Stock Code: 3611

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Financial Statement and Auditor's Audit Report

2021 & 2020

Address: 9F., No.95, Minquan Rd., Xindian Dist.,
New Taipei City

Telephone: (02)2218-6789

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

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Declaration Concerning the Consolidated Financial Statements of Affiliated Enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2021 (from January 1 to December 31, 2021). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements; therefore, no separate consolidated financial statements of affiliated enterprises were prepared.
This declaration is solemnly made by

Name of the company: TSC Auto ID Technology Co., Ltd.

Chairman: Wang Shiu-Ting

March 28, 2022

Auditor's Audit Report

To TSC Auto ID Technology Co., Ltd.:

Audit opinions

We have audited the consolidated balance sheet as of December 31, 2021 and December 31, 2020; the consolidated incomes statement from January 1 to December 31, 2021 and from January 1 to December 31, 2020; the consolidated statements of changes in equity and the consolidated statements of cash flows from January 1 to December 31, 2021 and from January 1 to December 31, 2020 of TSC Auto ID Technology Co., Ltd. and its subsidiaries ("TSC Auto ID Technology Group") and the notes to consolidated financial statements (including the summary of major accounting policies).

Based on our audit and other auditors' audit (please refer to "Other Matters"), all material disclosures in the consolidated financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and provide fair representation of TSC Auto ID Technology Group's consolidated financial status as of December 31, 2021 and 2020, consolidated financial performance from January 1 to December 31, 2021 and 2020, and consolidated cash flows from January 1 to December 31, 2021 and 2020.

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing principles. Our responsibilities as auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the Norm of Professional Ethics for CPA and maintained independence from TSC Auto ID Technology Group when performing their duties. We believe that the evidence obtained from our audit and the audit results of other auditors provide an adequate and appropriate basis for our opinion.

Key Audit Issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2021 consolidated financial statements of TSC Auto ID Technology Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2021 consolidated financial statements of TSC Auto ID Technology Group are as follows:

Impairment assessment for goodwill

TSC Auto ID Technology Group acquired controlling interest in Printronix Auto ID Technology Inc. (referred to as PTNX US below) on January 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. (referred to as DLS below) in January 2019. Goodwill was recognized in the consolidated financial statements for the respective years, and the amounts are considered material to the consolidated financial statements. Assessment of goodwill impairment depends largely on the estimation of the recoverable amount using future operating cash flow from PTNX US and DLS (the cash-generating units). Since the estimation of future operating cash flow involves the management's forecast of the performance of the industry and the Company, the assumptions used for the estimation and preparation are prone to subjective judgment and high levels of uncertainty.

We have taken actions during our audit to address the above uncertainties, including: obtaining a goodwill impairment assessment report issued by a professional appraiser that the management had commissioned; understanding and assessing the rationality of the recoverable amount calculated from the valuation model; and evaluating the overall rationality of the aforementioned goodwill impairment assessment report after taking into consideration the assumptions used in the valuation model, such as sales growth, profit margin, and weighted average funding cost (including the risk-free rate, volatility, and risk premium), the state of the Company's operations, the state of the industry, and future outlook.

Other Matters

As narrated in Note 11 of the consolidated financial statements, amongst the subsidiaries presented in the 2021 and 2020 consolidated financial statements of TSC Auto ID Technology Group were financial statements of important subsidiaries that were audited by other CPAs. Therefore, opinions made in the aforementioned consolidated financial statements in regards to the amounts and footnote disclosures of such businesses were based on the figures recognized and disclosed in audited reports prepared by other CPAs. The total assets of the subsidiaries accounted for 19.12% and 19.35% of the total consolidated assets as of December 31, 2021 and 2020 respectively; The operating revenues of the subsidiaries accounted for 34.37% and 34.72% of the consolidated operating revenues in 2021 and 2020 respectively, and their total comprehensive income accounted for 11.93% and 10.06% of the total consolidated comprehensive income respectively.

TSC Auto ID Technology Co., Ltd. has prepared standalone financial statements for 2021 and 2020, to which we have issued an independent auditor's report with unqualified opinion and made additional disclosures in the Other Matters paragraph.

Responsibilities of the management and governing body of the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of the consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing the consolidated financial statements also included assessing the ability of TSC Auto ID Technology Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate TSC Auto ID Technology Group or cease business operations, or is compelled to do so with no alternative solution.

The governing body of TSC Auto ID Technology Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We consider assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of users of the consolidated financial statements.

When conducting audits in accordance with the generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Because fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, the risk of not detecting material misstatements arising from fraud is greater than that of misstatements arising from error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinions on the effectiveness of the internal control system of TSC Auto ID Technology Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of TSC Auto ID Technology Group to operate as a going concern, based on the audit evidence obtained. We are obliged to remind users of the consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or changes of circumstances may still render TSC Auto ID Technology Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within the group, and expressing opinions on the consolidated financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the Norm of Professional Ethics for CPA, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2021 consolidated financial statements of TSC Auto ID Technology Group. These issues have been addressed in our audit report except for topics that are prohibited by law from being disclosed to the public, or, under extreme circumstances, topics that we decided not to communicate in the audit report because of greater negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan

CPA Lin Wen-Qin

CPA Fan You-Wei

Official Letter of Approval by Securities and Futures Commission Taiwan-Finance-Securities-VI-0920123784

Official Letter of Approval by Securities and Futures Commission Taiwan-Finance-Securities-VI-0920123784

March 28, 2022

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2021 and December 31, 2020

Unit: NT$ thousand

Code	Asset	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 1,199,879	16	$ 1,307,939	18
1110	Financial assets at fair value through profit or loss (Note 7)	3,061	-	934	-
1170	Notes and accounts receivable, net (Notes 9, 27)	1,270,068	17	1,103,900	16
1200	Other receivables (Note 27)	27,419	-	15,537	-
130X	Inventory (Note 10)	1,158,048	15	779,214	11
1410	Prepayments	35,229	-	33,332	1
1470	Other current assets	2,581	-	4,294	-
11XX	Total current assets	3,696,285	48	3,245,150	46
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 8)	1,068,960	14	845,920	12
1600	Property, plant and equipment (Note 12)	1,014,529	13	972,754	14
1755	Right-of-use assets (Note 13)	244,435	3	279,794	4
1780	Other intangible assets (Note 15)	246,691	3	312,557	4
1805	Goodwill (Note 14)	953,676	13	981,239	14
1840	Deferred income tax assets (Note 23)	416,976	6	442,269	6
1990	Other non-current assets	28,539	-	23,738	-
15XX	Total non-current assets	3,973,806	52	3,858,271	54
1XXX	Total assets	$ 7,670,091	100	$ 7,103,421	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Note 16)	$ 550,706	7	$ 794,994	11
2120	Financial liabilities at fair value through profit or loss (Note 7)	443	-	3,235	-
2170	Accounts payable (Note 27)	758,245	10	540,217	8
2200	Other payables (Notes 17, 27)	373,131	5	279,466	4
2230	Income tax liability during the period	191,874	3	169,894	3
2250	Liability reserve	6,083	-	5,666	-
2280	Lease liability (Note 13)	101,861	1	80,462	1
2320	Long-term liabilities due within one year (Note 16)	65,000	1	4,000	-
2399	Other current liabilities	153,194	2	95,336	1
21XX	Total current liabilities	2,200,537	29	1,973,270	28
	Non-current liabilities				
2540	Long-term loans (Note 16)	835,000	11	1,026,000	14
2570	Deferred income tax liabilities(Note 23)	302,575	4	270,731	4
2580	Lease liability (Note 13)	172,318	2	211,975	3
2640	Net defined benefit liability (Note 18)	19,731	-	22,860	-
2670	Other non-current liabilities	51,787	1	47,370	1
25XX	Total non-current liabilities	1,381,411	18	1,578,936	22
2XXX	Total liabilities	3,581,948	47	3,552,206	50
	Equity (Note 19)				
3110	Ordinary share capital	424,769	5	424,769	6
3200	Capital surplus	592,852	8	577,665	8
	Retained earnings				
3310	Legal reserve	595,108	8	523,393	7
3320	Special reserve	8,597	-	8,597	-
3350	Unappropriated earnings	2,113,635	27	1,826,157	26
3300	Total retained earnings	2,717,340	35	2,358,147	33
3400	Other equity	353,182	5	190,634	3
3XXX	Total equity	4,088,143	53	3,551,215	50
	Total liabilities and equity	$ 7,670,091	100	$ 7,103,421	100

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing-Lei Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Comprehensive Income Statement

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT$1,000 except NT$ for earnings per share

		2020		2020	
Code		Amount	%	Amount	%
	Operating incomes (Notes 20, 27, 31)				
4110	Revenues	$ 6,848,808	100	$ 5,683,808	100
	Operating costs (Notes 10, 21, 27)				
5110	Cost of goods sold	4,573,431	67	3,660,985	64
5900	Gross profits	2,275,377	33	2,022,823	36
	Operating expenses (Notes 9, 21, 27)				
6100	Sales & marketing expenses	620,763	9	563,111	10
6200	Administrative expenses	391,492	6	337,613	6
6300	R&D expenses	212,892	3	204,793	4
6000	Total operating expenses	1,225,147	18	1,105,517	20
6900	Operating profits	1,050,230	15	917,306	16
	Non-operating incomes and expenses (Note 21)				
7100	Interest income	4,390	-	3,536	-
7190	Other incomes	40,683	1	74,442	1
7020	Other gains and losses	13,165	-	(15,718)	-
7050	Financial cost	(25,565)	-	(36,077)	-
7000	Total non-operating incomes and expenses	32,673	1	26,183	1
7900	Profits before tax	1,082,903	16	943,489	17
7950	Income tax expenses (Note 22)	298,417	4	228,137	4
8200	Current net income	784,486	12	715,352	13

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Code		2021 Amount	2021 %	2020 Amount	2020 %
	Other comprehensive income				
8310	Items that are not to be reclassified to profit or loss				
8311	Remeasurement of defined benefit plan (Note 18)	($ 524)	-	$ 1,795	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive incomes (Note 19)	223,040	3	153,108	2
		222,516	3	154,903	2
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Note 19)	(75,615)	(1)	(85,098)	(1)
8399	Income tax components that may be reclassified (Note 22)	15,123	-	17,020	-
		(60,492)	(1)	(68,078)	(1)
8300	Other comprehensive income for the year (net of tax)	162,024	2	86,825	1
8500	Total comprehensive income for the year	$ 946,510	14	$ 802,177	14
	Net income attributable to:				
8610	Shareholders of the Company	$ 784,486	12	$ 715,352	13
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 946,510	14	$ 802,177	14
	Earnings per share (Note 23)				
9710	Basic	$ 18.47		$ 16.84	
9810	Diluted	$ 18.32		$ 16.74	

The notes are an integral part of these consolidated financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting　Chief Executive Officer: Wang Hsing Lei
Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Statement of Changes in equity

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT$1,000 unless otherwise indicated

Code		Share capital					Retained earnings				Other equity			
		No. of shares (1,000)	Ordinary share capital	Advanced receipt of share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain of financial assets measured at fair value through other comprehensive incomes	Total	Total equity
A1	Balance on January 1, 2020	42,437	$ 424,369	$ 400	$ 424,769	$ 568,892	$ 447,718	$ 8,597	$ 1,609,454	$ 2,065,769	($ 165,699)	$ 271,303	$ 105,604	$ 3,165,034
G1	Exercise of employee stock options	40	400	(400)	-	-	-	-	-	-	-	-	-	-
	Appropriation and distribution of 2019 earnings													
B1	Legal reserve	-	-	-	-	-	75,675	-	(75,675)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	2020 net income	-	-	-	-	-	-	-	715,352	715,352	-	-	-	715,352
D3	2020 other comprehensive income - after tax	-	-	-	-	-	-	-	1,795	1,795	(68,078)	153,108	85,030	86,825
D5	Total comprehensive income of 2020	-	-	-	-	-	-	-	717,147	717,147	(68,078)	153,108	85,030	802,177
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	8,773	-	-	-	-	-	-	-	8,773
Z1	Balance on December 31, 2020	42,477	424,769	-	424,769	577,665	523,393	8,597	1,826,157	2,358,147	(233,777)	424,411	190,634	3,551,215
	Appropriation and distribution of 2020 earnings													
B1	Legal reserve	-	-	-	-	-	71,715	-	(71,715)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	2021 net income	-	-	-	-	-	-	-	784,486	784,486	-	-	-	784,486
D3	2021 other comprehensive income - after tax	-	-	-	-	-	-	-	(524)	(524)	(60,492)	223,040	162,548	162,024
D5	Total comprehensive income of 2021	-	-	-	-	-	-	-	783,962	783,962	(60,492)	223,040	162,548	946,510
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	15,187	-	-	-	-	-	-	-	15,187
Z1	Balance on December 31, 2021	42,477	$ 424,769	$ -	$ 424,769	$ 592,852	$ 595,108	$ 8,597	$ 2,113,635	$ 2,717,340	($ 294,269)	$ 647,451	$ 353,182	$ 4,088,143

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting   Chief Executive Officer: Wang Hsing Lei   Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Statement of Cash Flows

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

Unit: NT$ thousand

Code		2021	2020
	Cash flows from operating activities		
A10000	Pre-tax profit for the current period	$ 1,082,903	$ 943,489
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	181,348	188,883
A20200	Amortization	74,929	76,319
A20300	Expected credit loss	9,563	3,051
A20900	Financial cost	25,565	36,077
A21200	Interest income	(4,390)	(3,536)
A21300	Dividend income	(20,400)	(20,400)
A21900	Cost of employee stock options	15,187	8,773
A22500	Loss from disposal of property, plant and equipment	2,158	148
A23700	Loss for market price decline and obsolete inventory	4,010	10,154
A24100	Unrealized foreign exchange losses	5,496	4,408
A29900	Gain on lease amendment	-	(28)
A29900	Other incomes	-	(30,123)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	(2,127)	1,481
A31150	Notes and accounts receivable	(221,328)	(71,330)
A31180	Other receivables	(16,747)	(2,529)
A31200	Inventory	(429,016)	65,693
A31230	Prepayments	(2,710)	2,271
A31240	Other current assets	(891)	(121)
A31990	Other non-current assets	338	550
A32110	Financial liabilities held for trading	(2,792)	2,879
A32150	Accounts payable	279,587	19,890
A32180	Other payables	112,804	(702)
A32230	Other current liabilities	60,050	(1,123)
A32240	Net defined benefit liability	(3,653)	57
A32990	Other non-current liabilities	5,253	(8,211)
A33000	Cash inflows from operating activities	1,155,137	1,226,020
A33100	Interest received	4,098	3,539
A33500	Income tax paid	(207,412)	(104,734)
AAAA	Net cash flows from operating activities	951,823	1,124,825

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Code		2021	2020
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	$ -	($ 76,948)
B02700	Purchase of property, plant and equipment	(146,936)	(68,245)
B02800	Property, plant and equipment	943	443
B03700	Increase in refundable deposits	(4,717)	(408)
B03800	Decrease in refundable deposits	83	14
B04500	Purchase of intangible assets	(15,742)	(11,686)
B07100	Increase in equipment prepayments	(6,278)	(13,775)
B07600	Dividends received	20,400	20,400
BBBB	Net cash outflows from investing activities	(152,247)	(150,205)
	Cash flows from financing activities		
C00100	Decrease in net short-term loans	(237,239)	(191,585)
C01600	Borrowing of long-term loans	300,000	1,000,123
C01700	Repayment of long-term loans	(430,000)	(855,000)
C03100	Decrease in deposits received	(216)	(217)
C04020	Repayment of lease principals	(69,728)	(83,015)
C04500	Cash dividends paid	(424,769)	(424,769)
C05600	Interest paid	(25,723)	(36,846)
CCCC	Net cash outflows from financing activities	(887,675)	(591,309)
DDDD	Currency impact on cash and cash equivalents	(19,961)	3,736
EEEE	Net increase (decrease) in cash and cash equivalents	(108,060)	387,047
E00100	Cash and cash equivalents at the beginning of the year	1,307,939	920,892
E00200	Cash and cash equivalents at the end of the year	$ 1,199,879	$ 1,307,939

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on March 28, 2022.)

