

**HOLY STONE ENTERPRISE CO., LTD. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

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

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of Holy Stone Enterprise Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Accounting Standards No. 27 endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holy Stone Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Holy Stone Enterprise Co., Ltd.  
Chairman: Tang, Jing-Rong  
Date: March 9, 2022

## Independent Auditors' Report

To the Board of Directors of Holy Stone Enterprise Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Holy Stone Enterprise Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of a subsidiary of the Group. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that subsidiary, is based solely on the report of another auditor. The financial statements of that subsidiary reflect total assets constituting 3.57% and 3.07% of consolidated total assets at December 31, 2021 and 2020, respectively, and total operating revenues constituting 6.51% and 7.37% of consolidated total operating revenues for the years then ended, respectively.

Holy Stone Enterprise Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

### **Key Audit Matters**

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

#### 1. Revenue recognition

Please refer to Note 4(n) “Revenue from contracts with customers” for accounting policy and Note 6(u) “Revenue from contracts with customers” for details of revenue to the consolidated financial statements.

##### Description of key audit matter:

The Group engages primarily in the manufacturing and sales of MLCC, integrated circuits, modules, and other electronic components. The Operating Revenue is the main indicator for the investor to evaluate the financial and business performance of the Group. Therefore, it has been identified as a key audit matter.

##### Our principal audit procedures included:

Regarding to the key audit matter mentioned above, our key audit procedures include understanding the design and implementation of internal control over revenue recognition and verifying the compliance of accounting policy; analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist; examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

#### 2. Impairment evaluation of accounts receivable

Please refer to Note 4(g)(i)(1) “Financial assets measured at amortized cost”; Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(d) “Notes and accounts receivables” to the consolidated financial statements.

##### Description of key audit matter:

The Group measured its accounts receivable by the recoverable amounts. Impairment evaluation of accounts receivable is one of the key judgmental areas for our audit, particularly in respect of the great influence of given the challenging industry climate. Due to the provision of bad debt allowance that is subject to the management’s judgement, it is uncertain to have enough of information of recoverability before the issuance of the financial statements”.

##### How the matter was addressed in our audit:

Our principal audit procedures included understanding the design and implementation of internal control; assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance; examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable; evaluating the adequacy of the Group’s disclosure for bad debt allowance.

### 3. Inventory valuation

Please refer to Note 4(h) “Inventories” ; Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(f) “ Inventories” to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, with the rapid development of the consumer market and the volatility of sales, that may result in the cost of inventory may exceed its net realizable value. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Regarding the key audit matter mentioned above, our audit procedures included evaluating the reasonableness of the Group’s inventory valuation policy and the management’s assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Group’s historical accuracy of judgments with reference to inventory valuation and comparing them with the current year’s calculation to evaluate the appropriateness of estimation and assumption used for inventory valuation; assessing the adequacy of the Group’s disclosure for inventories.

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

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

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

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

### **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsu, Ming-Fang and Chen, Pei-Chi.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2022

