaction prices and terms of the Company to United Integrated Services Co., Ltd. and other related parties are in accordance with the agreed contracts.

B. Purchases

| | <u>2021</u> | <u>2020</u> |
|------------|---------------------|-------------------|
| AblereX-HK | \$ 764,632 | \$ 639,304 |
| AblereX-SZ | 276,943 | 247,229 |
| | <u>\$ 1,041,575</u> | <u>\$ 886,533</u> |

- (a) The Company acquired midget uninterruptible power equipment from AblereX-SZ through AblereX-HK. AblereX-HK acquired the equipment from AblereX-SZ based on the agreed price and then resold to the Company at the same price. The payment term is 60 days after monthly billings. The payment terms to non-related parties are 90 to 150 days after monthly billings.
- (b) In addition, the Company directly acquired midget uninterruptible power equipment from AblereX-SZ based on the agreed price, and the payment term is 60 days after monthly billings.

C. Leasing arrangements - lessee

- (a) The Company leased office and plant from United Integrated Services Co., Ltd. Rental contracts are typically made for periods from 2021 to 2022. Rents are paid at the end of each month.
- (b) Lease liabilities
- i. Outstanding balance

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| United Integrated Services Co., Ltd. | \$ 1,853 | \$ 1,853 |

ii. Interest expense

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| United Integrated Services Co., Ltd. | \$ 37 | \$ 66 |
| D. Receivables | | |
| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
| Subsidiary | \$ 55,667 | \$ 26,576 |
| Ablerex-SG | 55,257 | 54,983 |
| Ablerex-SZ | 39,478 | 14,769 |
| Entities with significant influence to the Company | 17,224 | 17,005 |
| Other related parties | 3,234 | - |
| | <u>\$ 170,860</u> | <u>\$ 113,333</u> |

E. Other receivables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------------------------|--------------------------|--------------------------|
| Purchase on behalf of others | | |
| Ablerex-SZ | \$ 5,246 | \$ 2,226 |
| Capital requirements | | |
| Ablerex-Latam | 41,520 | 42,720 |
| Supervision fee | | |
| Subsidiary | 332 | 342 |
| Others | | |
| Subsidiary | 101 | 2 |
| | <u>\$ 47,199</u> | <u>\$ 45,290</u> |

Information on purchases on behalf of Ablerex-HK and Ablerex-SZ and capital requirements of Ablerex-Latam is provided in Notes 7(2) G and 13(1)A, respectively.

F. Payables to related parties

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------|--------------------------|--------------------------|
| Ablerex-HK | \$ 91,621 | \$ 159,956 |
| Ablerex-SZ | 67,338 | 41,114 |
| Subsidiary | 9 | - |
| | <u>\$ 158,968</u> | <u>\$ 201,070</u> |

G Material and equipment purchased on behalf of others

(a) The Company purchased the critical raw materials on behalf of Ablerex-SZ through Ablerex-HK's transshipment. The Company resold these critical raw materials to Ablerex-HK under a transaction price calculated based on purchasing costs plus agreed-upon processing fee, and then Ablerex-HK resold the material to Ablerex-SZ at the same price. No sales revenue and cost arising from this transaction were recognised.

(b) The Company directly purchased the critical raw materials on behalf of Ablerex-SZ, and the transaction price was calculated based on purchasing costs plus agreed-upon processing fee.

No sales revenue and cost arising from this transaction were recognised.

- (c) Details of processing revenue (shown as miscellaneous income) derived from purchasing materials and equipment on behalf of Ablerex-SZ as abovementioned are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Materials purchased on behalf of | | |
| Ablerex-SZ | \$ <u>22,625</u> | \$ <u>24,356</u> |
| Miscellaneous income | | |
| Ablerex-SZ | \$ <u>425</u> | \$ <u>1,537</u> |

- H. Supervision fee revenue (recognised as deduction in operating expenses-administrative expenses)

The Company provided management services to Ablerex-USA. For the years ended December 31, 2021 and 2020, management fee revenue was recognised amounting to \$2,018 and \$2,134, respectively, and was recorded as deduction in operating expenses-administrative expenses. The credit term is 90 days after monthly billings. As of December 31, 2021 and 2020, other receivables amounted to \$332 and \$342, respectively.

- I. Sales service fee (shown as operating expenses- selling expenses)

Ablerex-IT provided business connection and order taking service of certain foreign customers to the Company, and the Company paid an agreed percentage of sales revenue to Ablerex-IT as a service fee. For the years ended December 31, 2021 and 2020, the Company recognised sales service fee in the amounts of \$8,246 and \$9,109, respectively, and the credit term is 120 days after monthly billings.

- J. Endorsements and guarantees

(a) As of December 31, 2021 and 2020, unsecured bank borrowings amounted to \$615,781 and \$362,000, respectively. The Company's key management is the joint guarantor.

(b) As of December 31, 2021 and 2020, the Company provided guarantee for Ablerex-HK's bank borrowing credit line amounting to USD\$7,500 thousand for both years. As of December 31, 2021 and 2020, the borrowings of Ablerex-HK amounted to USD\$1,900 thousand and USD\$2,400 thousand. For the year ended December 31, 2021, information on the endorsement and guarantee transaction is provided in Note 13(1) B.

- K. Commitments

As of December 31, 2021 and 2020, details of notes issued for providing performance guarantee for sales warranty and leasing contracts are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------|--------------------------|--------------------------|
| Entities with significant | | |
| influence to the Company | \$ <u>10,962</u> | \$ <u>11,056</u> |

(3) Key management compensation

| | 2021 | 2020 |
|---|------------------|------------------|
| Salaries and other short-term employee benefits | \$ 23,311 | \$ 22,633 |
| Termination benefits | 714 | 705 |
| | <u>\$ 24,025</u> | <u>\$ 23,338</u> |

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

| Pledged assets | Book value | | Purpose |
|---|-------------------|-------------------|-------------------------------------|
| | December 31, 2021 | December 31, 2020 | |
| Other current assets – time deposits | <u>\$ 194</u> | <u>\$ 194</u> | Performance guarantee for contracts |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2021 and 2020, other than the details of contingencies and commitments between the Company and related parties as provided in Note 7(2) L, contingencies and commitments between the Company and third parties are as follows:

Capital expenditure contracted for at the balance sheet date but not yet incurred

| | December 31, 2021 | December 31, 2020 |
|-------------------|-------------------|-------------------|
| Intangible assets | <u>\$ 1,216</u> | <u>\$ 95</u> |

Warranty and performance guarantee

As of December 31, 2021 and 2020, promissory notes issued for the warranty and performance guarantee of sales amounted to \$117,914 and \$92,039, respectively.

B. Details of endorsements/guarantees provided by the Company to subsidiaries are provided in Note 13(1) B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) The appropriations of 2021 earnings had been proposed by the Board of Directors on March 21, 2022. Details are summarized below:

| | 2021 | |
|-----------------|----------|---------------------|
| | Amount | Dividends per share |
| Legal reserve | \$ 7,600 | |
| Special reserve | 9,317 | |
| Cash dividends | 47,250 | \$ 1.05 |

As of March 21, 2022, the appropriations of 2021 earnings has not been resolved at the stockholders' meeting.

- (2) On March 21, 2022, the Board of Directors proposed to appropriate \$0.20 (in dollars) per share in case with the capital surplus equivalent to \$720,878 arising from paid-in capital in excess of par value on issuance of common stock. As of March 21, 2022, the appropriations has not been resolved at the shareholders' meeting.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure with reasonable cost of funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

In 2021, the Company's strategy, which was unchanged from 2020, was to maintain the gearing ratio of about 40%. The gearing ratios at December 31, 2021 and 2020 were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------|--------------------------|--------------------------|
| Total liabilities | \$ 1,481,561 | \$ 1,245,938 |
| Total equity | <u>1,487,587</u> | <u>1,465,903</u> |
| Total assets | \$ 2,969,148 | \$ 2,711,841 |
| Gearing ratio | <u>50%</u> | <u>46%</u> |

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | \$ <u>81,000</u> | \$ <u>81,000</u> |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 109,081 | \$ 124,727 |
| Notes receivable | 24,282 | 13,999 |
| Accounts receivable (including related parties) | 812,218 | 428,874 |
| Other receivables (including related parties) | 47,199 | 45,408 |
| Guarantee deposits paid | 11,319 | 10,491 |
| Other financial assets | 194 | 194 |
| | <u>\$ 1,004,293</u> | <u>\$ 623,693</u> |

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost through profit or loss | | |
| Short-term borrowings | \$ 615,781 | \$ 362,000 |
| Notes payable | 3,873 | 3,936 |
| Accounts payable(including related parties) | 381,871 | 407,984 |
| Other accounts payable | <u>118,657</u> | <u>95,374</u> |
| | <u>\$ 1,120,182</u> | <u>\$ 869,294</u> |
| Lease liability | | |
| (including related parties) | <u>\$ 3,476</u> | <u>\$ 2,802</u> |

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Company use forward foreign exchange contracts to hedge exchange rate risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.
- iv The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| (Foreign currency: <u>Functional currency</u>) | December 31, 2021 | | | 2021 | | |
|--|---|------------------|---------------------|------------------------|--|--|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Sensitivity Analysis | | |
| | | | | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 13,176 | 27.680 | \$ 364,712 | 1% | \$ 3,647 | \$ - |
| RMB:NTD | 9,587 | 4.344 | 41,646 | 1% | 416 | - |
| JPY:NTD | 16,154 | 0.2405 | 3,885 | 1% | 39 | - |
| <u>Long-term equity investment accounted for using equity method</u> | | | | | | |
| USD:NTD | \$ 22,814 | 27.680 | \$ 631,492 | 1% | - | 6,315 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 10,299 | 27.680 | \$ 285,076 | 1% | \$ 2,851 | \$ - |
| December 31, 2020 | | | 2020 | | | |
| <u>Sensitivity Analysis</u> | | | | | | |
| (Foreign currency: <u>Functional currency</u>) | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 10,311 | 28.480 | \$ 293,657 | 1% | \$ 2,937 | \$ - |
| RMB:NTD | 6,476 | 4.377 | 28,345 | 1% | 283 | - |
| JPY:NTD | 10,465 | 0.276 | 2,891 | 1% | 29 | - |
| <u>Long-term equity investment accounted for using equity method</u> | | | | | | |
| USD:NTD | \$ 22,319 | 28.480 | \$ 635,645 | 1% | - | 6,356 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 9,033 | 28.480 | \$ 257,260 | 1% | \$ 2,573 | \$ - |

- iv. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$2,433 and \$2,843, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise unlisted shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by both \$810, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's borrowings are mostly with fixed interest rate and maturity within one year. Therefore, the Company does not expect to be exposed to significant interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of accounts receivable, notes receivable and amortized cost financial assets based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or above are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. The main credit risk arises from customers, including outstanding receivables.
- iii. The Company adopts the assumptions under IFRS 9, there has been a significant increase in credit risk on that instrument since initial recognition, when the contract payments were past due over 30 days.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt

instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with sales area. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Company's written-off financial assets that are still under recourse procedures amounted to \$23 and \$0, respectively.
- viii. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

| | Not overdue | Overdue within 30 days | Overdue within 60 days | Overdue within 90 days | Overdue for more than 90 days | Total |
|-----------------------------|-------------|---------------------------|---------------------------|---------------------------|-------------------------------------|------------|
| <u>At December 31, 2021</u> | | | | | | |
| Expected loss rate | 0.03% | 38.60% | 88.48% | 95.54% | 100.00% | |
| Total book value | \$ 811,015 | \$ 2,026 | \$ 712 | \$ 1,547 | \$ 1,187 | \$ 816,487 |
| Loss allowance | \$ 192 | \$ 782 | \$ 630 | \$ 1,478 | \$ 1,187 | \$ 4,269 |
| <u>At December 31, 2020</u> | | | | | | |
| Expected loss rate | 0.03% | 1.91% | 78.08% | 81.47% | 100.00% | |
| Total book value | \$ 425,300 | \$ 3,068 | \$ 95 | \$ 3,436 | \$ 1,244 | \$ 433,143 |
| Loss allowance | \$ 94 | \$ 58 | \$ 74 | \$ 2,799 | \$ 1,244 | \$ 4,269 |

- ix. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | <u>2021</u> | |
|---|----------------------------|---------------------------|
| | <u>Accounts receivable</u> | <u>Overdue receivable</u> |
| At January 1 | \$ 4,269 | \$ 33,884 |
| Amounts written off due to irrecoverability | <u>-</u> | <u>(23)</u> |
| At December 31 | <u>\$ 4,269</u> | <u>\$ 33,861</u> |
| | <u>2020</u> | |
| | <u>Accounts receivable</u> | <u>Overdue receivable</u> |
| At January 1 | \$ 9,738 | \$ 28,415 |
| Transfer | <u>(5,469)</u> | <u>5,469</u> |
| At December 31 | <u>\$ 4,269</u> | <u>\$ 33,884</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed by the Company's treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. When surplus cash held by the Company over and above balance required for working capital management, Company treasury invests surplus cash in interest bearing current accounts or other cash equivalent, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The Company has the following undrawn borrowing facilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Fixed rate: | | |
| Expiring within one year | <u>\$ 514,939</u> | <u>\$ 771,920</u> |

- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

| | Less than 3 | Between 3 | | |
|---------------------------------------|-------------|-------------------|-------------|------------|
| December 31, 2021 | months | months and 1 year | Over 1 year | Book value |
| Short-term borrowings | \$ 616,663 | \$ - | \$ - | \$ 616,663 |
| Notes payable | 3,873 | - | - | 3,873 |
| Accounts payable | 207,016 | 15,887 | - | 222,903 |
| Accounts payable - related parties | 158,958 | 10 | - | 158,968 |
| Other payables | 98,203 | 19,581 | 873 | 118,657 |
| Lease liability | 1,281 | 1,299 | 934 | 3,514 |
| | Less than 3 | Between 3 | | |
| December 31, 2020 | months | months and 1 year | Over 1 year | Book value |
| Short-term borrowings | \$ 362,394 | \$ - | \$ - | \$ 362,394 |
| Notes payable | 3,936 | - | - | 3,936 |
| Accounts payable | 196,427 | 10,487 | - | 206,914 |
| Accounts payable - related parties | 201,070 | - | - | 201,070 |
| Other payables | 81,029 | 8,701 | 5,644 | 95,374 |
| Lease liability | 1,535 | 1,128 | 156 | 2,819 |

- v. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value.

The Company's carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values. The carrying amounts are provided in Note 12(2) A.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | \$ - | \$ - | \$ 81,000 | \$ 81,000 |
| <hr/> | | | | |
| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | \$ - | \$ - | \$ 81,000 | \$ 81,000 |

- D. The methods and assumptions the Company used to measure fair value are as follows:
- (a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- G. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity instrument: Unlisted shares | \$ 81,000 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |
| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: Unlisted shares | \$ 81,000 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | December 31, 2021 | | | | |
|-------------------|-------|---------------------------------|----------------------|---|----------------------|------------------------|
| | | Recognised in profit or loss | | Recognised in other comprehensive income | | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | 30% | ± 1% | \$ - | \$ - | \$ 1,906 | (\$ 1,906) |
| | | December 31, 2020 | | | | |
| | | Recognised in profit or loss | | Recognised in other comprehensive income | | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | 30% | ± 1% | \$ - | \$ - | \$ 1,906 | (\$ 1,906) |

(4) Others

Despite the COVID-19 pandemic and the various preventive measures adopted by the government, there has been no significant impact on the operations of the Group. The Group's operating income for the third quarter of 2021 did not decrease compared to the same period last year, and it has been assessed that there is no doubt on the Group's ability to continue operations, assets have not been impaired, and financing risks have not increased. The Group's pandemic response management has complied with the Central Epidemic Command Center's announcement of the three-level epidemic alert related measures and the relevant pandemic prevention regulations of the Infectious Disease Prevention and Control Act.