Chairman: Wang Shiu Ting Chief Executive Officer: Wang Hsing Lei

Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Notes to Consolidated Financial Statements

From January 1 to December 31, 2021 and from January 1 to December 31, 2020

(Unit: NT$1,000 unless otherwise indicated)

I. Company History

TSC Auto ID Technology Co., Ltd. ("the Company"), founded on March 19, 2007, is a global company in auto-identification systems/products manufacturing and services. The Company was listed on the TPEx on November 26, 2008.

The consolidated financial statements are expressed in NT dollars, the Company's functional currency.

II. Dates and procedures of approving financial reports

The consolidated financial statements were published on March 28, 2022, after being approved by the Board of Directors.

III. Applicability of New and Modified Standards and Interpretations

(I) First adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations recognized and promulgated by the Financial Supervisory Commission (collectively referred to "IFRSs")

According to the consolidated company's assessment, the adoption of the IFRSs recognized and promulgated in 2021 by the Financial Supervisory Commission will not cause material changes to the consolidated company's accounting policies.

(II) IFRSs published by International Accounting Standards Board (IASB), recognized by the Financial Supervisory Commission and applicable in 2022

Newly published/amended/revised standards and interpretations	IASB release and effective date
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 1)
IFRS 3 Amendment: Reference to the Conceptual Framework	January 1, 2022 (Note 2)

Newly published/amended/revised standards and interpretations	IASB release and effective date
IAS 16 Amendment: Property, Plant and Equipment — Proceeds before Intended Use	January 1, 2022 (Note 3)
IAS 37 Amendment: Onerous Contracts: Cost of Fulfilling a Contract	January 1, 2022 (Note 4)

Note 1: The amended IFRS 9 is applicable to the exchange of financial liabilities or change of contractual terms during the annual reporting periods from January 1, 2022 onward; the amended IAS 41 Agriculture is applicable to the measurement of fair value during the annual reporting periods from January 1, 2022 onward; the amended IFRS 1 First-time Adoption of International Financial Reporting Standards applicable retrospectively to the annual reporting periods from January 1, 2022 onward.

Note 2: The amendment is applicable to business combinations with acquisition dates during the annual reporting period from January 1, 2022.

Note 3: The amendment is applicable to the property, plant and equipment to reach the necessary location and status expected by management for operation from January 1, 2021 onward.

Note 4: The amendment is applicable to the contracts with outstanding obligations from January 1, 2022 onward.

As of the date these consolidated financial statements were approved and released and according to the consolidated company's assessment, the adoption in 2022 of the amended standards and interpretations recognized by the Financial Supervisory Commission will not cause significant influence on its financial status or financial performance.

(III) IFRSs published by International Accounting Standards Board (IASB) but yet to be recognized by the Financial Supervisory Commission

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 10 and IAS 28 Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 17: Insurance Contracts	January 1, 2023
IFRS 17 Amendment	January 1, 2023
IFRS 17 Amendment: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
IAS 1 Amendment: Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 Amendment: Disclosure of Accounting Policies	January 1, 2023 (Note 2)
IAS 8 Amendment: Definition of Accounting Estimates	January 1, 2023 (Note 3)
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	January 1, 2023 (Note 4)

Note 1: Unless otherwise indicated, the abovementioned newly published, amended or revised standards and interpretations shall take effect on annual reporting periods after respective dates.

Note 2: The adoption of this amendment is delayed to the annual reporting periods from January 1, 2023 onward.

Note 3: The amendment is applicable to the changes of accounting estimates and accounting policies during the annual reporting periods from January 1, 2023 onward.

Note 4: The amendment is applicable to the transactions after January 1, 2022 except for temporary differences in relation to leases and decommissioning obligations on January 1, 2022 recognized as deferred income taxes.

IAS 1 Amendment: Classification of Liabilities as Current or Non-current

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Apart from the abovementioned impacts, as of the date these consolidated financial statements were approved and released, the consolidated company continued to assess the impact of other amended standards and interpretations on its financial status and financial performance. The relevant effects shall be disclosed once the assessment has been completed.

IV. Summary of Material Accounting Policies

(I) Statement of Compliance

These consolidated financial statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs recognized and promulgated by the Financial Supervisory Commission.

(II) Basis of Preparation

These consolidated financial statements were prepared according to historical costs except for the financial instruments measured at fair value and the net defined benefit liability calculated with the present value of the defined benefit obligation less the fair value of the asset plan.

The measurement of fair values can be classified into Level 1, Level 2 and Level 3 according to the level of observability and importance of relevant inputs.

1. Level 1 inputs: (unadjusted) quoted prices for identical assets or liabilities in active and liquid markets.
2. Level 2 inputs: input values of assets or liabilities observable directly (i.e., prices) or indirectly (i.e., inferred prices) other than Level 1 quoted prices.
3. Level 3 inputs: unobservable inputs for assets or liabilities.

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

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the end of the reporting period; and
3. Cash and cash equivalents (except for those that are intended to be swapped or settled against liabilities more than 12 months after the end of the reporting period or those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be repaid within 12 months after the end of the reporting period; and
3. Liabilities where the repayment terms cannot be extended unconditionally beyond 12 months after the end of the reporting period.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

(IV) Basis of Consolidation

These consolidated financial statements include the Company and the entities (subsidiaries) controlled by the Company. The financial statements of subsidiaries have been adjusted so that their accounting policies are consistent with the consolidated company. All the transactions, account balances, incomes and gains, expenses and losses among individual entities have been canceled out in the preparation of the consolidated financial statements. The comprehensive incomes of subsidiaries are attributable to the shareholders of the Company.

Please refer to Note 11 and Table 7 for a detailed list of the subsidiaries, shareholding percentages in these subsidiaries and their businesses.

(V) Foreign currency

During the preparation of the financial report, transactions denominated in currencies other than the functional currency of the respective entities (i.e. foreign currency transactions) are converted and recorded in the functional currency using the exchange rate at the transaction date.

Monetary foreign currency accounts are converted using the closing exchange rates at the end of each reporting period. Exchange differences arising from the settlement or translation of monetary accounts are recognized in profit or loss in the year in which they occurred.

Foreign currency-denominated non-monetary items measured at fair value are converted using exchange rates as of the date of fair value assessment, with exchange differences recognized in current profit or loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items measured at historical cost are converted using the exchange rate at the date of the initial transaction. No further conversion is made.

When preparing the consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries that operate in countries or use currencies that are different from the Company) are converted into NTD using the exchange rates at the end of each reporting period. Revenues, expenses, and losses are converted using the average exchange rate of the current year; any exchange differences that arise as a result are recognized in other comprehensive income.

Goodwill arising from the acquisition of foreign operations and fair value adjustments to the book value of assets and liabilities as a result of acquiring foreign operations are accounted as assets and liabilities of the respective foreign operations. These amounts are converted using the closing exchange rates at the end of each reporting period, and any exchange differences that arise as a result are recognized in other comprehensive income.

(VI) Inventory

Inventory comprises raw materials, works-in-progress, finished goods, and semi-finished goods. Inventory is measured at the lower of cost or net realizable value; the lower of cost or net realizable value is compared item-by-item, except items within the same category. Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances. Cost of inventory is calculated using the weighted average method.

(VII) Property, plant and equipment

Property, plant and equipment are initially recognized at cost, and subsequently measured at cost after accumulated depreciation and impairment.

No depreciation is provided on land, whereas property, plant and equipment are depreciated using the straight line method over their useful lives. Depreciation is provided separately for each major component. The consolidated company reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from derecognized property, plant and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized through profit or loss.

(VIII) Goodwill

Goodwill acquired from business combination is recognized at cost on the acquisition date, and subsequently measured at cost after cumulative impairment.

For the purpose of impairment test, goodwill is allocated to various cash-generating units or cash-generating groups (collectively referred to as "cash-generating units") that the consolidated company expects will benefit from the combination.

Cash-generating units to which goodwill is allocated will undergo impairment tests separately each year (and whenever there are signs indicating impairment of the unit) by comparing a unit's book value, including goodwill, with its recoverable amount. Cash-generating units that have been allocated goodwill through business combination in a given year are required to conduct an impairment test before the end of that year. If a goodwill-allocated cash-generating unit exhibits a recoverable amount that is lower than its book value, an impairment loss shall be recognized to first reduce the book value of the goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce the book values of other assets within the unit on the basis of the book value weight of each asset. Any impairment losses are directly recognized as loss in the current period. Impairment loss on goodwill can not be reversed in a later period.

When disposing part of a cash-generating unit in which goodwill is allocated, the amount of goodwill relating to the operation being disposed is included in the operation's book value to determine the gain or loss on disposal.

(IX) Intangible assets

1. Acquisition by separate purchase

   Intangible assets that are acquired through separate purchase with limited useful life are initially recognized at cost, and subsequently measured at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively. Intangible assets that are without defined useful lives are presented at cost less accumulated impairment.

2. Derecognition

When derecognizing intangible assets, the difference between the net disposal proceeds and book value of the assets is recognized in current profit or loss.

(X) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (except goodwill)

The consolidated company evaluates all property, plant and equipment, right-of-use assets, and intangible assets (except goodwill) for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have the recoverable amount estimated. If the recoverable amount can not be estimated for a particular asset, the consolidated company will instead estimate the recoverable amount for the entire cash-generating unit the asset belongs to.

Recoverable amount is the higher of the fair value less selling costs and the use value. If the recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset or cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized in profit or loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit or loss.

(XI) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the consolidated company becomes a party of the contract of these instruments.

When initially recognizing financial assets and liabilities, those that are not designated to be measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities measured at fair value through profit or loss are recognized immediately through profit or loss.

1. Financial Assets

   Routine transactions of financial assets are recognized on or derecognized from the balance sheet based on principle of trade date accounting.

   (1) Measurement category

   Financial assets held by the consolidated company are divided into the following categories: financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and equity instrument investments measured at fair value through other comprehensive income.

   A. Financial assets measured at fair value through profit or loss

   Financial assets held by the consolidated company measured at fair value through profit or loss mainly comprise derivatives mandatorily measured at fair value through profit or loss.

   Financial assets measured at fair value through profit or loss are measured at fair value. Gains and losses from remeasurement are recognized as other gains and losses. See Note 26 for details regarding the fair value method.

   B. Financial assets measured at amortized cost

   Financial asset investments held by the consolidated company that satisfy both the following conditions are measured at amortized cost:

a. The financial asset is held for a specific business model, the purpose of which is to hold the financial asset and collect contractual cash flow; and
b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost, etc.), the effective interest method is used to determine the book value at initiation. They are subsequently measured net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized in profit or loss.

Interest income is calculated by multiplying the book value of the financial asset with the effective interest rate.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instrument investments measured at fair value through other comprehensive income

For equity instrument investments that are neither held for trading nor recognized/received as a consideration for business acquisition, the consolidated company is entitled to an irrevocable option to account them at fair value through other comprehensive income at initial recognition.

Equity instrument investments measured at fair value through other comprehensive income are measured at fair value; subsequent fair value changes are recognized in other comprehensive income and accumulated under other equity. Upon disposal of investments, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

Dividends from equity instrument investments measured at fair value through other comprehensive income are recognized in profit or loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

At the end of each reporting period, the consolidated company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) based on expected credit losses.

All accounts receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighted against the risk of default. 12-month expected credit losses represent the amount of expected credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

For the purpose of internal credit risk management, a financial asset is deemed to have defaulted in any of the following circumstances, without considering the presence of collaterals:

A. There is internal or external information to indicate that the debtor is unable to settle outstanding debts.

B. Payment is overdue for more than 365 days, unless there is reasonable and supportable information to demonstrate that a postponed default criterion is more appropriate.

All impairment losses on financial assets are recognized using allowance accounts, which reduce the book value of the corresponding financial asset.

(3) Derecognition of financial assets

Financial assets can be derecognized from the balance sheet only if all contractual cash flow entitlements from the financial assets have ended, or if the financial assets have been transferred with virtually all risks and returns assumed by another party.

The difference between the book value of a financial asset measured at amortized cost and the amount of consideration received for the asset's derecognition is recognized in profit or loss.

When a equity instrument measured at fair value through other comprehensive income is derecognized from the balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

2. Financial Liabilities

(1) Subsequent measurement

Financial liabilities that are neither held for trading nor designated to be measured at fair value through profit or loss are measured at amortized cost using the effective interest method.

Financial liabilities held by the consolidated company measured at fair value through profit or loss mainly comprise financial liabilities held for trading; any gains or losses from subsequent remeasurement are recognized in other gains and losses. See Note 26 for details regarding the fair value method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities from the balance sheet, any differences between the book value and the consideration paid are recognized as profit or loss.

3. Derivatives

The consolidated company utilizes derivatives including currency forwards and interest rate swaps; they are used for the management of exchange rate risks.