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 3,954,236	24	4,459,782	30
1110 Current financial assets at fair value through profit or loss (note 6(b))	453,735	3	308,995	2
1150 Notes and accounts receivable, net (note 6(d)(u) and 7)	3,198,362	19	3,109,196	21
1200 Other receivables, net (note 6(e))	157,924	1	122,710	1
1220 Current tax assets	101	-	1,404	-
130X Inventories (note 6(f))	3,087,397	19	2,280,969	16
1410 Prepayments and other current assets	84,380	1	97,891	1
<b>Total current assets</b>	<u>10,936,135</u>	<u>67</u>	<u>10,380,947</u>	<u>71</u>
<b>Non-current assets:</b>				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	101,093	1	28,088	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	57,937	-	84,940	1
1550 Investments accounted for using the equity method (note 6(g))	470,390	3	376,166	3
1600 Property, plant and equipment (note 6(i) and 8)	4,290,690	27	3,611,113	25
1755 Right-of-use assets (note 6(j))	46,393	-	41,609	-
1780 Intangible assets (note 6(k))	10,072	-	13,744	-
1840 Deferred tax assets	41,244	-	50,933	-
1915 Prepayments for business facilities	264,760	2	12,728	-
1990 Other non-current assets, others (note 8)	51,815	-	29,652	-
<b>Total non-current assets</b>	<u>5,334,394</u>	<u>33</u>	<u>4,248,973</u>	<u>29</u>
<b>Total assets</b>	<u>\$ 16,270,529</u>	<u>100</u>	<u>\$ 14,629,920</u>	<u>100</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Short-term borrowings (note 6(l) and 8)	\$ 2,003,251	12	2,145,526	15
Current contract liabilities(note 6(u))	120,417	1	81,189	1
Accounts payable	1,232,048	8	1,053,184	7
Accounts payable to related parties(note 7)	75,429	-	48,094	-
Other payables(note 6(m))	1,143,644	7	916,362	6
Current tax liabilities	30,307	-	197,508	2
Current lease liabilities (note 6(o))	19,957	-	13,404	-
Long-term borrowings, current portion (note 6(n) and 8)	9,941	-	19,296	-
<b>Total current liabilities</b>	<u>4,634,994</u>	<u>28</u>	<u>4,474,563</u>	<u>31</u>
<b>Non-Current liabilities:</b>				
Long-term borrowings (note 6(n) and 8)	1,373,338	10	440,502	3
Deferred tax liabilities	80,981	-	68,211	-
Non-current lease liabilities (note 6(o))	27,196	-	28,721	-
Net defined benefit liability, non-current (note 6(p))	64,983	-	71,841	-
Other non-current liabilities, others	4,315	-	2,276	-
<b>Total non-current liabilities</b>	<u>1,550,813</u>	<u>10</u>	<u>611,551</u>	<u>3</u>
<b>Total liabilities</b>	<u>6,185,807</u>	<u>38</u>	<u>5,086,114</u>	<u>34</u>
<b>Equity attributable to owners of parent (note 6(r)):</b>				
Ordinary share	1,579,908	10	1,579,908	11
Capital surplus	3,140,525	19	3,109,960	21
Retained earnings:				
Legal reserve	1,638,205	10	1,638,205	11
Special reserve	122,384	1	128,821	1
Unappropriated retained earnings	3,546,728	22	2,873,375	20
Total retained earnings	5,307,317	33	4,640,401	32
Other equity:				
Exchange differences on translation of foreign financial statements	(88,988)	(1)	(51,074)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(74,866)	-	(71,310)	-
Total other equity	(163,854)	(1)	(122,384)	-
<b>Total equity attributable to owners of parent</b>	<u>9,863,896</u>	<u>61</u>	<u>9,207,885</u>	<u>64</u>
<b>Non-controlling interests</b>	<u>220,826</u>	<u>1</u>	<u>335,921</u>	<u>2</u>
<b>Total equity</b>	<u>10,084,722</u>	<u>62</u>	<u>9,543,806</u>	<u>66</u>
<b>Total liabilities and equity</b>	<u>\$ 16,270,529</u>	<u>100</u>	<u>\$ 14,629,920</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (note 6(u) and 7)</b>	\$ 16,602,046	100	14,830,428	100
5000	<b>Operating costs (note 6(f)(o)(p) and 7)</b>	<u>12,926,647</u>	<u>78</u>	<u>11,748,577</u>	<u>79</u>
	<b>Gross profit</b>	<u>3,675,399</u>	<u>22</u>	<u>3,081,851</u>	<u>21</u>
	<b>Operating expenses:</b>				
6100	Selling and administrative expenses (note 6(k)(o)(p)(s)(v))	1,294,441	8	1,263,694	9
6300	Research and development expenses (note 6(k)(o)(p)(v))	364,486	2	309,703	2
6450	Expected credit loss (gain) (note 6(d))	<u>4,898</u>	<u>-</u>	<u>(1,403)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>1,663,825</u>	<u>10</u>	<u>1,571,994</u>	<u>11</u>
	<b>Net operating income</b>	<u>2,011,574</u>	<u>12</u>	<u>1,509,857</u>	<u>10</u>
	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses, net (note 6(w))	5,972	-	59,015	-
7050	Finance costs (note 6(o))	(12,887)	-	(18,291)	-
7060	Share of profit (loss) of associates accounted for using the equity method	50,655	-	24,187	-
7100	Interest income	<u>13,572</u>	<u>-</u>	<u>16,823</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>57,312</u>	<u>-</u>	<u>81,734</u>	<u>-</u>
	<b>Profit before tax</b>	2,068,886	12	1,591,591	10
7950	<b>Less: Income tax expenses(note 6(q))</b>	<u>232,376</u>	<u>1</u>	<u>361,801</u>	<u>2</u>
	<b>Profit</b>	<u>1,836,510</u>	<u>11</u>	<u>1,229,790</u>	<u>8</u>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss:</b>				
8311	Losses on remeasurements of defined benefit plans	(13,811)	-	(7,746)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(11,225)	-	12,861	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(95)	-	(145)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(1,571)</u>	<u>-</u>
	<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(25,131)</u>	<u>-</u>	<u>6,541</u>	<u>-</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(42,190)	-	(1,185)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(42,190)</u>	<u>-</u>	<u>(1,185)</u>	<u>-</u>
8300	<b>Other comprehensive income, net of tax</b>	<u>(67,321)</u>	<u>-</u>	<u>5,356</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 1,769,189</u>	<u>11</u>	<u>1,235,146</u>	<u>8</u>
	<b>Profit , attributable to:</b>				
8610	Owners of parent	\$ 1,952,417	12	1,312,345	9
8620	Non-controlling interests	<u>(115,907)</u>	<u>(1)</u>	<u>(82,555)</u>	<u>(1)</u>
	<b>Profit</b>	<u>\$ 1,836,510</u>	<u>11</u>	<u>1,229,790</u>	<u>8</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 1,889,372	12	1,310,891	9
8720	Non-controlling interests	<u>(120,183)</u>	<u>(1)</u>	<u>(75,745)</u>	<u>(1)</u>
	<b>Total comprehensive income</b>	<u>\$ 1,769,189</u>	<u>11</u>	<u>1,235,146</u>	<u>8</u>
	<b>Earnings per share (in dollars) (note 6(t))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 12.36</u>		<u>8.31</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 12.16</u>		<u>8.20</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

