

**KAIMEI ELECTRONIC CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Representation Letter

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

Company name: KAIMEI ELECTRONIC CORP.

Chairman: WENG, CHI-SHENG

Date: March 15, 2022



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Independent Auditors' Report

To the Board of Directors of KAIMEI ELECTRONIC CORP.:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As stated in Notes 1 and 7(b)(x), the Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 thousand on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 thousand on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and regarded as a derecognition and combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. The loss allowance for trade receivables

For the accounting policy of allowance for trade receivables, please refer to Note 4(g)(i) 6) “impairment of financial assets”; for the uncertainty of the evaluation of trade receivables, please refer to Note 5; for the related disclosure of the loss allowance of trade receivables, please refer to Note 6(e).

Description of key audit matter:

The management of the Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The management of the Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Such estimation involves the subjective judgment of the management. Thus, the assessment of loss allowance of trade receivables is one of the most important evaluation in performing our audit procedures.

How the matter was addressed in our audit:

Our principal audit procedures included testing the accuracy and completeness of the aging schedule, which are the basis for the calculation of impairment losses, assessing the reasonableness of the policy for measuring impairment losses, confirming if the provision rate of impairment losses is consistent with the accounting policy, testing the recoverability of receivables by vouching collection record in subsequent period, and, for the overdue receivables yet not recovered, understanding and assessing the reasonableness of the impairment losses measured on the basis of the customer's historical receipt status, with collateral or not, and overall economic condition.

Other Matter

We did not audit the consolidated financial statements of certain subsidiaries of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain, is based solely on the report of another auditor. The consolidated financial statements of certain reflect total assets amounting to \$183,983 thousand and \$6,869,789 thousand, constituting 0.98% and 40.72% of consolidated total assets as of December 31, 2021 and 2020 (restated), respectively; as well as the operating revenue amounting to \$500,059 thousand and \$3,966,538 thousand, constituting 6.48% and 61.55% of consolidated total revenues for the years ended December 31, 2021 and 2020 (restated), respectively.

KAIMEI ELECTRONIC CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020 (restated), on which we have issued an unmodified audit opinion with the paragraph on emphasis of matter, other matters, and unmodified audit opinion with the paragraph on other matters, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Jui Lan Lo.

KPMG

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

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets											
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$ 830,618	5	1,488,072	9	2100	Short-term borrowings (note 6(k))	\$ 6,867,000	36	4,507,820	27
1110	Current financial assets at fair value through profit or loss (note 6(b))	891,507	5	1,063,958	6	2110	Short-term notes and bills payable (note 6(k))	149,985	1	549,765	3
1136	Current financial assets at amortized cost (notes 6(d) and 8)	5,716,369	30	4,050,784	24	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	2,038	-	796	-
1150	Notes receivable, net (notes 6(e) and 6(s))	546,187	3	588,119	3	2130	Current contract liabilities (note 6(s))	653	-	15,626	-
1170	Trade receivables, net (notes 6(e) and 6(s))	1,579,377	8	1,628,441	10	2170	Trade payables	873,659	5	905,715	6
1180	Trade receivables due from related parties, net (notes 6(e), 6(s) and 7)	328,909	2	75,899	-	2180	Trade payables to related parties (note 7)	25,914	-	5,515	-
1200	Other receivables (note 6(f))	67,557	-	95,378	1	2200	Other payables (note 6(m))	699,873	4	719,914	4
1210	Other receivables due from related parties, net (notes 6(f) and 7)	1,477	-	743	-	2220	Other payables to related parties (note 7)	1,052	-	5,316	-
130X	Inventories (note 6(g))	1,984,322	11	1,599,350	9	2230	Current tax liabilities	161,775	1	105,712	1
1470	Other current assets	229,510	1	108,705	1	2280	Current lease liabilities (notes 6(n) and 7)	43,527	-	43,973	-
		12,175,833	65	10,699,449	63	2322	Long-term borrowings, current portion (note 6(l))	161,399	1	-	-
						2399	Other current liabilities (note 6(i))	104,697	1	15,060	-
								9,091,572	49	6,875,212	41
Non-current assets:											
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and 8)	1,119,733	6	776,904	4						
1535	Non-current financial assets at amortized cost (note 6(d))	239,166	1	-	-	2540	Long-term borrowings (note 6(l))	896,279	5	1,074,600	6
1550	Investments accounted for using equity method (notes 6(h) and 8)	2,237,056	12	2,311,407	14	2570	Deferred tax liabilities (note 6(p))	252,796	1	254,211	2
1600	Property, plant and equipment (note 6(i))	2,582,339	14	2,571,312	15	2580	Non-current lease liabilities (notes 6(n) and 7)	38,174	-	52,211	-
1755	Right-of-use assets (note 6(j))	104,683	1	122,527	1	2640	Net defined benefit liability, non-current (note 6(o))	40,687	-	49,499	-
1821	Intangible assets	32,761	-	38,260	-	2670	Other non-current liabilities	1,408	-	8,294	-
1840	Deferred tax assets (note 6(p))	278,217	1	266,022	2			1,229,344	6	1,438,815	8
1900	Other non-current assets (note 8)	78,630	-	86,244	1			10,320,916	55	8,314,027	49
		6,672,585	35	6,172,676	37						
Total assets											
		\$ 18,848,418	100	16,872,125	100						
Liabilities and Equity											
Current liabilities:											

See accompanying notes to consolidated financial statements.

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

	2021		2020 (restated)	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(s) and 7)	\$ 7,715,536	100	6,444,644	100
5000 Operating costs (notes 6(g), 6(o), 7 and 12)	5,960,978	77	4,922,619	76
5900 Gross profit from operations	1,754,558	23	1,522,025	24
6000 Operating expenses (notes 6(o), 6(t), 7 and 12):				
6100 Selling expenses	288,440	4	297,606	5
6200 Administrative expenses	435,370	6	404,309	6
6300 Research and development expenses	80,842	1	91,173	1
6450 Expected credit impairment loss (gain) (notes 6(e) and 6(f))	8,478	-	1,515	-
	813,130	11	794,603	12
6900 Net operating income	941,428	12	727,422	12
7000 Non-operating income and expenses (notes 6(h), 6(n), 6(u) and 7):				
7100 Interest income	84,267	1	112,829	2
7190 Other income	95,392	1	76,294	-
7020 Other gains and losses, net	87,445	1	(57,126)	(1)
7050 Finance costs	(64,322)	(1)	(53,140)	(1)
7060 Share of profit of associates and joint ventures accounted for using equity method	196,971	3	123,909	2
7900 Profit from continuing operations before tax	1,341,181	17	930,188	14
7950 Income tax expenses (note 6(p))	202,383	2	96,055	1
Profit	1,138,798	15	834,133	13
8300 Other comprehensive income:				
8310 Items that may not be reclassified to profit or loss				
8311 Gains on remeasurements of defined benefit plans (note 6(o))	8,062	-	(6,257)	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	117,690	2	190,336	3
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may not be reclassified to profit or loss	395	-	(2,123)	-
8349 Less: Income tax related to items that may not be reclassified to profit or loss (note 6(p))	1,613	-	(1,252)	-
	124,534	2	183,208	3
8360 Items that may be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(195,534)	(3)	(155,683)	(2)
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	(2,015)	-	(3,237)	-
8399 Less: Income tax related to items that may be reclassified to profit or loss (note 6(p))	(18,532)	-	(2,375)	-
Components of other comprehensive income that will be reclassified to profit or loss	(179,017)	(3)	(156,545)	(2)
8300 Other comprehensive income	(54,483)	(1)	26,663	1
8500 Total comprehensive income	\$ 1,084,315	14	860,796	14
8600 Profit attributable to:				
8610 Profit attributable to owners of parent	\$ 1,170,920	15	562,559	9
8615 Profit attributable to former owner of business combination under common control	22,106	-	453,090	7
8615 Profit attributable to subsequent owner of business combination under common control	(54,573)	-	(181,751)	(3)
8620 Profit attributable to non-controlling interests	345	-	235	-
	\$ 1,138,798	15	834,133	13
8700 Comprehensive income attributable to:				
8710 Comprehensive income attributable to owners of parent	\$ 1,089,844	14	594,865	10
8715 Comprehensive income, attributable to former owner of business combination under common control	50,594	-	456,164	7
8715 Comprehensive income, attributable to subsequent owner of business combination under common control	(56,443)	-	(190,524)	(3)
8720 Comprehensive income attributable to non-controlling interests	320	-	291	-
	\$ 1,084,315	14	860,796	14
Earnings per share (note 6(r))				
9750 Basic earnings per share	\$ 8.62		3.39	
9850 Diluted earnings per share	\$ 8.61		3.38	

See accompanying notes to consolidated financial statements.

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

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														Equity attributable to former owner of business combination under common control	Equity attributable to subsequent owner of business combination under common control	Non-controlling interests	Total equity
	Retained earnings						Other equities		Total equity attributable to owners of parent	Treasury shares								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income										
Balance at January 1, 2020	\$ 1,940,631	3,747,130	273,694	34,991	1,457,167	1,765,852	(205,159)	2,929	(202,230)	(89,172)	7,162,211	-	-	178,657	7,340,868			
Retrospective adjustment of equity attributable to former and subsequent owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	-	84,409	84,409	2,924,998	(2,254,492)	(175,616)	579,299			
Balance at January 1, 2020 (restated)	1,940,631	3,747,130	273,694	34,991	1,457,167	1,765,852	(205,159)	2,929	(202,230)	(4,763)	7,246,620	2,924,998	(2,254,492)	3,041	7,920,167			
Profit for the year ended December 31, 2020	-	-	-	-	562,559	562,559	-	-	-	-	562,559	453,090	(181,751)	235	834,133			
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(1,655)	(1,655)	(133,576)	167,537	33,961	-	32,306	3,074	(8,773)	56	26,663			
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	560,904	560,904	(133,576)	167,537	33,961	-	594,865	456,164	(190,524)	291	860,796			
Appropriation and distribution of retained earnings:																		
Legal reserve appropriated	-	-	33,036	-	(33,036)	-	-	-	-	-	-	-	-	-	-			
Special reserve appropriated	-	-	-	167,239	(167,239)	-	-	-	-	-	-	-	-	-	-			
Cash dividends of ordinary share	-	-	-	-	(96,977)	(96,977)	-	-	-	-	(96,977)	-	-	-	(96,977)			
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	110	-	-	(3,709)	(3,709)	-	-	-	-	(3,599)	-	3,599	-	-			
Changes in ownership interests in subsidiaries	-	336	-	-	-	-	-	-	-	-	336	-	(336)	-	-			
Changes in equity of associates and joint ventures accounted for using equity method	-	459,384	-	-	-	-	-	-	-	-	459,384	-	-	-	459,384			
Capital reduction	(582,189)	-	-	-	-	-	-	-	-	330	(581,859)	-	-	-	(581,859)			
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	974	-	-	-	-	-	-	-	-	974	-	(974)	-	-			
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,074	2,074	-	(2,074)	(2,074)	-	-	-	-	-	-			
Disorgement	-	10,261	-	-	-	-	-	-	-	-	10,261	-	-	-	10,261			
The cash dividend was distributed by former owner of business combination under common control during the year	-	-	-	-	-	-	-	-	-	-	-	(263,010)	-	-	(263,010)			
The cash dividend was distributed by subsequent owner of business combination under common control during the year	-	-	-	-	-	-	-	-	-	-	-	-	249,336	-	249,336			
Balance at December 31, 2020 (restated)	1,358,442	4,218,195	306,730	202,230	1,719,184	2,228,144	(338,735)	168,392	(170,343)	(4,433)	7,630,005	3,118,152	(2,193,391)	3,332	8,558,098			
Profit for the year ended December 31, 2021	-	-	-	-	1,170,920	1,170,920	-	-	-	-	1,170,920	22,106	(54,573)	345	1,138,798			
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	6,806	6,806	(205,610)	117,728	(87,882)	-	(81,076)	28,488	(1,870)	(25)	(54,483)			
Total comprehensive income	-	-	-	-	1,177,726	1,177,726	(205,610)	117,728	(87,882)	-	1,089,844	50,594	(56,443)	320	1,084,315			
Appropriation and distribution of retained earnings:																		
Legal reserve appropriated	-	-	55,927	-	(55,927)	-	-	-	-	-	-	-	-	-	-			
Special reserve appropriated	-	-	-	(31,887)	31,887	-	-	-	-	-	-	-	-	-	-			
Cash dividends of ordinary share	-	-	-	-	(271,535)	(271,535)	-	-	-	-	(271,535)	-	-	-	(271,535)			
Changes in equity of associates and joint ventures accounted for using equity method	-	1,151	-	-	-	-	-	-	-	-	1,151	-	-	-	1,151			
Reorganization	-	546,516	-	-	(120,260)	(120,260)	(316,672)	(5,427)	(322,099)	-	104,157	(3,168,746)	2,249,834	-	(814,755)			
Sale of treasury share	-	4,210	-	-	-	-	-	-	-	4,433	8,643	-	-	-	8,643			
Disposal of investments accounted for using equity method	-	(39,091)	-	-	-	-	676	-	676	-	(38,415)	-	-	-	(38,415)			
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	14,582	14,582	-	(14,582)	(14,582)	-	-	-	-	-	-			
Balance at December 31, 2021	\$ 1,358,442	4,730,981	362,657	170,343	2,495,657	3,028,657	(860,341)	266,111	(594,230)	-	8,523,850	-	-	3,652	8,527,502			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020 (restated)
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,341,181	930,188
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	435,921	440,234
Amortization expense	12,574	22,865
Expected credit loss	8,478	1,515
Net gain on financial assets or liabilities at fair value through profit or loss	(33,691)	(24,734)
Interest expense	64,322	53,140
Interest income	(84,267)	(112,829)
Dividend income	(15,003)	(577)
Share of profit of associates and joint ventures accounted for using equity method	(196,971)	(123,909)
Loss (gain) on disposal of property, plant and equipment	17,576	(7,753)
Gain on disposal of investments accounted for using equity method	(106,838)	-
Impairment loss on non-financial assets	44,121	-
Others	177	(7,658)
Total adjustments to reconcile profit (loss)	146,399	240,294
Changes in operating assets and liabilities:		
Decrease on financial assets or liabilities at fair value through profit or loss	2,764	784
(Increase) decrease in notes receivable	41,537	(174,043)
(Increase) decrease in trade receivables	41,511	(197,066)
Increase in trade receivables due from related parties	(253,010)	(12,458)
(Increase) decrease in other receivables	58,531	(14,296)
(Increase) decrease in other receivables due from related parties	(734)	2,199
Increase in inventories	(384,972)	(185,573)
Increase in other current assets	(120,873)	(4,135)
Increase (decrease) in contract liabilities	(14,973)	8,467
Increase (decrease) in trade payables	(32,056)	110,212
Increase in trade payables to related parties	20,399	833
Decrease in other payables	(92,521)	(1,013)
Increase (decrease) in other payables to related parties	(4,264)	1,933
Increase (decrease) in other current liabilities	89,637	(1,021)
Decrease in net defined benefit liability	(750)	(20,451)
Total changes in operating assets and liabilities	(649,774)	(485,628)
Cash inflow generated from operations	837,806	684,854
Interest received	53,557	155,771
Dividends received	85,266	43,386
Interest paid	(63,820)	(52,692)
Income taxes paid	(146,056)	(214,049)
Net cash flows from operating activities	766,753	617,270
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(290,799)	(471,291)
Proceeds from disposal of financial assets at fair value through other comprehensive income	65,660	76,522
Acquisition of financial assets at amortized cost	(10,848,832)	(270,038)
Proceeds from disposal of financial assets at amortized cost	8,832,097	2,314,032
Acquisition of financial assets at fair value through profit or loss	(1,106,557)	(5,541,798)
Proceeds from disposal of financial assets at fair value through profit or loss	1,306,527	4,668,236
Acquisition of investments accounted for using equity method	-	(6,053)
Proceeds from disposal of investments accounted for using equity method	269,015	-
Proceeds from capital reduction of investments accounted for using equity method	-	42,809
Acquisition of property, plant and equipment	(456,760)	(400,197)
Proceeds from disposal of property, plant and equipment	36,815	13,784
Decrease in refundable deposits	3,274	339,282
Decrease in other receivables due from related parties	-	108,043
Decrease in equity attributable to former and subsequent owner of business combination under common control	(814,755)	(13,674)
Others	(6,662)	(2,288)
Net cash flows (used in) from investing activities	(3,010,977)	857,369
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,359,180	361,047
Decrease in short-term notes and bills payable	(399,780)	(50,042)
Proceeds from long-term borrowings	5,300	627,271
Repayments of long-term borrowings	(22,222)	(222,721)
Increase (decrease) in guarantee deposits received	(6,470)	1,929
Payment of lease liabilities	(39,221)	(41,497)
Cash dividends paid	(271,535)	(96,977)
Capital reduction payments to shareholders	-	(581,859)
Proceeds from sale of treasury shares	8,643	-
Net cash flows from (used in) financing activities	1,633,895	(2,849)
Effect of exchange rate changes on cash and cash equivalents	(47,125)	(92,345)
Net (decrease) increase in cash and cash equivalents	(657,454)	1,379,445
Cash and cash equivalents at beginning of period	1,488,072	108,627
Cash and cash equivalents at end of period	\$ 830,618	1,488,072

See accompanying notes to consolidated financial statements.