13. Supplementary Disclosures

(1) Significant transaction information

The Company discloses related information of the following for the year ended December 31, 2021:

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Derivative financial instruments undertaken for the year ended December 31, 2021: None.
- J. Significant inter-company transactions for the year ended December 31, 2021: Please refer to table 6.

(2) Information on investees (not including investees in Mainland China)

Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
 - (a) Purchasing amount and percentage and related receivables' percentage and balance at December 31, 2021: Please refer to tables 6 and 9.
 - (b) Selling amount and percentage and related receivables' percentage and balance at December 31, 2021: Please refer to tables 6 and 9.

- (c) Property transaction amounts and gains and loss arising from them: None.
- (d) Balance and purpose of provision of endorsements/guarantees or collaterals at December 31, 2021: None.
- (e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended and at December 31, 2021: Please refer to table 1.
- (f) Other significant transactions that affected the gains and loss or financial status for the period, i.e. rendering/receiving of service: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. Segment Information

Not applicable.

ABLEREX ELECTRONICS CO., LTD.

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| 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 | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|-----|-------------|---------------|------------------------|--------------------|---|-----------------------------------|-----------------------------------|---------------|----------------------|--|---------------------------------|---------------------------------|------------|-------|--|--------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | Ablerex-LATAM | Other receivables | Y | \$ 85,605 (USD 3,000 thousand) | \$ 41,520 (USD 1,500 thousand) | \$ 41,520 (USD 1,500 thousand) | 1.00% | Short-term financing | \$ - | Turnover of operation | \$ - | None | \$ - | \$ 148,759 | \$ 595,035 | Note 1 Note 4 |
| 2 | Ablerex-HK | Ablerex-SZ | Other receivables | Y | 57,070 (USD 2,000 thousand) | 55,360 (USD 2,000 thousand) | 55,360 (USD 2,000 thousand) | 2.475% | Short-term financing | - | Turnover of operation | - | None | - | 148,759 | 595,035 | Note 1 Note 2 Note 3 |

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on total loans to others is 40% of the Company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year on the year of financing. Limit on loans to a single party with short-term financing is 10% of the Company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted.

Note 2: In accordance with the Ablerex-HK's "Procedures for Provision of Loans", limit on total loans to others is 40% of the parent company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing is 10% of the parent company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted. The deadline of each loan is 1 year from the lending day.

Note 3: The maximum credit to be drawn as approved by the Board of Directors was USD 2,000 thousand. The period-end available credit balance was USD 2,000 thousand. The actual amount drawn was USD 2,000 thousand.

Note 4: The maximum credit to be drawn as approved by the Board of Directors was USD 3,000 thousand. The period-end available credit balance was USD 1,500 thousand. The actual amount drawn was USD 1,500 thousand.

Note 5: The maximum amount was approved at the Board of Director's meeting.

ABLEREX ELECTRONICS CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 3) | Outstanding endorsement/ guarantee amount at December 31, 2021 | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|--------|------------------------|------------------------------------|--|---|--|--|-----------------------------------|--|--|--|--|--|---|------------------|
| | | Company name | Relationship with the endorser/ guarantor | | | | | | | | | | | |
| 0 | The Company | Ablerex-HK | Subsidiary | \$ 297,517 | \$ 315,552 | \$ 207,600 (USD 7,500 thousand) | \$ 52,952 (USD 1,900 thousand) | \$ - | 14% | \$ 743,794 | Y | N | N | Note 1 Note 2 |

Note 1: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on the Company endorsements/guarantees to others is 50% of the Company's net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets, and limit on endorsements/guarantees for companies with business relations is the higher value of purchases or sales during current year.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Transactions made with Ablerex-HK is higher than 50% of the Company's net assets, which is over the limit on the Company endorsements/guarantees to others. Thus, the limit on the Company endorsements/guarantees to Ablerex-HK is 50% of the Company's net assets.

ABLEREX ELECTRONICS CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2021 | | | | Footnote |
|--------------------|------------------------|---|---|-------------------------|-------------------|---------------|-------------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| The Company | Eco Energy Corporation | Other related party | Financial assets at fair value through other comprehensive income-non-current | 5,400,000 | \$81,000 thousand | 13.50% | \$81,000 thousand | None |

ABLEREX ELECTRONICS CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Footnote |
|------------------|--------------|------------------------------------|-------------------|------------------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Ablerex-SG | Subsidiary | (Sales) | (\$ 143,800) | (6%) | Note 3 | Note 3 | Note 3 | \$ 55,257 | 7% | - |
| Ablerex-SG | The Company | Parent Company | Purchases | USD 5,150 thousand | 83% | Note 3 | Note 3 | Note 3 | (USD 1,996 thousand) | (93%) | - |
| The Company | Ablerex-IT | Second-tier subsidiary | (Sales) | (\$ 112,693) | (4%) | Note 3 | Note 3 | Note 3 | \$ 30,520 | 4% | - |
| Ablerex-IT | The Company | Parent Company | Purchases | EUR 3,400 thousand | 76% | Note 3 | Note 3 | Note 3 | (EUR 964 thousand) | (78%) | - |
| The Company | Ablerex-HK | Subsidiary | Purchases | \$ 764,632 | 51% | Note 1 | Note 1 | Note 1 | (\$ 91,621) | (24%) | - |
| Ablerex-HK | The Company | Parent Company | (Sales) | (USD 27,300 thousand) | (100%) | Note 1 | Note 1 | Note 1 | USD 3,310 thousand | 98% | - |
| The Company | Ablerex-SZ | An indirectly-owned Subsidiary | Purchases | \$ 276,943 | 18% | Note 1 | Note 1 | Note 1 | (\$ 67,338) | (17%) | - |
| Ablerex-SZ | The Company | Parent Company | (Sales) | (RMB 63,792 thousand) | (22%) | Note 1 | Note 1 | Note 1 | RMB 15,507 thousand | 33% | - |
| Ablerex-HK | Ablerex-SZ | Affiliate | Purchases | USD 27,300 thousand | 100% | Note 2 | Note 2 | Note 2 | (USD 2,511 thousand) | (100%) | - |
| Ablerex-SZ | Ablerex-HK | Affiliate | (Sales) | (RMB 175,835 thousand) | (61%) | Note 2 | Note 2 | Note 2 | RMB 16,010 thousand | 34% | - |

Note 1: The transaction price is commensurate with the purchase price from Ablerex-SZ; the receivable (payable) policy is Net 60 days E.O.M.

Note 2: The transaction price is the Ablerex-SZ production cost plus an agreed gross margin; the receivable (payable) policy is Net 60 days E.O.M.

Note 3: Transaction price are determined according to the agreements between the parties; the receivable (payable) policy is Net 120 days E.O.M.

Note 4: Ablerex-HK conducts purchases from Ablerex, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to Ablerex-SZ with a zero contribution margin; the credit term is the same with general customers.

ABLEREX ELECTRONICS CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|-----------|--------------|------------------------------------|---------------------------------|---------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| Ablrex-HK | The Company | Parent company | USD 3,310 thousand | 6.12 | - | - | USD 3,308 thousand | - |
| Ablrex-SZ | Ablrex-HK | Affiliate | RMB 16,010 thousand | 7.89 | - | - | RMB 15,973 thousand | - |

ABLEREX ELECTRONICS CO., LTD.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2021

Table 6
Individual transactions not exceeding \$10,000 and their corresponding transactions are not disclosed.

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | |
|--------------------|--------------|---------------|--------------------------|------------------------|------------|-------------------|--|
| | | | | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | The Company | Ablerex-HK | 1 | Purchases | \$ 764,632 | Note 4 | 26% |
| | | Ablerex-HK | 1 | Accounts Payable | 91,621 | | 3% |
| | | Ablerex-SZ | 1 | Sales | 80,028 | Note 5 | 3% |
| | | Ablerex-SZ | 1 | Purchases | 276,943 | Note 5 | 9% |
| | | Ablerex-SZ | 1 | Accounts Payable | 67,338 | | 2% |
| | | Ablerex-SZ | 1 | Accounts Receivable | 39,478 | | 1% |
| | | Ablerex-USA | 1 | Sales | 66,617 | Note 5 | 2% |
| | | Ablerex-USA | 1 | Accounts Receivable | 16,432 | | 0% |
| | | Ablerex-SG | 1 | Sales | 143,800 | Note 5 | 5% |
| | | Ablerex-SG | 1 | Accounts Receivable | 55,257 | | 2% |
| | | Ablerex-IT | 1 | Sales | 112,693 | Note 5 | 4% |
| | | Ablerex-IT | 1 | Accounts Receivable | 30,520 | | 1% |
| | | Ablerex-LATAM | 1 | Sales | 14,141 | Note 5 | 0% |
| | | Ablerex-LATAM | 1 | Other Receivables | 41,520 | Note 8 | 1% |
| 1 | Ablerex-HK | Ablerex-SZ | 3 | Purchases | 763,354 | Note 4 | 26% |
| | | Ablerex-SZ | 3 | Accounts Payable | 69,547 | | 2% |
| | | Ablerex-SZ | 3 | Other Receivables | 57,153 | Note 7 | 2% |
| 2 | Ablerex-SZ | Ablerex-BJ | 3 | Sales | 88,767 | Note 5 | 3% |
| | | Ablerex-BJ | 3 | Purchases | 22,047 | Note 5 | 1% |
| | | Ablerex-BJ | 3 | Accounts Receivable | 35,683 | | 1% |
| 3 | Ablerex-SG | Ablerex-TH | 3 | Sales | 25,280 | Note 5 | 1% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Ablerex-HK conducted purchases from Ablerex-SZ, whereby the prices were based on Ablerex-SZ's production costs. The purchases were then resold to Ablerex with a zero contribution margin; the term for receivables and payables is Net 60 days E.O.M.

Note 5: Transaction prices are determined according to the agreements between the parties; the credit term is the same with general customers.

Note 6: Ablerex-HK conducts purchases from Ablerex, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to Ablerex-SZ with a zero contribution margin; the credit term is the same with general customers.

Note 7: Ablerex-HK loan to Ablerex-SZ, of which \$55,360 calculated interest against agreed interest rate 2.475% per annum and the rest was for business demand.

Note 8: Ablerex loan to Ablerex-Latam, interest against agreed interest rate 1% per annum.

ABLEREX ELECTRONICS CO., LTD.

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2021 | Investment income(loss) recognised by the Company for the year ended December 31, 2021 | Footnote |
|---------------|------------------|-----------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|--|------------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Book value | | | |
| The Company | Ablerex-Samoa | Samoa | Holding company | \$ 217,445 | \$ 217,445 | 6,635,000 | 100 | \$ 450,420 | (\$ 18,884) | (\$ 19,695) | Subsidiary |
| The Company | Ablerex-USA | U.S. | Sales of uninterruptible power supply, solar energy products, and related systems | 8,303 | 8,303 | 250,000 | 100 | 60,357 | 13,649 | 13,681 | Subsidiary |
| The Company | Ablerex-HK | Hong Kong | Sales of uninterruptible power supply, solar energy products, and related systems | 43 | 43 | 10,000 | 100 | 29,649 | 1,070 | 1,070 | Subsidiary |
| The Company | Ablerex-SG | Singapore | Sales of uninterruptible power supply, solar energy products, and related systems | 48,008 | 48,008 | 2,140,763 | 100 | 100,405 | 8,706 | 10,268 | Subsidiary |
| The Company | Ablerex-UK | UK | Holding company | 4,674 | 4,674 | 100,000 | 100 | 14,447 | 3,803 | 3,600 | Subsidiary |
| The Company | Ablerex-JP | Japan | Sales of uninterruptible power supply, solar energy products, and related systems | 9,159 | 9,253 | 2,970 | 99 | 5,867 | (2,980) | (2,967) | Subsidiary |
| Ablerex-Samoa | Ablerex-Overseas | Hong Kong | Holding company | 217,445 | 217,445 | 6,635,000 | 100 | 456,434 | (18,845) | - | Second-tier subsidiary |
| Ablerex-UK | Ablerex-IT | Italy | Sales of uninterruptible power supply, solar energy products, and related systems | 4,674 | 4,674 | 100,000 | 100 | 14,447 | 3,803 | - | Second-tier subsidiary |
| Ablerex-SG | Ablerex-TH | Thailand | Sales of uninterruptible power supply, solar energy products, and related systems | 256 | 256 | 280,000 | 70 | 2,770 | (249) | - | Second-tier subsidiary |
| Ablerex-USA | Ablerex-Latam | U.S. | Sales of uninterruptible power supply, solar energy products, and related systems | 15,358 | 15,358 | 3,650 | 86 | 7,610 | 5,061 | - | Second-tier subsidiary |

Note: The Company recognised investment income comprising of downstream and upstream transactions.

ABLEREX ELECTRONICS CO., LTD.
Information on investments in Mainland China
For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee as of December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|----------------------------|---|-----------------|-------------------|--|--|-------------------------|--|--|--|---|---|---|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Ablerex-SZ | Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems | \$ 151,133 | Note 1 | \$ 151,133 | \$ - | \$ - | \$ 151,133 | (\$ 19,007) | 100 | (\$ 19,007) | \$ 407,714 | \$ - | Note 2 |
| Ablerex-BJ | Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems | 43,440 | Note 1 | 32,524 | - | - | 32,524 | 175 | 80 | 140 | 45,566 | - | Note 2 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|-------------------------------|--|--|---|
| ABLEREX ELECTRONICS CO., LTD. | \$ 183,657 | \$ 183,657 | \$ 900,878 |

Note 1: Invested in cash through the third region's subsidiary, AblereX-Samoa which invested in AblereX-Overseas and then reinvested in AblereX-SZ and AblereX-BJ. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: Excluding the presentation and disclosures of AblereX-SZ concurrently reviewed by the Certified Public Accountant, the above-listed related parties disclosed below are presentations and disclosures on investees that were not concurrently reviewed by the Certified Public Accountant. For consolidated reporting purposes, all individuals disclosed below have eliminated all inter-group transactions.

ABLEREX ELECTRONICS CO., LTD.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2021

Table 9

- (1) Purchasing amount and percentage and related payables' percentage and balance at December 31, 2021:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|-----|---|
| | | Amount | % | |
| Ablerex-SZ | Purchases | \$ 1,041,575 | 69% | Purchase from AblereX-SZ through AblereX-HK of which \$276,943 purchase directly. |

- (2) Selling amount and percentage and related receivables' percentage and balance at December 31, 2021:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|----|---------------|
| | | Amount | % | |
| Ablerex-SZ | Sales | \$ 80,028 | 3% | Sold directly |

- (3) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|-----|---|
| | | Amount | % | |
| Ablerex-SZ | Miscellaneous income | \$ 425 | 90% | The Company purchased the critical raw materials of \$22,625 on behalf of AblereX-SZ. |

ABLEREX ELECTRONICS CO., LTD.
Major shareholders information
December 31, 2021

Table 10

| Name of major shareholders | Shares | |
|--------------------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| United Integrated Services Co., Ltd. | 14,986,502 | 33.30% |
| Wen Hsu | 9,638,177 | 21.41% |
| Y.A. Chen | 2,485,763 | 5.52% |

**ABLEREX ELECTRONICS CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ABLEREX ELECTRONICS CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Ablere Electronics Co., Ltd. And its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of cut-off of project construction revenue

Description

Please refer to Note 4(25) for accounting policy on revenue recognition, Note 6(17) for composition of operating revenue and Note 14(5) for information on products and services. For the year ended December 31, 2021, the Group's project construction revenue amounted to NT\$1,284,309 thousand, accounting for 43% of consolidated net sales.