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

	Equity attributable to owners of parent							Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance at January 1, 2020</b>	\$ 1,579,908	3,402,323	1,638,205	132,916	2,372,512	(47,294)	(81,527)	8,997,043	634,961	9,632,004
Profit	-	-	-	-	1,312,345	-	-	1,312,345	(82,555)	1,229,790
Other comprehensive income	-	-	-	-	(7,891)	(3,780)	10,217	(1,454)	6,810	5,356
Total comprehensive income	-	-	-	-	1,304,454	(3,780)	10,217	1,310,891	(75,745)	1,235,146
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary shares	-	-	-	-	(789,954)	-	-	(789,954)	-	(789,954)
Reversal of special reserve	-	-	-	(4,095)	4,095	-	-	-	-	-
Other changes in capital surplus:										
Cash dividends from capital surplus	-	(315,982)	-	-	-	-	-	(315,982)	-	(315,982)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(17,729)	-	-	(17,729)	-	(17,729)
Changes in ownership interests in subsidiaries	-	23,619	-	-	(3)	-	-	23,616	(223,295)	(199,679)
<b>Balance at December 31, 2020</b>	\$ 1,579,908	3,109,960	1,638,205	128,821	2,873,375	(51,074)	(71,310)	9,207,885	335,921	9,543,806
Profit	-	-	-	-	1,952,417	-	-	1,952,417	(115,907)	1,836,510
Other comprehensive income	-	-	-	-	(13,906)	(37,914)	(11,225)	(63,045)	(4,276)	(67,321)
Total comprehensive income	-	-	-	-	1,938,511	(37,914)	(11,225)	1,889,372	(120,183)	1,769,189
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary share	-	-	-	(6,437)	(1,263,926)	-	-	(1,263,926)	-	(1,263,926)
Reversal of special reserve	-	30,565	-	-	6,437	-	-	-	-	30,565
Changes in ownership interests in subsidiaries	-	-	-	-	(7,669)	-	7,669	-	-	-
Changes in non-controlling interests	-	-	-	-	-	(88,988)	(74,866)	-	5,088	(118,766)
<b>Balance at December 31, 2021</b>	\$ 1,579,908	3,140,525	1,638,205	122,384	3,546,728	(88,988)	(74,866)	9,863,896	220,826	10,084,722