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

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

KAIMEI ELECTRONIC CORP.(the “Company”), formerly known as TEAPO ELECTRONIC LTD. was established on September 11, 1978, by the approval of Ministry of Economic Affairs under the Company Law, the main business line is manufacture and sale of capacitors. The Company’s ordinary shares were publicly listed on the Taiwan Stock Exchange on August 29, 1998.

Merging with G-Luxon Electronics Corp. on October 31, 2005 (the reference date of the merger), was approved by the resolution of the shareholders' meeting, and the Company was the surviving company. In 2019, the shareholders' meeting resolved to approve the Company merged with the former KAIMEI ELECTRONIC CORP. on September 30, 2019 (the reference date of the merger), and the Company was the surviving company. On October 28, 2019, the Company was renamed as KAIMEI ELECTRONIC CORP. subsequently, by the approval of Ministry of Economic Affairs.

The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and regarded as a derecognition and combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020.

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

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

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis.

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
KAIMEI ELECTRONIC CORP.	TEAPO HOLDING BERMUDA LIMITED	Foreign business reinvestment	100.00 %	100.00 %	
KAIMEI ELECTRONIC CORP.	Teapo Electronic (HK) Ltd.	Import and export of electronic products	100.00 %	100.00 %	
KAIMEI ELECTRONIC CORP.	KAIMEI ELECTRONIC (HK) LTD.	Import and sale of aluminum electrolytic capacitors and motor fans	100.00 %	100.00 %	
KAIMEI ELECTRONIC CORP.	FORMOSA PROSONIC ELECTRONICS SDN. BHD.	Manufacture and sale of aluminum electrolytic capacitors	100.00 %	100.00 %	
KAIMEI ELECTRONIC CORP.	JAMICON INTERNATIONAL LIMITED	Import and sale of aluminum electrolytic capacitors	100.00 %	100.00 %	
KAIMEI ELECTRONIC CORP.	Ralec Electronic Corporation	Manufacture and sale of resistor, electronic parts, electronic materials and machine equipments	100.00 %	100.00 %	Note 1
KAIMEI ELECTRONIC CORP.	MYW Investment Limited	Reinvestment business	100.00 %	100.00 %	
TEAPO HOLDING BERMUDA LIMITED	Teapo Electronics (DongGuan) CO., LTD.	Manufacture and sale of capacitors	100.00 %	100.00 %	
Teapo Electronics (DongGuan) CO., LTD.	Dongguan Teapo Trading CO., Ltd.	Purchase and sale of electrolytic capacitors	- %	100.00 %	Note 2
KAIMEI ELECTRONIC (HK) LTD.	JINMICON ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors and motor fans	- %	100.00 %	Note 3
KAIMEI ELECTRONIC (HK) LTD.	SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors and motor fans	- %	100.00 %	Note 4
JAMICON INTERNATIONAL LIMITED	SUZHOU KAIMEI ELECTRONIC CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	98.81 %	98.81 %	
SUZHOU KAIMEI ELECTRONIC CO., LTD.	DONGGUAN JAMICON ELECTRONIC CO., LTD.	Import and sale of aluminum electrolytic capacitors and motor fans	100.00 %	100.00 %	
Ralec Electronic Corporation	Ralec Technology (HK) Limited	Foreign business reinvestment	100.00 %	100.00 %	Note 1
Ralec Electronic Corporation	ASJ HOLDINGS PTE. LTD.	Foreign business reinvestment	100.00 %	100.00 %	Note 1

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
Ralec Technology (HK) Limited	Ralec Technology (KUNSHAN) Co., Ltd	Manufacture and sales of chip resistors, capacitors and inductors	100.00 %	100.00 %	Note 1
Ralec Technology (HK) Limited	Ralec Trading (KUNSHAN) Co., Ltd	Sale of resistors, capacitors and inductors	100.00 %	100.00 %	Note 1
Ralec Technology (HK) Limited	Hunan Ralec Electronics Technology Co., Ltd	Manufacture and sales of chip resistors, capacitors and inductors	100.00 %	100.00 %	Note 1
ASJ HOLDINGS PTE. LTD.	ASJ PTE LTD	Sales of resistor	100.00 %	100.00 %	Notes 1 and 5
ASJ HOLDINGS PTE. LTD.	ASJ (Hong Kong) Limited	Warehousing, logistics and distribution	100.00 %	100.00 %	Note 1
ASJ HOLDINGS PTE. LTD.	ASJ Components (M) Sdn. Bhd.	Manufacture and sale of resistor and sale of electronic components	100.00 %	100.00 %	Note 1
ASJ HOLDINGS PTE. LTD.	CRL Components (S) Pte. Ltd.	Sale of electronics related products and components	- %	100.00 %	Notes 1 and 5

Note1: The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational restructuring under common control and regarded as a combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020.

Note2: Dongguan Teapo Trading CO., Ltd. was liquidated in November 2021. As of December 31, 2021, the liquidation procedure has been completed.

Note3: JINMICON ELECTRONIC (SHENZHEN) CO., LTD. was liquidated in October 2021. As of December 31, 2021, the liquidation procedure had been completed.

Note 4: SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD. was liquidated in July 2021. As of December 31, 2021, the liquidation procedure had been completed.

Note 5: On 1 January, 2021, ASJ PTE merged with CRL Components (S) Pte. Ltd.

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

7) Derecognition of financial assets

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and construction	3~56 years
2) Machinery and equipment	1~10 years
3) Office and other facilities	1~10 years

Buildings and construction constitute mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Leases

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) As a lessee

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

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

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

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

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

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

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------------------|------------|
| 1) Computer software | 1~3 years |
| 2) Patent and other intangible assets | 3~10 years |

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

(m) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(n) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Financing components

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

(o) Government grants

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

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

(q) Income taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

The Group did not use the acquisition method to deal with the business combination under the organizational restructuring, but adopted the book value method and regarded as a combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020; please refer to Note 12(b).

The Group disposed of subsidiaries is an organizational restructuring within the group due to economic substance. The subsidiary is regarded as a derecognition from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020. In preparing the consolidated balance sheet and consolidated statements of changes in equity, the equity from acquisition record as "Equity attributable to the subsequent owner of business combination under common control"; In preparing the consolidated statements of comprehensive income, the profit or loss belong to former controlling shareholders record as "profit or loss, attributable to the subsequent owner of business combination under common control".

The Group acquired subsidiaries is an organizational restructuring within the group due to economic substance, which recognized the carrying amounts of subsidiary originally held by the seller. The subsidiary is regarded as a combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020. In preparing the consolidated balance sheet and consolidated statements of changes in equity, the equity from acquisition record as "Equity attributable to former owner of business combination under common control"; In preparing the consolidated statements of comprehensive income, the profit or loss belong to former controlling shareholders record as "profit or loss, attributable to former owner of business combination under common control".

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group was the largest shareholder of some of the investee companies during the specific period. However, the Group did not have representation on the board of the investee companies and could not affect the activities of the investee companies. As a result, the Group has no control and significant influence on such investee companies.

(b) Judgment regarding significant influence of investees

The Group holds less than 20% of the voting rights of Tong Hsing Electronic Industries, Ltd. (Tong Hsing) However, the Group has significant influence over Tong Hsing with two out of nine seats of directors in Tong Hsing, which was then recognizes as investment accounted for using the equity method.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) The loss allowance of trade receivables

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020 (restated)
Cash on hand and petty cash	\$ 13,988	16,258
Check and demand deposits	662,729	902,906
Time deposits	<u>153,901</u>	<u>568,908</u>
	<u>\$ 830,618</u>	<u>1,488,072</u>

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

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

	December 31, 2021	December 31, 2020 (restated)
Financial assets measured at fair value through profit or loss -		
Current		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 2,628	411
Swap exchange contracts	2,088	836
Hybrid contracts		
Other financial instruments	<u>886,791</u>	<u>1,062,711</u>
	<u>\$ 891,507</u>	<u>1,063,958</u>
Held-for-trading financial liabilities		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 2,038	695
Swap exchange contracts	<u>-</u>	<u>101</u>
	<u>\$ 2,038</u>	<u>796</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The following derivative instruments not applied hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

December 31, 2021			
	Amount (in thousands)	Currency	Maturity Date
Forward exchange contracts:			
Forward exchange contracts purchased	USD32,000 / NTD881,272	USD/NTD	2022.1~2022.5
Forward exchange contracts purchased	MYR838 / USD200	MYR/USD	2022.3
Forward exchange sold	USD8,500 / CNY54,509	USD/CNY	2022.3
Forward exchange sold	USD20,000 / HKD155,991	USD/HKD	2022.1
Forward exchange sold	EUR1,000 / USD1,132	EUR/USD	2022.5
Swap exchange contracts:			
Forward exchange sold	USD27,300 / NTD757,846	USD/NTD	2022.1~2022.2
Forward exchange sold	USD2,000 / CNY12,837	USD/CNY	2022.3
December 31, 2020 (restated)			
	Amount (in thousands)	Currency	Maturity Date
Forward exchange contracts:			
Forward exchange contracts purchased	MYR1,992 / EUR404	MYR/EUR	2021.3~2021.4
Forward exchange sold	USD3,000 / NTD85,164	USD/NTD	2021.1
Forward exchange sold	NTD139,456 / USD5,000	NTD/USD	2021.1~2021.3
Forward exchange contracts purchased	USD500 / CNY3,281	USD/CNY	2021.2
Forward exchange contracts purchased	NTD84,858 / USD3,000	NTD/USD	2021.1
Swap exchange contracts:			
Forward exchange contracts purchased	CNY10,162 / NTD43,433	CNY/NTD	2021.2
Forward exchange contracts purchased	SGD2,668 / USD2,000	SGD/USD	2021.2
Forward exchange contracts purchased	USD2,460 / EUR2,000	USD/EUR	2021.1

The market risk related to the financial instruments please refer to note 6(v).

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2021, and 2020, the financial assets were not pledged.

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

	December 31, 2021	December 31, 2020 (restated)
Equity investments at fair value through other comprehensive income		
Non-current		
Domestic listed common shares		
Taiwan Chinsan Electronic Industrial Co., Ltd.	\$ 1,119,733	731,254
Domestic unlisted common shares		
Zlink Venture Capital Corp.	-	45,650
	<u>\$ 1,119,733</u>	<u>776,904</u>

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes. Since June 2020, the Group has reclassified these equity instruments from current to non-current for its management purpose.
- (ii) In 2021, the Group had sold all of its shares held in Zlink Venture Capital Corp., which measured at fair value through other comprehensive income. The fair value of the shares was \$65,660, when the cumulative gains on disposal amounted to \$14,582, which has been transferred to retained earnings from other equity. In 2020, the Group had sold part of its shares held in Taiwan Chinsan Electronic Industrial Co., Ltd., which measured at fair value through other comprehensive income. The fair value of the shares was \$22,439, when the cumulative gains on disposal amounted to \$2,074, which has been transferred to retained earnings from other equity. The Group had also sold part of its shares held in Zlink Venture Capital Corp., which measured at fair value through other comprehensive income. The fair value of the shares was \$54,083, when the cumulative gains on disposal amounted to \$17,613, which recognized under the equity attributable to former owner of business combination under common control.
- (iii) Please refer to Note 6(v) for credit risk and price risk.
- (iv) The financial assets at fair value through other comprehensive income of the Group had been pledged as collateral for bank loans and line of credit; please refer to note 8.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets measured at amortized cost

	December 31, 2021	December 31, 2020 (restated)
Current		
Restricted time deposits	\$ 3,962,262	3,520,136
Time deposits with original maturity of more than three months	<u>1,754,107</u>	<u>530,648</u>
Total	<u><u>\$ 5,716,369</u></u>	<u><u>4,050,784</u></u>
Non-current		
Restricted time deposits	<u><u>\$ 239,166</u></u>	<u><u>-</u></u>

- (i) The Group held financial asset with the weighted average interest rates of 0.27%~3.99% and 0.60%~4.13% during the years ended December 31, 2021 and 2020, respectively
- (ii) Non-current restricted time deposits consisted mainly of the funds from the cash dividends distributed by the foreign subsidiaries, which were subject to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.
- (iii) For further credit risk information, please refers to note 6(v).
- (iv) As of December 31, 2021 and 2020, the financial assets measured at amortized costs of the Group had been pledged as collateral. Please refer to note 8.

