

FSP Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes VI(XXII) and VII)	\$ 15,204,727	100	13,454,275	100
5000	Operating costs (Notes VI(VII), (XI), (XII), (XIII), (XVI), (XVII) and (XVIII), VII and XII)	12,779,675	84	11,387,946	85
5920	Add: Unrealized Profit on Sales	(847)	-	(2,781)	-
5900	Gross profit	2,424,205	16	2,063,548	15
6000	Operating expenses (Notes VI(V), (VI), (XI), (XII), (XIII), (XVI), (XVIII) and (XXIII), VII and XII):				
6100	Selling and marketing expenses	620,915	4	531,862	4
6200	General and administrative expenses	676,460	4	609,160	5
6300	Research and development expenses	455,887	3	451,578	3
6450	Expected credit impairment losses (gains)	(966)	-	8,611	-
	Total operating expenses	1,752,296	11	1,601,211	12
6900	Net operating income	671,909	5	462,337	3
7000	Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (X), (XVI) and (XXIV), and VII):				
7100	Interest income	23,348	-	23,883	-
7010	Other income	198,340	1	208,551	2
7020	Other gains and losses	75,065	-	249,554	2
7050	Finance costs	(11,346)	-	(13,330)	-
7060	Share of profits (losses) of associates and joint ventures under equity method	3,284	-	3,049	-
	Total non-operating income and expenses	288,691	1	471,707	4
7900	Income before income tax from continuing operations	960,600	6	934,044	7
7950	Less: Income tax expense (Note VI(XIX))	159,321	1	241,969	2
8200	Net Income	801,279	5	692,075	5
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss (Note VI(XVIII), (XIX) and (XX))				
8311	Gains (losses) on re-measurements of defined benefit plans	7,076	-	(7,791)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,854,340	12	2,088,968	16
8349	Less: Income tax related to components that will not be reclassified to profit or loss	1,415	-	(1,558)	-
	Total items that will not be reclassified to profit or loss	1,860,001	12	2,082,735	16
8360	Items that may be reclassified subsequently to profit or loss (Note VI(IX) and (XX))				
8361	Exchange differences on translation of financial statements of foreign operations	(29,332)	-	24,762	-
8370	Share of other comprehensive income (losses) of associates and joint ventures under equity method	(809)	-	(1,400)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(30,141)	-	23,362	-
8300	Other Comprehensive Income	1,829,860	12	2,106,097	16
8500	Total Comprehensive Income	\$ 2,631,139	17	2,798,172	21
	Net income (losses) attributable to:				
8610	Shareholders of the parent	\$ 754,082	5	669,314	5
8620	Non-controlling Interests	47,197	-	22,761	-
		\$ 801,279	5	692,075	5
	Total comprehensive income (losses) attributable to:				
8710	Shareholders of the parent	\$ 2,585,931	17	2,784,736	21
8720	Non-controlling Interests	45,208	-	13,436	-
		\$ 2,631,139	17	2,798,172	21
	Earnings per share (unit: NT\$) (Note VI(XXI))				
9750	Basic earnings per share	\$ 4.03		3.55	
9850	Diluted earnings per share	\$ 3.99		3.52	

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(VII) Inventories

	<u>2021.12.31</u>	<u>2020.12.31</u>
Finished goods	\$ 1,844,900	1,465,495
Work in process	712,743	582,371
Raw materials	<u>1,032,903</u>	<u>607,465</u>
	<u>\$ 3,590,546</u>	<u>2,655,331</u>

Breakdown of cost of goods sold:

	<u>2021</u>	<u>2020</u>
Inventories sold	\$ 12,624,487	11,347,484
Inventory valuation loss (reversal gain)	9,910	(21,110)
Loss (gain) on inventory counts	171	(2)
Unallocated manufacturing expense	87,495	12,515
Loss on inventory obsolescence	57,613	49,312
Income from sales of scraps	<u>(1)</u>	<u>(253)</u>
	<u>\$ 12,779,675</u>	<u>11,387,946</u>

As of December 31, 2021 and 2020, the Group did not pledge any inventories as collateral.