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

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

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 2,068,886	1,591,591
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	534,592	513,342
Amortization expense	3,017	3,113
Expected credit loss (gain)	4,898	(1,403)
Net gain on financial assets or liabilities at fair value through profit or loss	(14,162)	(51,023)
Interest expense	12,887	18,291
Interest revenue	(13,572)	(16,823)
Dividend revenue	(5,565)	(2,014)
Share of profit of associates accounted for using the equity method	(50,655)	(24,187)
Loss from disposal of property, plant and equipment	128	29
Gain on disposal of investments	-	(14,889)
Others	(62)	(2)
Total adjustments to reconcile profit	<u>471,506</u>	<u>424,434</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Current financial assets at fair value through profit or loss	(121,978)	(107,439)
Notes and accounts receivable	(93,699)	(404,813)
Other receivables	(35,788)	35,089
Inventories	(806,428)	169,633
Prepayments and other current assets	13,511	(7,826)
<b>Total changes in operating assets</b>	<u>(1,044,382)</u>	<u>(315,356)</u>
<b>Changes in operating liabilities:</b>		
Contract liabilities	39,228	(20,150)
Accounts payable	178,864	278,901
Accounts payable to related parties	27,335	(58)
Other payables	227,315	(752,103)
Net defined benefit liability	(20,669)	(2,147)
<b>Total changes in operating liabilities</b>	<u>452,073</u>	<u>(495,557)</u>
<b>Net changes in operating assets and liabilities</b>	<u>(592,309)</u>	<u>(810,913)</u>
<b>Total adjustments</b>	<u>(120,803)</u>	<u>(386,479)</u>
Cash inflow generated from operations	1,948,083	1,205,112
Interest received	14,146	16,932
Dividends received	5,565	2,014
Interest paid	(12,920)	(18,225)
Income taxes paid	(375,821)	(304,611)
<b>Net cash flows from operating activities</b>	<u>1,579,053</u>	<u>901,222</u>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(288)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,866	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	4,551
Acquisition of financial assets at fair value through profit or loss	(82,957)	(20,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	48,006
Acquisition of investments accounted for using equity method	(69,922)	(52,968)
Proceeds from disposal of investments accounted for using equity method	-	274
Acquisition of property, plant and equipment	(1,206,441)	(675,964)
Proceeds from disposal of property, plant and equipment	1,208	462
Increase in other non-current assets	(22,429)	(4,943)
Increase in prepayments for business facilities	(252,032)	(12,728)
Dividends received	26,229	20,558
<b>Net cash flows used in investing activities</b>	<u>(1,590,766)</u>	<u>(692,752)</u>
<b>Cash flows used in financing activities:</b>		
(Decrease) increase in short-term borrowings	(142,275)	664,662
Proceeds from long-term borrowings	943,676	723,932
Repayments of long-term borrowings	(16,923)	(369,264)
Payment of lease liabilities	(21,204)	(18,629)
Increase (decrease) in other non-current liabilities	2,039	(53)
Cash dividends paid	(1,263,926)	(1,105,936)
Change in non-controlling interests	35,653	(217,403)
<b>Net cash flows used in financing activities</b>	<u>(462,960)</u>	<u>(322,691)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(30,873)</u>	<u>(2,083)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(505,546)</u>	<u>(116,304)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>4,459,782</u>	<u>4,576,086</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 3,954,236</u>	<u>4,459,782</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

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

**(1) Company history**

Holy Stone Enterprise Co., Ltd. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on June 1, 1981, with registered address at 1F., No.62, Sec. 2, Huang Shan Rd., Nei Hu Dist, Taipei City, Taiwan (R.O.C.). The major business activities of the Company and its subsidiaries (the “Group”) are manufacturing and sales MLCC, integrated circuits, modules, and other electronic components, and the whole sale of western medicine and medical devices.