Derivatives are recognized at fair value at the time the contracts are signed, and subsequently remeasured at fair value at the end of each reporting period. Gains or losses arising from subsequent remeasurements are recognized directly in profit or loss. Derivatives with positive fair values are presented as financial assets; those with negative fair values are presented as financial liabilities.

(XII) Liability reserve

Liability reserves are recognized to account for the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations on the balance sheet date. Liability reserves are measured by estimating the present discounted value of cash flows needed to settle obligations.

<u>Warranty</u>

Warranty obligations for products that meet the agreed specifications represent the management's best estimate about the amount of cash outlay that the consolidated company has to incur to settle its obligations. These liabilities are recognized when revenues have been recognized on corresponding products.

(XIII) Revenue recognition

The consolidated company first identifies performance obligations in contracts it signs with customers, then divides and allocates the transaction sums to various obligations, and recognizes revenue when each obligation is fulfilled.

1. Revenue from sale of merchandise

   Revenue from sale of merchandise refers to the sale of barcode printers, parts, and accessories. The consolidated company recognizes revenues and accounts receivable usually at the time when products are shipped or when the customer becomes entitled to set the price and make use of such product while at the same time bearing the main responsibility to resell and assuming obsolescence risks. Advance receipts collected before shipment of merchandise are recognized as contractual liabilities, and are reclassified as revenue when the merchandise is shipped.

   Raw materials that are outsourced for processing involve no transfer of ownership or control, therefore no revenue is recognized on the transaction.

2. Service income

   Service income is generated from warranty extension, and is initially recognized as contractual liability at the time when proceeds are collected from customers. The duration of service ranges from 1 year to 5 years. The amount contains no significant financing component.

   Income is recognized monthly using the straight line method over the duration of service contracts, as customers use up warranty coverage offered by the consolidated company.

3. Dividend and interest income

   Dividend income from investment is recognized when shareholders' entitlement has been established, provided that economic benefits of such a transaction are very likely to be received by the consolidated company, and that the amount of income can be measured reliably.

Interest income on financial assets is recognized when the consolidated company is very likely to realize the associated economic benefits, and that the amount of income can be measured reliably. Interest income is recognized by applying the applicable effective interest rate on outstanding principal over the duration of time elapsed.

(XIV) Leases

The consolidated company evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

1. Where the consolidated company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All other lease arrangements are classified as operating lease.

Proceeds received from operating leases net of lease incentives are recognized as income on a straight-line basis over the lease tenor.

When sub-leasing right-of-use assets, the consolidated company classifies the sublease based on the right of use involved (instead of the underlying asset). However, where the main lease is a short-term lease that is exempted from lease recognition, the consolidated company classifies the sublease as an operating lease.

Proceeds received from operating leases net of lease incentives are recognized as income on a straight-line basis over the lease tenor.

2. Where the consolidated company is the lessee

The Company recognizes right-of-use assets and lease liabilities from the lease start date for each lease arrangement, except for exempted low-value underlying assets and short-term leases where expenses are recognized on a straight-line basis over the lease tenor.

Right-of-use assets are initially measured at cost (mainly the initial amount of lease liability), and subsequently at cost less accumulated depreciation and impairment with adjustments made to the remeasurement of lease liability. Right-of-use assets are presented individually on the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of the useful life or until expiry of the lease tenor, whichever the earlier.

Lease liabilities are measured at the present value of lease payments (mostly fixed payments) at initiation. Lease payments are discounted at the implicit interest rate if it can be determined easily. If the interest rate cannot be determined easily, the lessee's incremental borrowing rate is used instead.

Subsequently, lease liability is measured at cost after amortization using the effective interest method, whereas interest expense is amortized over the lease tenor. If there is any change to the amounts to be paid over the lease tenor that leads to changes in future lease payments, the consolidated company will remeasure its lease liabilities and make corresponding adjustments to right-of-use assets. If, however, the book value of right-of-use assets has already been reduced to zero, any remaining remeasurements are recognized in profit or loss. Lease liabilities are presented individually on the consolidated balance sheet.

(XV) Borrowing costs

All borrowing costs are recognized through profit or loss in the year in which they occur.

(XVI) Government grants

Government grants are recognized only when the consolidated company has reasonable assurance towards fulfilling the government's grant criteria and receiving the grant.

Government grants that are intended to compensate the consolidated company for expenses or losses already incurred, or to provide the consolidated company with immediate financial support with no future related costs, are recognized in profit or loss in the periods in which they are receivable.

(XVII) Employee benefits

1. Shor-term employee benefits

   Liabilities associated with short-term employee benefits are measured at the non-discounted amount of cash that the Company expects to pay in exchange for employees' services.

2. Retirement benefits

   For defined contribution plans, the amount of contributions that is appropriated to pension funds over the duration of employees' services is recognized as expense.

   For defined benefit plans, the cost of benefits (including service cost, net interest, and effect of remeasurement) is estimated using the projected unit credit method. Current service costs and net interests on net defined benefit liabilities are recognized as employee benefit expense at the time incurred. Effects of remeasurement (including actuarial gains/losses and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit or loss in subsequent periods.

   Net defined benefit liabilities represent the shortfall of contributions made to the defined benefit plan.

(XVIII) Shares-based Payment Agreement

<u>Vested employee stock options</u>

Employee stock options are measured based on the fair value of equity instruments and the best quantity estimate on the grant date. Expenses are recognized on a straight-line basis over the vesting period with simultaneous adjustments made to capital surplus - employee stock options. If stock options are vested on the day granted, then all expenses are to be recognized on the grant date. The consolidated company designates the board approval date as the grant date.

The consolidated company revises its estimate on the amount of employee stock options to be vested at the end of each reporting period. If any amendment is made to the original estimate, its effect is recognized in profit or loss so that cumulative expenses can accurately reflect the amended estimate. Meanwhile, corresponding adjustments are made to capital surplus - employee stock options.

(XIX) Income taxes

Income tax expense represents the sum of current year's income tax and deferred income tax.

1. Current income tax

   The consolidated company reports current period income (loss) and calculates income tax payable (refundable) according to tax laws stipulated by the local tax jurisdiction.

   Pursuant to the Income Tax Act of the Republic of China, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earnings.

   Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred income tax

   Deferred income taxes are tax effects of temporary differences deriving from the different book value of assets and liabilities presented in the financial statement and those reported for tax filing. Assets and liabilities that arise as a result of transaction other than business merger and present no impact on taxable income or accounting profit at initial recognition do not have temporary differences recognized as deferred income tax assets and liabilities. Furthermore, no deferred income tax liability is recognized on taxable temporary differences that arise from the initial recognition of goodwill.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized when they are very likely to generate taxable income in the future to offset deductible temporary differences, loss carryforwards, and research and development expenses.

Taxable temporary differences relating to investments in subsidiaries are recognized as deferred income tax liabilities. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to realize the temporary differences, and that reversal is expected in the foreseeable future.

The book value of deferred income tax asset is re-assessed at the end of each reporting period. The Company will reduce the book value when it is no longer highly likely to generate enough taxable income to realize part or all of the assets. The book value of unrecognized deferred income tax assets is re-assessed at the end of each reporting period. The Company will increase the book value when it is highly likely to generate enough taxable income to realize part or all of the assets.

Deferred income tax assets and liabilities are measured using the tax rate applicable at the time the liability/asset is expected to be settled/realized. This tax rate is determined based on the tax rate and tax laws prevailing at the end of the reporting period. Deferred income tax liabilities and assets represent tax impacts of the method by which the consolidated company expects to recover or settle the book value of its assets and liabilities at the end of the reporting period.

3. Current and deferred income tax for the year

   Current and deferred income taxes are recognized in profit or loss, except for current and deferred income taxes related to items recognized in other comprehensive income, which are also recognized in other comprehensive income.

V. Key Sources of Uncertainty in Significant Accounting Judgements, Estimates and Assumptions

With regard to the adoption of accounting policies by the consolidated company, management must make judgments, estimates and assumptions based on historical experience and other relevant factors if relevant information is not readily available from other sources. The actual outcome may be different from the estimates.

The consolidated company will take into consideration the economic impact of COVID-19 when making major accounting estimates; meanwhile, the management will continually examine its estimates and basic assumptions. If an estimated change only affects the current year, the change shall be recognized for that year. If a change of accounting estimates affects both the current year and future periods, the change shall be recognized for the current year and future periods.

Assessment of goodwill impairment

When determining whether there is impairment of goodwill, it is necessary to evaluate the use value of various cash-generating units in which goodwill is allocated. To calculate the use value, the management is required to estimate future cash flows for each cash-generating unit, and determine the appropriate discount rate to be used for calculating present value. If the actual cash flow is lesser than expected, or if there are changes to the facts and situations that result in amendments to the cash flow either for lower or a higher discount rate, these may generate major impairment losses.

VI. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Vault cash and petty cash	$ 74	$ 90
Bank checks and demand deposits	862,995	1,190,560
Cash equivalents		
Fixed-term bank deposits with original maturity within three months	336,810	117,289
	$ 1,199,879	$ 1,307,939

Range of market interest rates applicable to time deposits as of the balance sheet date is shown below:

	December 31, 2021	December 31, 2020
Fixed-term deposits	0.25%~2.15%	0.37%~2.70%

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial Assets – Current		
Designated at fair value through profit or loss		
Derivatives (non-hedging)		
－Currency forward contracts (1)	$ 1,484	$ 477
－Currency swaps (2)	1,577	457
	$ 3,061	$ 934
Financial Liabilities – Current		
Held for trading		
Derivatives (non-hedging)		
－Currency forward contracts (1)	$ 114	$ 3,235
－Currency swaps (2)	329	-
	$ 443	$ 3,235

(I) A summary of the outstanding currency forward contracts not under hedge accounting as of the balance sheet date is as follows:

December 31, 2021

	Currency	Maturity	Nominal value (NT$1,000)
Short forwards	Euro to NTD	January 14, 2022 to February 16, 2022	EUR 5,000 /NTD 157,122
	USD to NTD	January 21, 2022 to April 8, 2022	USD 12,000/NTD 333,179

December 31, 2020

	Currency	Maturity	Nominal value (NT$1,000)
Short forwards	Euro to NTD	March 24, 2021 to April 26, 2021	EUR 2,000/NTD 68,785
	USD to NTD	March 5, 2021 to April 8, 2021	USD 11,000/NTD 310,549

The consolidated company primarily engages in currency forward transactions to hedge the risks associated with exchange rate fluctuations for assets and liabilities denominated in foreign currencies.

(II) A summary of the outstanding currency swap contracts not under hedge accounting as of the balance sheet date is as follows:

December 31, 2021

	Nominal value (NT$1,000)	Exercise exchange rates	Maturity
Currency swaps	USD 7,000/NTD 195,410	27.845~28.01	January 18, 2022 to March 21, 2022
	NTD 83,394/USD 3,000	27.784~27.805	January 20, 2022

December 31, 2020

	Nominal value (NT$1,000)	Exercise exchange rates	Maturity
Currency swaps	USD 3,000/NTD 85,980	28.66	January 13, 2021

The consolidated company primarily engages in currency swap transactions to hedge the risks associated with exchange rate fluctuations for assets denominated in foreign currencies.

VIII. Financial assets measured at fair value through other comprehensive incomes

	December 31, 2021	December 31, 2020
Equity Instrument Investments – Non-Current		
Domestic investments		
TPEx-listed stocks	$1,068,960	$ 845,920

The consolidated company invests in ordinary shares listed on the TPEx for mid-to-long term strategic purposes and seeks to profit from long-term investments. The consolidated company's management does not think recognizing the short-term fair value volatility of such investments as profit or loss aligned with the long-term investment planning abovementioned. Therefore, management decided to designate such investments measured at fair value through other comprehensive incomes.

IX. Notes and Accounts Receivable

	December 31, 2021	December 31, 2020
Receivables		
Notes receivable	$ 221	$ 153
Accounts receivable	1,293,716	1,118,781
Less: allowance for losses	(23,884)	(15,042)
Accounts receivable – affiliated parties (Note 27)	15	8
	$ 1,270,068	$ 1,103,900

Accounts receivable

The consolidated company's average credit period for products sold is 45 days after the issuance of invoices or 45 to 60 days based on monthly statements. Accounts receivable do not accrue interests. Before accepting new customers, the consolidated company assesses the credit quality of the potential customers and determines the credit allowance for such customers through internal credit evaluation procedures. The credit allowance and ratings for customers are periodically reviewed according to actual requirements. When determining the recoverability of accounts receivable, the consolidated company takes into account any change of the credit quality from the original credit date to the balance sheet date. It refers to past late payments and current financial statuses of counterparties. The unrecoverable amount of receivables is reviewed and estimated case by case in order to recognize an appropriate allowance for credit losses for the receivables that may not be recovered.

In addition to the recognition of allowance for credit losses for individual customers experiencing credit impairment, the consolidated company recognizes an allowance for expected credit loss during the lifetime of receivables. The consolidated company decides whether to categorize individual customers into different risk groups by considering past default records and current financial status of the customers and the economic and business environment during the period. Lifetime expected credit losses are calculated according to the historical loss rates and reference to customers' default records. The consolidated company categorizes customers according to the countries and regions they are located and defines the expected credit loss rates by taking into account GDP forecasts and unemployment levels and the overdue days of accounts receivable. An allowance for losses will be recognized at 100% of any receivable overdue for more than one year and without any credit guarantees.

If there is evidence indicating a counterparty is in severe financial difficulty (such as in liquidation) and the consolidated company cannot reasonably expect to recover the amount, the consolidated company will write off the relevant receivables but will continue to pursue the payments. Any recovered amount will be recognized in profit or loss.