(e) Notes and trade receivables (including related parties)

	December 31, 2021	December 31, 2020 (restated)
Notes receivable from operating activities	\$ 546,248	588,181
Trade receivables—measured as amortized cost	<u>1,924,242</u>	<u>1,712,743</u>
	2,470,490	2,300,924
Less: loss allowance	<u>(16,017)</u>	<u>(8,465)</u>
	<u><u>\$ 2,454,473</u></u>	<u><u>2,292,459</u></u>
	December 31, 2021	December 31, 2020 (restated)
Notes receivable, net	\$ 546,187	588,119
Trade receivables, net	1,579,377	1,628,441
Trade receivables due from related parties, net	<u>328,909</u>	<u>75,899</u>
	<u><u>\$ 2,454,473</u></u>	<u><u>2,292,459</u></u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2021		
	Gross carrying amount (including related parties)	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 2,373,359	0.08%	2,001
1 to 30 days past due	41,178	0.03%	13
31 to 180 days past due	49,932	16.24%	8,108
More than 181 days past due	6,021	97.91%	5,895
	\$ 2,470,490		16,017

	December 31, 2020 (restated)		
	Gross carrying amount (including related parties)	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 2,269,852	0.00%	60
1 to 30 days past due	19,133	0.00%	-
31 to 180 days past due	4,767	25.87%	1,233
More than 181 days past due	7,172	100.00%	7,172
	\$ 2,300,924		8,465

- (ii) The movement in the allowance for notes and trade receivables were as follows:

	2021	2020
Balance at January 1	\$ 8,465	7,064
Impairment losses recognized	8,478	1,515
Amount written off	(396)	-
Effect of movements in exchange rates	(530)	(114)
Balance at December 31	\$ 16,017	8,465

- (iii) As of December 31, 2021 and 2020, the notes and trade receivables of the Group were not pledged as collateral.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Other receivables (including related parties)

	December 31, 2021	December 31, 2020 (restated)
Business tax refund receivable	\$ 8,132	63,657
Other receivables due from related parties	1,477	743
Interests receivable	48,539	17,829
Other	17,793	20,851
Less: Loss allowance	<u>(6,907)</u>	<u>(6,959)</u>
	<u>\$ 69,034</u>	<u>96,121</u>
Other receivables	\$ 67,577	95,378
Other receivables due from related parties	<u>1,477</u>	<u>743</u>
	<u>\$ 69,054</u>	<u>96,121</u>

The movement in the allowance for other receivables were as follows:

	2021	2020 (restated)
Balance at January 1	\$ 6,959	6,845
Effect of movements in exchange rates	<u>(52)</u>	<u>114</u>
Balance at December 31	<u>\$ 6,907</u>	<u>6,959</u>

(g) Inventories

(i) The details of inventories were as follows:

	December 31, 2021	December 31, 2020 (restated)
Raw materials	\$ 778,660	631,237
Work in progress and semi-finished goods	503,713	422,159
Finished goods and merchandise	617,887	520,232
Goods in transit	<u>84,062</u>	<u>25,722</u>
	<u>\$ 1,984,322</u>	<u>1,599,350</u>

(ii) For the years ended December 31, 2021 and 2020, the cost of goods sold amounted to \$5,960,978 and \$4,922,619, respectively.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) The write-down of inventories to net realizable value for the year ended December 31, 2021 amounted to \$11,878. The factor leading to the net realizable value of inventories being lower than the cost had vanished due to the sale or scrap of obsolete inventories for the year ended December 31, 2020. Therefore, the decrease in recognized operating costs due to the reversal of allowance for loss amounted to \$2,968.
- (iv) As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.
- (h) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020 (restated)
Associates	<u>\$ 2,237,056</u>	<u>2,311,407</u>

- (i) Associates which are material to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2021	December 31, 2020 (restated)
Tong Hsing Electronic Industries, Ltd.	The major business is manufacture and sale of electronic products	Taiwan	6.78 %	7.40 %

The fair value of associates listed on the Stock Exchange (over the counter) which are material to the Group are as follows:

	December 31, 2021	December 31, 2020
Tong Hsing Electronic Industries, Ltd.	<u>\$ 3,604,210</u>	<u>2,341,532</u>

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

Tong Hsing Electronic Industries, Ltd.	December 31, 2021	December 31, 2020
Current assets	\$ 8,883,815	7,962,533
Non-current assets	18,654,041	17,474,640
Current liabilities	(4,086,887)	(3,801,650)
Non-current liabilities	(468,028)	(425,990)
Net assets	<u>\$ 22,982,941</u>	<u>21,209,533</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2021</u>	<u>2020</u>
Operating revenue	\$ <u>13,860,114</u>	<u>10,178,002</u>
Profit from continuing operations	2,764,692	1,450,675
Other comprehensive income	<u>(23,027)</u>	<u>(72,410)</u>
Total comprehensive income	\$ <u>2,741,665</u>	<u>1,378,265</u>
	<u>2021</u>	<u>2020</u>
Share of net assets of associates as of January 1	\$ 1,570,049	1,073,624
Purchase	-	4,110
Decrease	(137,733)	-
Comprehensive income attributable to the Group	195,352	118,549
Dividends paid to the Group	(70,263)	(42,809)
Proceeds from capital reduction of investments to the Group	-	(42,809)
Changes in equity of associates and joint ventures accounted for using equity method	<u>1,151</u>	<u>459,384</u>
Share of net assets of associates as of December 31	1,558,556	1,570,049
Add: goodwill	<u>678,500</u>	<u>741,358</u>
Carrying amounts of associates as of December 31	\$ <u>2,237,056</u>	<u>2,311,407</u>

- (ii) The Group disposed of 0.61% of shares in Tong Hsing Electronic Industries, Ltd. with a consideration of \$269,015 and recognized a gain on disposal of \$106,838 under other gains and losses in consolidated statements of comprehensive income.
- (iii) Changes in equity of associates and joint ventures accounted for using equity method were adjusted for the years ended December 31, 2021 and 2020, increasing capital surplus amounted to \$1,151 and \$459,384, respectively.
- (iv) Pledge to secure

As of December 31, 2021, the details of Investments accounted for using equity method pledged as collateral; please refer to Note 8. As of December 31, 2020, the Group's investments under equity method has not been pledged as collaterals.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

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

	Land	Building and Construction	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost:							
Balance on January 1, 2021 (restated)	\$ 164,185	1,151,418	4,004,423	28,739	991,967	179,577	6,520,309
Additions	-	9,755	255,767	450	103,047	112,561	481,580
Disposal	-	(245)	(116,651)	(2,235)	(113,986)	-	(233,117)
Reclassifications	-	-	178,018	-	(128,527)	661	50,152
Effect of movements in exchange rates	(1,072)	(8,725)	(73,566)	(146)	(28,605)	(3,153)	(115,267)
Balance on December 31, 2021	<u>\$ 163,113</u>	<u>1,152,203</u>	<u>4,247,991</u>	<u>26,808</u>	<u>823,896</u>	<u>289,646</u>	<u>6,703,657</u>
Balance on January 1, 2020 (restated)	\$ 166,253	1,151,038	3,987,162	31,372	862,691	126,732	6,325,248
Additions	-	9,890	134,525	145	173,100	105,160	422,820
Disposal	-	2,618	(134,256)	(2,740)	(46,536)	-	(180,914)
Transferred into (out)	-	-	-	-	1,787	-	1,787
Reclassifications	-	-	43,037	-	12,474	(55,511)	-
Effect of movements in exchange rates	(2,068)	(12,128)	(26,045)	(38)	(11,549)	3,196	(48,632)
Balance on December 31, 2020 (restated)	<u>\$ 164,185</u>	<u>1,151,418</u>	<u>4,004,423</u>	<u>28,739</u>	<u>991,967</u>	<u>179,577</u>	<u>6,520,309</u>
Depreciation:							
Balance on January 1, 2021 (restated)	\$ -	689,595	2,592,612	23,131	643,659	-	3,948,997
Depreciation	-	50,103	256,491	2,813	84,009	-	393,416
Impairment loss	-	-	-	-	44,121	-	44,121
Disposal	-	(245)	(103,061)	(2,012)	(73,408)	-	(178,726)
Reclassifications	-	-	94,168	-	(94,168)	-	-
Effect of movements in exchange rates	-	(3,196)	(59,780)	(123)	(23,391)	-	(86,490)
Balance on December 31, 2021	<u>\$ -</u>	<u>736,257</u>	<u>2,780,430</u>	<u>23,809</u>	<u>580,822</u>	<u>-</u>	<u>4,121,318</u>
Balance on January 1, 2020 (restated)	\$ -	637,680	2,469,325	22,578	608,337	-	3,737,920
Depreciation	-	51,757	257,079	3,298	86,269	-	398,403
Disposal	-	(1,927)	(124,239)	(2,740)	(45,977)	-	(174,883)
Effect of movements in exchange rates	-	2,085	(9,553)	(5)	(4,970)	-	(12,443)
Balance on December 31, 2020 (restated)	<u>\$ -</u>	<u>689,595</u>	<u>2,592,612</u>	<u>23,131</u>	<u>643,659</u>	<u>-</u>	<u>3,948,997</u>
Balance on December 31, 2021	<u>\$ 163,113</u>	<u>415,946</u>	<u>1,467,561</u>	<u>2,999</u>	<u>243,074</u>	<u>289,646</u>	<u>2,582,339</u>
Balance on January 1, 2020 (restated)	<u>\$ 166,253</u>	<u>513,358</u>	<u>1,517,837</u>	<u>8,794</u>	<u>254,354</u>	<u>126,732</u>	<u>2,587,328</u>
Balance on December 31, 2020 (restated)	<u>\$ 164,185</u>	<u>461,823</u>	<u>1,411,811</u>	<u>5,608</u>	<u>348,308</u>	<u>179,577</u>	<u>2,571,312</u>

In response to the development and construction needs of Xiangcheng District of Suzhou, SUZHOU KAIMEI ELECTRONIC CO., LTD., a subsidiary of the Group, accepted the repo office of Wangting Town of Xiangcheng District of Suzhou City (the acquirer) to acquire the land use rights and buildings located in Xiangcheng District of Suzhou City. According to the contract signed on September 30, 2021, the amount of compensation was approximately \$245,700 (CNY 56,565 thousand). As of December 31, 2021, the payment received amounted to \$98,282 (CNY 22,626 thousand), which is recognized under other current liabilities due to the control not yet being transferred. To address the situation above, the Group has found another leasing real estate, and the Group considers that it has no significant influence on its business and operations.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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For the year ended December 31, 2021, the Group's subsidiary, Hunan Ralec Electronics Technology Co., Ltd, performed an impairment test for some of the equipment due to the factory relocation. The Group recognized the impairment loss amounted to \$44,121 under the other gains and losses after evaluating the carrying amount of the equipment exceeded its recoverable amount.

As of December 31, 2021 and 2020, the aforesaid property, plant and equipment were not pledged as collateral.

(j) Right-of-use assets

	December 31, 2021	December 31, 2020 (restated)
Carrying amount:		
Land	\$ 35,470	44,360
Buildings and construction	69,213	77,853
Transportation equipment	-	314
Balance	<u><u>\$ 104,683</u></u>	<u><u>122,527</u></u>
	2021	2020 (restated)
Additions	<u><u>\$ 26,410</u></u>	<u><u>13,121</u></u>
Disposal	<u><u>\$ (930)</u></u>	<u><u>(182)</u></u>
Depreciation:		
Land	\$ 8,044	9,899
Buildings and construction	34,370	31,810
Transportation equipment	91	122
	<u><u>\$ 42,505</u></u>	<u><u>41,831</u></u>

(k) Short-term borrowings, notes and bills payable

(i) Short-term borrowings

	December 31, 2021	December 31, 2020 (restated)
Unsecured bank loans	\$ 2,376,000	2,240,000
Secured bank loans	4,491,000	2,267,820
Total	<u><u>\$ 6,867,000</u></u>	<u><u>4,507,820</u></u>
Unused short-term credit lines	<u><u>\$ 7,493,474</u></u>	<u><u>10,496,425</u></u>
Range of interest rates	<u><u>0.69%~0.75%</u></u>	<u><u>0.73%~1.00%</u></u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Short-term notes and bills payable

	December 31, 2021	December 31, 2020 (restated)
Short-term notes and bills payable	\$ 150,000	550,000
Less: Discount on short-term notes and bills payable	(15)	(235)
	\$ 149,985	549,765
Range of interest rates	0.72%	0.86%

(iii) For the collateral for secured bank loans, please refer to note 8.

(iv) For information on the Group's exposure to interest risk and liquidity risk, please refer to Note 6(v).

(l) Long-term borrowings

The details were as follows:

	December 31, 2021	December 31, 2020 (restated)
Secured bank loans	\$ 1,057,678	1,074,600
Less: current portion	(161,399)	-
	\$ 896,279	1,074,600
Range of interest rates	0.75%~0.78%	0.75%~0.78%
Unused long-term credit lines	\$ 750,000	925,400
Maturity year	2024.08~2026.11	2024.08~2026.11

(i) Issuance and redemption of loan

The Group issued the amounts of \$5,300 and \$627,271 on long-term loans for the years ended December 31, 2021 and 2020, respectively. The amounts of \$22,222 and \$222,721 were redeemed for the years ended December 31, 2021 and 2020, respectively.

(ii) On April 2, 2018, Ralec Technology (HK) Limited, a subsidiary of the Group, entered into a syndicated credit agreement with 3 financial institutions, which Taipei Fubon Bank represents as the leading and managing bank. Ralec Electronic Corporation was the guarantor for the agreement. In the second quarter of 2020, the aforementioned long-term borrowings were terminated before the agreement expires and had been fully repaid. The principal terms of the agreement were as follows:

- 1) Credit line: The total amount of credit is USD 15,000 and may be used on a recurring basis during the period of credit.
- 2) Maturity date : The date 5 years after the first drawdown date, which is July 23, 2023.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) Method of repayment: The date on which the credit is granted 24 months from the first drawdown date is Decrement day. Afterward, the credit decreases annually, divided into four reduced periods. The total credit is reduced by 10% in the first and second periods, respectively. The total credit is reduced to 20% in the third and 60% in the fourth period, respectively.
- 4) Shareholding ratio of reinvestment agreement: Ralec Technology (KUNSHAN) Co., Ltd and Ralec Trading (KUNSHAN) Co. Ltd, whose issued shares are at least 67% owned, directly or indirectly, by Ralec Electronic Corporation to control over the operation of these companies. During the loan repayment period, Ralec Technology (KUNSHAN) Co., Ltd, and Ralec Trading (KUNSHAN) Co. Ltd shall not pledge as collateral to others. Ralec Electronic Corporation shall maintain, directly or indirectly, holding at least 67% of the issued shares in ASJ HOLDINGS PTE. LTD. and ASJ Components(M) Sdn Bhd., respectively, and for maintaining control over the operations of these companies. During the loan repayment period, ASJ HOLDINGS PTE. LTD. and ASJ Components(M) Sdn Bhd may not be pledged as collateral to others.
- 5) Financial ratio restrictions: During the loan repayment period, the financial ratios, such as the current ratio, the debt ratio, the interest protection multiplier, and the tangible net value shall be maintained on the basis of the annual consolidated financial statements of Ralec Electronic Corporation audited by the accountants.
- (iii) The long-term borrowings of the Group were guaranteed by Small and Medium Enterprise Credit Guarantee Fund of Taiwan and were the loans for returning overseas Taiwan Businesses.
- (iv) For information on the Group's exposure to interest risk and liquidity risk, please refer to Note 6(v).
- (m) Other payables

	December 31, 2021	December 31, 2020 (restated)
Payables for remuneration due to employee, directors and supervisors	\$ 122,656	80,104
Payables for wages and bonus	170,865	235,584
Payables for purchase of equipment	153,548	81,570
Payables for union fund and others	<u>252,804</u>	<u>322,656</u>
	<u>\$ 699,873</u>	<u>719,914</u>

- (n) Lease liabilities

	December 31, 2021	December 31, 2020 (restated)
Current	\$ <u>43,527</u>	<u>43,973</u>
Non-current	<u>\$ 38,174</u>	<u>52,211</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The amounts recognized in profit or loss were as follows:

	2021	2020 (restated)
Interest expenses on lease liabilities	\$ <u>1,485</u>	<u>1,694</u>
Expenses relating to short-term leases	\$ <u>14,219</u>	<u>11,684</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>152</u>	<u>68</u>

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

	2021	2020 (restated)
Total cash outflow for leases	\$ <u>55,077</u>	<u>54,943</u>

(i) Real estate leases

The Group leases land and buildings for its office space and factories. The leases typically run for 3 to 50 years. At the end of the term of the lease, the Group has no preemption right of the land and buildings leased.