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

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

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

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

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies have been applied consistently throughout to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (at assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(o).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd. (HSHK, Hong Kong)	Sale of MLCC and electronic products	100.00 %	100.00 %	-
The Company	Holy Stone Holdings Co., Ltd. (HSH, Samoa)	Investment activities	100.00 %	100.00 %	-
The Company	UHOLY Investment Co., Ltd. (Uholly, Taiwan)	Investment activities	100.00 %	100.00 %	-
The Company	Martek Co., Ltd. (Martek, Taiwan)	Sale of electronic products	100.00 %	100.00 %	-
The Company	Holy Stone Industry India Private Limited (HSI, India)	Retail sale of Electronic Parts and components	100.00 %	- %	(Note 2)
The Company	Jung Chan Investments Co., Ltd. (JCI, Taiwan)	Investment activities	100.00 %	100.00 %	-
HSH	Holy Stone Investments Co., Ltd. (HSIC, Hong Kong)	Investment activities	100.00 %	100.00 %	-
HSH	Holypaq Corporation (HC, Cayman)	Investment activities	100.00 %	100.00 %	-
HSH	Green Glory Holdings Ltd. (GGH, Samoa)	Investment activities	100.00 %	100.00 %	-
HSH	Mayatek Co., Ltd. (Mayatek, Belize)	Sale of electronic products	100.00 %	100.00 %	-
HSH	Everplus Material Co., Ltd. (EPM, Japan)	Production and sale of electronic	100.00 %	100.00 %	-
HSH	Holy Stone Holdings (Singapore) Pte. Ltd. (HSHS, Singapore)	Electronic retail-trading	100.00 %	100.00 %	-
HSIC	Holy Stone International Trading (ShanHai) Co., Ltd (HSITC, China)	Sale of electronic products	100.00 %	100.00 %	-
HSIC	Infortech (CHINA) Co.,Ltd. (He Chi, China)	Sale of electronic products	100.00 %	100.00 %	-
GGH	Milestone Global Technology Ltd. (MDT, USA)	Sale of electronic products	100.00 %	100.00 %	-
GGH	Holy Stone (Europe) Ltd. (HSE, UK)	Electronic retail-trading	100.00 %	100.00 %	-
UHOLY	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Selling medicine and medical equipment	34.57 %	34.57 %	(Note 1)

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of Investor	Name of Subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
HSHC	Global Search Holdings Ltd. (GSH, Samoa)	Investment activities	100.00 %	100.00 %	-
HSHC	MDT INT'L SA (MDT, Switzerland)	Developing medicine and selling medical equipment	100.00 %	100.00 %	
GSH	AIHOL Corporation (AIHOL, USA)	Developing medicine	100.00 %	100.00 %	
GSH	Holy Stone Biotech Co., Ltd. (Biotech, UK)	Developing medicine and selling medical equipment	100.00 %	100.00 %	-
JCI	OHGA Smarththings Co., Ltd (OHGA, Taiwan)	Manufacturing and selling of electronic products	71.06 %	70.00 %	(Note 3)
JCI	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Selling medicine and medical equipment	2.10 %	3.45 %	(Note 1)
JCI	Herztek Incorporation (Herztek, Taiwan)	Sale of electronic products	100.00 %	100.00 %	-

Note 1: The Group has the right to hold the majority of the voting rights of the Board of Directors meeting of HSHC, so it is regard as a subsidiary.

Note 2 The Company established a subsidiary, HSI, which has been listed as a subsidiary in the consolidated financial report since January 2021.

Note 3: In May 2021, the Group purchased its shares from other shareholders of OHGA Smarththings Co., Ltd., acquiring 228 thousand shares for \$2,166, increasing the shareholding ratio from 70% to 71.06%.

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the 'accounts receivables' line item.

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Impairment of financial assets

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

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

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

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

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

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

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

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

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

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

6) Derecognition of financial assets

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

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and structures	3~50 years
2) Machinery and equipment	1~8 years
3) Other facilities	1~20 years

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

(k) Leases

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

(i) As a lessee

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

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

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

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

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

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Amortization

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

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

(m) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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

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

(n) Revenue from contracts with customers

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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(i) Sale of goods

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

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Short-term employee benefits

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

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Group notify employee the price and number of a new award.

(q) Income taxes

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

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

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

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows.

When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(d) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(x) for assumptions used in measuring fair value.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 2,808	1,469
Demand and check deposit	2,133,826	2,584,471
Time deposit	<u>1,817,602</u>	<u>1,873,842</u>
	<u>\$ 3,954,236</u>	<u>4,459,782</u>

Please refer to note 6(x) for the disclosure of the interest rate risk and the sensitivity analysis for financial assets and liabilities.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current :		
Foreign and domestic stocks	\$ 203,115	137,923
Fund beneficiary certificates	<u>250,620</u>	<u>171,072</u>
	<u>\$ 453,735</u>	<u>308,995</u>
Non-current :		
Foreign listed stocks	\$ 6,023	9,905
Domestic unlisted stocks	<u>95,070</u>	<u>18,183</u>
	<u>\$ 101,093</u>	<u>28,088</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Domestic and foreign stocks	<u>\$ 57,937</u>	<u>84,940</u>

(i) Equity investments at fair value through other comprehensive income

The Group designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purpose.