The Group's operating revenue is comprised of sales revenue and project construction revenue. The main composition of the project construction revenue is the sale of large equipment and installation related projects. The project needs to be completed through the Group's installation of large-scale equipment, and after the relevant documents are executed by both parties and the client can obtain and consume the benefits provided by the asset, the Group will have deemed to have completed the contractual performance obligations and can recognize the project construction revenue. Due to the fact that the income of the Group's project construction involves manual operation, it may result to inappropriate timing recognition of revenue. Considering that the amount of income recognized by the Group's project construction in a timely manner has a significant impact on the consolidated financial statements, we have deemed the appropriateness of the project construction income as one of the significant audit matters for the year.

How our audit addressed the matter

We performed the following audit procedures in order to assess cut-off of project construction revenue:

1. Assessed and obtained an understanding of the Group's internal control procedures of the project construction revenue recognition, and confirmed the related internal controls were performed effectively.
2. Performed cut-off test on project construction revenue transactions, and selected samples to check that the project construction revenue had been recorded in the proper period accordingly.
3. Tested the accuracy and completeness of project construction list and traced to a related document that can prove revenue in order to confirm that the recognition amount and timing were appropriate.

Valuation of allowance for inventory valuation losses

Description

Please refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for the details of allowance for inventory valuation losses. As of December 31, 2021, the Group's inventories and allowance for inventory valuation losses amounted to NT \$1,343,620 thousand and NT \$144,713 thousand, respectively.

The Group is engaged in the design, manufacture and sales of uninterruptible power supply systems, equipment to power quality devices and others. Due to the rapid technological innovations and the competitive nature of the market, there is a higher risk of inventory losses due to the market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. Obsolete or slow-moving inventories were assessed individually. The Group's estimation and determination of the net realizable value of inventories are subjected to management's judgement, involves a high level of uncertainty and has a material effect on the financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the adequacy of the measurement of net realisable value and provision on allowance for inventory valuation losses:

1. Assessed the reasonableness of policies relating to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Group's operation and industry.
2. Verified the accuracy of the inventory aging report and net realisable value report in order to confirm that the information in the reports were consistent with the Group's inventory policies.
3. Checked the appropriateness of the estimation basis adopted by the Group for the evaluation of the net realizable value, verified the accuracy of inventory selling and purchase prices, and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.
4. Reviewed the appropriateness of the estimation basis for the evaluation of net realisable value, randomly checked supporting documents of product sales and purchases and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Ablere Electronics Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

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.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

We also:

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

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

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

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

Chou, Hsiao-Tzu

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| ASSETS | Notes | December 31, 2021 | | December 31, 2020 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 268,948 | 8 | \$ 296,879 | 10 |
| 1136 | Current financial assets at amortised cost | 6(3) | 13,032 | - | 13,131 | - |
| 1150 | Notes receivable, net | 6(4) | 24,837 | 1 | 17,395 | 1 |
| 1170 | Accounts receivable, net | 6(4) | 828,930 | 25 | 484,168 | 16 |
| 1180 | Accounts receivable due from related parties, net | 6(4) and 7 | 20,458 | 1 | 17,005 | 1 |
| 1200 | Other receivables | | 8,007 | - | 9,550 | - |
| 1220 | Current tax assets | 6(24) | 2,377 | - | 1,691 | - |
| 130X | Inventories, net | 6(5) | 1,198,907 | 35 | 1,119,250 | 38 |
| 1410 | Prepayments | | 40,402 | 1 | 44,126 | 2 |
| 1470 | Other current assets | 6(1) and 8 | 194 | - | 194 | - |
| 11XX | Total current assets | | <u>2,406,092</u> | <u>71</u> | <u>2,003,389</u> | <u>68</u> |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 81,000 | 3 | 81,000 | 3 |
| 1600 | Property, plant and equipment | 6(6) and 8 | 751,209 | 22 | 753,320 | 25 |
| 1755 | Right-of-use assets | 6(7), 7 and 8 | 10,498 | - | 8,640 | - |
| 1780 | Intangible assets | | 46,684 | 1 | 45,837 | 1 |
| 1840 | Deferred income tax assets | 6(24) | 47,763 | 2 | 46,040 | 2 |
| 1900 | Other non-current assets | 6(8) | 29,844 | 1 | 27,073 | 1 |
| 15XX | Total non-current assets | | <u>966,998</u> | <u>29</u> | <u>961,910</u> | <u>32</u> |
| 1XXX | Total assets | | <u>\$ 3,373,090</u> | <u>100</u> | <u>\$ 2,965,299</u> | <u>100</u> |

(Continued)

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| LIABILITIES AND EQUITY | Notes | December 31, 2021 | | December 31, 2020 | | |
|--|--|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ 752,544 | 22 | \$ 454,963 | 15 |
| 2130 | Current contract liabilities | 6(17) | 187,707 | 6 | 219,737 | 8 |
| 2150 | Notes payable | | 3,873 | - | 3,936 | - |
| 2170 | Accounts payable | | 550,556 | 16 | 459,850 | 16 |
| 2200 | Other payables | 6(11) | 151,174 | 5 | 130,891 | 4 |
| 2230 | Current income tax liabilities | 6(24) | 15,103 | - | 8,931 | - |
| 2250 | Provisions for liabilities - current | 6(12) | 56,909 | 2 | 47,720 | 2 |
| 2280 | Current lease liabilities | 7 | 5,517 | - | 6,186 | - |
| 2300 | Other current liabilities | 6(10) | 27,868 | 1 | 19,220 | 1 |
| 21XX | Total current liabilities | | <u>1,751,251</u> | <u>52</u> | <u>1,351,434</u> | <u>46</u> |
| Non-current liabilities | | | | | | |
| 2540 | Non-current portion of borrowings | 6(10) | 9,479 | - | 22,691 | 1 |
| 2570 | Deferred income tax liabilities | 6(24) | 88,793 | 3 | 87,337 | 3 |
| 2580 | Non-current lease liabilities | 7 | 4,334 | - | 1,820 | - |
| 2640 | Net defined benefit liability, non-current | 6(13) | 17,769 | - | 22,575 | - |
| 25XX | Total non-current liabilities | | <u>120,375</u> | <u>3</u> | <u>134,423</u> | <u>4</u> |
| 2XXX | Total liabilities | | <u>1,871,626</u> | <u>55</u> | <u>1,485,857</u> | <u>50</u> |
| Equity attributable to owners of parent | | | | | | |
| Share capital | | | | | | |
| 3110 | Common stock | 6(14) | 450,000 | 13 | 450,000 | 15 |
| Capital surplus | | | | | | |
| 3200 | Capital surplus | 6(15) | 720,878 | 21 | 720,878 | 24 |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(16) | 217,453 | 7 | 213,249 | 7 |
| 3320 | Special reserve | | 52,110 | 2 | 52,283 | 2 |
| 3350 | Unappropriated retained earnings | | 108,573 | 3 | 81,603 | 3 |
| Other equity interest | | | | | | |
| 3400 | Other equity interest | | (61,427) | (2) | (52,110) | (2) |
| 31XX | Total equity attributable to owners of parent | | <u>1,487,587</u> | <u>44</u> | <u>1,465,903</u> | <u>49</u> |
| 36XX | Non-controlling interests | | <u>13,877</u> | <u>1</u> | <u>13,539</u> | <u>1</u> |
| 3XXX | Total equity | | <u>1,501,464</u> | <u>45</u> | <u>1,479,442</u> | <u>50</u> |
| Significant commitments and contingent liabilities 7 and 9 | | | | | | |
| Significant events after the balance sheet date 11 | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 3,373,090</u> | <u>100</u> | <u>\$ 2,965,299</u> | <u>100</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Items | Notes | Year ended December 31 | | | |
|--|--------------|------------------------|---------------|--------------------|---------------|
| | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(17) and 7 | \$ 2,984,677 | 100 | \$ 2,361,923 | 100 |
| 5000 Operating costs | 6(5)(22)(23) | (2,350,681) | (79) | (1,785,101) | (76) |
| 5950 Gross profit from operations | | <u>633,996</u> | <u>21</u> | <u>576,822</u> | <u>24</u> |
| Operating expenses | 6(22)(23) | | | | |
| 6100 Selling expenses | | (283,864) | (9) | (266,533) | (11) |
| 6200 General and administrative expenses | | (114,929) | (4) | (108,956) | (5) |
| 6300 Research and development expenses | | (157,541) | (5) | (147,421) | (6) |
| 6450 Expected credit (loss) gain | | <u>317</u> | <u>-</u> | (<u>959</u>) | <u>-</u> |
| 6000 Total operating expenses | | (<u>556,017</u>) | (<u>18</u>) | (<u>523,869</u>) | (<u>22</u>) |
| 6900 Net operating income | | <u>77,979</u> | <u>3</u> | <u>52,953</u> | <u>2</u> |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | 6(18) | 595 | - | 926 | - |
| 7010 Other income | 6(19) | 13,957 | - | 18,003 | 1 |
| 7020 Other gains and losses | 6(20) | 1,282 | - | (5,050) | - |
| 7050 Finance costs | 6(21) and 7 | (6,611) | - | (6,143) | - |
| 7000 Total non-operating income and expenses | | <u>9,223</u> | <u>-</u> | <u>7,736</u> | <u>1</u> |
| 7900 Profit before income tax | | 87,202 | 3 | 60,689 | 3 |
| 7950 Income tax expense | 6(24) | (14,401) | (1) | (18,063) | (1) |
| 8200 Profit for the year | | <u>\$ 72,801</u> | <u>2</u> | <u>\$ 42,626</u> | <u>2</u> |

(Continued)

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Items | Notes | Year ended December 31 | | | | |
|--|--|------------------------|-----------|--------|-----------|---|
| | | 2021 | | 2020 | | |
| | | AMOUNT | % | AMOUNT | % | |
| Other comprehensive income | | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | | |
| 8311 | Losses on remeasurements of defined benefit obligations | 6(13) | \$ 4,799 | - | \$ 177 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(24) | (960) | - | (35) | - |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | 3,839 | - | 142 | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | (11,947) | - | 385 | - |
| 8399 | Income tax relating to the components of other comprehensive income | 6(24) | 2,329 | - | (43) | - |
| 8360 | Components of other comprehensive (loss) income that will be reclassified to profit or loss | | (9,618) | - | 342 | - |
| 8500 | Total comprehensive income | | \$ 67,022 | 2 | \$ 43,110 | 2 |
| Profit attributable to: | | | | | | |
| 8610 | Owners of the parent | | \$ 72,162 | 2 | \$ 41,917 | 2 |
| 8620 | Non-controlling interest | | 639 | - | 709 | - |
| | | | \$ 72,801 | 2 | \$ 42,626 | 2 |
| Comprehensive income attributable to: | | | | | | |
| 8710 | Owners of the parent | | \$ 66,684 | 2 | \$ 42,233 | 2 |
| 8720 | Non-controlling interest | | 338 | - | 877 | - |
| | | | \$ 67,022 | 2 | \$ 43,110 | 2 |
| Earnings per share (in dollars) | | | | | | |
| 9750 | Basic earnings per share | 6(25) | \$ 1.60 | | \$ 0.93 | |
| 9850 | Diluted earnings per share | 6(25) | \$ 1.60 | | \$ 0.93 | |

The accompanying notes are an integral part of these consolidated financial statements.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity | |
|---|-------|---|---|---------------|-----------------|----------------------------------|--|---------------------------|--------------|--------------|
| | | Common stock | Capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | | | Total |
| 2020 | | | | | | | | | | |
| Balance at January 1, 2020 | | \$ 450,000 | \$ 734,378 | \$ 209,610 | \$ 34,442 | \$ 92,543 | (\$ 52,284) | \$ 1,468,689 | \$ 12,643 | \$ 1,481,332 |
| Profit for the year | | - | - | - | - | 41,917 | - | 41,917 | 709 | 42,626 |
| Other comprehensive income for the year | | - | - | - | - | 142 | 174 | 316 | 168 | 484 |
| Total comprehensive income | | - | - | - | - | 42,059 | 174 | 42,233 | 877 | 43,110 |
| Appropriation and distribution of 2019 earnings: | 6(16) | | | | | | | | | |
| Legal reserve | | - | - | 3,639 | - | (3,639) | - | - | - | - |
| Special reserve | | - | - | - | 17,841 | (17,841) | - | - | - | - |
| Cash dividends to shareholders | | - | - | - | - | (31,500) | - | (31,500) | - | (31,500) |
| Cash dividends paid by additional paid-in capital | 6(15) | - | (13,500) | - | - | - | - | (13,500) | - | (13,500) |
| Changes in non-controlling interests | 6(26) | - | - | - | - | (19) | - | (19) | 19 | - |
| Balance at December 31, 2020 | | \$ 450,000 | \$ 720,878 | \$ 213,249 | \$ 52,283 | \$ 81,603 | (\$ 52,110) | \$ 1,465,903 | \$ 13,539 | \$ 1,479,442 |
| 2021 | | | | | | | | | | |
| Balance at January 1, 2021 | | \$ 450,000 | \$ 720,878 | \$ 213,249 | \$ 52,283 | \$ 81,603 | (\$ 52,110) | \$ 1,465,903 | \$ 13,539 | \$ 1,479,442 |
| Profit for the year | | - | - | - | - | 72,162 | - | 72,162 | 639 | 72,801 |
| Other comprehensive income (loss) for the year | | - | - | - | - | 3,839 | (9,317) | (5,478) | (301) | (5,779) |
| Total comprehensive income (loss) | | - | - | - | - | 76,001 | (9,317) | 66,684 | 338 | 67,022 |
| Appropriation and distribution of 2020 earnings: | 6(16) | | | | | | | | | |
| Legal reserve | | - | - | 4,204 | - | (4,204) | - | - | - | - |
| Special reserve | | - | - | - | (173) | 173 | - | - | - | - |
| Cash dividends to shareholders | | - | - | - | - | (45,000) | - | (45,000) | - | (45,000) |
| Balance at December 31, 2021 | | \$ 450,000 | \$ 720,878 | \$ 217,453 | \$ 52,110 | \$ 108,573 | (\$ 61,427) | \$ 1,487,587 | \$ 13,877 | \$ 1,501,464 |