The consolidated company uses a provision matrix to measure the allowance for losses of receivables as follows:

December 31, 2021

	No sign of defaults							
	Not overdue	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days	Overdue 271~365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 907,193	$ 321,494	$ 40,349	$ 6,954	$ 7,937	$ 3,626	$ 6,163	$ 1,293,716
Allowance for losses (lifetime expected credit losses)	(8,528)	(3,215)	(1,210)	(348)	(794)	(3,626)	(6,163)	(23,884)
Amortized cost	$ 898,665	$ 318,279	$ 39,139	$ 6,606	$ 7,143	$ -	$ -	$ 1,269,832

December 31, 2020

	No sign of defaults							
	Not overdue	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days	Overdue 271~365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 891,470	$ 206,024	$ 8,878	$ 2,132	$ 1,218	$ 3,194	$ 5,865	$ 1,118,781
Allowance for losses (lifetime expected credit losses)	(3,686)	(2,060)	(266)	(107)	(122)	(3,194)	(5,607)	(15,042)
Amortized cost	$ 887,784	$ 203,964	$ 8,612	$ 2,025	$ 1,096	$ -	$ 258	$ 1,103,739

Change to allowance of losses of receivables is as follows:

	2021	2020
Balance at the beginning of the year	$ 15,042	$ 14,227
Add: credit loss during the year	9,563	3,051
Less: actual charge-offs made in the current year	(237)	(1,982)
Difference in foreign currency translation	(484)	(254)
Year-end balance	$ 23,884	$ 15,042

X. Inventory

	December 31, 2021	December 31, 2020
Finished goods	$ 399,595	$ 309,536
Semi-finished goods	242,717	155,967
Work in process	27,650	10,216
Raw materials	488,086	303,495
	$ 1,158,048	$ 779,214

Cost of goods sold by nature:

	December 31, 2021	December 31, 2020
Inventory cost for sold goods	$ 4,569,421	$ 3,650,831
Loss for market price decline and obsolete inventory	4,010	10,154
	$ 4,573,431	$ 3,660,985

XI. Subsidiaries

(I) Subsidiaries in the consolidated statements

The entities covered by these consolidated financial statements are as follows:

Name of the investment company	Name of the subsidiary	Nature of the business	Shareholding percentage December 31, 2021	Shareholding percentage December 31, 2020
The Company	TSC Auto ID (H.K.) Ltd. (TSCHK)	Investment in production businesses and general imports/exports	100%	100%
The Company	TSC Auto ID Technology EMEA GmbH (TSCAE)	Selling and buying of barcode printers and relevant components	100%	100%
The Company	TSC Auto ID Technology America Inc. (TSCAA)	Selling and buying of barcode printers and relevant components	100%	100%
The Company	Printronix Auto ID Technology Co., Ltd. ("Printronix Auto ID Technology")	Selling and buying of barcode printers and relevant components	100%	100%
The Company and TSCAA	Printronix Auto ID Technology Inc. (PTNX US)	Selling and buying of barcode printers and relevant components	100%	100%
The Company	Diversified Labeling Solutions, Inc. (DLS)	Printer consumables and customized design, integration, production and marketable of a variety of labels	100%	100%
The Company	TSC Auto ID Technology India Private limited (TSCIN)	Selling and buying of barcode printers and relevant components	100%	-

TSC HK	Tianjin TSC Auto ID Technology Co., Ltd. (Tianjin TSC Auto ID Technology)	Production and marketing of barcode printers and relevant components	100%	100%
TSC HK	Shenzhen TSC Auto ID Technology Co., Ltd. (Shenzhen TSC Auto ID Technology)	Selling and buying of barcode printers and relevant components	100%	100%
TSCAE	TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Selling and buying of barcode printers and relevant components	100%	100%
TSCAE	TSC Auto ID Technology Spain, S.L. (TSCAS)	Selling and buying of barcode printers and relevant components	100%	100%
DLS	Precision Press & Label, Inc. (PPL)	Selling of a variety of labels and printer consumables	100%	100%

The Company invested and established TSC Auto ID Technology India Private limited (TSCIN) in September 2021.

(II) Subsidiaries not included in the consolidated financial statements: none.

(III) Other information: The financial statements of the abovementioned subsidiaries included in the consolidated financial statements during the same period were audited by the Company's CPAs and other CPAs.

XII. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other equipment	Construction in progress	Total
Cost						
Balance on January 1, 2020	$ 225,340	$ 382,025	$ 666,397	$ 164,640	$ 8,017	$1,446,419
Additions	-	147	60,506	5,320	8,540	74,513
Disposal	-	-	(690)	(996)	-	(1,686)
Reclassification	-	514	10,329	-	-	10,843
Reclassification from (to) construction in progress	-	-	5,231	2,669	(7,900)	-
Net exchange difference	-	1,731	(17,139)	(2,036)	(425)	(17,869)
Balance on December 31, 2020	$ 225,340	$ 384,417	$ 724,634	$ 169,597	$ 8,232	$1,512,220
Accumulated depreciation						
Balance on January 1, 2020	$ -	$ 98,818	$ 274,687	$ 69,207	$ -	$ 442,712
Disposal	-	-	(108)	(987)	-	(1,095)
Depreciation expense	-	9,356	66,999	24,300	-	100,655
Net exchange difference	-	286	(2,808)	(284)	-	(2,806)
Balance on December 31, 2020	$ -	$ 108,460	$ 338,770	$ 92,236	$ -	$ 539,466
Net balance as of December 31, 2020	$ 225,340	$ 275,957	$ 385,864	$ 77,361	$ 8,232	$ 972,754
Cost						
Balance on January 1, 2021	$ 225,340	$ 384,417	$ 724,634	$ 169,597	$ 8,232	$1,512,220

Additions	-	533	115,976	14,356	14,322	145,187
Disposal	-	(257)	(20,190)	(5,026)	-	(25,473)
Reclassification	-	-	5,493	-	-	5,493
Reclassification from (to) construction in progress	-	-	8,087	-	(8,087)	-
Net exchange difference	-	(793)	(11,103)	(3,488)	(297)	(15,681)
Balance on December 31, 2021	$ 225,340	$ 383,900	$ 822,897	$ 175,439	$ 14,170	$1,621,746
Accumulated depreciation						
Balance on January 1, 2021	$ -	$ 108,460	$ 338,770	$ 92,236	$ -	$ 539,466
Disposal	-	(257)	(17,796)	(4,319)	-	(22,372)
Depreciation expense	-	9,400	62,497	22,573	-	94,470
Net exchange difference	-	(100)	(2,384)	(1,863)	-	(4,347)
Balance on December 31, 2021	$ -	$ 117,503	$ 381,087	$ 108,627	$ -	$ 607,217
Net balance as of December 31, 2021	$ 225,340	$ 266,397	$ 441,810	$ 66,812	$ 14,170	$1,014,529

Depreciation is recognized in a straight line method according to following service lives:

Buildings and structures	
Offices	38-52 years
Factories and auxiliary equipment	17-37 years
Indoor decoration engineering	5 years
Machinery and molding equipment	3-20 years
Office and other equipment	1-20 years
Lease hold improvements	5-10 years
Transportation equipment	7 years

XIII. Lease agreements

(I) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount of right-of-use assets		
Buildings	$239,561	$273,285
Transportation equipment	4,874	6,509
	$244,435	$279,794

	2021	2020
Purchase of right-of-use assets	$ 29,732	$ 10,674
Depreciation of right-of-use assets		
Buildings	$ 82,807	$ 84,248

Transportation equipment	4,071	3,980
	$ 86,878	$ 88,228
Sublease incomes from right-of-use assets (rental incomes)	($ 10,748)	($ 11,791)

Other than the above additions and recognized depreciation expenses, there was no significant addition, sublease, or impairment of the consolidated company's right-of-use assets of 2021.

(II) Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amount of lease liabilities		
Current	$101,861	$ 80,462
Non-current	$172,318	$211,975

The range of the discount rates for lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Buildings	0.25%~6.25%	0.25%~6.25%
Transportation equipment	0.25%~2.27%	0.69%~2.27%

(III) Important activities and clauses as a lessee

The consolidated company rents certain buildings as offices and factories and transportation equipment as business vehicles. The lease period is 1-6 years. According to contracts, the rents for offices and warehouses in the U.S. are increased by 3% p.a. according to contracts.

The consolidated company entered into a factory lease agreement with Tianjin TEDA Science& Technology Development Group. Due to the severe impact of COVID-19 on the economy in 2020, Tianjin TEDA Science& Technology Development Group agreed to waive the rents from February 2020 to April 2020 without any conditions and halve the rents from May 2020 to July 2020. However, property management fees were required as usual. The consolidated company reduced the right-of-use assets by NT$4,478 thousand according to the modified lease agreement and the difference resulting in the lease liability.

(IV) Other information on leases

	2021	2020
Short-term lease expenses	$ 1,277	$ 1,146
Low-value asset lease expenses	$ 16,691	$ 9,160
Total cash (outflow) for leases	($ 98,978)	($106,758)

The consolidated company chooses to exempt the recognition of office equipment leases qualified for short-term leases and low-value asset leases. In other words, no right-of-use assets or liabilities will be recognized for such leases.

XIV. Goodwill

	2021	2020
Cost		
Balance at the beginning of the year	$ 981,239	$ 1,032,919
Net exchange difference	(27,563)	(51,680)
Year-end balance	$ 953,676	$ 981,239

Goodwill is allocated to the following cash-generating units when conducting impairment test; the book value of goodwill allocated to cash-generating units prior to recognizing impairment losses is explained below:

	December 31, 2021	December 31, 2020
Printer business - Printronix	$ 775,621	$ 798,038
Label business - DLS	178,055	183,201
	$ 953,676	$ 981,239

The recoverable amounts of the above cash-generating units were determined based on use value, which were assessed using the following key assumptions:

(I) Printer business - Printronix

Use value is estimated based on the cash flow that the management of the consolidated company has budgeted for the next 5 years; the discount rates (after tax) used in 2021 and 2020 were 10% and 10.5%, respectively.

Cash flow of the Printronix brand estimated for the budget period also involved the following main assumptions:

1. Expected operating revenues and revenue growth: the management takes into account historical sales data, past experience producing barcode printers, forecast of the auto-identification systems industry, as well as future operating strategies and goals to estimate sales over the budget period.
2. Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the Printronix brand, while taking into consideration cost and expense improvements in the future.

(II) Label business - DLS

Use value is estimated based on the cash flow that the management of the consolidated company has budgeted for the next 5 years; the discount rates (after tax) used in 2021 and 2020 were 9.4% and 9.1%, respectively.

Cash flow of the DLS brand estimated for the budget period also involved the following main assumptions:

1. Expected operating revenues and revenue growth: the management takes into account historical sales data, demand for labels in the U.S. market, forecast of the label industry, as well as future operating goals to estimate sales over the budget period.
2. Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the DLS brand, while taking into account resource integration and efficiency improvements in the future.

Recoverable amounts for all cash-generating units mentioned above were higher than their book values, hence no impairment loss was recognized. The management is of the opinion that any reasonable change of key assumptions relating to the recoverable amount of an individual cash-generating units would not cause the book value of the cash-generating unit to exceed its recoverable amount.

XV. Other Intangible Assets

	Knowhow & technology	Customer relations	Patents	Software	Trademarks	Total
Cost						
Balance on January 1, 2020	$ 150,309	$ 346,689	$ 50,607	$ 96,604	$ 135	$ 644,344
Acquisition by separate purchase	-	-	-	11,686	-	11,686
Net exchange difference	(6,900)	(17,346)	-	7	-	(24,239)
Balance on December 31, 2020	$ 143,409	$ 329,343	$ 50,607	$ 108,297	$ 135	$ 631,791
Accumulated amortization						
Balance on January 1, 2020	$ 59,181	$ 118,312	$ 25,303	$ 50,369	$ 135	$ 253,300
Amortization expenses	16,071	37,408	6,326	16,514	-	76,319
Net exchange difference	(3,192)	(7,267)	-	74	-	(10,385)
Balance on December 31, 2020	$ 72,060	$ 148,453	$ 31,629	$ 66,957	$ 135	$ 319,234
Net balance as of December 31, 2020	$ 71,349	$ 180,890	$ 18,978	$ 41,340	$ -	$ 312,557
Cost						
Balance on January 1, 2021	$ 143,409	$ 329,343	$ 50,607	$ 108,297	$ 135	$ 631,791
Acquisition by separate purchase	-	-	-	15,742	-	15,742
Disposal	-	-	-	-	-	-
Net exchange difference	(3,680)	(9,251)	-	(589)	-	(13,520)
Balance on December 31, 2021	$ 139,729	$ 320,092	$ 50,607	$ 123,450	$ 135	$ 634,013
Accumulated amortization						
Balance on January 1, 2021	$ 72,060	$ 148,453	$ 31,629	$ 66,957	$ 135	$ 319,234
Amortization expenses	15,349	35,423	6,326	17,831	-	74,929
Disposal	-	-	-	-	-	-
Net exchange difference	(1,945)	(4,545)	-	(351)	-	(6,841)
Balance on December 31, 2021	$ 85,464	$ 179,331	$ 37,955	$ 84,437	$ 135	$ 387,322
Net balance as of December 31, 2021	$ 54,265	$ 140,761	$ 12,652	$ 39,013	$ -	$ 246,691

Amortization is recognized in a straight line method according to following service lives:

Licensed technology	5-10 years
Customer relations	7 years
Patents	8 years
Software cost	1-10 years
Trademarks	6 years

XVI. Short-term loans

(I) Short-term loans

	December 31,	December 31,

	2021	2020
Unsecured loans	$550,706	$794,994
Annual interest rate (%)	0.46%~1.02%	0.42%~1.29%
Final maturity	111/3/20	110/3/26

(II) Long-term loans

	December 31, 2021	December 31, 2020
Unsecured loans	$ 900,000	$ 1,030,000
Less: portion due within one year	(65,000)	(4,000)
	$ 835,000	$ 1,026,000
Annual interest rate (%)	1.00%	0.93%~1.05%
Final maturity	113/7/22	112/9/23

1. To enhance mid-term working capital, the Company has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods. The covenant of the loans with Yuanta Commercial Bank requires the Company to maintain the following financial ratios for annual and interim consolidated financial statements:
   (1) Current ratio no lower than 110%; liabilities/book value of tangible assets no higher than 300%;
   (2) Book value of tangible assets above NT$1.2 billion.
   (3) Debt service coverage ratio (DSCR) not below 1x.
2. In response to the pandemic, the U.S. federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It established Paycheck Protection Program (PPP) to assist SMEs (small-and-medium enterprises) to maintain operational capabilities

during the economic shutdown, continue to pay employee salaries and provide jobs.

The consolidated company’s subsidiary in the U.S. obtained a loan of US$1,020 thousand (or NT$30,123 thousand) in April 2020 from a bank authorized by Small Business Administration (SBA) to pay employee salaries and relevant benefits. The loan will be forgiven if all the specific conditions are met. If not, the principal along with a 1% fixed interest rate should be repaid in full within two years. A PPP loan is forgiven if the following conditions are met:

(1) For a loan obtained before June 5, 2020, the forgiven amount is the operating expenses (wages, rents, water and electricity, etc.) actually incurred over the eight-week extendible to 24 weeks) the covered period after the acquisition of the loan. However, at least 60% should be used for salaries and the remaining 40% may be used to fund operating expenses.