(ii) Other leases

The Group leases transportation equipment, with lease terms of three years.

The Group also leases some buildings, structures, office equipment, and transportation equipment with lease terms of 1~4 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2021	December 31, 2020 (restated)
Present value of the defined benefit obligations	\$ 67,532	93,085
Fair value of plan assets	(26,845)	(43,586)
Net defined benefit liabilities (assets)	\$ <u>40,687</u>	<u>49,499</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$26,845 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2021	2020 (restated)
Defined benefit obligations at January 1	\$ 93,085	92,370
Current service costs and interest cost	834	1,075
Remeasurement (gain) loss	(7,509)	7,834
Benefits paid	(18,878)	(8,194)
Defined benefit obligation at December 31	<u><u>\$ 67,532</u></u>	<u><u>93,085</u></u>

3) Movements in fair value of defined benefit plan assets

	2021	2020 (restated)
Fair value of plan assets at January 1	\$ (43,586)	(28,677)
Expected return on plan assets	(199)	(213)
Remeasurements gain	(553)	(1,577)
Contribution paid by the employer	(1,385)	(21,313)
Benefits paid	18,878	8,194
Fair value of plan assets at December 31	<u><u>\$ (26,845)</u></u>	<u><u>(43,586)</u></u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2021	2020 (restated)
Net interest of net liabilities for defined benefit obligations	\$ <u>635</u>	<u>862</u>
	\$ <u>635</u>	<u>862</u>
Operating cost	\$ 395	391
Operating expenses	<u>240</u>	<u>471</u>
	\$ <u>635</u>	<u>862</u>

5) Remeasurement values of net defined benefit liabilities recognized in other comprehensive income

The remeasurements in net defined benefit liabilities recognized in other comprehensive income were as follows:

	2021	2020 (restated)
Cumulative amount at January 1	\$ (38,442)	(44,699)
Recognized in current period	<u>(8,062)</u>	<u>6,257</u>
Cumulative amount at December 31	\$ <u>(46,504)</u>	<u>(38,442)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2021	December 31, 2020 (restated)
Discount rate	0.50%~0.70%	0.30%~0.50%
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$751.

The weighted average lifetime of the defined benefits plans is 9~11 years.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2021:		
Discount rate	(1,817)	1,836
Future salary increasing rate	1,859	(1,742)
December 31, 2020:		
Discount rate	(2,562)	2,585
Future salary increasing rate	2,628	(2,459)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$15,952 and \$14,719 for the years ended December 31, 2021 and 2020, respectively.

Subsidiaries in China shall comply with the regulations stipulated by the Mainland China Government to contribute monthly retirement annuity funds, based on a specific percentage of authorized employees' payroll. For the years ended December 31, 2021 and 2020, the retirement annuity funds amounted to \$54,222 and \$22,551, respectively.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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(p) Income taxes

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

	<u>2021</u>	<u>2020</u> <u>(restated)</u>
Current tax expense		
Current period	\$ 245,383	121,402
Adjustment for prior periods	<u>(43,505)</u>	<u>(15,032)</u>
Deferred tax expense	<u>505</u>	<u>(10,315)</u>
Income tax expenses	<u><u>\$ 202,383</u></u>	<u><u>96,055</u></u>

(ii) The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u> <u>(restated)</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ 1,613</u></u>	<u><u>(1,252)</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u><u>\$ (18,532)</u></u>	<u><u>(2,375)</u></u>

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

	<u>2021</u>	<u>2020</u> <u>(restated)</u>
Profit before income tax	\$ 1,341,181	930,188
Income tax using the Company's and each subsidiaries' domestic tax rate	375,858	230,174
Non-deductible expenses	3,199	464
Tax-exempt income	(158,874)	(61,286)
Change in unrecognized temporary differences	(59,221)	(49,359)
Current-year losses for which no deferred tax asset was recognized	(17,644)	(4,370)
Additional tax on undistributed earnings	13,370	1,832
Basic income tax	76,547	-
Adjustment for prior periods	(43,505)	(15,032)
Others	<u>12,653</u>	<u>(6,368)</u>
	<u><u>\$ 202,383</u></u>	<u><u>96,055</u></u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

	December 31, 2021	December 31, 2020 (restated)
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>4,905,513</u>	<u>4,391,227</u>
Unrecognized deferred tax liabilities	\$ <u>981,102</u>	<u>878,245</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020 (restated)
Tax effect of deductible temporary differences	\$ <u>85,820</u>	<u>96,820</u>
The carryforward of unused tax losses	\$ <u>27,957</u>	<u>55,084</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
The Company :		
2013 (amount assessed)	\$ <u>139,786</u>	2023

Pursuant to article 43 of the Business Mergers and Acquisitions Act amended on July 8, 2015, the loss for each of the ten years preceding the merger of the Company and former KAIMEI ELECTRONIC CORP. (dissolved company being merged) is calculated on the basis of the proportion that the shareholders of the Company holding the interests in the surviving company. The net profit for the year is deducted within 10 years from the year in which the loss occurred; the final deduction is due in 2028.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Defined benefit plans	Exchange differences on translation	The carryforward of unused tax losses	Property, plant and equipment	Unrealized gains	Investment tax credit	Others	Total
Deferred tax assets:								
Balance at January 1, 2021	\$ 21,350	41,671	59,452	14,832	22,387	93,335	12,995	266,022
Recognized in profit or loss	(89)	-	2,339	(918)	(3,528)	-	127	(2,069)
Recognized in other comprehensive income	(1,464)	18,532	-	-	-	-	-	17,068
Foreign currency translation differences for foreign operations	-	-	(10)	(53)	(21)	(2,711)	(9)	(2,804)
Balance at December 31, 2021	<u>\$ 19,797</u>	<u>60,203</u>	<u>61,781</u>	<u>13,861</u>	<u>18,838</u>	<u>90,624</u>	<u>13,113</u>	<u>278,217</u>
Balance at January 1, 2020	\$ 20,089	39,296	47,249	15,345	23,190	84,343	15,689	245,201
Recognized in profit or loss	(108)	-	12,178	(637)	(858)	14,149	(2,738)	21,986
Recognized in other comprehensive income	1,369	2,375	-	-	-	-	-	3,744
Foreign currency translation differences for foreign operations	-	-	25	124	55	(5,157)	44	(4,909)
Balance at December 31, 2020	<u>\$ 21,350</u>	<u>41,671</u>	<u>59,452</u>	<u>14,832</u>	<u>22,387</u>	<u>93,335</u>	<u>12,995</u>	<u>266,022</u>
Deferred tax liabilities:								
	Defined benefit plans	Foreign investment benefits	Gain on bargain purchase	Others	Total			
Balance at January 1, 2021	\$ 251	231,056	15,295	7,609	254,211			
Recognized in profit or loss	-	-	-	(1,564)	(1,564)			
Recognized in other comprehensive income	149	-	-	-	149			
Balance at December 31, 2021	<u>\$ 400</u>	<u>231,056</u>	<u>15,295</u>	<u>6,045</u>	<u>252,796</u>			
Balance at January 1, 2020	\$ 134	218,953	15,295	8,041	242,423			
Recognized in profit or loss	-	12,103	-	(432)	11,671			
Recognized in other comprehensive income	117	-	-	-	117			
Balance at December 31, 2020	<u>\$ 251</u>	<u>231,056</u>	<u>15,295</u>	<u>7,609</u>	<u>254,211</u>			

- (v) The income tax returns of the Company, MYW Investment Limited, and Ralec Electronic Corporation for the years through 2019 were assessed by the tax authorities.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the Company's authorized share capital amounted to \$5,700,000; divided into 570,000 thousand shares with par value of \$10 per share. As of December 31, 2021 and 2020, the Company has issued 135,844 thousand shares, all issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)	Ordinary shares	
	2021	2020
Balance on January 1	135,844	194,063
Capital reduction	-	(58,219)
Balance on December 31	135,844	135,844

In order to enhance shareholders' equity and profitability per share, on June 5, 2020, the shareholders' meeting resolved a cash capital reduction, which refunded the share capital of \$582,189, and canceled 58,219 thousand shares. This resolution was approved by the competent authorities on July 9, 2020, the effective date of the cash capital reduction was July 10, 2020, and the registration of alteration was completed on July 17, 2020.

A resolution was passed during the general meeting of shareholders held on June 5, 2020, to issue ordinary shares for cash two times within a year under the private placement, with the number of shares issued not exceeding 30,000 thousand. A resolution was passed during the general meeting of shareholders held on July 7, 2021, for not issuing ordinary shares for cash in the remaining period under the private placement.

(ii) Capital surplus

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

	December 31, 2021	December 31, 2020 (restated)
Additional paid-in capital	\$ 4,002,693	3,457,607
Donation from shareholders	423	423
Changes in equity of associates and joint ventures accounted for using equity method	421,444	459,384
Changes in ownership interests in subsidiaries	203,995	204,441
Employee share options	696	696
Treasury share transactions	89,593	85,383
Others	12,137	10,261
	\$ 4,730,981	4,218,195

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

(iii) Retained earnings

The Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other shareholders' equity.

For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The balance of special reserve amounted to \$170,343 and \$202,230 as of December 31, 2021 and 2020, respectively.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on July 7, 2021 and June 5, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.0	<u><u>271,535</u></u>	0.5	<u><u>96,977</u></u>

On March 15, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders		
Cash	\$ 2.0	<u><u>271,688</u></u>

The distribution of earnings in the year 2021 is pending a resolution of the shareholders' meeting.

(iv) Treasury shares

(in thousands of shares)

Item	Business combinations
January 1, 2021 (restated)	<u>77</u>
Decrease	<u>77</u>
December 31, 2021	<u>-</u>
January 1, 2020 (restated)	<u>110</u>
Decrease	<u>33</u>
December 31, 2020 (restated)	<u><u>77</u></u>

The Company, formerly known as TEAPO ELECYTONIC LTD., merged with former KAIMEI ELECTRONIC CORP. on September 30, 2019 (the reference date of the merger) in accordance with the Business Mergers and Acquisitions Act and other relevant laws, was to acquire the dissenting shareholders' shares held by former KAIMEI ELECTRONIC CORP. under the Business Mergers and Acquisitions Act.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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The Company sold 77 thousand treasury shares, amounting to \$8,643. After offsetting the cost of the treasury shares of \$4,433 thousand, the Company recognized an increase of \$4,210 in additional paid-in capital - treasury stock transactions.

On the effective date of the cash capital reduction of July 10, 2020, the cash capital reduction canceled 58,219 thousand shares, and the treasury shares also decreased by 33 thousand shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(r) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	<u>2021</u>	<u>2020 (restated)</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,170,920</u>	<u>562,559</u>
Weighted average number of ordinary shares at 31 December (in thousands of shares)	<u>135,817</u> \$ <u>8.62</u>	<u>166,132</u> <u>3.39</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted is the same as basic)	\$ <u>1,170,920</u>	<u>562,559</u>
Weighted average number of ordinary shares (basic) at December 31 (in thousands of shares)	135,817	166,132
Effect of dilutive potential ordinary shares		
Effect of employee remuneration	<u>191</u>	<u>200</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands of shares)	<u>136,008</u> \$ <u>8.61</u>	<u>166,332</u> <u>3.38</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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(s) Revenue from contracts with customers

(i) Details of revenue

	2021	2020 (restated)
Primary geographical markets:		
Hong Kong and China	\$ 4,735,553	4,034,163
Taiwan and other Asia Pacific regions	2,066,379	1,668,298
Europe	676,094	484,612
Americas	131,034	151,370
Others	<u>106,476</u>	<u>106,201</u>
	<u>\$ 7,715,536</u>	<u>6,444,644</u>
Major products:		
Capacitor	\$ 2,540,238	2,126,985
Resistor	4,677,726	3,966,538
Fan	491,257	345,597
Others	<u>6,315</u>	<u>5,524</u>
	<u>\$ 7,715,536</u>	<u>6,444,644</u>

(ii) Contract balances

	December 31, 2021	December 31, 2020 (restated)	January 1, 2020 (restated)
Notes and trade receivables (including related parties)	\$ 2,470,490	2,300,924	1,917,357
Less: loss allowance	<u>(16,017)</u>	<u>(8,465)</u>	<u>(7,064)</u>
	<u>\$ 2,454,473</u>	<u>2,292,459</u>	<u>1,910,293</u>
Contract liabilities	<u>\$ 653</u>	<u>15,626</u>	<u>7,159</u>

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$15,626 and \$7,159, respectively.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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(t) Employee, directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.2% of the profit as employee remuneration and less than 4% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. The board of directors will determine the method of remuneration and remuneration of the employees.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$17,237 and \$13,296, and directors' and supervisors' remuneration amounting to \$53,253 and \$24,070, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as the percentage decided by the management of the Company. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(u) Other gains and losses

	2021	2020 (restated)
Gains on disposals of investments	106,838	-
Gains on financial assets at fair value through profit or loss	33,691	24,734
Impairment loss	(44,121)	-
Foreign exchange gains (loss)	13,225	(86,374)
(Loss) gains on disposals of property, plant and equipment	(17,576)	7,753
Others	(4,612)	(3,239)
	\$ 87,445	(57,126)

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

A credit risk is the risk of having financial losses arising from counterparties failing to meet their required contract obligation. As at reporting date, the Group's exposure to credit risk and the maximum exposure were mainly from:

- a) The carrying amount of financial assets and contract assets recognized in the consolidated balance sheet; and
- b) The maximum amount that the Group may pay if it provides financial guarantees, regardless of the likelihood of occurrence.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

As sales are made to customers worldwide, the Group's exposure to credit risk concentration is expected to be low. The Group continuously assesses the financial condition of its customers. If it is necessary, the Group will ask for guarantees or warranties. The Group still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts.

3) Credit risk exposure of notes and trade receivables

For credit risk exposure and impairment of credit of notes and trade receivables, please refer to note 6(e). For details of other receivables and impairment of credit, please refer to note 6(f).