The accompanying notes are an integral part of these consolidated financial statements.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------------|------------------------|-------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 87,202 | \$ 60,689 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense (including depreciation charges on right-of-use assets) | 6(6)(7)(22) | 60,795 | 65,940 |
| Amortisation expense | 6(22) | 9,550 | 9,604 |
| Expected credit loss (gain) | | (317) | 959 |
| Financial costs | 6(21) | 6,611 | 6,143 |
| Dividend income | 6(19) | (1,755) | (162) |
| Interest income | 6(18) | (595) | (926) |
| Loss on disposal of property, plant and equipment | 6(6)(20) | 298 | 565 |
| Profit from lease modification | 6(20) | - | (6) |
| Unrealised foreign exchange loss(gain) | | 917 | (211) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | (7,442) | 15,320 |
| Accounts receivable | | (344,252) | 44,756 |
| Accounts receivable due from related parties, net | | (3,453) | 11 |
| Other receivables | | 1,548 | (3,055) |
| Inventories | | (79,657) | (117,695) |
| Prepayments | | 3,724 | (14,467) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | (32,030) | 40,305 |
| Notes payable | | (63) | (3,070) |
| Accounts payable | | 90,706 | 19,821 |
| Other payables | | 20,130 | 1,583 |
| Provisions for liabilities - current | | 9,189 | 7,279 |
| Other current liabilities | | 4,200 | 4,252 |
| Defined benefit liability | | (7) | (662) |
| Cash (outflow) inflow generated from operations | | (174,701) | 136,973 |
| Interest received | | 590 | 926 |
| Dividends received | | 1,755 | 162 |
| Interest paid | | (6,458) | (6,119) |
| Income tax paid | | (7,813) | (9,783) |
| Net cash flows (used in) from operating activities | | (186,627) | 122,159 |

(Continued)

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------|------------------------|---------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at amortised cost | | (\$ 13,024) | (\$ 13,131) |
| Proceeds from repayments of financial assets at amortised cost | | 13,024 | 13,131 |
| Acquisition of property, plant and equipment | 6(6) | (49,696) | (18,603) |
| Proceeds from disposal of property, plant and equipment | 6(6) | 364 | 299 |
| Acquisition of intangible assets | | (3,905) | (3,284) |
| Increase in prepayment of equipment | | (439) | (1,559) |
| Increase in deposit | | (977) | (1,052) |
| Increase in other non-current assets | | (10,181) | (2,398) |
| Net cash flows used in investing activities | | (64,834) | (26,597) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Decrease in short-term borrowings | 6(27) | 4,654,276 | 3,482,623 |
| Increase in short-term borrowings | 6(27) | (4,354,791) | (3,458,520) |
| Proceeds from long-term debt | 6(27) | - | 17,281 |
| Repayments of long-term debt | 6(27) | (6,033) | (1,261) |
| Repayment of principal portion of lease liabilities | 6(27) | (10,503) | (11,681) |
| Cash dividends paid | 6(16) | (45,000) | (31,500) |
| Cash dividends paid by additional paid-in capital | 6(15) | - | (13,500) |
| Changes in non-controlling interests | 6(26) | - | 83 |
| Net cash flows from (used in) financing activities | | 237,949 | (16,475) |
| Effect of exchange rate changes on cash and cash equivalents | | (14,419) | (6,683) |
| Net (decrease) increase in cash and cash equivalents | | (27,931) | 72,404 |
| Cash and cash equivalents at beginning of year | | 296,879 | 224,475 |
| Cash and cash equivalents at end of year | | \$ 268,948 | \$ 296,879 |

The accompanying notes are an integral part of these consolidated financial statements.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

- (1) Ablere Electronics Co., Ltd (the “Company”), formerly UIS Abler Electronics Co., Ltd., was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) on April 27, 1998. The Company merged with PEC Technology Co., Ltd. on April 1, 2002, with the Company as the surviving company and was then renamed as Ablere Electronics Co., Ltd. The shares of the Company have been trading on the Taipei Exchange since September 9, 2010.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the following business activities:
- (a) Manufacturing and sales of uninterruptible power supply systems.
 - (b) Manufacturing and sales of equipment to power quality devices.
 - (c) Manufacturing and sales of solar energy equipment.
 - (d) Maintenance and technical services.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorised for issuance by the Board of Directors on March 21, 2022.

3. Application of New Standards, Amendments and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
- New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’ | January 1, 2021 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021(Note) |

Note : Earlier application from Januarv 1. 2021 is allowed by FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International

Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | Description |
|---------------------------------------|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2021 | December 31, 2020 | |
| The Company | Ablerex Electronics (Samoa) Co., Ltd. (Ablerex Samoa) | Investment holdings | 100 | 100 | Note 1 |
| The Company | Joint Rewards Trading Corp. (Joint) | Management service | 0 | 0 | Note 3 |
| The Company | Ablerex Corporation (Ablerex-USA) | Sales of uninterruptible power supply systems and solar energy equipment and others | 100 | 100 | Note 1 |
| The Company | Ablerex International Co., Ltd. (Ablerex-HK) | Sales of uninterruptible power supply systems and solar energy equipment and others | 100 | 100 | Note 1 |
| The Company | Ablerex Electronics (S) Pte. Ltd. (Ablerex-SG) | Sales of uninterruptible power supply systems and solar energy equipment and others | 100 | 100 | Note 1 |
| The Company | Ablerex Electronics U.K. Ltd. (Ablerex-UK) | Investment holdings | 100 | 100 | Note 1 |
| The Company | Wada Denki Co., Ltd. (Ablerex-JP) | Sales of uninterruptible power supply systems and solar energy equipment and others | 99 | 99 | Note 1, 2 |
| Ablerex Electronics U.K. Ltd. | Ablerex Electronics Italy S.R.L. (Ablerex-IT) | Sales of uninterruptible power supply systems and solar energy equipment and others | 100 | 100 | Note 1 |
| Ablerex Electronics (Samoa) Co., Ltd. | Ablerex Overseas Co., Ltd. (Ablerex-Overseas) | Investment holdings | 100 | 100 | Note 1 |
| Ablerex Overseas Co., Ltd. | Ablerex Electronics (Suzhou) Co., Ltd. (Ablerex-SZ) | Manufacturing and sales of uninterruptible power supply systems and solar energy equipment and others | 100 | 100 | Note 1 |
| Ablerex Overseas Co., Ltd. | Ablerex Electronics (Beijing) Co., Ltd. (Ablerex-BJ) | Sales of uninterruptible power supply systems and solar energy equipment and others | 80 | 80 | Note 1 |
| Ablerex Electronics (S) Pte. Ltd. | Ablerex Electronics (Thailand) Co., Ltd. (Ablerex-TH) | Sales of uninterruptible power supply systems and solar energy equipment and others | 70 | 70 | Note 1 |
| Ablerex Corporation | Ablerex Latam Corporation (Ablerex-Latam) | Sales of uninterruptible power supply systems and solar energy equipment and others | 86 | 86 | Note 1 |

Note 1: The information included in these consolidated financial statements as at December 31, 2021 and 2020 is based on the audited financial statement of the investee.

Note 2: The Group sold 1% of its shares in the subsidiary Ablerex-JP on May 28, 2020, and the shareholding ratio was reduced to 99%.

Note 3: Joint Rewards Trading Corp. (Joint) completed the cancellation of registration on September 28, 2020.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions

Cash and short-term deposits of \$80,900 deposited in Mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on normal capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|-------------|
| Buildings and structures | 10~50 years |
| Machinery and equipment | 5~10 years |
| Transportation equipment | 5 years |
| Office equipment | 5~10 years |
| Leasehold improvements | 10 years |

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the

lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost and the cost is mainly the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

- A. Trademark right and patent rights

Trademark right and patent rights are stated at cost, have a finite useful life and are amortised on a straight-line basis over its estimated useful life of 5 years.

- B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

- C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(16) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated

to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Provisions

Provisions (primarily warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions

where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales revenue

- (a) The Group manufactures and sells uninterrupted power supply equipment and system, improved power quality system and equipment and solar energy equipment and other related products. Sales are recognised when control of the products has transferred, being when the

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

- (b) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sale of goods—Project construction

- (a) The Group provides sales services related to uninterruptible power system and equipment, improved power quality system and equipment and solar energy system and equipment. The project construction revenue includes equipment sales and installation services, and the contract involves and provides integrated services. Therefore, the equipment and installation are indistinguishable and are regarded as a single performance obligation. The Group installs equipment, the customer performs the acceptance procedure, and the Group opens the warranty book. The customer obtains the control of the equipment and the benefits arising therefrom. When all the acceptance criteria are met, the Group completes the contractual performance obligated of contract to recognise revenue.
- (b) The Group's obligation to provide a repair for project construction under the standard warranty terms is recognised as a provision.
- (c) A receivable is recognised when the project construction is completed and the warranty book is delivered to the customer. As this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

C. Service revenue

The Group provides related services of maintaining uninterruptible power supply equipment, improved power quality system and equipment and solar energy system and equipment. Service revenue is recognised as income during the financial reporting period in which the services are provided to customers. Revenue from fixed price contracts is recognised as a percentage of the number of months of service actually provided on the balance sheet date. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognised as a contract assets when the services provided by the Group exceed the customers' payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Group.

D. Costs of obtaining a customer contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

Evaluation of inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the Group's carrying amount of inventories was \$1,198,907.

B. Estimation of provisions for liabilities

The sale of goods requires consideration of the cost incurred or to be incurred in connection with the transaction. Therefore, the Group formulates the proposed policy for the determination of the warranty for the sale of the product, which is used to measure the actual operating profit and loss of the company. The Group's liability determination is based on the Group's policy based on the historical warranty data of the product as the basis for the assessment, and the related product warranty liabilities are estimated to estimate the future maintenance costs.

As of December 31, 2021, the Group estimated the liability provision to be \$56,909.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 1,057 | \$ 883 |
| Checking accounts and demand deposits | 257,477 | 284,106 |
| Time deposits | <u>10,608</u> | <u>12,084</u> |
| | 269,142 | 297,073 |
| Transferred to 'Other current assets' | (194) | (194) |
| | <u>\$ 268,948</u> | <u>\$ 296,879</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. For details on cash and cash equivalents provided as a pledge or collateral, please refer to Note 8.

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

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------|--------------------------|--------------------------|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | <u>\$ 81,000</u> | <u>\$ 81,000</u> |

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to \$81,000, as at December 31, 2021 and 2020.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are \$1,755 and \$162, for the years ended December 31, 2021 and 2020.

C. As at December 31, 2021 and 2020 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were all \$81,000.

D. Information relating to price risk of financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

(3) Financial assets at amortised cost

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Current items: | | |
| Time deposits expiring beyond three months | <u>\$ 13,032</u> | <u>\$ 13,131</u> |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost were \$297 and \$307 for the years ended December 31, 2021 and 2020.

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposures to credit risk in respect of the amount that best

represents the financial assets at amortised cost held by the Group were \$13,032 and \$13,131, respectively.

C. The Group has not pledged financial assets at amortised cost to others as collateral.

D. Information relating to credit risk and fair value of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable(including related parties)

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Notes receivable | \$ 24,837 | \$ 17,395 |
| Accounts receivable | \$ 836,700 | \$ 492,499 |
| Less: Allowance for bad debts — accounts receivable | (7,770) | (8,331) |
| | <u>\$ 828,930</u> | <u>\$ 484,168</u> |
| Accounts receivable due from related parties | <u>\$ 20,458</u> | <u>\$ 17,005</u> |

A. The ageing analysis of accounts receivable (Including related parties) and notes receivable is as follows:

| | <u>December 31, 2021</u> | | | <u>December 31, 2020</u> | | |
|----------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|----------------------------|-----------------------------|
| | <u>Accounts receivable</u> | <u>Related parties</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Related parties</u> | <u>Notes receivable</u> |
| Not overdue | \$ 800,364 | \$ 20,458 | \$ 24,837 | \$ 442,607 | \$ 17,005 | \$ 17,395 |
| Within 30 days | 21,234 | - | - | 12,636 | - | - |
| 31 to 60 days | 5,635 | - | - | 11,974 | - | - |
| 61 to 90 days | 2,629 | - | - | 15,974 | - | - |
| Over 90 days | 6,838 | - | - | 9,308 | - | - |
| | <u>\$ 836,700</u> | <u>\$ 20,458</u> | <u>\$ 24,837</u> | <u>\$ 492,499</u> | <u>\$ 17,005</u> | <u>\$ 17,395</u> |

The above ageing analysis was based on past due date.

B. As at December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables (Including related parties) from contracts with customers amounted to \$586,986.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable (Including related parties) were \$24,837 and \$17,395; \$849,388 and \$501,173, respectively.

D. The Group does not hold any collateral as security.

E. Information relating to credit risk of accounts receivable (Including related parties) and notes receivable is provided in Note 12(2).

(5) Inventories

| | December 31, 2021 | | |
|--------------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 370,177 | \$ (69,762) | \$ 300,415 |
| Work in process | 121,837 | (7,018) | 114,819 |
| Semi-finished goods | 197,884 | (35,540) | 162,344 |
| Finished goods | 121,292 | (12,212) | 109,080 |
| Goods | 128,768 | (20,181) | 108,587 |
| Goods in transit | 73,425 | - | 73,425 |
| Unfinished constructions | 330,237 | - | 330,237 |
| | <u>\$ 1,343,620</u> | <u>(\$ 144,713)</u> | <u>\$ 1,198,907</u> |

| | December 31, 2020 | | |
|--------------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 275,299 | (\$ 69,440) | \$ 205,859 |
| Work in process | 87,753 | (5,090) | 82,663 |
| Semi-finished goods | 184,888 | (38,494) | 146,394 |
| Finished goods | 122,501 | (8,110) | 114,391 |
| Goods | 168,131 | (20,974) | 147,157 |
| Goods in transit | 35,775 | - | 35,775 |
| Unfinished constructions | 387,011 | - | 387,011 |
| | <u>\$ 1,261,358</u> | <u>(\$ 142,108)</u> | <u>\$ 1,119,250</u> |

The cost of inventories recognised as expense for the period:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cost of goods sold | \$ 2,273,147 | \$ 1,713,844 |
| Maintenance cost | 55,060 | 43,328 |
| (Gain on reversal of) decline in market value | 3,539 | 5,880 |
| Others | 18,935 | 22,049 |
| | <u>\$ 2,350,681</u> | <u>\$ 1,785,101</u> |