In 2021, the Group designated as a company that is measured at fair value through other comprehensive income and loss to conduit liquidation was \$15,866. The accumulated disposal losses was \$7,669, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

(ii) For credit risk and market risk, please refer to note 6(x).

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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(iii) As of December 31, 2021 and 2020, the aforementioned financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 153,821	91,731
Accounts receivable	3,072,262	3,042,772
Less: loss allowance	<u>(27,721)</u>	<u>(25,307)</u>
	<u><b>\$ 3,198,362</b></u>	<u><b>3,109,196</b></u>

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

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 3,180,753	0%~10%	3,190
1 to 30 days past due	22,833	1%~40%	5,979
31 to 60 days past due	4,612	1%~100%	903
More than 61 days past due	<u>17,885</u>	50%~100%	<u>17,649</u>
	<u><b>\$ 3,226,083</b></u>		<u><b>27,721</b></u>
	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 3,101,439	0%~10%	4,499
1 to 30 days past due	15,491	1%~40%	3,899
31 to 60 days past due	1,454	1%~100%	872
More than 61 days past due	<u>16,119</u>	50%~100%	<u>16,037</u>
	<u><b>\$ 3,134,503</b></u>		<u><b>25,307</b></u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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The movement in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 25,307	26,405
Impairment losses recognized	4,898	-
Impairment losses reversed	-	(1,403)
Amounts written off	(2,119)	(30)
Foreign exchange gain (losses)	(365)	335
Balance at December 31	<u>\$ 27,721</u>	<u>25,307</u>

As of December 31, 2021 and 2020, the aforementioned notes and accounts receivable of the Group were not pledged as collaterals.

(e) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Income tax refund receivables	\$ 87,500	62,866
Purchases discount receivables	66,093	38,564
Interest receivable	934	1,508
Others	3,397	19,772
	<u>\$ 157,924</u>	<u>122,710</u>

As of December 31, 2021 and 2020, other receivables were not past due nor impaired.

For further credit risk information, please refers to note 6(x).

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## (f) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 295,623	162,342
Supplies	29,553	24,972
Work in progress	201,293	187,954
Semi-finished goods	49,614	93,672
Finished goods	<u>832,817</u>	<u>606,126</u>
Merchandise	<u>1,678,497</u>	<u>1,205,903</u>
	<b><u>\$ 3,087,397</u></b>	<b><u>2,280,969</u></b>

For the years ended December 31, 2021 and 2020 the Group recognized cost of sales and operating expense amounted to \$12,930,801 and \$11,750,810, respectively. For the years ended December 31, 2021 and 2020, the gain of \$52,736 and \$23,751 were recognized from the reversal of provision arising from scrapping, where in such loss were included in cost of sales.

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

## (g) Investments accounted for using the equity method

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	<b><u>\$ 470,390</u></b>	<b><u>376,166</u></b>

As of December 31, 2021 and 2020, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

## (h) Changes in parent's ownership interest in a subsidiary

## (i) Acquisitions of NCI

In May 2021, the Group acquired an additional interest in OHGA Smartthings Co., Ltd. for \$2,166 in cash, increasing the shareholding ratio from 70.00% to 71.06%. The Group did not have any transaction of the subsidiary in 2020.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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In October 2020, the Group acquired an additional 42.31% interest in Uholy Investment Co., Ltd. for \$247,500 in cash, increasing the shareholding ratio from 57.69% to 100.00%. The Group did not have any transaction of the subsidiary in 2021.

The effects of the changes in shareholdings were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount on acquisition	\$ 2,168	229,771
Consideration	<u>(2,166)</u>	<u>(247,500)</u>
Retained earnings – Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<u>\$ 2</u>	<u>(17,729)</u>

(ii) Disposal of part of equity ownership of subsidiaries without losing control

The Group disposed 1.35% of HSHC's equity ownership in 2021 for \$36,883, but did not result in losing its control over HSHC.