Other financial assets at amortized cost include other receivables and time deposits.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12-months expected losses. (Please refer to note 4(g) for the Group determines whether credit risk is to be low risk).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments except for lease liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
December 31, 2021					
Non derivative financial liabilities					
Interest-free liabilities	\$ 1,601,758	(1,601,758)	(1,600,498)	-	(1,260)
Lease liabilities	81,701	(83,356)	(44,632)	(28,718)	(10,006)
Floating rate instruments	1,527,678	(1,527,678)	(631,399)	(445,596)	(450,683)
Fixed rate instruments	6,546,985	(6,547,000)	(6,547,000)	-	-
Derivative financial liabilities					
Other forward exchange contracts:	2,038				
Outflow		(276,882)	(276,882)	-	-
Inflow		276,800	276,800	-	-
	<u>\$ 9,760,160</u>	<u>(9,759,874)</u>	<u>(8,823,611)</u>	<u>(474,314)</u>	<u>(461,949)</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
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	Carrying amount	Contractual cash flows	1 year	1-2 years	Over 2 years
December 31, 2020 (restated)					
Non derivative financial liabilities					
Interest-free liabilities	\$ 1,644,190	(1,644,190)	(1,636,460)	(1)	(7,729)
Lease liabilities	96,184	(97,912)	(45,009)	(26,630)	(26,273)
Floating rate instruments	1,674,600	(1,674,600)	(600,000)	-	(1,074,600)
Fixed rate instruments	4,457,585	(4,457,820)	(4,457,820)	-	-
Derivative financial liabilities					
Other forward exchange contracts:	695				
Outflow		(171,048)	(171,048)	-	-
Inflow		170,022	170,022	-	-
Swap exchange contracts:	101				
Outflow		(186,838)	(186,838)	-	-
Inflow		182,889	182,889	-	-
	<u>\$ 7,873,355</u>	<u>(7,879,497)</u>	<u>(6,744,264)</u>	<u>(26,631)</u>	<u>(1,108,602)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

(in thousand)	December 31, 2021			December 31, 2020 (restated)		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 81,406	USD/NTD =27.68	2,253,319	72,874	USD/NTD =28.48	2,075,449
USD	34,520	USD/CNY =6.372	955,514	53,883	USD/CNY =6.507	1,534,583
USD	155,481	USD/HKD =7.799	4,303,725	152,653	USD/HKD =7.754	4,347,546
CNY	193,541	CNY/NTD =4.344	840,740	212,457	CNY/NTD =4.377	929,926
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	45,419	USD/NTD =27.68	1,257,194	38,042	USD/NTD =28.48	1,083,433
USD	13,799	USD/CNY =6.372	381,951	32,268	USD/CNY =6.507	918,981
USD	19,062	USD/HKD =7.799	527,634	15,222	USD/HKD =7.754	433,534
CNY	97	CNY/NTD =4.344	420	182,226	CNY/NTD =4.377	797,604

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and trade receivables (including related parties), other receivables (including related parties), notes and trade payables (including related parties), other payables (including related parties) and borrowings that are denominated in foreign currency.

A strengthening (weakening) of 5% of the USD against the NTD, USD against the CNY, and USD against the HKD as of December 31, 2021 and 2020 would have increased (decreased) the net profit before tax as follows. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2020.

	December 31, 2021	December 31, 2020 (restated)
USD(against to NTD)		
Strengthening 5%	\$ 49,806	49,601
Weakening 5%	(49,806)	(49,601)
USD(against to CNY)		
Strengthening 5%	28,678	30,780
Weakening 5%	(28,678)	(30,780)
USD(against to HKD)		
Strengthening 5%	188,805	195,701
Weakening 5%	(188,805)	(195,701)
CNY(against to NTD)		
Strengthening 5%	42,016	6,616
Weakening 5%	(42,016)	(6,616)

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$13,225 and (\$86,374), respectively.

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(iv) Interest rate analysis

The Group's exposure to interest rate risk arising from financial assets and liabilities was as follows:

	Book value	
	December 31, 2021	December 31, 2020 (restated)
Variable rate instruments:		
Financial assets	\$ 662,729	902,906
Financial liabilities	(1,527,678)	(1,674,600)
	\$ (864,949)	(771,694)

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.25%, the Group's net income before tax would have increased / decreased by \$2,162 and \$1,929 for 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and demand deposits at variable rates.

(v) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	2021		2020 (restated)	
	Other comprehensive income before tax	Profit or loss before tax	Other comprehensive income before tax	Profit or loss before tax
5% increase	\$ 55,987	-	38,845	-
5% decrease	\$ (55,987)	-	(38,845)	-

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(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	December 31, 2021				
	<u>Book value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 4,716	-	4,716	-	4,716
Financial products	<u>886,791</u>	-	886,791	-	886,791
Subtotal	<u>891,507</u>				
Financial assets at fair value through other comprehensive income					
Domestic listed common shares	<u>1,119,733</u>	1,119,733	-	-	1,119,733
Financial assets measured at amortized cost					
Cash and cash equivalents	830,618	-	-	-	-
Notes and trade receivables (including related parties)	2,454,473	-	-	-	-
Restricted time deposits (including current and non-current)	4,201,428	-	-	-	-
Time deposits with original maturity of more than three months	1,754,107	-	-	-	-
Other receivables (including related parties)	69,034	-	-	-	-
Guarantee deposits paid (classified under other non-current assets)	<u>2,765</u>	-	-	-	-
Total	<u>\$ 11,323,665</u>				

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 2,038	-	2,038	-	2,038
Financial liabilities at amortized cost					
Short-term borrowings	\$ 6,867,000	-	-	-	-
Short-term notes and bills payable	149,985	-	-	-	-
long-term borrowings (including current portion)	1,057,678	-	-	-	-
Trade payables (including related parties)	899,573	-	-	-	-
Other payables (including related parties)	700,925	-	-	-	-
Lease liabilities	81,701	-	-	-	-
Guarantee deposits received (classified under other non-current liabilities)	1,260	-	-	-	-
	<u>\$ 9,760,160</u>				
December 31, 2020 (restated)					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 1,247	-	1,247	-	1,247
Financial products	1,062,711	-	1,062,711	-	1,062,711
Subtotal	<u>1,063,958</u>				
Financial assets at fair value through other comprehensive income					
Domestic listed common shares	731,254	731,254	-	-	731,254
Domestic unlisted common shares	45,650	-	-	45,650	45,650
Subtotal	<u>776,904</u>				

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020 (restated)				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	1,488,072	-	-	-	-
Notes and trade receivables (including related parties)	2,292,459	-	-	-	-
Restricted time deposits	3,520,136	-	-	-	-
Time deposits with original maturity of more than three months	530,648	-	-	-	-
Other receivables (including related parties)	96,121	-	-	-	-
Guarantee deposits paid (classified under other non-current assets)	<u>6,039</u>	-	-	-	-
	<u>7,933,475</u>				
	<u>\$ 9,774,337</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 796</u>	-	796	-	796
Financial liabilities at amortized cost					
Short-term borrowings	4,507,820	-	-	-	-
Short-term notes and bills payable	549,765	-	-	-	-
long-term borrowings	1,074,600	-	-	-	-
Trade payables (including related parties)	911,230	-	-	-	-
Other payables (including related parties)	725,230	-	-	-	-
Lease liabilities	96,184	-	-	-	-
Guarantee deposits received (classified under other non-current liabilities)	<u>7,730</u>	-	-	-	-
	<u>\$ 7,873,355</u>				

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

The Group's management considered that the disclosed carrying amounts of financial assets and liabilities measured at amortized cost approximated their fair values.

3) Valuation techniques for financial instruments measured at fair value

- a) Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies and corporate bonds, the fair value is based on the market quoted price.
 - b) When a stock is not listed and there is no open offer in the active market, the fair value is estimated using the net worth per share method, the P/E method and the stock price ratio method.
 - c) The fair value of derivative instruments and structured deposit is based on quoted prices. When a public offer is not available, an evaluation approach is used to estimate that the estimates and assumptions used are based on the quoted information of financial institutions or on a binomial tree pricing model that is widely accepted by market users.
 - d) The fair value of other financial assets and financial liabilities other than the above is determined in accordance with the generally accepted pricing model based on discounted cash flows analysis.
- 4) There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2021 and 2020.
- 5) The reconciliation of Level 3 fair values

The movements in the reconciliation of Level 3 fair values were as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensiv e income	Total
January 1, 2021 (restated)	\$ -	45,650	45,650
Total gains and losses			
Recognized in other comprehensive income	-	20,010	20,010
Disposal	-	(65,660)	(65,660)
December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensiv e income	Total
January 1, 2020 (restated)	\$ 7,841	76,934	84,775
Total gains and losses			
Recognized in profit or loss	19,398	-	19,398
Recognized in other comprehensive income	-	22,799	22,799
Disposal	(27,163)	(54,083)	(81,246)
Effects of changes in exchange rate	(76)	-	(76)
December 31, 2020 (restated)	<u>\$ -</u>	<u>45,650</u>	<u>45,650</u>

The above-mentioned total gains or losses were included in “other gains and losses” and “unrealized gains (losses) from financial assets measured at fair value through other comprehensive income”. The information regarding assets held as of December 31, 2021 and 2020 is as follows:

	2021	2020 (restated)
Total gains and losses		
Recognized in profit or loss (classified as other gains and losses)	\$ <u>-</u>	<u>19,398</u>
Recognized in other comprehensive income (classified as unrealized gains (loss) from financial assets measured at fair value through other comprehensive income)	\$ <u>-</u>	<u>22,799</u>

(w) Financial risk management

(i) Overview

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

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(ii) Structure of risk management

The Group's financial risk management policies are established to identify and analyze the financial risks faced by the Group, to assess the impact of financial risk and implement policies related to mitigating financial risk. Financial risk management policies are reviewed regularly to reflect changes in market conditions and the Group's operations. The Group, through internal controls such as training, management standards, and operational procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. Internal auditors assist in the role of supervisory. Internal auditor undertakes both regular and ad hoc reviews of financial risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

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

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the finance department.

2) Investments

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

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. Refer to note 13(a)(ii) for information about endorsements or guarantees provided by the Group as of December 31, 2021.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2021 and 2020, the Group's unused credit line please refer to notes 6(k) and 6(l).

(v) Market risk

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

1) Currency risk

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

2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has a risk exposure to cash flow.

3) Other market price risk

The Group resulted in an exposure to equity prices due to open funds and stock investments of listed companies whose fair value is measured through open quotations.

(x) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management uses the appropriate total liability/equity ratio to determine the optimal capital for the merger. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio from time to time.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's liability-to-equity ratio at the end of each reporting period was as follows:

	December 31, 2021	December 31, 2020 (restated)
Total liabilities	\$ 10,320,916	8,314,027
Total equity	8,527,502	8,558,098
Debt-to-equity ratio at December 31	121 %	97 %

The increase in the debt-to-equity ratio as of December 31, 2021 was mainly due to the increase in short-term borrowings, trade payables and other payables. To maintain the capital structure, the Group may adjust the investment level or sell assets to settle its liabilities.

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were acquisition of right-of-use assets by leasing. Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021 (restated)	Cash flow	Non-cash changes			December 31, 2021
			Increase	Decrease	Foreign exchange movement	
Short-term borrowings	\$ 4,507,820	2,359,180	-	-	-	6,867,000
Short-term notes and bills payable	549,765	(399,780)	-	-	-	149,985
Long-term borrowings (including current portion)	1,074,600	(16,922)	-	-	-	1,057,678
Lease liabilities	96,184	(39,221)	26,410	(921)	(751)	81,701
Guarantee deposits received	7,730	(6,470)	-	-	-	1,260
Total liabilities from financing activities	<u>\$ 6,236,099</u>	<u>1,896,787</u>	<u>26,410</u>	<u>(921)</u>	<u>(751)</u>	<u>8,157,624</u>

	January 1, 2020 (restated)	Cash flow	Non-cash changes			December 31, 2020 (restated)
			Increase	Decrease	Foreign exchange movement	
Short-term borrowings	\$ 4,149,164	361,047	-	-	(2,391)	4,507,820
Short-term notes and bills payable	599,807	(50,042)	-	-	-	549,765
Long-term borrowings	670,919	404,550	-	-	(869)	1,074,600
Lease liabilities	123,890	(41,497)	13,121	(185)	855	96,184
Guarantee deposits received	5,801	1,929	-	-	-	7,730
Total liabilities from financing activities	<u>\$ 5,549,581</u>	<u>675,987</u>	<u>13,121</u>	<u>(185)</u>	<u>(2,405)</u>	<u>6,236,099</u>

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Yageo Corporation	The entity with significant influence over the Group
Yageo (Suzhou) Trade Co., Ltd.	The subsidiary of the entity with significant influence over the Group
Yageo Electronics (Dongguan) Co., Ltd.	The subsidiary of the entity with significant influence over the Group
Ko-E Electronics Trade Co., Ltd.	The subsidiary of the entity with significant influence over the Group
Ko-E (H.K.) Limited	The subsidiary of the entity with significant influence over the Group
Ko-E (Shenzhen) Corporation	The subsidiary of the entity with significant influence over the Group
Kemet Electronics Corporation	The subsidiary of the entity with significant influence over the Group
Yageo Corporation (South Asia)	The subsidiary of the entity with significant influence over the Group
Ferroxcube Hong Kong Limited	The subsidiary of the entity with significant influence over the Group
Chilisin Electronics Crop.	Substantial related party
Chilisin International Ltd.	Substantial related party
Hunan Chilisin Electronics Technology Co., Ltd.	Substantial related party
Shenzhen Chilisin Electronics Co., Ltd.	Substantial related party
Dongguan Chilisin Electronics Co., Ltd.	Substantial related party
ABCO ELECTRONICS CO., Ltd	Substantial related party
Magic Technology Co., Ltd.	Substantial related party
Mag.Layers Scientific-Technics Co., Ltd.	Substantial related party
Mag.Layers International Co., Ltd.	Substantial related party
Xiang Hua Electronic Technology Co., Ltd.	Substantial related party
Hsin Bung International Co., Ltd.	Substantial related party
Bothhand Enterprise Inc.	Substantial related party (Note)

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
E-HENG TECHNOLOGY CO., LTD.	Substantial related party (Note)
Yageo Professional Competition Development Association	Substantial related party
Yageo Foundation	Substantial related party
Tong Hsing Electronic Industries, Ltd.	Associates

Note: The company was originally a subsidiary of the Company and became substantial related party after reorganization.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	<u>2021</u>	<u>2020</u> <u>(restated)</u>
The entities with significant influence over the Group	\$ 44,206	26,886
The subsidiaries of the entity with significant influence over the Group	525,656	62,483
Substantial related parties	<u>577,055</u>	<u>674,882</u>
	<u><u>\$ 1,146,917</u></u>	<u><u>764,251</u></u>

The price of goods the Group sold to the related parties was determined by negotiation between both parties and the terms of the receipt were processed on a monthly basis, without any significant difference from the third-party customers.

(ii) Purchases

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

	<u>2021</u>	<u>2020</u> <u>(restated)</u>
The entities with significant influence over the Group	\$ 13,655	3,515
The subsidiaries of the entity with significant influence over the Group	93,556	31,878
Substantial related parties	<u>46,114</u>	<u>26,795</u>
	<u><u>\$ 153,325</u></u>	<u><u>62,188</u></u>

The price of goods the Group purchase from the related parties was determined by negotiation between both parties and there is no material difference between the terms of the transaction and the third-party customers.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020 (restated)</u>
Trade receivables	The entities with significant influence over the Group	\$ 18,540	6,858
Trade receivables	The subsidiaries of the entity with significant influence over the Group	151,543	22,500
Trade receivables	Substantial related parties	158,826	46,541
Other receivables	The subsidiaries of the entity with significant influence over the Group	1,349	529
Other receivables	Substantial related parties	<u>128</u>	<u>214</u>
		<u>\$ 330,386</u>	<u>76,642</u>

Amounts receivable from related parties were uncollateralized; Other receivables are remuneration receivable to directors and supervisors and lease payments receivable due from related parties.