(6) Property, plant and equipment

| | | 2021 | | | | | | | |
|--|--|-------------------|-------------------|------------------|-----------------------------|---------------------|---------------------------|--------------|-------------------|
| | | Land | Buildings | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Total |
| <u>At January 1</u> | | | | | | | | | |
| Cost | | \$ 169,523 | \$ 702,620 | \$ 242,840 | \$ 11,217 | \$ 57,456 | \$ 18,104 | \$ 130 | \$ 1,201,890 |
| Accumulated depreciation | | - | (211,304) | (182,239) | (9,211) | (32,888) | (12,838) | (90) | (448,570) |
| | | <u>\$ 169,523</u> | <u>\$ 491,316</u> | <u>\$ 60,601</u> | <u>\$ 2,006</u> | <u>\$ 24,568</u> | <u>\$ 5,266</u> | <u>\$ 40</u> | <u>\$ 753,320</u> |
| Opening net book amount as at January 1 | | \$ 169,523 | \$ 491,316 | \$ 60,601 | \$ 2,006 | \$ 24,568 | \$ 5,266 | \$ 40 | \$ 753,320 |
| Additions | | - | 18,229 | 21,683 | 2,303 | 7,339 | 142 | - | 49,696 |
| Transfer | | - | - | - | - | 2,094 | - | - | 2,094 |
| Disposals | | - | - | (380) | (238) | (44) | - | - | (662) |
| Depreciation charge | | - | (28,420) | (11,677) | (746) | (8,409) | (1,059) | - | (50,311) |
| Net exchange differences | | (97) | (2,082) | (438) | (34) | (241) | (35) | (1) | (2,928) |
| Closing net book amount as at December 31 | | <u>\$ 169,426</u> | <u>\$ 479,043</u> | <u>\$ 69,789</u> | <u>\$ 3,291</u> | <u>\$ 25,307</u> | <u>\$ 4,314</u> | <u>\$ 39</u> | <u>\$ 751,209</u> |
| <u>At December 31</u> | | | | | | | | | |
| Cost | | \$ 169,426 | \$ 713,377 | \$ 259,889 | \$ 11,711 | \$ 58,552 | \$ 17,870 | \$ 126 | \$ 1,230,951 |
| Accumulated depreciation | | - | (234,334) | (190,100) | (8,420) | (33,245) | (13,556) | (87) | (479,742) |
| | | <u>\$ 169,426</u> | <u>\$ 479,043</u> | <u>\$ 69,789</u> | <u>\$ 3,291</u> | <u>\$ 25,307</u> | <u>\$ 4,314</u> | <u>\$ 39</u> | <u>\$ 751,209</u> |
| | | 2020 | | | | | | | |
| | | Land | Buildings | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Total |
| <u>At January 1</u> | | | | | | | | | |
| Cost | | \$ 169,705 | \$ 727,864 | \$ 239,286 | \$ 11,297 | \$ 51,951 | \$ 18,177 | \$ 136 | \$ 1,218,416 |
| Accumulated depreciation | | - | (210,945) | (170,303) | (8,261) | (28,394) | (11,918) | (94) | (429,915) |
| | | <u>\$ 169,705</u> | <u>\$ 516,919</u> | <u>\$ 68,983</u> | <u>\$ 3,036</u> | <u>\$ 23,557</u> | <u>\$ 6,259</u> | <u>\$ 42</u> | <u>\$ 788,501</u> |
| Opening net book amount as at January 1 | | \$ 169,705 | \$ 516,919 | \$ 68,983 | \$ 3,036 | \$ 23,557 | \$ 6,259 | \$ 42 | \$ 788,501 |
| Additions | | - | 2,558 | 6,825 | 216 | 8,968 | 36 | - | 18,603 |
| Transfer | | - | - | 403 | - | - | - | - | 403 |
| Disposals | | - | - | (797) | (8) | (59) | - | - | (864) |
| Depreciation charge | | - | (28,389) | (15,609) | (1,233) | (7,925) | (1,055) | - | (54,211) |
| Net exchange differences | | (182) | 228 | 796 | (5) | 27 | 26 | (2) | 888 |
| Closing net book amount as at December 31 | | <u>\$ 169,523</u> | <u>\$ 491,316</u> | <u>\$ 60,601</u> | <u>\$ 2,006</u> | <u>\$ 24,568</u> | <u>\$ 5,266</u> | <u>\$ 40</u> | <u>\$ 753,320</u> |
| <u>At December 31</u> | | | | | | | | | |
| Cost | | \$ 169,523 | \$ 702,620 | \$ 242,840 | \$ 11,217 | \$ 57,456 | \$ 18,104 | \$ 130 | \$ 1,201,890 |
| Accumulated depreciation | | - | (211,304) | (182,239) | (9,211) | (32,888) | (12,838) | (90) | (448,570) |
| | | <u>\$ 169,523</u> | <u>\$ 491,316</u> | <u>\$ 60,601</u> | <u>\$ 2,006</u> | <u>\$ 24,568</u> | <u>\$ 5,266</u> | <u>\$ 40</u> | <u>\$ 753,320</u> |

- A. The abovementioned equipment are all assets for its own use.
- B. The significant components of buildings include buildings, air conditioners, elevators and utility construction. Buildings are depreciated over 26 to 50 years, and others are depreciated over 10 to 20 years.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- D. There were no borrowing costs capitalised as part of property, plant and equipment.

(7) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings (including land), transportation equipment and office equipment. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings. Low-value assets comprise office equipment. As of December 31, 2021 and 2020, payments of lease commitments for short-term leases amounted to \$1,294 and \$492, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------|----------------------------|----------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 856 | \$ 889 |
| Buildings (including land) | 9,492 | 7,167 |
| Transportation equipment | - | 271 |
| Office equipment | 150 | 313 |
| | <u>\$ 10,498</u> | <u>\$ 8,640</u> |
| | <u>2021</u> | <u>2020</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 27 | \$ 26 |
| Buildings (including land) | 10,023 | 10,904 |
| Transportation equipment | 271 | 541 |
| Office equipment | 163 | 258 |
| | <u>\$ 10,484</u> | <u>\$ 11,729</u> |

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$12,516 and \$4,770, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------|-------------|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 445 | \$ 503 |
| Expense on short-term lease contracts | 1,294 | 492 |
| Expense on leases of low-value assets | 127 | 216 |

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$12,369 and \$12,892, respectively.

G. Information about the right-of-use assets - land use right that were pledged to others as collateral is provided in Note 8.

(8) Other non-current assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Overdue receivable | \$ 41,139 | \$ 41,372 |
| Allowance for bad debts – overdue receivable | (41,139) | (41,372) |
| Prepayments for equipment | 725 | 2,880 |
| Guarantee deposits | 13,250 | 12,273 |
| Others | 15,869 | 11,920 |
| | <u>\$ 29,844</u> | <u>\$ 27,073</u> |

(9) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|------------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ 668,373 | 0.88% ~ 1.00% | None |
| Secured borrowings | 84,171 | 0.85% ~ 3.75% | Please refer to Note 8 |
| | <u>\$ 752,544</u> | | |
| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | |
| Unsecured borrowings | \$ 430,352 | 0.95% ~ 1.01% | None |
| Secured borrowings | 24,611 | 3.75% | Please refer to Note 8 |
| | <u>\$ 454,963</u> | | |

(10) Long-term borrowings

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u> | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2021</u> |
|--|---|----------------------------|-------------------|--------------------------|
| Bank borrowings | Borrowing period is from May 22, 2020 to June 21, 2022, no need to repay if the exemption conditions are met.(Note 1) | 1.00% | None | \$ 1,340 |
| Installment-repayment borrowings | | | | |
| Unsecured EUR borrowings | Borrowing period is from September 27, 2019 to January 27, 2023; interest is repayable monthly; principal is repayable in 24 installments from October 27, 2019.(Note 2) | 0.40% | None | 7,648 |
| Unsecured EUR borrowings | Borrowing period is from July 3, 2020 to July 3, 2024; interest is repayable monthly; principal is repayable in 36 installments from August 3, 2021.(Note 3) | 1.00% | None | 9,459 |
| Unsecured EUR borrowings | Borrowing period is from October 27, 2020 to December 31, 2026; interest is repayable half monthly from June 30, 2021; principal is repayable in 8 installments from June 30, 2023.(Note 4) | 0.74% | None | 3,063 |
| | | | | <u>21,510</u> |
| Less: Current portion (shown as "other current liabilities") | | | | (<u>12,031</u>) |
| | | | | <u>\$ 9,479</u> |

| <u>Type of borrowings</u> | <u>Borrowing period and repayment term</u> | <u>Interest rate range</u> | <u>Collateral</u> | <u>December 31, 2020</u> |
|--|---|----------------------------|-------------------|--------------------------|
| Bank borrowings | Borrowing period is from May 22, 2020 to May 21, 2022, no need to repay if the exemption conditions are met.(Note 1) | 1.00% | None | \$ 2,108 |
| Installment-repayment borrowings | | | | |
| Unsecured EUR borrowings | Borrowing period is from September 27, 2019 to September 27, 2021; interest is repayable monthly; principal is repayable in 24 installments from October 27, 2019.(Note 2) | 0.40% | None | 12,486 |
| Unsecured EUR borrowings | Borrowing period is from July 3, 2020 to July 3, 2024; interest is repayable monthly; principal is repayable in 36 installments from August 3, 2021.(Note 3) | 1.00% | None | 12,257 |
| Unsecured EUR borrowings | Borrowing period is from October 27, 2020 to December 31, 2026; interest is repayable half monthly from June 30, 2021; principal is repayable in 8 installments from June 30, 2023.(Note 4) | 0.74% | None | 3,425 |
| | | | | 30,276 |
| Less: Current portion (shown as "other current liabilities") | | | | (7,585) |
| | | | | <u>\$ 22,691</u> |

Note 1: AblereX-LATAM, a subsidiary of the Group, is eligible for Small and Medium Enterprise (SME) financing in the United States of America, and approved for Paycheck Protection Program (PPP) from local bank.

Note 2: AblereX-IT, a subsidiary of the Group, received a bank notice in March 2020. Due to the COVID-19 pandemic, the bank suspended the instalments until March 2021 for a total of 16 instalments and the repayment was resumed in July 2021.

Note 3: AblereX-IT, a subsidiary of the Group, was approved to apply for relief loan from the Italian government due to the impact of the COVID-19 pandemic.

Note 4: AblereX-IT, a subsidiary of the Group, was approved to apply for a loan from the Italian government. This loan is provided by the Italian government to encourage the internationalization of Italian companies, the total amount of funding is EUR\$163,000, of which EUR\$65,200 are government grants.

(11) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Payable for year-end bonus | \$ 44,638 | \$ 44,649 |
| Payable for wages and salaries | 24,605 | 25,812 |
| Payable for other short-term employee benefits | 15,796 | 15,139 |
| Compensation due to employee, directors and supervisors | 11,221 | 8,394 |
| Others | 54,914 | 36,897 |
| | <u>\$ 151,174</u> | <u>\$ 130,891</u> |

(12) Provisions for liabilities -current

| | <u>2021</u> | <u>2020</u> |
|------------------------|------------------|------------------|
| Warranty: | | |
| At January 1 | \$ 47,720 | \$ 40,441 |
| Additional provisions | 13,923 | 13,858 |
| Used during the period | (4,734) | (6,579) |
| At December 31 | <u>\$ 56,909</u> | <u>\$ 47,720</u> |

The Group's provisions for warranties are primarily for uninterruptible power supplies and solar energy related products. The provisions for warranties are estimated based on historical warranty data of uninterruptible power supplies and solar energy related products.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method of the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Present value of funded defined benefit obligations | (\$ 52,102) | (\$ 57,019) |
| Fair value of plan assets | <u>34,333</u> | <u>34,444</u> |
| Net defined benefit liability | <u>(\$ 17,769)</u> | <u>(\$ 22,575)</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | <u>2021</u> | | |
|--|---|----------------------------------|--------------------------------------|
| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
| At January 1 | (\$ 57,019) | \$ 34,444 | (\$ 22,575) |
| Current service cost | (242) | - | (242) |
| Interest (expense) income | (168) | <u>102</u> | (66) |
| | <u>(57,429)</u> | <u>34,546</u> | <u>(22,883)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 508 | 508 |
| Change in demographic assumptions | (133) | - | (133) |
| Financial assumptions change | 2,154 | - | 2,154 |
| Experience adjustments | <u>2,270</u> | <u>-</u> | <u>2,270</u> |
| | <u>4,291</u> | <u>508</u> | <u>4,799</u> |
| Pension fund contribution | - | 315 | 315 |
| Paid pension | <u>1,036</u> | <u>(1,036)</u> | <u>-</u> |
| At December 31 | <u>(\$ 52,102)</u> | <u>\$ 34,333</u> | <u>(\$ 17,769)</u> |

| | 2020 | | |
|--|--|------------------------------|----------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| At January 1 | (\$ 56,160) | \$ 32,746 | (\$ 23,414) |
| Current service cost | (217) | - | (217) |
| Interest (expense) income | (417) | 245 | (172) |
| Upfront service cost | 671 | - | 671 |
| | <u>(56,123)</u> | <u>32,991</u> | <u>(23,132)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,073 | 1,073 |
| Change in demographic assumptions | (5) | - | (5) |
| Financial assumptions change | (2,731) | - | (2,731) |
| Experience adjustments | 1,840 | - | 1,840 |
| | <u>(896)</u> | <u>1,073</u> | <u>177</u> |
| Pension fund contribution | - | 380 | 380 |
| At December 31 | <u>(\$ 57,019)</u> | <u>\$ 34,444</u> | <u>(\$ 22,575)</u> |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | 2021 | 2020 |
|-------------------------|-------|-------|
| Discount rate | 0.70% | 0.30% |
| Future salary increases | 2.00% | 2.00% |

Assumptions regarding future mortality experience are set based on the fifth Taiwan Standard Ordinary Experience Mortality Table (2012 TSO).

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

| | <u>Discount rate</u> | | <u>Future salary increases</u> | |
|--|-----------------------|-----------------------|--------------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit | <u>(\$ 1,301)</u> | <u>\$ 1,350</u> | <u>\$ 1,329</u> | <u>(\$ 1,288)</u> |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit | <u>(\$ 1,529)</u> | <u>\$ 1,590</u> | <u>\$ 1,559</u> | <u>(\$ 1,507)</u> |

The sensitivity analysis above is based on one assumption which changed while the other conditions that remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$871.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

| | |
|---------------|------------------|
| Within 1 year | \$ 1,157 |
| 1-2 year(s) | 1,537 |
| 3-5 years | 4,639 |
| Over 5 years | <u>48,208</u> |
| | <u>\$ 55,541</u> |

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China indirect subsidiaries, Ablerelex Electronics (Suzhou) Co., Ltd. and Ablerelex Electronics (Beijing) Corporation Limited, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2021 and 2020 was both 20%. Other than the monthly contributions, the Group has no further obligations. Ablerelex Corporation, Ablerelex Latam

Corporation, Ablerex Electronics (S) Pte. Ltd., Ablerex Electronics (Thailand) Co Ltd., Ablerex Electronics Italy S.R.L and Wada Denki Co., Ltd. have a defined contribution plan under the local regulations and have no further obligations. Other consolidated subsidiaries do not have any employees.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$28,866 and \$17,237, respectively.

(14) Share capital

As of December 31, 2021, the Company's authorised capital was \$800,000, consisting of 80 million shares of ordinary stock, and the paid-in capital was \$450,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The Group's ordinary shares at the beginning of the period are the same with the outstanding shares at the end of the period.

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The shareholders resolved to appropriate capital surplus in cash at their meeting on June 19, 2020:

| | <u>Year ended December 31, 2019</u> | |
|--------------------------------------|-------------------------------------|--|
| | <u>Amount</u> | <u>Cash per share (in dollars)</u> |
| Capital surplus appropriated in cash | \$ 13,500 | \$ 0.30 |

The cash appropriation of capital surplus is in agreement with the proposal submitted by the Board of Directors.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the accumulated legal reserve has reached the total capital stock balance. Special reserve shall be appropriated in accordance with related regulations promulgated by competent authorities, and the special reserve along with the accumulated unappropriated retained earnings from previous years is considered as the distributable earnings. The remainder, if any, after considering the operating status, and through a proposition by the Board of Directors and a resolution by the shareholders, shall be retained.

B. The Company's dividend policy is based on the Company's current operation status, future capital requirements, long-term operation plan, shareholders' benefits, balanced dividends and the Company's long-term financial plan, etc. The appropriation is proposed by the Board of Directors and then approved by the shareholders during their meeting. Cash dividends shall not

be less than 20% of the total dividends distributed to shareholders.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.
- E. The appropriation of 2020 and 2019 earnings as resolved by the Board of Directors on August 18, 2021 and June 19, 2020 are as follows:

| | <u>Year ended December 31, 2020</u> | | <u>Year ended December 31, 2019</u> | |
|-----------------|-------------------------------------|--|-------------------------------------|--|
| | <u>Amount</u> | <u>Dividend per share (in dollars)</u> | <u>Amount</u> | <u>Dividend per share (in dollars)</u> |
| Legal reserve | \$ 4,204 | | \$ 3,639 | |
| Special reserve | (173) | | 17,841 | |
| Cash dividends | 45,000 | \$ 1.00 | 31,500 | \$ 0.70 |

The distribution of earnings in respect of the year ended 2020 was proposed pursuant to a resolution passed by the Board of Directors on March 19, 2021. For the information relating to the distribution of earnings as approved by the Board of Directors or shareholders, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. The appropriations of 2021 earnings was proposed during the board meeting on March 21, 2022. Details are provided in Note 11.