(2) The average number of full-time employees (who work no less than 40 hours per week) during the covered period after the loan is made may not fall below the average number of full-time employees at any time from February 15, 2019 to June 30, 2019 or from January 1, 2020 to February 29, 2020.

(3) The salary reduction for each employee domiciled in the U.S. during the covered period may not exceed 25% of the salary from January 1, 2020 to March 31, 2020.

The consolidated company's U.S. subsidiary was granted PPP loan exemption in November 2020, for which a government grant income of US$1,020 thousand (equivalent to NT$30,123 thousand) was recognized.

XVII. Other Payables

	December 31, 2021	December 31, 2020
Current		
Salaries and bonuses payable	$ 181,901	$ 135,217

Employees' remuneration payable	42,545	38,697
Taxes payable	33,694	5,979
Directors' remuneration payable	31,909	29,023
R&D expenses payable	11,991	11,448
Service fees payable	9,549	10,702
Insurance premiums payable	8,746	7,519
Equipment amount payable	5,170	6,919
Others (Note 30)	47,626	33,962
	$ 373,131	$ 279,466

XVIII. Retirement benefit plan

(I) Defined contributions

The pension scheme introduced under the "Labor Pension Act" that the consolidated company uses is a government-managed defined contribution plan, for which the Company is required to contribute an amount equal to 6% of employees' monthly salaries into their individual pension accounts held with the Bureau of Labor Insurance.

Employees of the consolidated company's subsidiaries in Germany, the USA, and China are participants of the pension schemes offered by the local governments. These subsidiaries are required to finance pension plans by contributing a certain percentage of employees' salaries. The consolidated company's obligation with respect to government-operated pension plans is limited only to making the required contributions.

(II) Defined benefits

The consolidated company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and 6-month average salary leading up to their retirement. The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under the Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year at the end of each year, the Company will reimburse the shortfall in one contribution by no later than the end of March next year. The account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the consolidated balance sheet:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 22,831	$ 25,778
Fair value of plan assets	(3,100)	(2,918)
Net defined benefit liability	$ 19,731	$ 22,860

Changes in net defined benefit liability:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2020	$ 29,818	($ 5,220)	$ 24,598
Service costs			
Service costs for the current year	33	-	33
Interest expense (income)	341	(61)	280
Recognized in profit or loss	374	(61)	313
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(155)	(155)
Actuarial loss - change in financial assumption	1,545	-	1,545
Actuarial gain - adjustment based on past experience	(3,185)	-	(3,185)
Recognized in other comprehensive income	(1,640)	(155)	(1,795)
Employer's contribution	-	(256)	(256)
Benefits paid	(2,774)	2,774	-
December 31, 2020	25,778	(2,918)	22,860

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Service costs			
Service costs for the current year	$ -	$ -	$ -
Interest expense (income)	200	(22)	178
Recognized in profit or loss	200	(22)	178
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(38)	(38)
Actuarial loss - change in demographic assumption	783	-	783
Actuarial loss - change in financial assumption	167	-	167
Actuarial gain - adjustment based on past experience	(388)	-	(388)
Recognized in other comprehensive income	562	(38)	524
Employer's contribution	-	(840)	(840)
Benefits paid	(3,709)	718	(2,991)
December 31, 2021	$ 22,831	($ 3,100)	$ 19,731

The Company is exposed to the following risks due to adoption of the pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is allocated into equity securities, debt securities, and bank deposits in Taiwan and abroad; however, the Company estimates a return on plan assets at a rate no lower than the 2-year time deposit rate offered by local banks.

2. Interest rate risks: A decrease in government and corporate bond yields would increase the present value of defined benefit obligations while at the same time increase the return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risks: The present value of defined benefit obligations is calculated by taking into consideration plan participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	December 31, 2021	December 31, 2020
Discount rate	0.750%~0.875%	0.750%~0.875%
Expected salary increase	2.5%	2.5%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	December 31, 2021	December 31, 2020
Discount rate		
0.25% increase	($ 914)	($ 1,043)
0.25% decrease	$ 959	$ 1,094
Expected salary increase		
0.25% increase	$ 932	$ 1,062
0.25% decrease	($ 893)	($ 1,018)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligations.

	December 31, 2021	December 31, 2020
Expected contributions within 1 year	$ 130	$ 252
Average maturity of defined benefit obligations	16.17-22 years	16.61-22.84 years

XIX. Equity

(I) Ordinary share capital

	December 31, 2021	December 31, 2020
Authorized shares (1,000 shares)	80,000	80,000
Authorized share capital	$ 800,000	$ 800,000
Issued shares (1,000 shares)	42,477	42,477
Issued share capital	$ 424,769	$ 424,769

The face value per ordinary share issued is NT$10. Each share is entitled to one voting right and one right to dividends.

(II) Capital surplus

	December 31, 2021	December 31, 2020
May be used to offset losses, issue cash or appropriate to share capital (1)		
Premium of share issuance	$ 416,789	$ 416,789
Lapsed stock options	122,840	53,380
Exercised employee stock options	20,556	20,556
May not be used for any purposes (2)		
Employee stock options	32,667	86,940
	$ 592,852	$ 577,665

1. This type of capital surplus may be used to offset losses or to issue cash dividends or appropriate share capital in the absence of losses. Share capital appropriation is limited to a certain percentage of paid-in capital each year.

2. Capital surplus generated due to the issuance of employee stock options may not be used for any purposes.

(III) Retained earnings and dividend policy

According to the earnings distribution policy stated in the Company's Articles of Incorporation, any earnings for the year should be used to pay taxes according to laws, offset losses from prior years and then appropriate 10% as legal reserves and recognize or reverse any special reserves required by laws. The remaining balance, along with accumulative and undistributed earnings from the previous year, may be used for earnings distribution. However, a portion may be reserved for business needs before the issuance of dividends to shareholders. The Company is in a growth stage. To fund the future operation and development, the Board of Directors proposes the earnings distribution and the issuance of dividends to shareholders is proceeded after resolution from the shareholders' meeting. The Company's policy regarding employees' remuneration and directors' remuneration is stated in the Articles of Incorporation. Please refer to Note 21 (7) for employees' remuneration and directors' remuneration.

According to the Company's Articles of Incorporation, the percentage of earnings to be distributed according to the resolution, in principle, may not fall below 10% of the distributable earnings for the year. Dividends may be issued in cash or with shares. The percentage of dividends distributed in cash may not fall below 10% of the total dividends. However, stock dividends will be issued in lieu of cash dividends below NT$0.2 per share.

Appropriation to the legal reserve shall continue and may stop when the legal reserve reaches the same amount as the paid-in capital. The legal reserve may be used to offset losses. If the legal reserve exceeds 25% of the paid-in capital and there are no losses, the exceeding portion may be distributed in cash.

Appropriation of 2020 and 2019 earnings, as shown below, were resolved in the Company's shareholder meetings:

	Earnings distribution		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$ 71,715	$ 75,674		
Cash dividends	424,769	424,769	$ 10	$ 10
	$ 496,484	$ 500,443		-

Details of the 2021 earnings appropriation plan and dividends per share proposed by the board of directors in the meeting dated March 28, 2022, are as follows:

	Earnings distribution	Dividend per share (NT$)
Legal reserve	$ 78,396	
Cash dividends	467,246	$ 11
	$545,642	

The above earnings distribution proposal is still pending for shareholder meeting resolution in June 2021.

(IV) Other equity

1. Exchange differences on translation of financial statements of foreign operations

	2021	2020
Balance at the beginning of the year	($ 233,777)	($165,699)
Tax rate changes		
Incurred in the current year		
Exchange differences on translation of financial statements of foreign operations	(75,615)	(85,098)
Relevant income taxes	15,123	17,020
Balance at the end of the year	($ 294,269)	($233,777)

2. Unrealized gain (loss) of financial assets measured at fair value through other comprehensive incomes

	2021	2020
Balance at the beginning of the year	$ 424,411	$271,303
Unrealized gain of financial assets measured at fair value through other comprehensive incomes	223,040	153,108
Year-end balance	$ 647,451	$424,411

XX. Income

	2021	2020
Revenue from contracts with customers		
Barcode printers	$ 3,985,079	$ 3,231,424
Labels and printer consumables	2,353,605	1,973,643
Barcode printer components and others	510,124	478,741
	$ 6,848,808	$ 5,683,808

(I) Explanations of revenue from contracts with customers

In addition to the following explanations, please also refer to the explanations provided in (XIII) of Note IV - Summary of Material Accounting Policies.

The consolidated company primarily sells barcode printers and relevant components to China, Taiwan, other parts of Asia, Europe and the Americas. According to the consolidated company's agreement with distributors, if the purchase of certain models by distributors reaches the contracted volume, the consolidated company will provide incentives at a percentage of the procurement value or retrospective unit price reductions for certain models. Based on past experiences and considering various agreement terms and conditions, the consolidated company estimates the possible rewards and incentives amount and recognizes refund liabilities accordingly.

(II) Breakdown of revenue from contracts with customers

See Note 31 for a breakdown of income.

XXI. Additional information about net income during the year

Net income during the year includes the following:

(I) Interest income

	2021	2020
Bank deposits	$ 4,390	$ 3,536

(II) Other incomes

	2021	2020
Dividend income	$ 20,400	$ 20,400
Rental incomes (Note 13)	10,748	11,791
Grant income (Note 16)	-	36,729
Others	9,535	5,522
	$ 40,683	$ 74,442

(III) Other gains and losses

	2021	2020
Net foreign exchange gain (loss)	$ 6,578	($ 19,097)
Gain from financial instruments measured at fair value through profit or loss	10,693	6,258
Loss from disposal of property, plant and equipment	(2,158)	(148)
Gain on lease amendment	-	28
Other losses	(1,948)	(2,759)
	$ 13,165	($ 15,718)

(IV) Financial cost

	2021	2020
Bank loan interests	$ 14,127	$ 22,468
Lease liability interests	11,438	13,609
	$ 25,565	$ 36,077

(V) Depreciation and amortization

	2021	2020
Property, plant and equipment	$ 94,470	$ 100,655
Right-of-use assets	86,878	88,228
Intangible assets	74,929	76,319
	$ 256,277	$ 265,202

Deprecation by function		
Operating costs	$ 123,872	$ 130,588
Operating expenses	57,476	58,295
	$ 181,348	$ 188,883

Amortization by function		
Operating costs	$ 560	$ 221
Operating expenses	74,369	76,098
	$ 74,929	$ 76,319

(VI) Employee benefit expenses

	2021	2020
Shor-term employee benefits	$ 1,268,838	$ 1,103,497
Retirement benefits		
Defined contributions	39,509	28,724
Defined benefits (Note 18)	178	313
Share-based payment (Note 24)		
Equity settled	15,187	$ 8,773
Other employee benefits	49,870	16,192
Total employee benefit expenses	$ 1,373,582	$ 1,157,499
Summary by function		
Operating costs	$ 566,798	$ 466,885
Operating expenses	806,784	714,232
	$ 1,373,582	$ 1,181,117

(VII) Employees' remuneration and directors' remuneration

In case of profits during the year, the Company shall allocate at least 2% but no more than 10% of the profits as employees' remuneration. The employees' remuneration is issued in cash or wish shares according to the decision by the Board of Directors. Eligible employees include the employees working for controlled or subordinated companies and meeting certain criteria defined by the Board of Directors. The Company may allocate up to 5% of the abovementioned profits as directors' remunerations according to the decision by the Board of Directors. The proposal for distribution of employees' remuneration and directors' remuneration should be reported to the shareholders' meeting. In case of accumulated losses, profits should be used to offset the losses before distributing the aforesaid percentage as employees' remuneration and directors' remuneration. Employees' remuneration and directors' remuneration estimated for 2021 and 2020:

Estimated and recognized percentage

	2021	2020
Employees' remuneration	4.0%	4.0%
Directors' remuneration	3.0%	3.0%

Amount

	2021	2020
Employees' remuneration	$ 42,545	$ 38,697
Directors' remuneration	31,909	29,023
	$ 74,454	$ 67,720
Amounts recognized in consolidated financial statements	$ 74,454	$ 67,720

In case of changes in the amounts after the approval and publication of annual consolidated financial statements, the difference shall be treated as changes in accounting estimates and recognized during the following year.

The information about the Company's employees' remuneration and directors' remuneration as determined by the Board of Directors is available on Taiwan Stock Exchange's Market Observation Post System.

(VIII) Gain/loss on foreign currency exchange

	2021	2020
Total exchange gain	$ 105,650	$ 110,441
Total exchange loss	(99,072)	(129,538)
Net gain (loss)	$ 6,578	($ 19,097)

XXII. Income taxes

(I) Income taxes recognized in profit and loss

The primary components of income tax expenses are as follows:

	2021	2020
Income tax during the period		
Incurred during the period	$ 230,396	$ 165,057
Tax on undistributed earnings	11,068	12,815
Adjustment for the previous year	(9,135)	(7,999)
	232,329	169,873
Deferred income tax		

Incurred during the period	66,088	58,264
Income tax expenses recognized in profit and loss	$ 298,417	$ 228,137

Reconciliation of accounting income and income tax expense:

	2021	2020
Profits before tax	$ 1,082,903	$ 943,489
Income tax derived by applying the statutory tax rate to pre-tax profit	$ 262,236	$ 200,668
Increase (decrease) from required adjustments	15,799	(12,899)
Effect of deferred income tax on overseas subsidiaries' earnings	26,685	36,209
Tax on undistributed earnings	11,068	12,815
Unrecognized loss carryforwards and deductible temporary difference	293	(657)
Tax credit for income source from Mainland China	(8,529)	-
Previous income taxes adjusted in the current year	(9,135)	(7,999)
Income tax expenses recognized in profit and loss	$ 298,417	$ 228,137

The income tax rate is 20% for profit-seeking enterprises and the tax rate on undistributed earnings is 5% in Taiwan. The subsidiaries in China, Tianjin TSC Auto ID Technology, is subject to a 25% tax rate, Shenzhen TSC Auto ID Technology meets the criteria for small and micro enterprises, the 2.5% tax is applicable; in the U.S. to a 26%-28% tax rate and in Germany about 30%. The tax rates in other jurisdictions are based on the local tax rates applicable.

Given the uncertainty involved in the earnings appropriation in the 2021 annual general meeting, the consequences of the 5% additional income tax on undistributed 2020 earnings cannot be determined reliably.