(iv) Payables to Related Parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020 (restated)</u>
Trade payables	The entities with significant influence over the Group	\$ 5,558	274
Trade payables	The subsidiaries of the entity with significant influence over the Group	163	1,303
Trade payables	Substantial related parties	20,193	3,938
Other payables	The subsidiaries of the entity with significant influence over the Group	52	503
Other payables	Substantial related parties	<u>1,000</u>	<u>4,813</u>
		<u>\$ 26,966</u>	<u>10,831</u>

Other payables were equipment payable and utilities payable to the related parties.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Loans to related parties

The actual usage and yet not collected interest of the loans to related parties were as follows:

	December 31, 2021	December 31, 2020 (restated)
Substantial related parties	\$ -	-

The loan interest rate to related parties is 4.5%, and the loans are unsecured. As of December 31, 2021 and 2020, the interest income amounted to \$0 and \$2,344, respectively.

(vi) Leases

Account	Relationship	December 31, 2021	December 31, 2020 (restated)
Lease liabilities	The entities with significant influence over the Group	\$ 82	194
Lease liabilities	The subsidiary of the entity with significant influence over the Group - Yageo Electronics (Dongguan) Co., Ltd.	56,673	72,927
		\$ 56,755	73,121

Relationship	2021	2020 (restated)
<u>Interest expenses</u>		
The entities with significant influence over the Group	\$ 2	3
The subsidiaries of the entity with significant influence over the Group	736	845
	\$ 738	848
<u>Lease paid</u>		
The entities with significant influence over the Group	\$ 197	197
The subsidiaries of the entity with significant influence over the Group	25,130	27,646
	\$ 25,327	27,843

For the lease agreement between the Group and the related parties, the method of determining and paying the rent is the same as that of a general lease.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Operating expenses

	2021	2020 (restated)
The subsidiaries of the entity with significant influence over the Group	\$ 3,535	2,688
Substantial related parties	4,000	1,000
	<u>\$ 7,535</u>	<u>3,688</u>

(viii) Property transaction

The purchases price of property, plant and equipment purchased from related parties are summarized as follows:

	December 31, 2021	December 31, 2020 (restated)
Substantial related parties	<u>\$ 200</u>	<u>3,876</u>

As of December 31, 2021 and 2020, all payables arising from the above transactions have been paid.

The details of disposal of machinery to related parties were as follows:

Relationship	2021		2020 (restated)	
	Disposal price	Disposal gain (loss)	Disposal price	Disposal gain (loss)
The entities with significant influence over the Group	\$ 4,987	(298)	-	-
Substantial related party - Hunan Chilisin Electronics Technology Co., Ltd.	25,724	-	-	-
Other substantial related parties	-	-	83	11
	<u>\$ 30,711</u>	<u>(298)</u>	<u>83</u>	<u>11</u>

As of December 31, 2021 and 2020, all receivables arising from the above transactions have been collected.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ix) Other income

	2021	2020 (restated)
The subsidiaries of the entity with significant influence over the Group	\$ 9	-
Substantial related parties	8,208	5,902
Associates	<u>9,289</u>	<u>4,280</u>
	<u>\$ 17,506</u>	<u>10,182</u>

Other income is the remuneration of directors and supervisors and the income from transportation allowance

(x) Business combination under common control

In order to continue to focus on core technology to enhance the competitiveness of the Company, the resolutions approved by the Board of Directors on December 23, 2020, were as follows:

- 1) The Company sold 62,334 thousand ordinary shares of BOTHHAND ENTERPRISE INC. (100% of the issued shares) at the price of NT\$44.92 per share, total of \$2,800,000, to the substantial related party, Chilisin Electronics Corp., the transaction price is based on the latest audited financial statements and unaudited financial statements prepared by management, taking into account their net worth per share, profitability and future development potential, which have been submitted by the independent expert on price reasonableness. The transaction was settled and the price had been received in full on January 25, 2021. This transaction is reorganization under common control.
- 2) The Company acquired 82,667 thousand shares of Ralec Electronic Corporation (100% of the issued shares) at the price of NT\$60.48 per share, total of \$5,000,000 from substantial related party, Chilisin Electronics Corp., the transaction price is based on the latest audited financial statements and unaudited financial statements prepared by management, taking into account their net worth per share, profitability and future development potential, which have been submitted by the independent expert on price reasonableness. The transaction was settled and the price had been paid in full on January 28, 2021. This transaction is reorganization under common control.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020 (restated)
Short-term employee benefits	\$ 91,537	67,214
Post-employment benefits	<u>763</u>	<u>812</u>
	<u>\$ 92,300</u>	<u>68,026</u>

Remuneration of Directors and other key management personnel is determined by the Remuneration Committee in accordance with individual performance and market trends.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Account	Pledged to secure	December 31, 2021	December 31, 2020 (restated)
Restricted time deposits (classified under current financial assets at amortized cost)	Bank loan	\$ 3,962,262	3,520,136
Investments accounted for using equity method	Bank loan	2,031,170	-
Guarantee deposits paid (classified under other non-current assets)	Bank loan, performance bonds and encumbrment deposits, etc.	2,765	6,039
Financial assets at fair value through other comprehensive income	Bank loan	478,115	445,437
		<u><u>\$ 6,474,312</u></u>	<u><u>3,971,612</u></u>

(9) Commitments and contingencies:

- (a) As of December 31, 2021 and 2020, in response to the management of the custom accounting book, the Group was guaranteed by Mega Bank for the domestic sales and monthly tax reporting, with a guarantee of \$3,000.
- (b) The Group's unrecognized contractual commitments were as follows:

	December 31, 2021	December 31, 2020 (restated)
Purchases of property, plant and equipment	<u><u>\$ 45,221</u></u>	<u><u>14,147</u></u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

In order to enhance shareholders' equity and profitability per share, on March 15, 2022, the Board of Directors' meeting resolved a cash capital reduction, which refunded the share capital of \$271,688, and canceled 27,169 thousand shares. The capital reduction ratio is expected to be about 20%. The capital reduction is pending a resolution of the shareholders' meeting.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

	For the years ended December 31					
	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item						
Employee benefits						
Salary	926,064	333,891	1,259,955	790,074	315,848	1,105,922
Labor and health insurance	45,402	14,605	60,007	25,932	12,870	38,802
Pension	51,144	19,665	70,809	19,838	18,294	38,132
Others	42,249	24,872	67,121	45,533	24,959	70,492
Depreciation	372,551	63,370	435,921	383,340	56,894	440,234
Amortization	2,642	9,932	12,574	3,830	19,035	22,865

- (b) The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and regarded as a derecognition and combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020.

The effect of the restated consolidated balance sheets as of December 31, 2020 and the restated consolidated comprehensive income for the year ended December 31, 2020 were as follows:

Consolidated Balance Sheets

Account	December 31, 2020		
	Amount before restated	Impact amount	Amount after restated
<u>Assets</u>			
Current assets	\$ 8,646,498	2,052,951	10,699,449
Non-current assets	5,051,669	1,121,007	6,172,676
Total assets	<u>\$ 13,698,167</u>	<u>3,173,958</u>	<u>16,872,125</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Account</u>	December 31, 2020		
	<u>Amount before restated</u>	<u>Impact amount</u>	<u>Amount after restated</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Current liabilities	\$ 5,729,377	1,145,835	6,875,212
Non-current liabilities	327,176	1,111,639	1,438,815
Total liabilities	6,056,553	2,257,474	8,314,027
<u>Equity</u>			
Ordinary shares	1,358,442	-	1,358,442
Capital surplus	4,218,195	-	4,218,195
Retained earnings	2,228,144	-	2,228,144
Total other equity interest	(170,343)	-	(170,343)
Treasury shares	(82,994)	78,561	(4,433)
Total equity attributable to owners of parent	7,551,444	78,561	7,630,005
Equity attributable to former owner of business combination under common control	-	3,118,152	3,118,152
Equity attributable to subsequent owner of business combination under common control	-	(2,193,391)	(2,193,391)
Non-controlling interests	90,170	(86,838)	3,332
Total equity	7,641,614	916,484	8,558,098
Total liabilities and equity	<u>\$ 13,698,167</u>	<u>3,173,958</u>	<u>16,872,125</u>

Consolidated Statements of Comprehensive Income

<u>Account</u>	2020		
	<u>Amount before restated</u>	<u>Impact amount</u>	<u>Amount after restated</u>
Operating revenue	\$ 4,466,552	1,978,092	6,444,644
Operating costs	3,310,374	1,612,245	4,922,619
Operating expenses	603,781	190,822	794,603
Non-operating income and expenses	105,912	96,854	202,766
Income tax expenses	76,916	19,139	96,055
Profit	581,393	252,740	834,133
Other comprehensive income	31,453	(4,790)	26,663
Total comprehensive income	612,846	247,950	860,796

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Notes
													Item	Value			
1	TEAPO HOLDING BERMUDA LIMITED	KAIMEI ELECTRONIC CORP.	Other receivables	Yes	8,561	8,304	8,304	-%	2	-	Working capital	-	None	-	1,795,264	1,795,264	Note 3
1	TEAPO HOLDING BERMUDA LIMITED	Teapo Electronic (HK) Ltd.	Other receivables	Yes	61,543	60,195	60,195	2.4%	2	-	Working capital	-	None	-	1,795,264	1,795,264	Note 3
2	KAIMEI ELECTRONIC (HK) LTD.	Teapo Electronic (HK) Ltd.	Other receivables	Yes	118,420	114,872	66,432	-%	2	-	Working capital	-	None	-	3,606,122	3,606,122	Note 4
2	KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP.	Other receivables	Yes	327,521	301,685	301,685	-%	2	-	Working capital	-	None	-	3,606,122	3,606,122	Note 4
3	MYW Investment Limited	KAIMEI ELECTRONIC CORP.	Other receivables	Yes	56,000	21,000	21,000	0.69%	2	-	Working capital	-	None	-	71,864	287,454	Note 7
4	Ralec Electronic Corporation	ASJ Components (M) Sdn. Bhd.	Other receivables	Yes	152,955	152,240	152,240	0.69%	2	-	Working capital	-	None	-	452,040	1,808,161	Note 10
5	Ralec Technology (HK) Limited	Ralec Electronic Corporation	Other receivables	Yes	46,916	2,172	2,172	-%	2	-	Working capital	-	None	-	5,021,493	5,021,493	Note 5
5	Ralec Technology (HK) Limited	Chilisin International Ltd.	Other receivables	Yes	284,120	-	-	3.5%	2	-	Working capital	-	None	-	5,021,493	5,021,493	Note 5
5	Ralec Technology (HK) Limited	ASJ Components (M) Sdn. Bhd.	Other receivables	Yes	399,490	-	-	0%-1.05%	2	-	Working capital	-	None	-	5,021,493	5,021,493	Note 5
6	Ralec Technology (KUNSHAN) Co., Ltd	Hunan Chilisin Electronics Technology Co., Ltd.	Other receivables	Yes	659,640	-	-	4.5%	2	-	Working capital	-	None	-	4,299,241	4,299,241	Note 6
7	ASJ HOLDINGS PTE. LTD.	ASJ Components (M) Sdn. Bhd.	Other receivables	Yes	75,822	73,286	63,006	-%	2	-	Working capital	-	None	-	405,587	405,587	Note 8
8	ASJ PTE LTD	ASJ Components (M) Sdn. Bhd.	Other receivables	Yes	206,592	202,066	202,066	-%	2	-	Working capital	-	None	-	395,169	395,169	Note 9

Note 1: The numbers denote the following:

1. "0" represents the Company
2. Subsidiaries are numbered starting from "1" .

Note 2: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: The capital of TEAPO HOLDING BERMUDA LIMITED is lent to a foreign company in which the parent company directly or indirectly holds 100% of the voting shares, the separately lending amount and maximum limit shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of TEAPO HOLDING BERMUDA LIMITED.

Note 4: The capital of KAIMEI ELECTRONIC (HK) LTD. is lent to a foreign company in which the parent company directly or indirectly holds 100% of the voting shares, the limit on total loans to others shall not exceed 100% of its net value. Limit on loans to a single party with short term financing shall not exceed 100% of KAIMEI ELECTRONIC (HK) LTD.'s net value.

Note 5: The limit on total loans to others shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Technology (HK) Limited., limit on loans to a single party shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Technology (HK) Limited.

Note 6: The limit on total loans to others shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Technology (KUNSHAN) Co., Ltd, limit on loans to a single party shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Technology (KUNSHAN) Co., Ltd.

Note 7: The limit on total loans to others shall not exceed 40% of the net value of the latest financial statements audited or reviewed by accountants of MYW Investment Limited. 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 shall not exceed 10% of the net value of the latest financial statements audited or reviewed by accountants of MYW Investment Limited.

Note 8: The limit on total loans to others shall not exceed 40% of the net value of the latest financial statements audited or reviewed by accountants of ASJ HOLDINGS PTE. LTD., limit on loans to a single party shall not exceed 40% of the net value of the latest financial statements audited or reviewed by accountants of ASJ HOLDINGS PTE. LTD.

Note 9: The limit on total loans to others shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of ASJ PTE LTD, limit on loans to a single party shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of ASJ PTE LTD.

Note 10: The limit on total loans to others shall not exceed 40% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Electronic Corporation, limit on loans to a single party shall not exceed 10% of the net value of the latest financial statements audited or reviewed by accountants of Ralec Electronic Corporation.

Note 11: The above financings were eliminated when compiling the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No. (note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note2)										
1	KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP.	3	5,409,183	5,100,000	5,100,000	3,291,000	3,180,302	141.43 %	5,409,183	N	Y	N
2	MYW Investment Limited	KAIMEI ELECTRONIC CORP.	3	2,874,544	2,500,000	1,000,000	1,000,000	1,000,000	139.15 %	2,874,544	N	Y	N
3	Ralec Electronic Corporation	ASJ Components (M) Sdn. Bhd.	2	4,520,404	71,385	64,828	-	-	1.43 %	4,520,404	N	N	N
3	Ralec Electronic Corporation	Ralec Technology (HK) Limited	2	4,520,404	456,560	-	-	-	- %	4,520,404	N	N	N
4	Ralec Technology (KUNSHAN) Co., Ltd	Ralec Trading (KUNSHAN) Co. Ltd	4	1,719,696	2,854	2,768	273	-	0.06 %	1,719,696	N	N	Y

Note 1: The numbers denote the following:

1. 0 is issuer.

2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

1. The companies with which it has business relations.

2. Subsidiaries in which the company holds more than 50% of its total outstanding common shares.

3. The companies in which the parent company and the subsidiary together hold more than 50% of its outstanding common shares.

4. The parent company which holds, directly or indirectly through a subsidiary, more than 50% of its outstanding common shares.

5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer in order to undertake a construction project.

6. An entity that is guaranteed and endorsed by each capital contributing shareholder in proportion to their shareholding percentages.

7. The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for preconstruction homes pursuant to the Consumer Protection Act for each other.