(17) Sales revenue

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|---------------------|
| Sales revenue | \$ 1,600,072 | \$ 1,293,337 |
| Project construction revenue | 1,284,309 | 979,076 |
| Service revenue | 100,296 | 89,510 |
| | <u>\$ 2,984,677</u> | <u>\$ 2,361,923</u> |

- A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following:

| | First Business Division | Second Business Division | Technical Services Division | Energy Division | Reconciliation and elimination | Total |
|--|-------------------------------|--------------------------------|-----------------------------------|--------------------|-----------------------------------|--------------|
| Year ended December 31, 2021 | | | | | | |
| Revenue from external customer contracts | \$ 1,263,884 | \$ 1,236,631 | \$ 244,139 | \$ 240,023 | \$ - | \$ 2,984,677 |
| Inter-segment revenue | 120,368 | 2,252,368 | - | - | (2,372,736) | - |
| Total segment revenue | \$ 1,384,252 | \$ 3,488,999 | \$ 244,139 | \$ 240,023 | (\$ 2,372,736) | \$ 2,984,677 |
| Segment income | \$ 109,043 | \$ 101,610 | \$ 96,031 | \$ 1,840 | (\$ 230,545) | \$ 77,979 |
| Timing of revenue recognition | | | | | | |
| At a point in time | \$ 1,263,884 | \$ 1,236,631 | \$ 170,167 | \$ 221,538 | \$ - | \$ 2,892,220 |
| Over time | - | - | 73,972 | 18,485 | - | 92,457 |
| | \$ 1,263,884 | \$ 1,236,631 | \$ 244,139 | \$ 240,023 | \$ - | \$ 2,984,677 |
| | First Business Division | Second Business Division | Technical Services Division | Energy Division | Reconciliation and elimination | Total |
| Year ended December 31, 2020 | | | | | | |
| Revenue from external customer contracts | \$ 826,251 | \$ 1,060,372 | \$ 219,392 | \$ 255,908 | \$ - | \$ 2,361,923 |
| Inter-segment revenue | 88,276 | 1,943,214 | - | - | (2,031,490) | - |
| Total segment revenue | \$ 914,527 | \$ 3,003,586 | \$ 219,392 | \$ 255,908 | (\$ 2,031,490) | \$ 2,361,923 |
| Segment income | \$ 80,930 | \$ 93,495 | \$ 98,004 | \$ 10,002 | (\$ 229,478) | \$ 52,953 |
| Timing of revenue recognition | | | | | | |
| At a point in time | \$ 826,251 | \$ 1,060,372 | \$ 150,659 | \$ 244,595 | \$ - | \$ 2,281,877 |
| Over time | - | - | 68,733 | 11,313 | - | 80,046 |
| | \$ 826,251 | \$ 1,060,372 | \$ 219,392 | \$ 255,908 | \$ - | \$ 2,361,923 |

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|-------------------------------------|-------------------|-------------------|-----------------|
| Contract liabilities: | | | |
| Contract liabilities | \$ 156,666 | \$ 195,375 | \$ 163,135 |
| – advance receipts for construction | | | |
| Contract liabilities | | | |
| – advance sales receipts | 31,041 | 24,362 | 16,297 |
| | \$ 187,707 | \$ 219,737 | \$ 179,432 |

(a) Significant changes in contract liabilities

None.

(c) Revenue recognised that was included in the contract liability balance at the beginning of the period

| | For the years ended December 31, | |
|---|----------------------------------|------------|
| | 2021 | 2020 |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | | |
| Sales revenue | \$ 192,406 | \$ 152,531 |

(18) Interest income

| | 2021 | 2020 |
|---|---------------|---------------|
| Interest income from bank deposits | \$ 298 | \$ 619 |
| Interest income from current financial assets at amortised cost | 297 | 307 |
| | <u>\$ 595</u> | <u>\$ 926</u> |

(19) Other income

| | 2021 | 2020 |
|---------------------------|------------------|------------------|
| Government subsidy income | \$ 6,410 | \$ 12,029 |
| Dividend income | 1,755 | 162 |
| Other income, others | 5,792 | 5,812 |
| | <u>\$ 13,957</u> | <u>\$ 18,003</u> |

(20) Other gains and losses

| | 2021 | 2020 |
|---|-----------------|-------------------|
| Foreign exchange gain (loss) | \$ 2,268 | (\$ 3,998) |
| Loss on disposal of property, plant and equipment | (298) | (565) |
| Loss on disposal of investments | - | (19) |
| Profit from lease modification | - | 6 |
| Others | (688) | (474) |
| | <u>\$ 1,282</u> | <u>(\$ 5,050)</u> |

(21) Finance costs

| | 2021 | 2020 |
|------------------|----------|----------|
| Interest expense | \$ 6,611 | \$ 6,143 |

(22) Expenses by nature

| By function \ By nature | 2021 | | | 2020 | | |
|--------------------------|-----------------|--------------------|------------|-----------------|--------------------|------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefit expense | \$ 228,229 | \$ 361,540 | \$ 589,769 | \$ 188,432 | \$ 330,412 | \$ 518,844 |
| Depreciation charges | 28,880 | 31,915 | 60,795 | 33,169 | 32,771 | 65,940 |
| Amortization charges | 647 | 8,903 | 9,550 | 338 | 9,266 | 9,604 |

(23) Employee benefit expense

| | 2021 | 2020 |
|---------------------------------|-------------------|-------------------|
| Wages and salaries | \$ 496,707 | \$ 447,561 |
| Labor and health insurance fees | 45,689 | 38,617 |
| Pension costs | 29,174 | 16,955 |
| Directors' remuneration | 1,690 | 1,460 |
| Other personnel expenses | 16,509 | 14,251 |
| | <u>\$ 589,769</u> | <u>\$ 518,844</u> |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees'

compensation and directors' and supervisors' remuneration. The ratio shall be 6% to 10% for employees compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$5,112 and \$3,263, respectively; while directors' and supervisors' remuneration was accrued at \$1,698 and \$1,088, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 6% and 2% of distributable profit of current year for the year ended December 31, 2021.

The difference of \$1 between employees' compensation (directors' and supervisors' remuneration) as resolved by the Board of Directors and reported at the shareholders' meeting and the amount recognised in the 2020 financial statements of \$3,263, \$1,088 had been adjusted in profit or loss for 2021. The appropriation was in the form of cash.

Information about the appropriation of employees' compensation (bonus) and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | 2021 | 2020 |
|---|-----------|-----------|
| Current tax: | | |
| Current tax on profit for the period | \$ 17,892 | \$ 15,867 |
| Prior year income tax overestimation | (4,593) | (2,238) |
| Total current tax | 13,299 | 13,629 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 1,102 | 4,434 |
| Income tax expense | \$ 14,401 | \$ 18,063 |

- (b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

| | 2021 | 2020 |
|--|------------|-------|
| Currency translation differences | (\$ 2,329) | \$ 43 |
| Remeasurement of defined benefit obligations | 960 | 35 |
| | (\$ 1,369) | \$ 78 |

B. Reconciliation between income tax expense and accounting profit:

| | 2021 | 2020 |
|--|------------------|------------------|
| Tax calculated based on profit before tax and statutory tax rate | \$ 23,608 | \$ 20,847 |
| Expenses that should be excluded according to tax laws | - | (17) |
| Income exempted according to tax law | (351) | (32) |
| Effect from tax credit of investment | (4,263) | (497) |
| Prior year income tax overestimation | (4,593) | (2,238) |
| Income tax expense | <u>\$ 14,401</u> | <u>\$ 18,063</u> |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

| | At January 1, 2021 | Recognised in profit or loss | Recognised in other comprehensive income | At December 31, 2021 |
|---|-----------------------|---------------------------------|--|-------------------------|
| Temporary differences: | | | | |
| –Deferred tax assets: | | | | |
| Unrealised warranty provision | \$ 9,544 | \$ 1,838 | \$ - | \$ 11,382 |
| Allowance for market value decline and loss for inventories | 16,618 | (726) | - | 15,892 |
| Accrued pension liabilities | 4,515 | (1) | (960) | 3,554 |
| Allowance for bad debts | 6,669 | (792) | - | 5,877 |
| Translation differences of foreign operations | 5,609 | - | 2,329 | 7,938 |
| Others | 3,085 | 35 | - | 3,120 |
| | <u>46,040</u> | <u>354</u> | <u>1,369</u> | <u>47,763</u> |
| –Deferred tax liabilities: | | | | |
| Gain on foreign long-term equity investments | (87,337) | (1,063) | - | (88,400) |
| Others | - | (393) | - | (393) |
| | <u>(87,337)</u> | <u>(1,456)</u> | <u>-</u> | <u>(88,793)</u> |
| | <u>(\$ 41,297)</u> | <u>(\$ 1,102)</u> | <u>\$ 1,369</u> | <u>(\$ 41,030)</u> |

| | At January 1, 2020 | Recognised in profit or loss | Recognised in other comprehensive income | At December 31, 2020 |
|---|-----------------------|---------------------------------|--|-------------------------|
| Temporary differences: | | | | |
| –Deferred tax assets: | | | | |
| Unrealised warranty provision | \$ 8,088 | \$ 1,456 | \$ - | \$ 9,544 |
| Allowance for market value decline and loss for inventories | 16,664 | (46) | - | 16,618 |
| Accrued pension liabilities | 4,683 | (133) | (35) | 4,515 |
| Allowance for bad debts | 6,474 | 195 | - | 6,669 |
| Translation differences of foreign operations | 5,652 | - | (43) | 5,609 |
| Others | 3,645 | (560) | - | 3,085 |
| | <u>45,206</u> | <u>912</u> | <u>(78)</u> | <u>46,040</u> |
| –Deferred tax liabilities: | | | | |
| Gain on foreign long-term equity investments | (81,991) | (5,346) | - | (87,337) |
| | <u>(81,991)</u> | <u>(5,346)</u> | <u>-</u> | <u>(87,337)</u> |
| | <u>(\$ 36,785)</u> | <u>(\$ 4,434)</u> | <u>(\$ 78)</u> | <u>(\$ 41,297)</u> |

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(25) Earnings per share

| | 2021 | | |
|--|---------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | \$ 72,162 | 45,000 | \$ 1.60 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | 72,162 | 45,000 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 149 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 72,162 | 45,149 | \$ 1.60 |

| | 2020 | | |
|--|---------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | \$ 41,917 | 45,000 | \$ 0.93 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent company | 41,917 | 45,000 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 104 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 41,917 | 45,104 | \$ 0.93 |

(26) Transactions with non-controlling interest

Disposal of equity interest in a subsidiary (that did not result in a loss of control)

On May 28, 2020, the Group disposed of 1% of its shares of its subsidiary—Ablerex-JP for a total cash consideration of \$83. The carrying amount of non-controlling interest in Ablerex-JP was \$102 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$19 and a decrease in the equity attributable to owners of the parent by \$19. The effect of changes in interests in Ablerex-JP on the equity attributable to owners of the parent for the year ended December 31, 2020 is shown below:

| | December 31, 2020 | |
|---|-------------------|-----|
| Carrying amount of non-controlling interest disposed | \$ | 102 |
| Consideration received from non-controlling interest | (| 83) |
| Capital surplus | | |
| - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount | \$ | 19 |

(27) Changes in liabilities from financing activities

| | 2021 | | | |
|--|-----------------------|----------------------|-------------------|---|
| | Short-term borrowings | Long-term borrowings | Lease liabilities | Liabilities from financing activities-gross |
| At January 1 | \$ 454,963 | \$ 30,276 | \$ 8,006 | \$ 493,245 |
| Changes in cash flow from financing activities | 299,485 | (6,033) | (10,503) | 282,949 |
| Impact of changes in foreign exchange rate | (1,904) | (2,733) | - | (4,637) |
| Changes in other non-cash items | - | - | 12,348 | 12,348 |
| At December 31 | <u>\$ 752,544</u> | <u>\$ 21,510</u> | <u>\$ 9,851</u> | <u>\$ 783,905</u> |

| | 2020 | | | |
|--|-----------------------|----------------------|-------------------|---|
| | Short-term borrowings | Long-term borrowings | Lease liabilities | Liabilities from financing activities-gross |
| At January 1 | \$ 431,775 | \$ 13,233 | \$ 15,606 | \$ 460,614 |
| Changes in cash flow from financing activities | 24,103 | 16,020 | (11,681) | 28,442 |
| Impact of changes in foreign exchange rate | (915) | 1,023 | - | 108 |
| Changes in other non-cash items | - | - | 4,081 | 4,081 |
| At December 31 | <u>\$ 454,963</u> | <u>\$ 30,276</u> | <u>\$ 8,006</u> | <u>\$ 493,245</u> |

7. Related Party Transactions

(1) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|---|
| United Integrated Services Co., Ltd. | The entity using the equity method to account for the investment in the Company |
| Beijing Xiankong Technology Co., Ltd. | Other related party |
| Directors, supervisors, general manager and vice general manager | The Group's key management |
| United Integrated Services Co., Ltd.(JIANGXI) | Other related party |
| Eco Energy Corporation | Other related party |
| Wada | Other related party |

(2) Significant related party transactions and balances

A. Sales revenue

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|---------------|
| Sales revenue | | |
| Entities with significant influence to the Group | \$ 907 | \$ 145 |
| Other related parties | 4,259 | - |
| | <u>\$ 5,166</u> | <u>\$ 145</u> |

The transaction prices and terms of the Group and entities with significant influence over the Group are determined in accordance with the agreed contracts. The credit term is commensurate with non-related parties, which is 60~120 days after monthly billings.

B. Leasing arrangements - lessee

(a) The Group leased office and plant from United Integrated Services Co., Ltd. Rental contracts are typically made for periods from 2020 to 2021. Rents are paid at the end of each month.

(b) Lease liabilities

i. Outstanding balance

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| United Integrated Services Co., Ltd. | \$ 1,853 | \$ 1,853 |

ii. Interest expense

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-------------|-------------|
| United Integrated Services Co., Ltd. | \$ 37 | \$ 66 |

C. Accounts receivable from related parties

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Accounts receivable | | |
| Entities with significant influence to the Group | \$ 17,224 | \$ 17,005 |
| Other related parties | 3,234 | - |
| | <u>\$ 20,458</u> | <u>\$ 17,005</u> |

The accounts receivable of the Group and entities with significant influence over the group are construction accounts. The transaction prices and terms are determined in accordance with the agreed contracts.

D. Endorsements and guarantees

As of December 31, 2021 and 2020, there were unsecured bank borrowings amounting to \$668,373 and \$430,352, respectively. The Company's key management was a joint guarantor.

E. Commitments

Promissory notes issued for the warranty of sales and performance guarantees of lease contracts.