(VIII) Non-current assets held for sale

In line with the land acquisition reserve plan of Wuxi Xinwu District Land Reserve Center, on June 28, 2019, the Board of Directors of the Group resolved to sell the right-of-use assets - land, buildings and construction of its subsidiary, WUXI Zhonghan. In August 2019, the Group entered into a sale contract with Wuxi Xinwu District Land Reserve Center for NT\$421,714 thousand for the above-mentioned right-of-use, buildings and construction. In accordance with the contract, the first installment of NT\$130,300 thousand was received in September 2019, and the second installment of NT\$161,114 thousand was received in June 2020. The transfer registration was completed and disposal gain of NT\$326,059 thousand was recognized. The final payment of NT\$130,300 thousand has been received in November 2020.

To cooperate with the Jian National High-tech Industrial Development Zone Management Committee of Jian County in Jiangxi Province for its Land Acquisition and Reserve plan, the Group's Board of Directors resolved on August 7, 2021 to sell the right-of-use assets - land, buildings and construction of its subsidiary, Hao Han. In August 2021, the Group signed a sales contract with Asap Electronics (Jiangxi) Co., Ltd., and the disposal amount of above-mentioned right-of-use, buildings and construction was NT\$87,067 thousand. In accordance with the contract, the first installment of NT\$34,827 thousand was received in August 2021. The transfer registration was completed in December 2021 and disposal gain of NT\$72,399 thousand was recognized. The final payment of NT\$52,240 thousand was also received in December 2021.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

6. Non-controlling interests (net after tax)

	2021	2020
Beginning balance	\$ 307,844	304,971
Net income for the year attributable to non-controlling interests	47,197	22,761
Gains (losses) on re-measurements of defined benefit plans	127	8
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(5,859)
Exchange differences on translation of financial statements of foreign operations	(2,116)	(3,474)
Distribution of cash dividends to non-controlling interests	(16,901)	(10,563)
Increase in non-controlling interests	2,364	-
	<u>\$ 338,515</u>	<u>307,844</u>

(XXI) Earnings per Share

	Unit: Thousands of shares	
	2021	2020
Basic earnings per share:		
Net income attributable to the ordinary shareholders of the Company	<u>\$ 754,082</u>	<u>669,314</u>
Weight-average number of ordinary shares outstanding	<u>187,262</u>	<u>188,632</u>
Basic earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 4.03</u>	<u>3.55</u>
Diluted earnings per share:		
Net income attributable to the ordinary shareholders of the Company	<u>\$ 754,082</u>	<u>669,314</u>
Weight-average number of ordinary shares outstanding	187,262	188,632
Employee compensation	1,627	1,373
Weight-average number of ordinary shares outstanding	<u>188,889</u>	<u>190,005</u>
Diluted earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 3.99</u>	<u>3.52</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(XXII) Revenue from contracts with customers

1. Breakdown of revenue

		2021					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
	Taiwan	\$ 3,059,269	484,470	-	-	-	3,543,739
	China	1,855,465	79,758	2,352,506	747,527	20,861	5,056,117
	U.S.A.	1,322,295	19,767	-	-	587,839	1,929,901
	Germany	2,161,664	73,655	-	-	-	2,235,319
	Other countries	2,332,235	57,716	-	-	49,700	2,439,651
		<u>\$ 10,730,928</u>	<u>715,366</u>	<u>2,352,506</u>	<u>747,527</u>	<u>658,400</u>	<u>15,204,727</u>
Major product/service line:							
	Sales of power supply	<u>\$ 10,730,928</u>	<u>715,366</u>	<u>2,352,506</u>	<u>747,527</u>	<u>658,400</u>	<u>15,204,727</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

		2020					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
	Taiwan	\$ 2,311,723	556,312	-	-	-	2,868,035
	China	1,930,811	152,679	1,958,213	822,759	29,977	4,894,439
	U.S.A.	1,179,718	29,203	-	-	346,772	1,555,693
	Germany	1,924,441	89,795	-	-	-	2,014,236
	Other countries	2,114,576	7,296	-	-	-	2,121,872
		\$ 9,461,269	835,285	1,958,213	822,759	376,749	13,454,275
Major product/service line:							
	Sales of power supply	\$ 9,461,269	835,285	1,958,213	822,759	376,749	13,454,275

2. Contract balance

	2021.12.31	2020.12.31	2020.1.1
Notes and accounts receivable (including related parties)	\$ 4,768,361	4,351,209	4,408,200
Less: Allowance for impairment loss	(39,771)	(42,029)	(37,515)
Total	\$ 4,728,590	4,309,180	4,370,685
Contract liabilities (recognized in other current liabilities)	\$ 52,856	40,188	42,801

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was NT\$13,526 thousand and NT\$15,044 thousand, respectively.