Note3: The calculation of the limitation on endorsements and the amount thereof:

(1) The limit of the endorsement guarantee for the parent company shall not exceed 400% of the net value of MYW Investment Limited.

(2) The limit of the endorsement/guarantee for the parent company shall not exceed 150% of the net value of KAIMEI ELECTRONIC (HK) LTD.

(3) The maximum amount of Ralec Electronic Corporation's endorsement/guarantee for single enterprise is 100% of the net value of the latest financial statements audited or reviewed by accountants.

(4) The maximum amount of Ralec Technology (KUNSHAN) Co., Ltd.'s endorsement/guarantee for single enterprise is 40% of the net value of the latest financial statements audited or reviewed by accountants.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

((In Thousands of New Taiwan Dollars / Per share))

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
KAIMEI ELECTRONIC CORP.	Stock								
	AGV PRODUCTS CORP	None	Current financial assets at fair value through profit or loss	13	-	-	-	- %	
	EVER FORTUNE INDUSTRIAL CO., LTD.	None	Current financial assets at fair value through profit or loss	643	-	-	-	- %	
SUZHOU KAIMEI ELECTRONIC CO., LTD.	Other financial instruments								
	Fubon Huayi structured deposit	None	Current financial assets at fair value through profit or loss	-	47,886	-	47,886	- %	
Ralec Technology (KUNSHAN) Co., Ltd	Fubon Huayi structured financial products have a monthly profit - Fubon Huayi structured deposit	None	Current financial assets at fair value through profit or loss	-	678,311	-	678,311	- %	
	Fubon Huayi structured deposit	None	Current financial assets at fair value through profit or loss	-	44,359	-	44,359	- %	
	Industrial Bank structured deposit	None	Current financial assets at fair value through profit or loss	-	87,967	-	87,967	- %	
Hunan Ralec Electronics Technology Co., Ltd	Bank of China Banking - Wenfu (Zhou Kaikai)	None	Current financial assets at fair value through profit or loss	-	8,715	-	8,715	- %	
	Bank of China Banking - enjoy every day	None	Current financial assets at fair value through profit or loss	-	19,553	-	19,553	- %	
Subtotal					886,791		886,791		
KAIMEI ELECTRONIC CORP.	Stock								
	TAIWAN CHINSAN ELECTRONIC INDUSTRIAL CO., LTD	None	Non-current financial assets at fair value through other comprehensive income	23,548,546	1,119,733	18.19 %	1,119,733	18.19 %	Note 1

Note1: Listed securities are based on the closing price as of December 31, 2021.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Shares	Amount
KAIMEI ELECTRONIC CORP.	Bothhand Enterprise Inc.	Investments accounted for using equity method	Chilisin Electronics Corp.	Substantial related party	62,333,875	2,114,830	-	-	62,333,875	2,800,000	2,171,273	Note 1	-	56,443	-	-
KAIMEI ELECTRONIC CORP.	Ralec Electronic Corporation	Investments accounted for using equity method	Chilisin Electronics Corp.	Substantial related party	-	-	82,666,764	5,000,000	-	-	-	-	-	(479,596)	82,666,764	4,520,404
KAIMEI ELECTRONIC CORP.	TAIWAN CHINSAN ELECTRONIC INDUSTRIAL CO., LTD	Non-current financial assets at fair value through other comprehensive income	-	-	16,506,870	731,254	7,041,676 (note 3)	290,799	-	-	-	-	-	97,680 (Note 2)	23,548,546	1,119,733

Note 1: The transaction is an organizational reorganization under common control, adopted the book value method, and the difference in price and book value is recognized as capital reserve.

Note 2: Listed securities are based on the closing price as of December 31, 2021. Recognized in other comprehensive income (classified as "unrealized gain (losses) from financial assets at fair value through other comprehensive income")

Note 3: 7,041,676 shares were added during the period, representing the purchase of 6,362 thousand shares during the current period and 679,676 rationed shares from Taiwan Chinsan Electronic Industrial Co., Ltd.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
JAMICON INTERNATIONAL LIMITED	KAIMEI ELECTRONIC CORP.	Parent	Sale	(1,076,318)	(99.80)%	Net 90 days	Same as regular customers	Depending on the demand on funding	Trade receivables 532,321	99.92%	Note
KAIMEI ELECTRONIC CORP.	JAMICON INTERNATIONAL LIMITED	Subsidiaries	Purchase	1,076,318	99.67 %	Net 90 days	Same as regular vendors	Depending on the demand on funding	Trade payables (532,321)	(99.84)%	"
Teapo Electronics (DongGuan) CO., LTD.	JAMICON INTERNATIONAL LIMITED	The same ultimate parent	Sale	(932,349)	(36.88)%	Net 90 days	Same as regular customers	Depending on the demand on funding	Trade receivables 452,229	42.52%	"
JAMICON INTERNATIONAL LIMITED	Teapo Electronics (DongGuan) CO., LTD.	The same ultimate parent	Purchase	932,349	89.01 %	Net 90 days	Same as regular vendors	Depending on the demand on funding	Trade payables (452,229)	(85.95)%	"
SUZHOU KAIMEI ELECTRONIC CO., LTD.	Teapo Electronics (DongGuan) CO., LTD.	The same ultimate parent	Sale	(185,615)	(40.48)%	Net 90 days	Same as regular customers	Depending on the demand on funding	Trade receivables 66,990	37.93%	"

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
Teapo Electronics (DongGuan) CO., LTD.	SUZHOU KAIMEI ELECTRONIC CO., LTD.	The same ultimate parent	Purchase	185,615	10.27 %	Net 90 days	Same as regular vendors	Depending on the demand on funding	Trade payables (66,990)	(17.37)%	"
SUZHOU KAIMEI ELECTRONIC CO., LTD.	JAMICON INTERNATIONAL LIMITED	The same ultimate parent	Sale	(114,313)	(24.93)%	Net 90 days	Same as regular customers	Depending on the demand on funding	Trade receivables 73,564	41.66%	"
JAMICON INTERNATIONAL LIMITED	SUZHOU KAIMEI ELECTRONIC CO., LTD.	The same ultimate parent	Purchase	114,313	10.91 %	Net 90 days	Same as regular vendors	Depending on the demand on funding	Trade payables (73,564)	(13.98)%	"
Teapo Electronics (DongGuan) CO., LTD.	Ko-E (Shenzhen) Corporation	Substantial related party	Sale	(294,043)	(11.63)%	Net 90 days	Same as regular customers	Same as regular customers	Trade receivables 77,636	7.30%	"
Teapo Electronics (DongGuan) CO., LTD.	Kemet Electronics Corporation	The entity with significant influence over the Group	Sale	(143,029)	(5.66)%	Net 110 days	Same as regular customers	Same as regular customers	Trade receivables 46,848	4.40%	"
Ralec Electronic Corporation	ABCO ELECTRONICS CO., Ltd	Substantial related party	Sale	(521,696)	(22.14)%	Net 90 days	Same as regular customers	Same as regular customers	Trade receivables 132,421	24.60%	"
Ralec Electronic Corporation	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Sale	(1,741,184)	(73.88)%	Net 75 days	Negotiated price	Same as regular customers	Trade receivables 125,039	23.23%	"
Ralec Technology (KUNSHAN) Co., Ltd	Ralec Electronic Corporation	The same ultimate parent	Purchase	1,741,184	60.69 %	Net 75 days	Negotiated price	Same as regular vendors	Trade payables (125,039)	(16.35)%	"
Ralec Electronic Corporation	Ralec Trading (KUNSHAN) Co., Ltd	The same ultimate parent	Sale	(2,045,637)	(86.80)%	Net 75 days	Negotiated price	Same as regular customers	Trade receivables -	-%	"
Ralec Trading (KUNSHAN) Co., Ltd	Ralec Electronic Corporation	The same ultimate parent	Purchase	2,045,637	100.00 %	Net 75 days	Negotiated price	Same as regular vendors	Trade payables -	-%	"
Ralec Technology (KUNSHAN) Co., Ltd	Ralec Electronic Corporation	The same ultimate parent	Sale	(3,136,844)	(86.27)%	Net 75 days	Negotiated price	Same as regular customers	Trade receivables 912,450	86.86%	"
Ralec Electronic Corporation	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Purchase	3,136,844	74.28 %	Net 75 days	Negotiated price	Same as regular vendors	Trade payables (912,450)	(77.57)%	"
Hunan Ralec Electronics Technology Co., Ltd	Ralec Electronic Corporation	The same ultimate parent	Sale	(211,703)	(42.14)%	Net 75 days	Negotiated price	Same as regular customers	Trade receivables -	-%	"
Ralec Electronic Corporation	Hunan Ralec Electronics Technology Co., Ltd	The same ultimate parent	Purchase	211,703	5.01 %	Net 75 days	Negotiated price	Same as regular vendors	Trade payables -	-%	"
Hunan Ralec Electronics Technology Co., Ltd	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Sale	(290,696)	(57.86)%	Net 75 days	Negotiated price	Same as regular customers	Trade receivables 228,943	100.00%	"
Ralec Technology (KUNSHAN) Co., Ltd	Hunan Ralec Electronics Technology Co., Ltd	The same ultimate parent	Purchase	290,696	10.13 %	Net 75 days	Negotiated price	Same as regular vendors	Trade payables (228,943)	(29.94)%	"

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
ASJ Components (M) Sdn. Bhd.	Ralec Electronic Corporation	The same ultimate parent	Sale	(568,478)	(56.25)%	Net 30 days	Negotiated price	Same as regular customers	Trade receivables 82,851	89.20%	"
Ralec Electronic Corporation	ASJ Components (M) Sdn. Bhd.	The same ultimate parent	Purchase	568,478	13.46 %	Net 30 days	Negotiated price	Same as regular vendors	Trade payables (82,851)	(22.42)%	"

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 4)	Allowance for bad debts	Note
					Amount	Action taken			
Teapo Electronic (HK) Ltd.	KAIMEI ELECTRONIC CORP.	Parent	Other receivables 144,178	Note 1	-		-	-	
Teapo Electronics (DongGuan) CO., LTD.	JAMICON INTERNATIONAL LIMITED	The same ultimate parent	Trade receivables 452,229	2.19	-		373,074	-	
JAMICON INTERNATIONAL LIMITED	KAIMEI ELECTRONIC CORP.	Parent	Trade receivables 532,321	2.25	-		382,034	-	
KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP.	Parent	Other receivables 302,057	Note 2	-		-	-	
Ralec Electronic Corporation	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Trade receivables 125,039	8.90	-		125,039	-	
Ralec Electronic Corporation	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Other receivables 126,717	Note 1	-		125,058	-	
Ralec Electronic Corporation	Ralec Trading (KUNSHAN) Co., Ltd	The same ultimate parent	Other receivables 818,931	Note 1	-		403,859	-	
Ralec Electronic Corporation	ABCO ELECTRONICS CO., Ltd	Substantial related party	Trade receivables 132,421	6.23	-		113,447	-	
Ralec Electronic Corporation	ASJ Components (M) Sdn. Bhd.	The same ultimate parent	Other receivables 152,459	Note 2	-		-	-	
Ralec Technology (KUNSHAN) Co., Ltd	Ralec Electronic Corporation	The same ultimate parent	Trade receivables 912,450	3.37	-		516,516	-	
Hunan Ralec Electronics Technology Co., Ltd	Ralec Technology (KUNSHAN) Co., Ltd	The same ultimate parent	Trade receivables 228,943	2.31	-		-	-	
ASJ PTE LTD	ASJ Components (M) Sdn. Bhd.	The same ultimate parent	Other receivables 202,066	Note 2	-		-	-	

Note 1: Other receivables arising on behalf of payment are not applicable.

Note 2: Other receivables arising on loans are not applicable.

Note 3: Amounts collected as of March 15, 2022.

Note 4: The above financings were eliminated when compiling the consolidated financial statements.

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ix) Trading in derivative instruments: None 6(b).

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Teapo Electronics (DongGuan) CO., LTD.	JAMICON INTERNATIONAL LIMITED	3	Operating revenue	932,349	Same as regular customers	12.08 %
		JAMICON INTERNATIONAL LIMITED	3	Trade receivables	452,229	Net 90 days, depending on the demand on funding	2.40 %
2	JAMICON INTERNATIONAL LIMITED	KAIMEI ELECTRONIC CORP.	2	Operating revenue	1,076,318	Same as regular customers	13.95 %
		KAIMEI ELECTRONIC CORP.	2	Trade receivables	532,321	Net 90 days, depending on the demand on funding	2.82 %
3	KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP.	2	Other receivables	301,685	Depending on the demand on funding	1.60 %
4	SUZHOU KAIMEI ELECTRONIC CO., LTD.	JAMICON INTERNATIONAL LIMITED	3	Operating revenue	114,313	Same as regular customers	1.48 %
		JAMICON INTERNATIONAL LIMITED	3	Trade receivables	73,564	Net 90 days, depending on the demand on funding	0.39 %
		Teapo Electronics (DongGuan) CO., LTD.	3	Operating revenue	185,615	Same as regular customers	2.41 %
		Teapo Electronics (DongGuan) CO., LTD.	3	Trade receivables	66,990	Same as regular customers	0.36 %
5	Ralec Electronic Corporation	Ralec Technology (KUNSHAN) Co., Ltd	3	Operating revenue	1,741,184	Negotiated price	22.57 %
		Ralec Technology (KUNSHAN) Co., Ltd	3	Trade receivables	125,039	Same as regular customers	0.66 %
		Ralec Technology (KUNSHAN) Co., Ltd	3	Other receivables	126,717	Same as regular customers	0.67 %
		Ralec Trading (KUNSHAN) Co., Ltd	3	Operating revenue	2,045,637	Negotiated price	26.51 %
		Ralec Trading (KUNSHAN) Co., Ltd	3	Other receivables	818,931	Same as regular customers	4.33 %
6	Ralec Technology (KUNSHAN) Co., Ltd	Ralec Electronic Corporation	3	Operating revenue	3,136,844	Negotiated price	40.66 %
		Ralec Electronic Corporation	3	Trade receivables	912,450	Same as regular customers	4.84 %

(Continued)

KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
7	Hunan Ralec Electronics Technology Co., Ltd	Ralec Electronic Corporation	3	Operating revenue	211,703	Negotiated price	2.74 %
		Ralec Technology (KUNSHAN) Co., Ltd	3	Operating revenue	290,696	Negotiated price	3.77 %
		Ralec Technology (KUNSHAN) Co., Ltd	3	Trade receivables	228,943	Same as regular customers	1.21 %
		Ralec Technology (KUNSHAN) Co., Ltd	3	Other receivables	85,358	Same as regular customers	0.45 %
8	ASJ Components (M) Sdn. Bhd.	Ralec Electronic Corporation	3	Operating revenue	568,478	Negotiated price	7.37 %
		Ralec Electronic Corporation	3	Trade receivables	82,851	Same as regular customers	0.44 %
9	ASJ Pte. Limited	ASJ Components (M) Sdn. Bhd.	3	Other receivables	202,066	Depending on the demand on funding	1.07 %

Note 1: The numbers denote the following:

1. 0 represents the Company.
2. The subsidiaries start with number 1.