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Entities with significant influence to the Group | \$ 10,962 | \$ 11,056 |
| (3) <u>Key management compensation</u> | | |
| | <u>2021</u> | <u>2020</u> |
| Salaries and other short-term employee benefits | \$ 40,721 | \$ 40,528 |
| Termination benefits | 969 | 967 |
| | <u>\$ 41,690</u> | <u>\$ 41,495</u> |

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

| <u>Pledged assets</u> | <u>Book value</u> | | <u>Purpose</u> |
|---|--------------------------|--------------------------|---|
| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | |
| Other current assets — time deposits | \$ 194 | \$ 194 | Performance guarantee for contracts |
| Property, plant and equipment — land and buildings | 105,519 | 111,726 | Short-term borrowings or guarantee for line of credit |
| Right-of-use assets — land use rights | 856 | 889 | Short-term borrowings or guarantee for line of credit |
| | <u>\$ 106,569</u> | <u>\$ 112,809</u> | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2021 and 2020, other than the details of contingencies and commitments between the Group and related parties as provided in Note 7(2) E, contingencies and commitments between the Group and third parties are as follows:

Capital expenditure contracted for at the balance sheet date but not yet incurred

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------|--------------------------|--------------------------|
| Intangible assets | \$ 1,216 | \$ 95 |

Warranty and performance guarantee

As of December 31, 2021 and 2020, promissory notes issued for the warranty and performance guarantee of sales amounted to \$117,914 and \$92,039, respectively.

B. Details of endorsements/guarantees provided by the Company to subsidiaries are provided in Note 13(1) B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) The appropriations of 2021 earnings had been proposed by the Board of Directors on March 21, 2022. Details are summarized below:

| | 2021 | |
|-----------------|----------|---------------------|
| | Amount | Dividends per share |
| Legal reserve | \$ 7,600 | |
| Special reserve | 9,317 | |
| Cash dividends | 47,250 | \$ 1.05 |

(2) On March 21, 2022, the Board of Directors proposed to appropriate \$ 0.2 (in dollars) per share equivalent to \$720,878 arising from paid-in capital in excess of par value on issuance of common stock. As of March 21, 2022, the appropriations has not been resolved at the shareholders' meeting.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure with reasonable cost of funds. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

In 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio of about 40%. The gearing ratios at December 31, 2021 and 2020 were as follows:

| | December 31, 2021 | December 31, 2020 |
|-------------------|-------------------|-------------------|
| Total liabilities | \$ 1,871,626 | \$ 1,485,857 |
| Total equity | 1,501,464 | 1,479,442 |
| Total assets | \$ 3,373,090 | \$ 2,965,299 |
| Gearing ratio | 55% | 50% |

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through other Comprehensive income | | |
| Designation of equity instrument | \$ 81,000 | \$ 81,000 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 268,948 | \$ 296,879 |
| Financial assets at amortised cost | 13,032 | 13,131 |
| Notes receivable | 24,837 | 17,395 |
| Accounts receivable (including related parties) | 849,388 | 501,173 |
| Other receivables | 8,007 | 9,550 |
| Guarantee deposits paid | 13,250 | 12,273 |
| Other financial assets | 194 | 194 |
| | <u>\$ 1,177,656</u> | <u>\$ 850,595</u> |
| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Short-term borrowings | \$ 752,544 | \$ 454,963 |
| Notes payable | 3,873 | 3,936 |
| Accounts payable | 550,556 | 459,850 |
| Other accounts payable | 151,174 | 130,891 |
| Long-term borrowings (including current portion) | 21,510 | 30,276 |
| Guarantee deposits received | 374 | 71 |
| | <u>\$ 1,480,031</u> | <u>\$ 1,079,987</u> |
| Lease liability (including related parties) | <u>\$ 9,851</u> | <u>\$ 8,006</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific

areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2021 | | | 2021 | | |
|------------------------------|---|------------------|---------------------|------------------------|--|--|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 7,457 | 27.680 | \$ 206,410 | 1% | \$ 2,064 | \$ - |
| RMB:NTD | 499 | 4.3440 | 2,168 | 1% | 22 | - |
| JPY:NTD | 15,686 | 0.2405 | 3,772 | 1% | 38 | - |
| USD:RMB | 31 | 6.3720 | 858 | 1% | 9 | - |
| SGD:USD | 959 | 0.7392 | 19,622 | 1% | 196 | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 4,555 | 27.680 | \$ 126,082 | 1% | \$ 1,261 | \$ - |
| USD:RMB | 948 | 6.3720 | 26,241 | 1% | 262 | - |
| SGD:USD | 244 | 0.7392 | 4,992 | 1% | 50 | - |

| (Foreign currency: Functional currency) | December 31, 2020 | | | 2020 | | |
|--|---|------------------|---------------------|------------------------|--|--|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) | Sensitivity Analysis | | |
| | | | | Degree of variation | Effect on profit or loss before tax | Effect on other comprehensive income |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 5,857 | 28.4800 | \$ 166,807 | 1% | \$ 1,668 | \$ - |
| RMB:NTD | 3,102 | 4.3770 | 13,577 | 1% | 136 | - |
| JPY:NTD | 10,427 | 0.2763 | 2,881 | 1% | 29 | - |
| USD:RMB | 499 | 6.5067 | 14,211 | 1% | 142 | - |
| SGD:USD | 1,241 | 0.7570 | 26,755 | 1% | 268 | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 2,063 | 28.4800 | \$ 58,754 | 1% | \$ 588 | \$ - |
| USD:RMB | 621 | 6.5067 | 17,686 | 1% | 177 | - |
| SGD:USD | 414 | 0.7570 | 8,926 | 1% | 89 | - |

iv. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$2,268 and (\$3,998), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise unlisted shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by both \$810, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's borrowings are mostly with fixed interest rate and maturity within one year. Therefore, the Group does not expect to be exposed to significant interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of accounts receivable, notes receivable and amortized cost financial assets based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or above are accepted. According to the Group's credit policy,

each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. The main credit risk arises from wholesale and retail customers, including outstanding receivables.

- iii. The Group adopts the assumptions under IFRS 9, there has been a significant increase in credit risk on that instrument since initial recognition, when the contract payments were past due over 30 days.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with sales area. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2021 and 2020, the Group's written-off financial assets that are still under recourse procedures amounted to \$75 and \$0, respectively.
- viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the provision matrix is as follows:

| | Not overdue | Overdue within 30 days | Overdue within 60 days | Overdue within 90 days | Overdue for more than 90 days | Total |
|-----------------------------|-------------|---------------------------|---------------------------|---------------------------|-------------------------------------|------------|
| <u>At December 31, 2021</u> | | | | | | |
| Expected loss rate | 0.03% | 1.03%~13.49% | 16~87% | 62~94% | 31~100% | |
| Total book value | \$ 820,822 | \$ 21,234 | \$ 5,635 | \$ 2,629 | \$ 6,838 | \$ 857,158 |
| Loss allowance | 240 | 1,621 | 1,277 | 2,463 | 2,169 | 7,770 |
| <u>At December 31, 2020</u> | | | | | | |
| Expected loss rate | 0.03% | 0.11~9.31% | 23~49% | 24~61% | 50~100% | |
| Total book value | \$ 459,612 | \$ 12,636 | \$ 11,974 | \$ 15,974 | \$ 9,308 | \$ 509,504 |
| Loss allowance | 133 | 168 | 1,498 | 4,080 | 2,452 | 8,331 |

- ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | 2021 | |
|-------------------------------|---------------------|--------------------|
| | Accounts receivable | Overdue receivable |
| At January 1 | \$ 8,331 | \$ 41,372 |
| Provision for impairment loss | 1,164 | - |
| Reversal of impairment loss | (1,481) | - |
| Write-offs | (52) | (23) |
| Effect of foreign exchange | (192) | (210) |
| At December 31 | <u>\$ 7,770</u> | <u>\$ 41,139</u> |
| | 2020 | |
| | Accounts receivable | Overdue receivable |
| At January 1 | \$ 13,900 | \$ 35,228 |
| Provision for impairment loss | 1,285 | - |
| Reversal of impairment loss | (326) | - |
| Effect of foreign exchange | (5) | (379) |
| Transfer | (6,523) | 6,523 |
| At December 31 | <u>\$ 8,331</u> | <u>\$ 41,372</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and other cash equivalents, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Fixed rate: | | |
| Expiring within one year | \$ 737,816 | \$ 903,352 |

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

| December 31, 2021 | Less than 3 | Between 3 | Over 1 year | Book value |
|--|-------------|----------------------|-------------|------------|
| | months | months and 1 year | | |
| Short-term borrowings | \$ 686,004 | \$ 68,342 | \$ - | \$ 754,346 |
| Notes payable | 3,873 | - | - | 3,873 |
| Accounts payable | 530,428 | 20,128 | - | 550,556 |
| Other payables | 120,967 | 28,124 | 2,083 | 151,174 |
| Lease liability | 2,549 | 4,261 | 3,594 | 10,404 |
| Long-term borrowings (including current portion) | 3,357 | 8,774 | 9,528 | 21,659 |
| December 31, 2020 | Less than 3 | Between 3 | Over 1 year | Book value |
| | months | months and 1 year | | |
| Short-term borrowings | \$ 443,051 | \$ 12,814 | \$ - | \$ 455,865 |
| Notes payable | 3,936 | - | - | 3,936 |
| Accounts payable | 444,310 | 15,540 | - | 459,850 |
| Other payables | 113,764 | 10,386 | 6,741 | 130,891 |
| Lease liability | 2,935 | 3,581 | 1,698 | 8,214 |
| Long-term borrowings (including current portion) | 190 | 7,704 | 22,844 | 30,738 |

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient

frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in unlisted stocks is included in Level 3.

B. Financial instruments not measured at fair value.

The Group's carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values. The carrying amounts are provided in Note 12(2) A.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

The related information of natures of the assets and liabilities is as follows:

| <u>December 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | \$ - | \$ - | \$ 81,000 | \$ 81,000 |
| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | \$ - | \$ - | \$ 81,000 | \$ 81,000 |

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent

information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity instrument: Unlisted shares | \$ 81,000 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |
| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: Unlisted shares | \$ 81,000 | Market comparable companies | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |

I. The Group has carefully assessed the valuation models and assumptions used to measure fairvalue. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | December 31, 2021 | | | | | |
|-------------------|-------------------|--------|---------------------------------|------------------------|---|------------------------|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | 30% | ±1% | \$ - | \$ - | \$ 1,906 | \$ (1,906) |

| | | December 31, 2020 | | | |
|-------------------|--------------|---------------------------------|------------------------|---|------------------------|
| | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| | Input Change | | | | |
| Financial assets | | | | | |
| Equity instrument | 30% ±1% | \$ - | \$ - | \$ 1,307 | \$ (1,307) |

(4) Others

Despite the COVID-19 pandemic and the various preventive measures adopted by the government, there has not been a significant impact on the operations of the Group. The Group's operating income for the 2021 did not decrease compared to the same period last year, and it has been assessed that there is no doubt on the Group's ability to continue operations, assets have not been impaired, and financing risks have not increased. The Group's pandemic response management has complied with the Central Epidemic Command Center's announcement of the three-level epidemic alert related measures and the relevant pandemic prevention regulations of the Infectious Disease Prevention and Control Act.

13. Supplementary Disclosures

(1) Significant transaction information

The Group discloses related information of the following for the year ended December 31, 2021:

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Derivative financial instruments undertaken for the year ended December 31, 2021: None.

J. Significant inter-company transactions for the year ended December 31, 2021: Please refer to table 6.

(2) Information on investees (not including investees in Mainland China)

Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

(a) Purchasing amount and percentage and related receivables' percentage and balance as at December 31, 2021: Please refer to tables 6 and 9.

(b) Selling amount and percentage and related receivables' percentage and balance as at December 31, 2021: Please refer to tables 6 and 9.

(c) Property transaction amounts and gains and loss arising from them: None.

(d) Balance and purpose of provision of endorsements/guarantees or collaterals as at December 31, 2021: None.

(e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended December 31, 2021: Please refer to table 1.

(f) Other significant transactions that affected the gains and loss or financial status for the period, i.e. rendering/receiving of service: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Group has three reportable operating segments: First Business Division, Second Business Division and Technical Services Division. The primary sources of revenue from products and services are as follows:

| | |
|-----------------------------|---|
| First Business Division | : Promotes domestic sales of consigned and self-manufactured products |
| Second Business Division | : Responsible for international sales and market promotion of self-manufactured products |
| Technical Services Division | : Responsible for the installation, testing, and warranty of products, as well as development of the repair and maintenance business line, and purchases and sales of spare parts and miscellaneous |
| Energy Division | : Domestic sales and market promotion of self-manufactured energy-related products |

(2) Measurement of segment information

The accounting policies for the Group's operating segments are in agreement with the summary of significant accounting policies mentioned in Note 2 of the consolidated financial statements. The Group's Chief Operating Decision-Maker uses income before tax as the basis to evaluate each segment's performance.

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

| <u>2021</u> | <u>First Business Division</u> | <u>Second Business Division</u> | <u>Technical Services Division</u> | <u>Energy Division</u> | <u>Reconciliation and elimination</u> | <u>Total</u> |
|--|--|---|--|----------------------------|---|---------------------|
| Revenue from external customer contracts | \$ 1,263,884 | \$ 1,236,631 | \$ 244,139 | \$ 240,023 | \$ - | \$ 2,984,677 |
| Inter-segment revenue | 120,368 | 2,252,368 | - | - | (2,372,736) | - |
| Total segment revenue | <u>\$ 1,384,252</u> | <u>\$ 3,488,999</u> | <u>\$ 244,139</u> | <u>\$ 240,023</u> | <u>(\$ 2,372,736)</u> | <u>\$ 2,984,677</u> |
| Segment income | <u>\$ 109,043</u> | <u>\$ 101,610</u> | <u>\$ 96,031</u> | <u>\$ 1,840</u> | <u>(\$ 230,545)</u> | <u>\$ 77,979</u> |

| <u>2020</u> | <u>First Business Division</u> | <u>Second Business Division</u> | <u>Technical Services Division</u> | <u>Energy Division</u> | <u>Reconciliation and elimination</u> | <u>Total</u> |
|--|--|---|--|----------------------------|---|---------------------|
| Revenue from external customer contracts | \$ 826,251 | \$ 1,060,372 | \$ 219,392 | \$ 255,908 | \$ - | \$ 2,361,923 |
| Inter-segment revenue | 88,276 | 1,943,214 | - | - | (2,031,490) | - |
| Total segment revenue | <u>\$ 914,527</u> | <u>\$ 3,003,586</u> | <u>\$ 219,392</u> | <u>\$ 255,908</u> | <u>(\$ 2,031,490)</u> | <u>\$ 2,361,923</u> |
| Segment income | <u>\$ 80,930</u> | <u>\$ 93,495</u> | <u>\$ 98,004</u> | <u>\$ 10,002</u> | <u>(\$ 229,478)</u> | <u>\$ 52,953</u> |

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

Reconciliations of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Reportable segments income before tax | \$ 77,979 | \$ 52,953 |
| Interest income | 595 | 926 |
| Other income | 13,957 | 18,003 |
| Other gains and losses | 1,282 | (5,050) |
| Finance costs | (6,611) | (6,143) |
| Income before tax from continuing operations | <u>\$ 87,202</u> | <u>\$ 60,689</u> |

The Group did not provide the total assets and total liabilities amounts to the Chief Operating Decision-Maker.