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXIII) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements. For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to NT\$65,000 thousand and NT\$50,000 thousand, respectively, and the remuneration for Directors of NT\$7,000 thousand and NT\$5,600 thousand, respectively. The said amounts, which were recognized as operating expenses in 2021 and 2020, were calculated based on pre-tax net profit for each year before deducting the amount

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

of the remuneration to employees and Directors, multiplied by the distribution percentage specified in the Company's Articles of Incorporation. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. There was no difference between the amount of the remuneration to employees and Directors resolved by the Board of Directors and the accrual amount recognized in the Consolidated Financial Statements for the years ended December 31, 2021 and 2020. Information related to remuneration to employees and Directors resolved by the Board of Directors is available on the Market Observation Post System website of Taiwan Stock Exchange.

(XXIV) Non-operating income and expenses

1. Interest income

	<u>2021</u>	<u>2020</u>
Bank deposits	<u>\$ 23,348</u>	<u>23,883</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Maximum shareholding percentage during the period	Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value		
The Company	Stock: Guoyu Global Co., Ltd.	—	Financial assets at fair value through other comprehensive income	50,000	5,000	16.67	5,000	16.67	
	Taiwan Truewin Technology Co., Ltd.	—	"	50,000	32,500	2.85	32,500	2.85	
					6,736,644		6,736,644		
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	"	-	-	12.04	-	12.04	
FSP Jiangsu	Powerland Technology Inc.	—	"	-	26,494	3.54	26,494	4.22	
					6,763,138		6,763,138		
The Company	Bond: Novaland Group (NYL)	—	Financial assets at amortized cost	9,000	10,800	-	10,800	-	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300,000 thousand or 20% of the paid-in capital:

Unit: Thousands of shares

Company Name	Type and Name of Securities	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale			Gains (Losses) on Disposal	Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Cost		Shares	Amount	
The Company	Stock: Voltronic Power Technology Corp.	Financial assets at fair value through other comprehensive income			4,500,822	5,040,921	-	-	479,000	660,425	2,260	658,165	4,021,822	6,213,715	(Note)

Note: Ending balance includes unrealized valuation gain (loss) of financial assets.

- Acquisition of real estate at costs which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
- Disposal of real estate at prices which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
- Total purchases from and sales to related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(497,301)	(4.04)	Note 1			176,243	5.21	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(586,236)	(4.76)	Note 1			147,782	4.37	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(589,751)	(4.79)	Note 1			305,772	9.05	
The Company	Fortron/ Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(418,581)	(3.40)	Note 1			75,109	2.22	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(328,551)	(2.67)	Note 1			138,416	4.09	Note 6
The Company	FSP Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(131,045)	(1.06)	Note 1			56,617	1.67	Note 6
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	939,867	10.80	Note 4		Note 4	(104,088) (Note 3)	(2.77)	Note 6

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	433,479	4.98	Note 4		Note 4	(42,251) (Note 3)	(1.12)	Note 6
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	237,150	2.72	Note 4		Note 4	(17,971) (Note 3)	(0.48)	Note 6
The Company	Voltronic	The Company is the Director of this company	Purchases	210,723	2.42	Note 5			(90,024)	(2.39)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	260,047	2.99	Note 1			(81,547)	(2.17)	Note 6
The Company	Zhong Han	100% owned investment via indirect shareholding	(Sales)	(1,004,634)	(8.13)	Note 1			-	-	
3Y Power	Zhong Han	Affiliate	(Sales)	(440,891)	(23.98)	Note 1			-	-	
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(315,435)	(17.16)	Note 1			80,601	12.03	Note 6
3Y Power	Huili	Affiliate	Purchases (Note 2)	247,178	17.99	Note 4		Note 4	(22,094) (Note 3)	(3.82)	Note 6

Note 1: The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2: Including purchases of products, purchases of raw materials and processing.