(II) Income tax recognized under other comprehensive income

	2021	2020
Deferred income tax		
Incurred in the current year		
Income tax benefit on translation differences from foreign operations	$ 15,123	$ 17,020

(III) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2021

Deferred income tax assets	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Unrealized gross profit from associated companies	$ 41,026	($ 2,225)	$ -	$ -	$ 38,801
Exchange differences from foreign operations	56,153	-	15,123	-	71,276
Leave encashment payable	7,126	586	-	(167)	7,545
Allowance for inventory devaluation	5,217	1,818	-	(113)	6,922
Merger and acquisition costs	6,113	(360)	-	(167)	5,586
Loss carryforwards	35,213	(17,771)	-	(801)	16,641
Others	20,773	1,259	-	(482)	21,550
Investment credit	270,648	(14,545)	-	(7,448)	248,655
	$ 442,269	($ 31,238)	$ 15,123	($ 9,178)	$ 416,976

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Investment gains recognized using the equity method	$ 166,625	$ 26,685	$ -	$ -	$ 193,310
Difference between book value and taxation basis of intangible assets acquired through business combination	30,190	(9,902)	-	(744)	19,544
Difference in useful lives of plant and equipment	67,841	14,290	-	(2,057)	80,074
Others	6,075	3,777	-	(205)	9,647
	$ 270,731	$ 34,850	$ -	($ 3,006)	$ 302,575

2020

Deferred income tax assets	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Unrealized gross profit from associated companies	$ 47,789	($ 6,763)	$ -	$ -	$ 41,026
Exchange differences from foreign operations	39,133	-	17,020	-	56,153
Leave encashment payable	7,306	120	-	(300)	7,126
Allowance for inventory devaluation	4,611	764	-	(158)	5,217
Merger and acquisition costs	7,141	(695)	-	(333)	6,113
Loss carryforwards	45,535	(8,347)	-	(1,975)	35,213
Others	26,432	(4,748)	-	(911)	20,773
Investment credit	290,209	(5,229)	-	(14,332)	270,648
	$ 468,156	($ 24,898)	$ 17,020	($ 18,009)	$ 442,269

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Investment gains recognized using the equity method	$ 130,416	$ 36,209	$ -	$ -	$ 166,625
Difference between book value and taxation basis of intangible assets acquired through business combination	42,717	(10,778)	-	(1,749)	30,190
Difference in useful lives of plant and equipment	65,664	5,666	-	(3,489)	67,841
Others	4,086	2,269	-	(280)	6,075
	$ 242,883	$ 33,366	$ -	($ 5,518)	$ 270,731

(IV) Information on amounts not recognized as deferred income tax asset in the consolidated balance sheet

As of December 31, 2021 and 2020, the consolidated company had NT$15,709 thousand and NT$15,525 thousand of deductible temporary differences, respectively, that were not recognized as deferred income tax assets.

As of December 31, 2021, the consolidated company had NT$55,747 thousand of unused investment credit that was not recognized as deferred income tax asset.

(V) Details of unused investment credit and loss carryforwards

Investment credit of U.S. subsidiary PTNX US as of December 31, 2021:

Deduction items	Deductionable balance	Deductionable due
Research and development expenses		
Federal	$ 75,782	2036
State tax	228,620	No restriction
	$304,402	

Loss carryforwards for U.S. subsidiary DLS as of December 31, 2021:

Jurisdiction	Outstanding balance	Losses carried forward due
Federal	$ 70,907	No restriction
Illinois	29,252	2031
	$100,159	

(VI) Income tax assessment

The business income tax filings from the Company and the Company's subsidiaries in Taiwan as profit-seeking enterprises up to 2019 have been assessed by the tax authorities.

XXIII. Earnings per Share

	2021	2020
Basic earnings per share	$ 18.47	$ 16.84
Diluted earnings per share	$ 18.32	$ 16.74

The earnings and the weighted average number of ordinary shares for the calculation of earnings per share are as follows:

Net income for the period

	2021	2020
Net income attributable to the shareholders of the Company	$784,486	$715,352
Net income used for the calculation of diluted earnings per share	$784,486	$715,352

No. of shares		Unit: 1,000 shares
	2021	2020
Weighted average number of ordinary shares used for the calculation of earnings per share	42,477	42,477
Effects of dilutive potential ordinary shares:		
Employee stock options	101	-
Employees' remuneration	252	253
Average weighted number of ordinary shares used for the calculation of dilutive earnings per share	42,830	42,730

The consolidated company can opt to issue employees' remuneration with shares or in cash. The calculation of diluted earnings per share should assume the remuneration is paid with shares. The dilute potential ordinary shares should be included in the weighted average number of shares outstanding for the calculation of diluted earnings per share. The calculation of diluted earnings per share before the decision on the issuance of shares as employees' remuneration in the following year should also take into account the effects of dilutive ordinary shares.

The outstanding employee stock options were anti-dilutive due to the exercise price higher than the average market price from January 1 to December 31, 2020. Hence, these options were not included in the calculation of diluted earnings per share.

XXIV. Shares-based Payment Agreement

The Company granted 57 units and 943 units of employee stock options in April 2021 and July 2020 respectively. Each option can subscribe to 1,000 ordinary shares. These options were issued to the employees working for the Company and the subsidies and meeting certain criteria. The time to maturity of these options is five years. The exercisable percentages in different years are as follows:

(I) Up to 50% on the day following two years in issuance.

(II) Up to 75% on the day following three years in issuance.

(III) Up to 100% on the day following four years in issuance.

The exercise price is the closing price of the Company's ordinary shares on the day of issuance. The exercise price shall be adjusted according to the formula in case of change in the Company's ordinary shares.

The information on employee stock options is as follows:

	2021		2020	
Employee stock options	Unit	Weighted average exercise price (NT$)	Unit	Weighted average exercise price (NT$)
Outstanding at the beginning of the year	1,742	$178.5-211.6	854	$ 223.5
Granted in the current year	57	217.5	943	188.5
Forfeited due to resignation in the current year	(45)	-	(55)	-
Expired in the current year	(809)	-	-	-
Outstanding at the beginning of the year	945	170.8-208.1	1,742	178.5-211.6
Exercisable at the end of the year	-	-	809	211.6
Weighted average fair value of the granted stock options during the year (NT$)	$ 52.46		$ 47.33	

As of the balance sheet date, the information of the employee stock options outstanding is as follows:

Range of exercise prices (NT$)	Employee stock options outstanding: No. of units	Employee stock options outstanding: Weighted average time to maturity (years)
December 31, 2021		
$ 170.8	918	3.5
$ 208.1	27	4.27
December 31, 2020		
$ 178.5	933	4.5
$ 211.6	809	0.23

The valuation of the employee stock options granted in April 2021 and July 2020 is based on the Black-Scholes model, with the inputs as follows:

	April 2021	July 2020
Share price on granted day	NT$217.5	NT$188.5
Exercise price	NT$217.5	NT$188.5
Expected volatility	29.98%~31.14%	31.40%~32.52%
Time to maturity	3.5-4.5 years	3.5-4.5 years
Expected dividend yield	0%	0%
Risk-free rate	0.26%~0.30%	0.33%~0.36%

The expected volatility is the annualized standard deviation of the historical returns over the time period equivalent to time to maturity.

Cost of remuneration recognized for 2021 and 2020 amounted to NT$15,187 thousand and NT$8,773 thousand, respectively.

XXV. Capital Risk Management

The policy adopted by the Board of Directors seeks to sustain a robust capital structure, maintain the confidence from investors, creditors and the market and support the operational development going forward. The capital management of the consolidated company intends to protect the going concern capability, continue to create shareholder returns and other stakeholders' interest, maintain the optimal capital structure and reduce the cost of capital.

To maintain or adjust the capital structure, the consolidated company may adjust shareholders' dividends, reduce capital by returning funds to shareholders, issue new shares, repurchase shares, raise new debts or repay existing debts.

The consolidated company controls and manages capital structure with the liability ratio. This ratio is calculated with total liabilities divided by total assets. The consolidated company's capital management seeks to maintain a liability ratio of no more than 60% to ensure funding at a reasonable cost. The liability ratios for different time periods are as follows:

	December 31, 2021	December 31, 2020
Total liabilities	$ 3,581,948	$ 3,552,206
Total equity	$ 4,088,143	$ 3,551,215
Total assets	$ 7,670,091	$ 7,103,421
Liability ratio	46.70%	50.00%

XXVI. Financial Instruments

(I) Fair value – recurring fair value measurement of financial instruments

1. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 3,061	$ -	$ 3,061
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx				
-Equity investment	$1,068,960	$ -	$ -	$1,068,960
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 443	$ -	$ 443

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 934	$ -	$ 934
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx				
-Equity investment	$ 845,920	$ -	$ -	$ 845,920
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 3,235	$ -	$ 3,235

There was no transfer between Level 1 and Level 2 fair values in 2021 and 2020.

2. Level 2 fair values – valuation techniques and input values

Types of financial instruments	Valuation techniques and input values
Derivatives – currency forwards and currency swaps	Discounted cash flows: Future cash flows are estimated based on observable forward exchange rates and contract rates at the end of the period and discounted with a rate reflective of credit risks of counterparties.

(II) Types of financial instruments

	December 31, 2021	December 31, 2020
Financial Assets		
Measured at fair value through profit or loss		
Designated at fair value through profit or loss	$ 3,061	$ 934
Financial assets measured at amortized cost (Note 1)	2,497,366	2,427,376

Financial assets measured at fair value through other comprehensive incomes - equity instrument investments	1,068,960	845,920
<u>Financial Liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	443	3,235
Measured at amortized cost (Note 2)	2,325,727	2,441,740

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notes receivable, accounts receivable and other receivables.

Note 2: The balance includes financial liabilities measured at amortized costs such as short-term loans, accounts payable, other payables and long-term loans.

(III) Financial risk management objectives and policy

The financial risk management by the consolidated company is to manage the market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks associated with operational activities. To reduce relevant financial risks, the consolidated company strives to identify, assess and hedge market uncertainty to mitigate the potential and adverse impact of market changes on the financial performance.

The consolidated company's important financing activities are reviewed by the Board of Directors and Audit Committee according to relevant regulations and the internal control system.

1. Market risks

The primary financial risks that the consolidated company is exposed to due to operating activities are foreign exchange rate risks (Note 1) and interest rate risks (Note 2). The company engages in certain derivatives transactions to manage the foreign exchange risks and interest rate risks.

Currency forwards are the main instrument to hedge exchange rate risks incurred by exporting barcode printers to Europe and Americas. There has been no change in the consolidated company's risk exposure in the financial instrument market and methods to manage and measure such exposure.

(1) Exchange rate risks

The consolidated company manages exchange rate risks by using currency forwards and currency swaps within the range allowed by policy.

Please refer to Note 29 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items cancelled out in the consolidated financial statements) on the balance sheet date.

Sensitivity Analysis

The consolidated company is primarily subject to the exchange rate volatility of the US dollars, the Euro, Chinese yuan, and Japanese yen.

The table below details the consolidated company's sensitivity analysis of the impact when the NT dollars (functional currency) appreciates and depreciates by 3% again different foreign currencies. Positive numbers in the table below indicate the amount increased in profits before tax, with the NT dollars depreciating by 3% against different currencies. Negative numbers indicate the amount decreased in profits before tax, with the NT dollars appreciating by 3% against different currencies.

	Gains and losses	
	2021	2020
USD	$ 21,131 (i)	$ 6,731 (i)
Euro	5,802 (ii)	3,041 (ii)
CNY	(571) (iii)	650 (iii)
JPY	(1,282) (iv)	(1,345) (iv)

(i) This is primarily due to the Company's accounts receivable, bank deposits, short-term loans, and accounts payable denominated in the US dollars and outstanding on the balance sheet date, without hedged cash flows.

(ii) This is primarily due to the consolidated company's accounts receivable, bank deposits, and short-term loans denominated in Euro and outstanding on the balance sheet date, without hedged cash flows.

(iii) This is primarily due to the consolidated company's accounts receivable, accounts payable and bank deposits denominated in Chinese yuan and outstanding on the balance sheet date, without hedged cash flows.

(iv) This is primarily due to the consolidated company's accounts payable and bank deposits denominated in Japanese yen and outstanding on the balance sheet date, without cash flows hedged.

(2) Interest rate risks

The carrying amounts of the consolidated company's financial assets and financial liabilities exposed to interest rate risks on the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Fair value interest rate risks		
- Financial assets	$ 336,810	$ 67,289
- Financial liabilities	824,885	930,791
Cash flow interest rate risks		
- Financial assets	766,218	1,155,165
- Financial liabilities	900,000	1,186,640

The consolidated company is exposed to fair value interest rate risks due to its position of fixed-rate fixed-term bank deposits, bank loans and lease liabilities. The consolidated company is exposed to cash flow interest rate risks due to its position of floating-rate demand bank deposits, fixed-term bank deposits and bank loans.

Sensitivity Analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivatives on the balance sheet date. It is assumed that all the floating rate liabilities on the balance sheet date are outstanding throughout the reporting period.

If the interest rate increases/decreases by 100 basis points and all other variables are unchanged, the consolidated company's profits before tax will increase/decrease by NT$1,338 thousand and decrease/increase by NT$315 thousand in 2021 and 2020, respectively, primarily due to floating-rate bank deposits and bank loans.

Sensitivity to interest of the current year increases for the consolidated company. The major reason is due to the decrease in the variable interest rate of the financial assets and liabilities. Except that the decrease is smaller for the liabilities than assets.

(3) Other price risks

The consolidated company is exposed to equity price risks due to its position of TPEx-listed equity securities. The equity investments are not held for trading but for strategic purposes. The consolidated company does not actively trade such investments.

Sensitivity Analysis

The sensitivity analysis below is based on the equity price exposure on the balance sheet date.

If the equity price goes up/down by 1%, the other comprehensive incomes net of tax will increase/decrease by NT$10,690 thousand and by NT$8,459 thousand in 2021 and 2020, due to change in the fair value of financial assets measured at fair value through other comprehensive incomes.

The consolidated company's rising sensitivity to price risks during this period is primarily due to an increase in the fair value of investees.

2. Credit risks

Credit risks are the consolidated company's risks of financial losses due to the counterparties' delay in honoring contractual obligations. The consolidated company's credit risks primarily come from the cash generated from operating activities, bank deposits, accounts receivable and other financial instruments in investing activities.

<u>Financial credit risks</u>

The consolidated company controls the risk exposure to every financial institution. Bank deposits are with financial institutions of good credits and without major contract performance concerns. Therefore, there are no material credit risks.