(5) Information on products and services

Detailed breakdown of the Group's net sales for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--------------------------------|---------------------|---------------------|
| Project construction | \$ 1,284,309 | \$ 979,076 |
| Uninterruptible power supplies | 977,587 | 805,863 |
| Active power filters | 126,078 | 110,008 |
| Photovoltaic devices | 106,680 | 55,873 |
| Service revenue | 100,296 | 89,510 |
| Others | 389,727 | 321,593 |
| | <u>\$ 2,984,677</u> | <u>\$ 2,361,923</u> |

(6) Geographical information

The Group's geographical information for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | | 2020 | |
|-----------|---------------------|--------------------|---------------------|--------------------|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 1,483,828 | \$ 563,903 | \$ 1,124,709 | \$ 753,424 |
| Hong Kong | 355,340 | - | 216,069 | - |
| China | 247,912 | 188,433 | 201,408 | - |
| USA | 170,007 | 11,820 | 124,967 | 11,231 |
| Italy | 155,289 | 5,728 | 219,961 | 3,640 |
| Germany | 78,715 | - | 60,960 | - |
| Singapore | 76,953 | 53,838 | 59,729 | 54,620 |
| Others | 405,790 | 1,263 | 354,120 | 1,314 |
| | <u>\$ 2,973,834</u> | <u>\$ 824,985</u> | <u>\$ 2,361,923</u> | <u>\$ 824,229</u> |

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | | 2020 | |
|---|------------|--------------------------|------------|--------------------------|
| | Revenue | Segment | Revenue | Segment |
| F | \$ 485,711 | First Business Division | \$ 177,054 | First Business Division |
| A | 348,663 | Second Business Division | 208,669 | Second Business Division |

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| 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 | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|-----|-------------|---------------|------------------------|--------------------|---|-----------------------------------|-----------------------------------|---------------|----------------------|--|---------------------------------|---------------------------------|------------|-------|--|--------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | Ablerex-LATAM | Other receivables | Y | \$ 85,605 (USD 3,000 thousand) | \$ 41,520 (USD 1,500 thousand) | \$ 41,520 (USD 1,500 thousand) | 1.00% | Short-term financing | \$ - | Turnover of operation | \$ - | None | \$ - | \$ 148,759 | \$ 595,035 | Note 1 Note 4 |
| 2 | Ablerex-HK | Ablerex-SZ | Other receivables | Y | 57,070 (USD 2,000 thousand) | 55,360 (USD 2,000 thousand) | 55,360 (USD 2,000 thousand) | 2.475% | Short-term financing | - | Turnover of operation | - | None | - | \$ 148,759 | \$ 595,035 | Note 1 Note 2 Note 3 |

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on total loans to others is 40% of the Company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year on the year of financing. Limit on loans to a single party with short-term financing is 10% of the Company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted.

Note 2: In accordance with the Ablerex-HK's "Procedures for Provision of Loans", limit on total loans to others is 40% of the parent company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing is 10% of the parent company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted. The deadline of each loan is 1 year from the lending day.

Note 3: The maximum credit to be drawn as approved by the Board of Directors was USD 2,000 thousand. The period-end available credit balance was USD 2,000 thousand. The actual amount drawn was USD 2,000 thousand.

Note 4: The maximum credit to be drawn as approved by the Board of Directors was USD 3,000 thousand. The period-end available credit balance was USD 1,500 thousand. The actual amount drawn was USD 1,500 thousand.

Note 5: The maximum amount was approved at the Board of Director's meeting.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 3) | Outstanding endorsement/ guarantee amount at December 31, 2021 | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|--------|------------------------|------------------------------------|--|---|--|--|-----------------------------------|--|--|--|--|--|---|------------------|
| | | Company name | Relationship with the endorser/ guarantor | | | | | | | | | | | |
| 0 | The Company | Ablerex-HK | Subsidiary | \$ 297,517 | \$ 315,552 | \$ 207,600 (USD 7,500 thousand) | \$ 52,952 (USD 1,900 thousand) | \$ - | 14% | \$ 743,794 | Y | N | N | Note 1 Note 2 |

Note 1: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on the Company endorsements/guarantees to others is 50% of the Company's net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets, and limit on endorsements/guarantees for companies with business relations is the higher value of purchases or sales during current year.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Transactions made with Ablere-HK is higher than 50% of the Company's net assets, which is over the limit on the Company endorsements/guarantees to others.

Thus, the limit on the Company endorsements/guarantees to Ablere-HK is 50% of the Company's net assets.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer (Note 2) | General ledger account | As of December 31, 2021 | | | | Footnote (Note 4) |
|--------------------|-----------------------------------|---|---|-------------------------|------------------------|---------------|-------------------|----------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value | |
| The Company | Eco Energy Corporation | Other related party | Financial assets at fair value through other comprehensive income-non-current | 5,400,000 | \$81,000 thousand | 13.50% | \$81,000 thousand | None |

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Footnote |
|------------------|--------------|------------------------------------|-------------------|------------------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Ablerex-SG | Subsidiary | (Sales) | \$ 143,800 | (6%) | Note 3 | Note 3 | Note 3 | \$ 55,257 | 7% | - |
| Ablerex-SG | The Company | Parent Company | Purchases | USD 5,150 thousand | 83% | Note 3 | Note 3 | Note 3 | (USD 1,996 thousand) | (93%) | - |
| The Company | Ablerex-IT | Subsidiary | (Sales) | (\$ 112,693) | (4%) | Note 3 | Note 3 | Note 3 | \$ 30,520 | 4% | - |
| Ablerex-IT | The Company | Parent Company | Purchases | EUR 3,400 thousand | 76% | Note 3 | Note 3 | Note 3 | (EUR 964 thousand) | (78%) | - |
| The Company | Ablerex-HK | Subsidiary | Purchases | \$ 764,632 | 51% | Note 1 | Note 1 | Note 1 | (\$ 91,621) | (24%) | - |
| Ablerex-HK | The Company | Parent Company | (Sales) | (USD 27,300 thousand) | (100%) | Note 1 | Note 1 | Note 1 | USD 3,310 thousand | 98% | - |
| The Company | Ablerex-SZ | An indirectly-owned Subsidiary | Purchases | \$ 246,943 | 18% | Note 1 | Note 1 | Note 1 | (\$ 67,338) | (17%) | - |
| Ablerex-SZ | The Company | Parent Company | (Sales) | (RMB 63,792 thousand) | (22%) | Note 1 | Note 1 | Note 1 | RMB 15,507 thousand | 33% | - |
| Ablerex-HK | Ablerex-SZ | Affiliate | Purchases | USD 27,300 thousand | 100% | Note 2 | Note 2 | Note 2 | (USD 2,511 thousand) | (100%) | - |
| Ablerex-SZ | Ablerex-HK | Affiliate | (Sales) | (RMB 175,835 thousand) | (61%) | Note 2 | Note 2 | Note 2 | RMB 16,010 thousand | 34% | - |

Note 1: The transaction price is commensurate with the purchase price from AblereX-SZ; the receivable (payable) policy is Net 60 days E.O.M.

Note 2: The transaction price is the AblereX-SZ production cost plus an agreed gross margin; the receivable (payable) policy is Net 60 days E.O.M.

Note 3: Transaction price are determined according to the agreements between the parties; the receivable (payable) policy is Net 120 days E.O.M.

Note 4: AblereX-HK conducts purchases from AblereX, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to AblereX-SZ with a zero contribution margin; the credit term is the same with general customers.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|------------|--------------|------------------------------------|---------------------------------|---------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| Ablerex-HK | The Company | Parent company | USD 3,310 thousand | 6.12 | - | - | USD 3,308 thousand | - |
| Ablerex-SZ | Ablerex-HK | Affiliate | RMB 16,010 thousand | 7.89 | - | - | RMB 15,973 thousand | - |

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2021

Table 6
Individual transactions not exceeding \$10,000 and their corresponding transactions are not disclosed.

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) | | |
|--------------------|--------------|---------------|--------------------------|------------------------|------------|-------------------|--|--------|-----|
| | | | | General ledger account | Amount | Transaction terms | | | |
| 0 | The Company | Ablerex-HK | 1 | Purchases | \$ 764,632 | Note 4 | 26% | | |
| | | Ablerex-HK | 1 | Accounts Payable | 91,621 | | 3% | | |
| | | Ablerex-SZ | 1 | Sales | 80,028 | Note 5 | 3% | | |
| | | Ablerex-SZ | 1 | Purchases | 276,943 | Note 5 | 9% | | |
| | | Ablerex-SZ | 1 | Accounts Payable | 67,338 | | 2% | | |
| | | Ablerex-SZ | 1 | Accounts Receivable | 39,478 | | 1% | | |
| | | Ablerex-USA | 1 | Sales | 66,617 | Note 5 | 2% | | |
| | | Ablerex-USA | 1 | Accounts Receivable | 16,432 | | 0% | | |
| | | Ablerex-SG | 1 | Sales | 143,800 | Note 5 | 5% | | |
| | | Ablerex-SG | 1 | Accounts Receivable | 55,257 | | 2% | | |
| | | Ablerex-IT | 1 | Sales | 112,693 | Note 5 | 4% | | |
| | | Ablerex-IT | 1 | Accounts Receivable | 30,520 | | 1% | | |
| | | Ablerex-LATAM | 1 | Sales | 14,141 | Note 5 | 0% | | |
| | | Ablerex-LATAM | 1 | Other Receivables | 41,520 | Note 8 | 1% | | |
| | | 1 | Ablerex-HK | Ablerex-SZ | 3 | Purchases | 763,354 | Note 4 | 26% |
| | | | | Ablerex-SZ | 3 | Accounts Payable | 69,547 | | 2% |
| Ablerex-SZ | 3 | | | Other Receivables | 57,153 | Note 7 | 2% | | |
| 2 | Ablerex-SZ | Ablerex-BJ | 3 | Sales | 88,767 | Note 5 | 3% | | |
| | | Ablerex-BJ | 3 | Purchases | 22,047 | Note 5 | 1% | | |
| | | Ablerex-BJ | 3 | Accounts Receivable | 35,683 | | 1% | | |
| 3 | Ablerex-SG | Ablerex-TH | 3 | Sales | 25,280 | Note 5 | 1% | | |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Ablerex-HK conducted purchases from Ablerex-SZ, whereby the prices were based on Ablerex-SZ's production costs. The purchases were then resold to Ablerex with a zero contribution margin; the term for receivables and payables is Net 60 days E.O.M.

Note 5: Transaction prices are determined according to the agreements between the parties; the credit term is the same with general customers.

Note 6: Ablerex-HK conducts purchases from Ablerex, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to Ablerex-SZ with a zero contribution margin; the credit term is the same with general customers.

Note 7: Ablerex-HK loan to Ablerex-SZ, of which \$55,360 calculated interest against agreed interest rate 2.475% per annum and the rest was for business demand.

Note 8: Ablerex loan to Ablerex-Latam, calculated interest against agreed interest rate 1% per annum and the rest was for business demand.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NT\$
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 | Investment income(loss) recognised by the Company for the year ended December 31, 2021 | Footnote |
|---------------|------------------|-----------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|--|------------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | Number of shares | Ownership (%) | Book value | | | |
| The Company | Ablerex-Samoa | Samoa | Holding company | \$ 217,445 | \$ 217,445 | 6,635,000 | 100 | \$ 450,420 | (\$ 18,884) | (\$ 19,695) | Subsidiary |
| The Company | Ablerex-USA | U.S. | Sales of uninterruptible power supply, solar energy products, and related systems | 8,303 | 8,303 | 250,000 | 100 | 60,357 | 13,649 | 13,681 | Subsidiary |
| The Company | Ablerex-HK | Hong Kong | Sales of uninterruptible power supply, solar energy products, and related systems | 43 | 43 | 10,000 | 100 | 29,649 | 1,070 | 1,070 | Subsidiary |
| The Company | Ablerex-SG | Singapore | Sales of uninterruptible power supply, solar energy products, and related systems | 48,008 | 48,008 | 2,140,763 | 100 | 100,405 | 8,706 | 10,268 | Subsidiary |
| The Company | Ablerex-UK | UK | Holding company | 4,674 | 4,674 | 100,000 | 100 | 14,447 | 3,803 | 3,600 | Subsidiary |
| The Company | Ablerex-JP | Japan | Sales of uninterruptible power supply, solar energy products, and related systems | 9,159 | 9,159 | 2,970 | 99 | 5,867 | (2,980) | (2,967) | Subsidiary |
| Ablerex-Samoa | Ablerex-Overseas | Hong Kong | Holding company | 217,445 | 217,445 | 6,635,000 | 100 | 456,434 | (18,845) | - | Second-tier subsidiary |
| Ablerex-UK | Ablerex-IT | Italy | Sales of uninterruptible power supply, solar energy products, and related systems | 4,674 | 4,674 | 100,000 | 100 | 14,447 | 3,803 | - | Second-tier subsidiary |
| Ablerex-SG | Ablerex-TH | Thailand | Sales of uninterruptible power supply, solar energy products, and related systems | 256 | 256 | 280,000 | 70 | 2,770 | (249) | - | Second-tier subsidiary |
| Ablerex-USA | Ablerex-Latam | U.S. | Sales of uninterruptible power supply, solar energy products, and related systems | 15,358 | 15,358 | 3,650 | 86 | 7,610 | 5,061 | - | Second-tier subsidiary |

Note: The Company recognised investment income comprising of downstream and upstream transactions.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee as of December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|----------------------------|---|-----------------|-------------------|--|--|-------------------------|--|--|--|---|---|---|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Ablerex-SZ | Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems | \$ 151,133 | Note 1 | \$ 151,133 | \$ - | \$ - | \$ 151,133 | (\$ 19,007) | 100 | (\$ 19,007) | \$ 407,714 | \$ - | Note 2 |
| Ablerex-BJ | Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems | 43,440 | Note 1 | 32,524 | - | - | 32,524 | 175 | 80 | 140 | 45,566 | - | Note 2 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|-------------------------------|--|--|---|
| ABLEREX ELECTRONICS CO., LTD. | \$ 183,657 | \$ 183,657 | \$ 900,878 |

Note 1: Invested in cash through the third region's subsidiary, AblereX-Samoa which invested in AblereX-Overseas and then reinvested in AblereX-SZ and AblereX-BJ. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: Excluding the presentation and disclosures of AblereX-SZ concurrently reviewed by the Certified Public Accountant, the above-listed related parties disclosed below are presentations and disclosures on investees that were not concurrently reviewed by the Certified Public Accountant. For consolidated reporting purposes, all individuals disclosed below have eliminated all inter-group transactions.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2021

Table 9

- (1) Purchasing amount and percentage and related payables' percentage and balance at December 31, 2021:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|-----|---|
| | | Amount | % | |
| Ablerex-SZ | Purchases | \$ 1,041,575 | 69% | Purchase from AblereX-SZ through AblereX-HK of which \$764,632 purchase directly. |

- (2) Selling amount and percentage and related receivables' percentage and balance at December 31, 2021:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|----|---------------|
| | | Amount | % | |
| Ablerex-SZ | Sales | \$ 80,028 | 3% | Sold directly |

- (3) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:

| Company name | General ledger amount | For the year ended December 31, 2021 | | Footnote |
|--------------|-----------------------|--------------------------------------|-----|---|
| | | Amount | % | |
| Ablerex-SZ | Miscellaneous income | \$ 425 | 90% | The Company purchased the critical raw materials of \$22,625 on behalf of AblereX-SZ. |

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
Major shareholders information
December 31, 2021

Table 10

| Name of major shareholders | Shares | |
|--------------------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| United Integrated Services Co., Ltd. | 14,986,502 | 33.30% |
| Wen Hsu | 9,638,177 | 21.41% |
| Y.A. Chen | 2,485,763 | 5.52% |



www.ablerex.com.tw