Note 2: Relationship with the listed companies:

1. Transactions from parent company to subsidiary
2. Transactions from subsidiary to parent company
3. Transactions between subsidiaries

Note3: If the same transaction is made between mother and child companies or between subsidiaries, the disclosure will not be repeated. If: The parent company's transactions with the subsidiary are not repeated if the parent company has disclosed them; the subsidiary's transactions with the subsidiary, if one subsidiary has disclosed it, are not repeated by the other subsidiary.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)												
Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
KAIMEI ELECTRONIC CORP.	TEAPO HOLDING BERMUDA LIMITED	Bermuda	Foreign business reinvestment	843,498	843,498	24,542,484	100.00 %	1,795,264	100.00 %	261,327	261,327	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	Teapo Electronic (HK) Ltd.	Hong Kong	Import and export of electronic products	40	40	10,000	100.00 %	(50,261)	100.00 %	(2,650)	(2,650)	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	KAIMEI ELECTRONIC (HK) LTD.	Hong Kong	Import and sale of aluminum electrolytic capacitors and motor fans	3,916,585	3,916,585	25,000,000	100.00 %	3,606,122	100.00 %	49,836	49,836	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	FORMOSAPR OSONICELEC TRONICS SD N.BHD.	Malaysia	Manufacture and sale of aluminum electrolytic capacitors	114,229	114,229	13,245,440	100.00 %	102,159	100.00 %	-	-	Subsidiary (note 1)

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
KAIMEI ELECTRONIC CORP.	JAMICON INTERNATIONAL LIMITED	Hong Kong	Import and sale of aluminum electrolytic capacitors	218,851	218,851	90,000,000	100.00 %	302,083	100.00 %	44,959	44,959	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	BOTHHAND ENTERPRISE INC.	Taiwan	Manufacture and management of computer accessories and other electronic devices	Note 2	2,147,428	Note 2	Note 2	Note 2	100.00 %	Note 2	54,573	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	MYW Investment Limited	Taiwan	Reinvestment business	487,919	487,919	-	100.00 %	718,636	100.00 %	58,949	58,949	Subsidiary (note 1)
KAIMEI ELECTRONIC CORP.	Ralec Electronic Corporation	Taiwan	Manufacture and sale of resistors, electronic parts, electronic materials and machine equipment	3,743,606	3,743,606	82,666,764	100.00 %	4,520,404	100.00 %	479,157	476,404	Subsidiary (notes 1 and 2)
KAIMEI ELECTRONIC CORP.	TONG HSING ELECTRONIC INDUSTRIES, LTD.	Taiwan	Manufacture and sale of electronic products	1,010,309	1,221,972	8,337,414	4.67 %	1,539,825	5.29 %	2,764,692	138,485	Associate under equity method
MYW Investment Limited	TONG HSING ELECTRONIC INDUSTRIES, LTD.	Taiwan	Manufacture and sale of electronic products	467,872	488,649	3,777,579	2.11 %	697,231	2.11 %	2,764,692	58,486	Associate under equity method
Ralec Electronic Corporation	Ralec Technology (HK) Limited	Hong Kong	Foreign business reinvestment	1,222,736	1,222,736	10,000	100.00 %	5,000,422	100.00 %	231,074	226,448	Subsidiary (notes 1 and 2)
Ralec Electronic Corporation	ASJ HOLDINGS PTE. LTD.	Singapore	Foreign business reinvestment	423,187	423,187	272,846,146	100.00 %	1,065,563	100.00 %	(27,853)	(21,405)	Subsidiary (notes 1 and 2)
ASJ HOLDINGS PTE. LTD.	ASJ PTE LTD	Singapore	Sales of resistor	148,484	148,484	2,000,000	100.00 %	395,169	100.00 %	21,531	21,531	Subsidiary (notes 1 and 2)
ASJ HOLDINGS PTE. LTD.	ASJ (Hong Kong) Limited	Hong Kong	Warehousing, logistics and distribution	5	5	100	100.00 %	1,587	100.00 %	(375)	(375)	Subsidiary (notes 1 and 2)
ASJ HOLDINGS PTE. LTD.	ASJ Components (M) Sdn. Bhd.	Malaysia	Manufacture and sale of resistor and sale of electronic components	90,308	90,308	8,000,000	100.00 %	555,419	100.00 %	(51,129)	(51,129)	Subsidiary (notes 1 and 2)
BOTHHAND ENTERPRISE INC.	Bothhand International Investment Co., Ltd	British Virgin Islands	Reinvestment business and international trade	Note 2	60,829	Note 2	Note 2	Note 2	100.00 %	Note 2	8,703	
BOTHHAND ENTERPRISE INC.	Sino Win International Limited	Samoa	Import and export business	Note 2	-	Note 2	Note 2	Note 2	100.00 %	Note 2	-	
BOTHHAND ENTERPRISE INC.	E-HENG TECHNOLOGY CO., LTD.	Taiwan	Manufacture and management of computer accessories and other electronic devices	Note 2	4,400	Note 2	Note 2	Note 2	100.00 %	Note 2	3,539	
Bothhand International Investment Co., Ltd	Round Constant Limited	Samoa	Reinvestment business	Note 2	57,779 (USD1,950)	Note 2	Note 2	Note 2	100.00 %	Note 2	(72)	

Note 1: The transaction has already been written off in the consolidated financial statements.

Note 2: The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and regarded as a derecognition and combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 12)	Book value	Accumulated remittance of earnings in current period (Note 6)	Note
					Outflow	Inflow								
Teapo Electronics (DongGuan) CO., LTD.	Manufacture and sale of capacitors	594,706	(1)	594,706 (USD18,500)	-	-	594,706 (USD18,500)	258,868	100.00%	100.00%	258,868	1,721,323	-	
Dongguan Teapo Trading CO., Ltd.	Purchase and sale of electrolytic capacitors	7,076	(2)	-	-	-	-	(8,615)	-%	100.00%	(8,615)	-	-	Note 11
SUZHOU KAIMEI ELECTRONIC CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	462,990	(1)	446,416 (USD15,000)	-	-	446,416 (USD15,000)	29,059	98.81%	98.81%	28,713	304,284	-	
JAMICON ELECTRONIC (SHENZHEN) LTD.	Manufacture and sale of electrolytic capacitors and motor fans	-	(1)	-	-	-	-	-	-%	-%	-	-	-	Note 5
JINMICON ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	33,012	(1)	-	-	-	-	6,661	-%	100.00%	6,661	-	-	Note 10
SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	-	(1)	-	-	-	-	10,516	-%	100.00%	10,516	-	-	Note 9
DONGGUAN JAMICON ELECTRONIC CO., LTD.	Import and sale of aluminum electrolytic capacitors and motor fans	2,331	(2)	-	-	-	-	1,824	100.00%	100.00%	1,824	5,374	-	
Ralec Technology (KUNSHAN) Co., Ltd	Manufacture and sales of chip resistors, capacitors and inductors	1,024,160 (USD37,000)	(1)	1,237,796 (USD37,000)	-	-	1,237,796 (USD37,000)	246,710	100.00%	100.00%	246,710	4,299,241	-	Note 8
Ralec Trading (KUNSHAN) Co., Ltd	Sale of resistors, capacitors and inductors	27,680 (USD1,000)	(1)	-	-	-	-	39,954	100.00%	100.00%	39,954	247,468	-	Note 8
Hunan Ralec Electronics Technology Co., Ltd	Manufacture and sales of chip resistors, capacitors and inductors	425,712 (CNY98,000)	(1)	-	-	-	-	(42,859)	100.00%	100.00%	(42,859)	331,284	-	Note 8

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 12)	Book value	Accumulated remittance of earnings in current period (Note 6)	Note
					Outflow	Inflow								
Bothhand Enterprise (Guangzhou) Inc.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(1)	20,612 (HDK5,764)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	-%	-	(Note 8)	(Note 8)	
KAIPING BOTHHAND ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(1)	148,242 (USD879 and HKD34,609)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	(906)	(Note 8)	(Note 8)	
GUANGZHOU BOTHHAND ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(1)	27,237 (USD978)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	(5,512)	(Note 8)	(Note 8)	
DEYANG BOTHHAND ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(1)	-	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	14,591	(Note 8)	(Note 8)	
Kunshan Taijun Electronics Co., Ltd.	Vacuum sputtering coating	(Note 8)	(1)	-	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	(72)	(Note 8)	(Note 8)	
GUANGZHOU CHENG HAN ELECTRONIC S TEC	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(2)	-	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	2,052	(Note 8)	(Note 8)	
DEYANG SHISHENG ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(2)	-	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	100.00%	2,940	(Note 8)	(Note 8)	
DEYANG HONGYI ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(Note 8)	(2)	-	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	51.00%	2,942	(Note 8)	(Note 8)	

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 8)	Method of investment (2)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021 (Note 8)	Net income (losses) of the investee (Note 8)	Percentage of ownership (Note 8)	Highest percentage of ownership	Investment income (losses) (note 12)	Book value (Note 8)	Accumulated remittance of earnings in current period (Note 6)	Note
					Outflow (Note 8)	Inflow (Note 8)								
HUNAN BOTHHAND ELECTRONIC S CO., LTD.	Manufacture and management of computer accessories and other electronic devices			-						100.00%	(7,781)			

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 4 and 7)	Upper Limit on Investment (Note 3)
1,951,440 (USD70,500)	3,210,319 (USD95,578 and CNY130,000)	5,114,310

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Invest company in mainland China through the investment on company located at the third.

Note3: Investment limit of the Company to the mainland (60% of net equity)\$8,523,850 X 60% = 5,114,310.

Note4: US\$1 = 27.68 and CNY\$1=4.344 at the reporting date.

Note5: The Group completed the sale of the subsidiary, JAMICON ELECTRONIC (SHENZHEN) LTD. in June 2018, but the shares capital had not yet been remitted to Taiwan.

Note6: The amount accumulated from the initial investment to the current period.

Note7: The authorized investment amount included the investment amount of BujiBantian Kaimei Motor Factory, JAMICON ELECTRONIC TECHNOLOGY (SHANGHAI) CO., LTD. 、 JAMICON ELECTRONIC (SHANGHAI) CO., LTD. and JAMICON (SHENZHEN) LTD. amounting to USD\$3,731, since cash flow arising from disinvestment or donation had not been remitted.

Note8: The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC with cash of \$2,800,000 on January 25, 2021. The Company fully acquired Ralec Electronic Corporation with cash of \$5,000,000 on January 28, 2021. Pursuant to the Discussion Paper issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and regarded as a derecognition and combination from the beginning. The Group restated the consolidated financial statements for the year ended December 31, 2020.

Note 9: SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD. was liquidated in July 2021. As of December 31, 2021, the liquidation procedure had been completed.

Note10: JINMICON ELECTRONIC (SHENZHEN) CO., LTD. was liquidated in October 2021. As of December 31, 2021, the liquidation procedure had been completed.

Note 11: Dongguan Teapo Trading CO., Ltd. was liquidated in November 2021. As of December 31, 2021, the liquidation procedure has been completed.

Note 12: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Significant transactions:

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

(d) Major shareholders:

(Unit: share)

Shareholder's Name	Shareholding	Shares	Percentage
Yageo Corporation		8,124,882	5.98 %

Note: (1) The table shows principal shareholders information, including shareholders holding more than 5% of the Group's delivered uncertificated/scripless shares (including treasury shares), with ordinary shares and preference shares combined at the last operating date of each quarter. As a result of different basis of calculation, there may be inconsistency between share capital reported in the financial statements and the actual awarded number of uncertificated/scripless shares.

(2) For a situation where a shareholder entrusted the shareholdings, the individual account of the settlor opened by the trustee was disclosed. The shareholders' reported insider's shares that exceeded 10% of the Group's total capital in accordance with Securities and Exchange Act, including personal holdings, plus trusted shares with voting rights. Please refer to the Public Information Observatory for information on the reporting of insider's shares.

(14) Segment information:

(a) General information

There are two reporting departments: capacitor and fan department and resistor department, which provides the product design, manufacture and sales in their respective areas. Each reporting department is a strategic business unit, to provide different products. They offer different products and services, and are managed separately because they require different technological and marketing strategies.

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

Segment results are excluding non-operating income and expenses and income tax expense. The reportable amount is similar to that in the report used by the chief operating decision maker.

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The segments' accounting policy are same as note 4. Reportable segment profit or loss is based on operating profit or loss before taxation (excluding non-operating income and expenses), and as the base of resource allocation. The Group regards sales and transfers between segments as third-party transactions. They are measured at market price.

2021				
	Capacitor and Fan Department	Resistor Department	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 3,034,599	4,680,937	-	7,715,536
Intersegment revenues	5,246	2,428	(7,674)	-
Total revenue	<u>\$ 3,039,845</u>	<u>4,683,365</u>	<u>(7,674)</u>	<u>7,715,536</u>
Reportable segment profit or loss	<u>\$ 541,010</u>	<u>603,200</u>	<u>-</u>	1,144,210
Share of profit of associates and joint ventures accounted for using equity method				196,971
				<u>1,341,181</u>
Reportable segment assets	<u>\$ 6,994,487</u>	<u>8,218,925</u>	<u>3,635,006</u>	<u>18,848,418</u>
Reportable segment liabilities	<u>\$ 6,216,727</u>	<u>3,851,393</u>	<u>252,796</u>	<u>10,320,916</u>
2020 (restated)				
	Capacitor and Fan Department	Resistor Department	Adjustment and Elimination	Total
Revenue				
Revenue from external customers	\$ 2,478,106	3,966,538	-	6,444,644
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 2,478,106</u>	<u>3,966,538</u>	<u>-</u>	<u>6,444,644</u>
Reportable segment profit or loss	<u>\$ 277,142</u>	<u>529,137</u>	<u>-</u>	806,279
Share of profit of associates and joint ventures accounted for using equity method				123,909
				<u>930,188</u>
Reportable segment assets	<u>\$ 6,892,451</u>	<u>6,625,341</u>	<u>3,354,333</u>	<u>\$ 16,872,125</u>
Reportable segment liabilities	<u>\$ 4,365,461</u>	<u>3,694,355</u>	<u>254,211</u>	<u>\$ 8,314,027</u>

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KAIMEI ELECTRONIC CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Product and service information

The Group's revenue from external customer were as follows:

<u>Product</u>	<u>2021</u>	<u>2020 (restated)</u>
Capacitor	\$ 2,540,238	2,126,985
Resistor	4,677,726	3,966,538
Fan	491,257	345,597
Others	6,315	5,524
Total	<u>\$ 7,715,536</u>	<u>6,444,644</u>

(d) Geographic information

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

(i) Revenue from external customers

<u>Geographical information</u>	<u>2021</u>	<u>2020 (restated)</u>
Hong Kong and China	\$ 4,735,553	4,034,163
Taiwan and other Asia Pacific regions	2,066,379	1,668,298
Europe	676,094	484,612
Americas	131,034	151,370
Others	106,476	106,201
	<u>\$ 7,715,536</u>	<u>6,444,644</u>

(ii) Non-current assets

<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020 (restated)</u>
Taiwan	\$ 632,287	636,505
Hong Kong, China and other Asia Pacific regions	2,163,361	2,175,799
	<u>\$ 2,795,648</u>	<u>2,812,304</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and prepayments for business facilities, not including financial instruments and deferred tax assets.

(e) Major customers

There were no individual customers representing greater than 10% of sales revenues in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020.