<u>Credit risks associated with operations</u>

To reduce credit risks, the consolidated company establishes a credit policy for continued assessment of customers' financial statuses and transaction records. However, no security or guarantee from customers is required. To mitigate credit risks, the consolidated company's management implements other monitoring procedures to ensure the adoption of appropriate actions for the recovery of overdue receivables. Meanwhile, the consolidated company reviews the recoverable amount of each receivable on the balance sheet date to recognize appropriate credit loss for the unrecoverable receivables. Hence, the consolidated company's management does not think there are major credit risks for the consolidated company.

The top ten customers accounted for 34% and 31% of the consolidated company's operating incomes in 2021 and 2020. To lower the credit risks, the consolidated company periodically assesses the financial statuses of customers and the recoverability of accounts receivable and recognizes appropriate allowance for losses accordingly.

3. Liquidity risks

The consolidated company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the impact of cash flow volatility. To control liquidity risks, the consolidated company's management keeps a close eye on the utilization of credit lines with banks to ensure adherence to the borrowing terms and conditions. The consolidated company's current capital is adequate to meet the due liabilities. It is unlikely that the consolidated company is unable to repay financial liabilities or honor relevant obligations in cash or with other financial assets. Please refer to (3) Credit Facilities for the available credit lines as of December 31, 2021 and December 31, 2020, respectively.

(1) Table of Liquidity and Interest Rate Risks of Non-Derivative Financial Liabilities

The table below details the maturities of the consolidated company's non-derivative financial liabilities with repayment periods agreed. The analysis is based on the earliest possible repayment dates required and undiscounted cash flows of financial liabilities (including principals and estimated interests). In other words, the earliest and immediate repayment dates required by banks for loans are listed below, without considering the probabilities of banks immediately exercising such rights. The maturity analysis for other non-derivative financial liabilities is produced in reference to the agreed repayment dates.

December 31, 2021

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 875,021	$ -	$ -	$ -
Lease liabilities	16,776	93,651	174,625	-
Floating interest rate instruments	229	65,000	835,000	-
Fixed interest rate instruments	551,063	-	-	-
	$1,443,089	$ 158,651	$1,009,625	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 110,427	$ 174,625	$ -

December 31, 2020

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 616,746	$ -	$ -	$ -
Lease liabilities	18,670	75,030	214,025	-
Floating interest rate instruments	156,859	4,000	1,026,000	-
Fixed interest rate instruments	638,962	-	-	-
	$1,431,237	$ 79,030	$1,240,025	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 93,700	$ 214,025	$ -

(2) Table of Liquidity and Interest Rate Risks of Derivative Financial Liabilities

The liquidity analysis of derivative financial instruments based on net settlements is produced with the undiscounted and contracted net cash inflows and outflows. The analysis on the derivatives based on gross settlements is produced with the undiscounted total cash inflows and outflows. If the payable or receivable amount is not fixed, the amount disclosed is estimated with the expected interest rate in reference to the yield curve on the balance sheet date.

December 31, 2021

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 86,668	$ -	$ -	$ -
- Outflows	(86,680)	-	-	-
	($ 12)	$ -	$ -	$ -
Currency swaps				
- Inflows	83,040	-	-	-
- Outflows	(83,394)	-	-	-
	(354)	-	-	-
	($ 366)	$ -	$ -	$ -

December 31, 2020

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 294,578	$ -	$ -	$ -
- Outflows	(298,164)	-	-	-
	($ 3,586)	$ -	$ -	$ -

(3) Credit facilities

	December 31, 2021	December 31, 2020
Unsecured credit facilities with banks (reviewed annually)		
- Utilized amount	$ 1,450,706	$ 1,768,034
- Available amount	2,892,583	2,141,646
	$ 4,343,289	$ 3,909,680

XXVII. Transactions with Affiliated Parties

The Company's ultimate controller is Taiwan Semiconductor Manufacturing Co., Ltd., which owned 36.38% of the Company's ordinary shares as of December 31, 2021 and December 31, 2020.

All the transactions, account balances, incomes and gains, expenses and losses among the Company and its subsidiaries (i.e., the Company's affiliated parties) have been canceled out in the preparation of the consolidated financial statements and hence not disclosed in these notes. Except those disclosed in other notes, the transactions between the consolidated company and other affiliated parties are as follows:

(I) Names of and relations with the affiliated parties

Name of the affiliated party	Relation with the consolidated company
Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan Semiconductor)	The Company's parent
Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Affiliated company
Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Affiliated company
TSC America, Inc.（TSCA）	Affiliated company
Taiwan Semiconductor Europe GmbH（TSCE）	Affiliated company

(II) Operating incomes

Itemized account	Affiliated party category	2021	2020
Revenues	Parent company	$ 8	$ 23
	Affiliated company	81	34
		$ 89	$ 57

(3) Purchase

Affiliated party category	2021	2020
Parent company	$ 2,488	$ 1,410

The consolidated company's 120-day payment terms with the abovementioned affiliated parties are not significantly different from the terms with other suppliers.

(IV) Receivables from affiliated parties (excluding loans to affiliated parties)

Itemized account	Affiliated party category	December 31, 2021	December 31, 2020
Accounts receivable – affiliated parties	Affiliated company	$ 15	$ 8
Other receivables – affiliated parties	Affiliated company	$ 623	$ 575

No guarantee was obtained for the outstanding receivables from affiliated parties. No allowance for losses was recognized for receivables from affiliated parties in 2021 and 2020.

(V) Payables to affiliated parties

Itemized account	Affiliated party category	December 31, 2021	December 31, 2020
Accounts payable – affiliated parties	Parent company	$ 1,005	$ 410
Other payables – affiliated parties	Parent company	$ 105	$ 7
	Affiliated company	1,370	1,409
		$ 1,475	$ 1,416

No guarantee was provided for the outstanding payables to affiliated parties.

(VI) Management's remuneration

	2021	2020
Shor-term employee benefits	$ 92,708	$ 71,524
Retirement benefits	302	324
Shares-based payment	5,149	2,815
	$ 98,159	$ 74,663

Remuneration Committee determines the remuneration to directors and other key members of management in accordance with individual performances and market trends.

XXVIII. Other Matters

The outbreak of COVID-19 in January 2020 took the world by storm and caused great uncertainty in the global economy and financial development. As of the approval and the publication of these consolidated financial statements and according to the consolidated company’s assessment, the pandemic did not cause material effects on the consolidated company’s going concern capabilities, asset impairment or fundraising risks. The consolidated company will continue to observe and assess the impact of COVID-19 on the aforesaid aspects.

XXIX. The assets and liabilities denominated in foreign currencies and with significant influence

The following information is expressed with the foreign currencies other than the functional currencies of individual entities of the consolidated company. The disclosed exchange rates are the rates to convert foreign currencies to functional currencies. The assets and liabilities denominated in foreign currencies and with significant influence are as follows:

(Unit: 1,000 in NT dollars and foreign currencies)

December 31, 2021

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
Monetary items			
USD	$ 39,965	27.680 (USD: NTD)	$ 1,106,231
Euro	14,125	31.320 (EUR: NTD)	442,395
CNY	60,110	4.344 (CNY: NTD)	261,118
JPY	5,355	0.2405 (JPY: NTD)	1,288
			$ 1,811,032
Liabilities denominated in foreign currencies			
Monetary items			
USD	14,518	27.680 (USD: NTD)	$ 401,858
Euro	7,950	31.320 (EUR: NTD)	248,994
CNY	64,489	4.344 (CNY: NTD)	280,140
JPY	177,679	0.2405 (JPY: NTD)	42,732
			$ 973,724

December 31, 2020

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
Monetary items			
USD	$ 26,627	28.480 (USD: NTD)	$ 758,337
Euro	10,813	35.020 (EUR: NTD)	378,671
CNY	37,414	4.377 (CNY: NTD)	163,761
			$ 1,300,769
Liabilities denominated in foreign currencies			
Monetary items			
USD	18,749	28.480 (USD: NTD)	$ 533,972
Euro	7,918	35.020 (EUR: NTD)	277,288
CNY	32,467	4.377 (CNY: NTD)	142,108
JPY	162,248	0.276 (JPY: NTD)	44,780
			$ 998,148

The exchange gain or loss (unrealized) with significant influence is as follows:

	2021		2020	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	27.680 (USD: NTD)	($ 5,949)	28.480 (USD: NTD)	($ 7,747)
Euro	31.320 (EUR: NTD)	(4,418)	35.020 (EUR: NTD)	1,153
JPY	0.2405 (JPY: NTD)	1,390	0.276 (JPY: NTD)	149
CNY	4.344 (CNY: NTD)	3,510	4.377 (CNY: NTD)	2,037
		($ 5,467)		($ 4,408)

XXX. Supplement Disclosure

(I) Information on material transactions:

1. Loans to others: Table 1
2. Endorsements and guarantees for others: Table 2
3. Position of marketable securities at the end of the period (excluding subsidiaries): Table 3
4. Cumulative purchase or sale of the same marketable security for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
5. Acquisition of real estates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
6. Disposal of real estimates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
7. Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 4
8. Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 5
9. Transaction of derivatives: Note 7
10. Other information: business relations and significant transactions (circumstances and amounts) between the parent company and subsidiaries and among subsidiaries: Table 6

(II) Information on investees: Table 7

(III) Information on investments in China:

1. Names of investees in China, major businesses, paid-in capitals, investment methods, inward and outward remittances, shareholding percentages, investment gains (losses), carrying amounts of investments at the end of the period, repatriated investment gains (losses) and ceiling on investments in China: Table 8
2. Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions: Table 9
   (1) Purchase amounts and percentages, balances and percentages of corresponding payables as of the end of the period.
   (2) Sale amounts and percentages, balances and percentages of corresponding receivables as of the end of the period.
   (3) Property transaction amounts and resulting gains (losses).
   (4) Purchases and balances of check endorsements and guarantees and the offering of collaterals as of the end of the period.
   (5) Maximum balance, end-of-period balance, interest rate range and interest expenses of borrowings during the period.
   (6) Other transactions (such as offering and receiving of services) with significant influence on profit or loss or financial status during the period.

(IV) Major shareholders: names, shareholding amounts and percentages of the shareholders with at least 5% stakes: Table 10

XXXI. Segment information

The information provided to the key decision-makers for resource allocation and segment performance reviews is focused on each delivered product type. The consolidated company's segment reporting should be based on product categories. The two strategic business units are managed separately due to the different technologies and market strategies involved. Segment A sells barcode printers and relevant components. Segment B sells labels and printer consumables.

(I) Segment Revenues and Operating Results

The consolidated company's reporting segment revenues and operating results are as follows:

	2021			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	$ 4,495,203	$ 2,353,605	$ -	$ 6,848,808
Intersegment revenue	595	37	(632)	-
Total revenue	$ 4,495,798	$ 2,353,642	($ 632)	$ 6,848,808
Interest income	$ 8,254	$ -	($ 3,864)	$ 4,390
Financial cost	(19,281)	(10,148)	3,864	(25,565)
Material income, expenses, and losses				
Depreciation and amortization	161,987	94,290	-	256,277
Segment profit (loss)	$ 1,184,223	$ 147,804	($ 249,124)	$ 1,082,903

	2020			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	$ 3,710,165	$ 1,973,643	$ -	$ 5,683,808
Intersegment revenue	2,112	1,375	(3,487)	-
Total revenue	$ 3,712,277	$ 1,975,018	($ 3,487)	$ 5,683,808
Interest income	$ 12,643	$ -	($ 9,107)	$ 3,536
Financial cost	(28,632)	(16,552)	9,107	(36,077)
Material income, expenses, and losses				
Depreciation and amortization	170,912	94,290	-	265,202
Segment profit (loss)	$ 1,070,319	$ 90,410	($ 217,240)	$ 943,489

The consolidated company treats intersegment sales as transactions with third parties by measuring these sales with prevalent market prices.

The consolidated company’s management allocates resources and assesses segment performance by referring to the internal reporting of segment profit or loss before tax (excluding non-recurrent items) according to the review by key decision-makers in operations. The consolidated company does not allocate income tax expenses (gains) and non-recurrent gains (losses) to reporting segments as income tax expenses (gains) and expenses and non-recurrent gains (losses) are managed at the group level. The reported amounts are consistent with the amounts in the reports used by operational decision-makers.

(II) Regional disclosure

The consolidated company operates mainly in four regions: Taiwan and other parts of Asia, China, the Americas, and Europe.

Income generated from external customers classified by operating location, and non-current assets by location where they are located:

Income

	2021	2020
Main markets		
Taiwan and other parts of Asia	$ 1,140,722	$ 791,793
China	1,062,876	873,659
Americas	3,162,286	2,799,168
Europe	1,482,924	1,219,188
	$ 6,848,808	$ 5,683,808

Non-current assets

	2021	2020
Main markets		
Taiwan and other parts of Asia	$ 528,405	$ 553,626
China	191,076	195,349
Americas	1,713,650	1,783,773
Europe	26,200	13,596
	$ 2,459,331	$ 2,546,344

Non-current assets include property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

(III) Information on major customers

None of the consolidated company's customers individually accounted for more than 10% of revenues in 2021 and 2020.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Loans to Others

January 1 to December 31, 2021

Table 1

Unit: NT$1,000 unless otherwise indicated

Serial No. (Note 1)	Financing company	Counter-party	Financial statement account (Note 2)	Related party?	Maximum balance for the period (Note 3, 6)	Balance at the end of the period (Note 3, 6)	Amount actually drawn (Note 6)	Interest rate range	Nature for financing	Transaction amounts	Reason for need for short-term financing	Recognized allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 4)	Financing company's total financing amount limits (Note 5)
													Name	Value		
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	Other receivables – affiliated parties	Yes	$ 221,440 (USD 8,000 thousand)	$ 221,440 (USD 8,000 thousand)	$ 124,560 (USD 4,500 thousand)	1.2%	The need for short-term financing	$ -	Operating capital	$ -	None	$ -	$ 817,629	$ 1,635,257
0	TSC Auto ID Technology Co., Ltd.	Diversified Labeling Solutions Inc.	Other receivables – affiliated parties	Yes	332,160 (USD 12,000 thousand)	276,800 (USD 10,000 thousand)	193,760 (USD 7,000 thousand)	1.1%	The need for short-term financing	-	Purchase assets/operating capital	-	None	-	817,629	1,635,257

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: This field is required for the accounts receivable from affiliated companies, accounts receivable from affiliated parties, transactions with shareholders, prepayments, temporary payments, etc. that are lending in nature.

Note 3: The maximum balance during the period and the balance as of the end of the period refer to the quotas determined by the Board of Directors, not the amounts actually utilized.