Note 3: Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4: The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5: The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

Note 6: Eliminated under consolidation.

8. Receivables from related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	176,243	2.98	-		126,119	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	305,772	2.71	-		122,751	-
The Company	FSP North America	Substantive related party of the Company	147,782	4.85	-		34,022	-
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	138,416	2.20	-		109,459	-
Huili	The Company	100% owned investment via indirect shareholding	104,088	9.19	-		104,088	-

Note: As of March 4, 2022.

9. Derivative instruments transactions: None.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of total consolidated operating revenue or total assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Company	3Y Power	1	Cost of goods sold	260,047	No significant difference from other suppliers	1.71%
0	The Company	Huili	1	Cost of goods sold	939,867	No comparison is available	6.18%
0	The Company	Zhonghan	1	Cost of goods sold	433,479	No comparison is available	2.85%
0	The Company	WUXI SPI	1	Cost of goods sold	237,150	No comparison is available	1.56%
0	The Company	WUXI Zhonghan	1	Operating revenue	328,551	No significant difference from other customers	2.16%
0	The Company	Zhong Han	1	Operating revenue	1,004,634	No significant difference from other customers	6.61%
1	3Y Power	Zhong Han	3	Operating revenue	440,891	No significant difference from other customers	2.90%
1	3Y Power	3Y Power Technology Inc.	3	Operating revenue	315,435	No significant difference from other customers	2.07%
1	3Y Power	Huili	3	Cost of goods sold	247,178	No comparison is available	1.63%

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(II) Information on segment's profit or loss, assets, liabilities and reconciliation

The Group's operating segment information and reconciliation were as follows:

	2021						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Consolidation
Revenue:							
Revenue from external customers:	\$ 10,730,928	715,366	2,352,506	747,527	658,400	-	15,204,727
Intersegment revenue	3,501,489	1,103,358	16,135	27,740	78,539	(4,727,261)	-
Total revenue	<u>\$ 14,232,417</u>	<u>1,818,724</u>	<u>2,368,641</u>	<u>775,267</u>	<u>736,939</u>	<u>(4,727,261)</u>	<u>15,204,727</u>
Segment profit (loss)	<u>\$ 611,229</u>	<u>117,881</u>	<u>96,410</u>	<u>23,641</u>	<u>110,461</u>	<u>978</u>	<u>960,600</u>
	2020						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Consolidation
Revenue:							
Revenue from external customers:	\$ 9,461,269	835,285	1,958,213	822,759	376,749	-	13,454,275
Intersegment revenue	3,299,754	1,026,409	10,492	14,785	13,147	(4,364,587)	-
Total revenues	<u>\$ 12,761,023</u>	<u>1,861,694</u>	<u>1,968,705</u>	<u>837,544</u>	<u>389,896</u>	<u>(4,364,587)</u>	<u>13,454,275</u>
Segment profit (loss)	<u>\$ 525,302</u>	<u>110,428</u>	<u>24,613</u>	<u>351,769</u>	<u>(73,883)</u>	<u>(4,185)</u>	<u>934,044</u>

Note: As the total assets of the segment are not provided to the operation decision makers, it is not intended to disclose the measured amounts of the assets.

(III) Export sales information

1. Product and service information

The Group is engaged in the single electronics business and does not operate in other industries. Its revenue from external customers is provided in the operating segment's financial information.

2. Geographic information

Revenue from external customers:

Region	2021	2020
Taiwan	\$ 3,543,739	2,868,035
China	5,056,117	4,894,439
U.S.A.	1,929,901	1,555,693
Germany	2,235,319	2,014,236
Others (below 5%)	2,439,651	2,121,872
Total	<u>\$ 15,204,727</u>	<u>13,454,275</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Non-current Assets:

Region	2021.12.31	2020.12.31
Taiwan	\$ 1,376,605	1,324,324
Mainland China	1,001,599	910,647
Other countries	30,767	36,127
Total	\$ 2,408,971	2,271,098

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, but exclude financial instruments, deferred tax assets and retirement benefits assets.

(IV) Major customer information

In 2021 and 2020, there were no customers whose sales revenue accounted for more than 10% of the revenue on the income statement.