Note 4: Any need for short-term financing from the Company is capped at 20% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 5: The aggregate amount of the Company's lending to others is capped at 40% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 6: Foreign currency amounts in this table are based on exchange rates on December 31, 2021. NT dollars based on US$1=NT$27.680.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Endorsements and Guarantees for Others

January 1 to December 31, 2021

Table 2

Unit: NT$1,000 unless otherwise indicated

Serial No. (Note 1)	Name of the endorsement/guarantee provider	Endorsed/guaranteed entity		Limit of endorsements/guarantees for a single company (Note 3)	Maximum balance of endorsements/guarantees during the period (Note 6)	Balance of endorsements/guarantees as of the end of the period (Note 4, 6)	Amount actually drawn (Note 5, 6)	Amount endorsed/guaranteed by collateralizing assets	Cumulative endorsed/guaranteed amount as the % of book value in the most recent financial statements	Maximum limit of endorsements/guarantees (Note 3)	Endorsements/guarantees from the parent to subsidiaries	Endorsements/guarantees from subsidiaries to the parent	Endo to
		Name of the company	Relation (Note 2)										
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	(2)	$ 1,635,257	$ 332,160 (USD12,000 thousand)	$ 332,160 (USD12,000 thousand)	$	$ -	8.12%	$ 2,452,886	Y	N	

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: Please indicate one of the following seven types of relations between endorsers/guarantors and endorsees/guarantees:

(1) Company with business dealings.

(2) Company with over 50% voting shares directly and indirectly owned by the Company.

(3) Company who directly and indirectly owns at over 50% of the Company’s voting shares.

(4) Between the companies with over 90% voting shares directly and indirectly owned by the Company.

(5) Between peers required for engineering project undertakings or between joint builders required to guarantee each other according to contract terms and conditions.

(6) Endorsement and guarantee to an investee by all shareholders according to shareholding percentages in a joint investment.

(7) Joint guarantee provided by peers in contract performance for off-plan property sales according to the Consumer Protection Act.

Note 3: The aggregate endorsed/guaranteed amount and the maximum endorsement/guarantee to a single company is capped at 60% and 40%, respectively, of the Company’s book value according to the most recent financial statements as audited or reviewed by CPAs.

Note 4: This field is for the amount approved by the Board of Directors. However, please provide the amount decided by the Chairman if the Chairman is authorized by the Board of Directors according to Subparagraph 8 of Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 5: Amount actually utilized by the endorsed/guaranteed company within the endorsed/guaranteed range.

Note 6: Foreign currency amounts in this table are based on exchange rates on June 30, 2021. NT dollars based on US$1=NT$27.68.

Note 7: The Company provides a customs endorsement/guarantee with a bank letter of guarantee for NT$3,000 thousand to Taipei Customs, Customs Administration.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Position of marketable securities at the end of the period

December 31, 2021

Table 3

Unit: NT$1,000/1,000 shares/1,000 units

Investees	Types and names of marketable securities (Note 1)	Relation with the issuer (Note 2)	Itemized account	End of the period				Remarks
				No. of units	Carrying amount (Note 3)	Shareholding percentage	Fair value	
	Shares							
The Company	Taiwan Semiconductor Manufacturing Co., Ltd.	Parent company	Financial assets measured at fair value through other comprehensive incomes – non-current	13,600	$ 1,068,960	5.13%	$ 1,068,960	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforesaid financial instruments according to IFRS 9 Financial Instruments.

Note 2: Blank in this column if the issuer of the marketable securities is not a related party.

Note 3: Column of carrying amount: Please provide the carrying amount after fair value adjustments and allowance for losses if measured at fair value or the carrying amount at amortized cost (net of allowance for losses) if not measured at fair value.

Note 4: Please refer to Tables 7 and 8 for information on subsidiaries.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

January 1 to December 31, 2021

Table 4

Unit: NT$1,000 unless otherwise indicated

Purchase (sale) company	Counterparties	Relation	Transactions				Circumstances and reasons why transaction terms are not at an arm's length		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As % of total sale (purchase)	Credit period	Unit price	Credit period	Balance	As % of total notes and accounts receivable (payable)	
The Company	TSCAE	Subsidiaries	Sale	($ 1,210,385)	(37%)	135 days based on monthly statements	-	-	$ 438,312	39%	
The Company	Tianjin TSC Auto ID Technology	Sub-subsidiary	Sale	(410,246)	(13%)	60 days based on monthly statements	-	-	58,531	5%	
	Tianjin TSC Auto ID Technology	Sub-subsidiary	Purchase	822,115	39%	90 days based on monthly statements	-	-	(280,138)	(41%)	
The Company	TSCAA	Subsidiaries	Sale	(358,808)	(11%)	120 days based on monthly statements	-	-	212,682	19%	
The Company	PTNX US	Subsidiaries	Sale	(116,917)	(4%)	120 days based on monthly statements	-	-	6,888	1%	

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

December 31, 2021

Table 5

Unit: NT$1,000 unless otherwise indicated

Company from which receivables are recognized	Name of the counterparty	Relation	Receivables from affiliated parties (Note 1)		Turnover	Overdue receivables from affiliated parties		Recovered receivables from affiliated parties (Note 2)	Recognized allowance for bad debts
						Amount	Treatment		
The Company	TSCAE	Subsidiaries	Accounts receivable Other receivables	$ 438,312 169	2.97	$ -	-	$229,488 -	$ -
The Company	TSCAA	Subsidiaries	Accounts receivable Other receivables	212,682 128,319	1.90	-	-	47,595 -	-
The Company	DLS	Subsidiaries	Other receivables	194,074	-	-	-	-	-
Tianjin TSC Auto ID Technology	The Company	Parent company	Accounts receivable	280,138	4.51	-	-	280,138	-

Note 1: Please provide accounts receivable, notes receivable and other receivables.

Note 2: Recovered amount as of March 28, 2022.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Business relations, circumstances and amounts of significant transactions between the parent and subsidiaries and among subsidiaries

January 1 to December 31, 2021

Table 6

Unit: NT$1,000 unless otherwise indicated

No.	Entity concerned	Name of the counterparty	Relation with the counterparty (Note 1)	Transaction with the counterparty			
				Item	Amount	Transaction terms and conditions	As % of the consolidated total revenue or the consolidated total assets (Note 2)
0	The Company	TSCAA	1	Accounts receivable	$ 212,682	Note 3	3%
			1	Other receivables	128,319	At an arm's length	2%
			1	Revenues	358,808	Note 3	5%
		TSCAE	1	Accounts receivable	438,312	Note 3	6%
			1	Revenues	1,210,385	Note 3	18%
		Tianjin TSC Auto ID Technology	1	Accounts receivable	58,531	Note 3	1%
			1	Revenues	410,246	Note 3	6%
			1	Accounts payable	280,138	Note 3	4%
			1	Purchase	822,115	Note 3	12%
		PTNX US	1	Revenues	116,917	Note 3	2%
			1	R&D expenses	71,905	At an arm's length	1%
		DLS	1	Other receivables	194,074	At an arm's length	3%

Note 1: Relation with the counterparty:

1. The parent to a subsidiary
2. Subsidiary to the parent
3. Subsidiary to a subsidiary

Note 2: Transactions as a percentage of the consolidated total revenue or the consolidated total assets: If the transactions are a balance sheet item, the balance at the end of the period is calculated as a percentage of consolidated total assets. If the transactions are an income statement item, the cumulative amount is calculated as a percentage of the consolidated total revenue.

Note 3: Sales based on market prices Collection period: 60-135 days based on monthly statements

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Name and location of the investee, etc.

January 1 to December 31, 2021

Table 7

Unit: NT$1,000 unless otherwise indicated

Name of the investment company	Name of the investee	Location	Primary business	Original invested amount		Holdings at the end of the year			Profit (loss) of the investee during the period	Recognized investment gain (loss) during the period	Remarks
				End of this period	End of last year	No. of shares (1,000)	Percentage (%)	Carrying amount (Note 3)			
The Company	TSCAE	Germany	Sale of barcode printers and relevant components	$ 2,943	$ 2,943	Note 1	100.00	$ 5,912	$ 3,266	$ 3,266	Subsidiaries
The Company	TSCAA	United States	Sale of barcode printers and relevant components	1,096,621 (US$33,000 thousand)	1,096,621 (US$33,000 thousand)	16,000	100.00	946,970	9,409	9,409	Subsidiaries
The Company	TSCHK	Hong Kong	Investment in production businesses and general imports/exports	51,738 (US$1,654 thousand)	51,738 (US$1,654 thousand)	11,711	100.00	502,798	97,144	97,144	Subsidiaries
The Company	PTNX US	United States	Sale of barcode printers and relevant components	63,021 (US$1,875 thousand)	63,021 (US$1,875 thousand)	Note 2	5.00	45,137	20,318	(452)	Sub-subsidiary
The Company	Printronix Auto ID Technology	Taiwan	Sale of barcode printers and relevant components	5,000	5,000	500	100.00	5,426	(262)	(262)	Subsidiaries
The Company	DLS	United States	Printer consumables and customized design, integration, production and marketable of a variety of labels	801,558 (US$26,000 thousand)	801,558 (US$26,000 thousand)	1	100.00	927,957	109,410	109,410	Subsidiaries
The Company	TSCIN	India	Sale of barcode printers and relevant components	2,791 (US$100 thousand)	-	710	100.00	2,580	(63)	(63)	Subsidiaries
TSCAE	TSCAD	United Arab Emirates	Sale of barcode printers and relevant components	8,234	8,234	Note 1	100.00	(6,223)	(666)	(666)	Sub-subsidiary
TSCAE	TSCAS	Spain	Sale of barcode printers and relevant components	124	124	Note 1	100.00	2,206	300	300	Sub-subsidiary
TSCAA	PTNX US	United States	Sale of barcode printers and relevant components	US$45,319 thousand	US$45,319 thousand	Note 2	95.00	1,175,031 (US$42,451 thousand)	20,318 (US$726 thousand)	(8,175) (US$292 thousand)	Sub-subsidiary
DLS	PPL	United States	Selling of a variety of labels and printer consumables	US$115 thousand	US$115 thousand	850	100.00	12,667 (US$458 thousand)	10,271 (US$367 thousand)	10,271 (US$367 thousand)	Sub-subsidiary

Note 1: The company license only specifies the amount of invested capital without the number of shares.

Note 2: Not listed if the holding is below 1,000 shares.

Note 3: Carrying amount net of unrealized gains from sales.

Note 4: Please refer to Tables 8 and 9 for information about investees in China.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Information about investments in China

January 1 to December 31, 2021

Table 8

Unit: NT$1,000 unless otherwise indicated

Names of investees in China	Primary business	Paid-in capital (Note 5)	Investment method (Note 1)	Cumulative outward investments from Taiwan at the beginning of this period (Note 5)	Outward remittances or recovered investments during the period		Cumulative outward investments from Taiwan at the end of this period (Note 5)	Profit or loss of the investee during the period	Holding by the Company directly and indirectly	Recognized investment gain or loss during the period (Note 2)	Carrying amount of the investment at the end of the period	Total repatriated investment gains as of the end of this period	Remarks
					Outward remittances	Recovered investments							
Tianjin TSC Auto ID Technology Co., Ltd.	Production and marketing of barcode printers and relevant components	$ 45,612 (CNY 10,500 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	$ 41,520 (US$1,500 thousand)	$ -	$ -	$ 41,520 (US$1,500 thousand)	$ 107,462	100%	$ 107,462 (Note 3)	$ 504,636	$ 787,814	
Shenzhen Printronix Auto ID Technology Co., Ltd.	Sale of barcode printers and relevant components	4,344 (CNY 1,000 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	4,263 (US$154 thousand)	-	-	4,263 (US$154 thousand)	(723)	100%	(723) (Note 3)	11,431	-	

Cumulative outward investments from Taiwan to China at the end of this period (Note 5)	Investment amount approved by the Investment Commission, MOEA (Note 5)	Ceiling imposed by the Investment Commission, MOEA on investments in China (Note 4)
$ 45,783 (US$1,654 thousand)	$ 45,783 (US$1,654 thousand)	$ 2,452,886

Note 1: Please indicate one of the following three investment methods:

(1) Direct investments in China

(2) Investments in China via third regions (Please indicate the investment companies in third regions)

(3) Other methods

Note 2: Recognized investment gains or losses during the period:

(1) Please note if there is no investment gain or loss yet during the preparatory stage.

(2) Please indicate one of the three following bases for recognition of investment gains or losses:

A. Financial statements audited by international accounting firms with cooperation ties with accounting firms in Taiwan.

B. Financial statements reviewed by the parent company's external auditor in Taiwan.

C. Others.

Note 3: Note 2-2(B) for the basis of investment gains (losses) recognition.

Note 4: According to the Amendment to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China on August 29, 2008 by the Investment Commission, the cap on investments in China is 60% of the book value.

Note 5: Foreign currency amounts in this table based on exchange rates on December 31, 2021. NT dollars based on US$1=NT$27.680 or RMB$1=NT$4.344.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions, and other relevant information

January 1 to December 31, 2021

Table 9

Unit: NT$1,000 unless otherwise indicated

Counterparties	Relation with the counterparty	Transaction type: purchase (sale)	Amount	Transaction terms and conditions			Notes and accounts receivable (payable)		Unrealized gains or losses
				Price	Payment terms	Comparison with transactions at an arm's length	Balance	%	
Tianjin TSC Auto ID Technology Co., Ltd.	Sub-subsidiary	Sale	($ 410,246)	Note 1	60 days based on monthly statements	Equivalent	$ 58,531	5%	$ 13,178 (Note 2)
		Purchase	822,115	Note 1	90 days based on monthly statements	Equivalent	(280,138)	(41%)	

Note 1: The Company's transactions with affiliated parties are conducted according to the agreed prices.

Note 2: This refers to cumulative unrealized gains or losses as of December 31, 2021.

TSC Auto ID Technology Co., Ltd.

Information about major shareholders

December 31, 2021

Table 10

Unit: shares

Name of the major shareholder	Shares	
	No. of shares held	Shareholding percentage
Taiwan Semiconductor Manufacturing Co., Ltd.	15,453,177	36.38%
Cathay Life Insurance's fully discretionary account with Cathay Securities Investment Trust (TAIEX 15)	2,247,300	5.29%

Note: The information on major shareholders in this table is based on the Taiwan Depository & Clearing Corporation data on the shareholders with at least 5% of paperless ordinary shares and preferred shares (including treasury shares) without registration on the final business day of the current quarter. The number of paperless shares may be different from the share capital recorded in the Company's consolidated financial statements due to differences in the basis of preparation.