The Group disposed 1.04% of HSHC's equity ownership in 2020 for \$30,095, but did not result in losing its control over HSHC.

The following summarizes the effect of changes in equity of parent due to changes in the ownership interest of subsidiaries:

	<u>2021</u>	<u>2020</u>
Book value of the non-controlling interest	\$ (6,549)	(6,434)
Consideration transferred from the non-controlling interest	36,883	30,095
Other equity-exchanges differences on translation of foreign financial statements	<u>(116)</u>	<u>(42)</u>
Capital surplus-difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 30,218</u>	<u>23,619</u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Construction in Progress and testing equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 872,870	1,686,862	3,530,490	513,092	710,419	7,313,733
Additions	51,984	1,843	17,189	22,885	1,112,540	1,206,441
Reclassification	-	16,336	82,410	28,011	(126,757)	-
Disposal	-	(3,154)	(23,296)	(9,105)	-	(35,555)
Effect of movements in exchange rates	-	(11,864)	(13,735)	(781)	-	(26,380)
Balance at December 31, 2021	<u>\$ 924,854</u>	<u>1,690,023</u>	<u>3,593,058</u>	<u>554,102</u>	<u>1,696,202</u>	<u>8,458,239</u>
Balance at January 1, 2020	\$ 872,870	1,666,413	3,373,294	491,429	-	6,404,006
Additions	-	1,408	1,426	11,915	661,215	675,964
Reclassification	-	17,378	164,764	22,444	49,204	253,790
Disposal	-	(953)	(9,320)	(12,855)	-	(23,128)
Effect of movements in exchange rates	-	2,616	326	159	-	3,101
Balance at December 31, 2020	<u>\$ 872,870</u>	<u>1,686,862</u>	<u>3,530,490</u>	<u>513,092</u>	<u>710,419</u>	<u>7,313,733</u>
Accumulated depreciation:						
Balance at January 1, 2021	\$ -	641,200	2,641,784	419,636	-	3,702,620
Depreciation	-	85,998	373,653	53,343	-	512,994
Disposal	-	(3,154)	(23,231)	(7,834)	-	(34,219)
Effect of movements in exchange rates	-	(4,360)	(8,866)	(620)	-	(13,846)
Balance at December 31, 2021	<u>\$ -</u>	<u>719,684</u>	<u>2,983,340</u>	<u>464,525</u>	<u>-</u>	<u>4,167,549</u>
Balance at January 1, 2020	\$ -	548,669	2,294,502	386,253	-	3,229,424
Depreciation	-	92,216	356,244	45,862	-	494,322
Disposal	-	(953)	(9,082)	(12,547)	-	(22,582)
Effect of movements in exchange rates	-	1,268	120	68	-	1,456
Balance at December 31, 2020	<u>\$ -</u>	<u>641,200</u>	<u>2,641,784</u>	<u>419,636</u>	<u>-</u>	<u>3,702,620</u>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 924,854</u>	<u>970,339</u>	<u>609,718</u>	<u>89,577</u>	<u>1,696,202</u>	<u>4,290,690</u>
Balance at January 1, 2020	<u>\$ 872,870</u>	<u>1,117,744</u>	<u>1,078,792</u>	<u>105,176</u>	<u>-</u>	<u>3,174,582</u>
Balance at December 31, 2020	<u>\$ 872,870</u>	<u>1,045,662</u>	<u>888,706</u>	<u>93,456</u>	<u>710,419</u>	<u>3,611,113</u>

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had been pledged as collateral for short-term and long-term borrowings; please refer to note 8.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Right-of-use assets

The Group leases many assets including buildings and other facilities. Information about leases for which the Group as a lessee was presented below:

	<u>Building and construction</u>	<u>Other facilities</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2021	\$ 73,566	5,688	79,254
Additions	25,694	5,633	31,327
Disposal	(4,732)	(2,081)	(6,813)
Effect of changes in foreign exchange rates	<u>(815)</u>	<u>(161)</u>	<u>(976)</u>
Balance at December 31, 2021	<u>\$ 93,713</u>	<u>9,079</u>	<u>102,792</u>
Balance at January 1, 2020	\$ 55,077	5,686	60,763
Additions	18,414	-	18,414
Effect of changes in foreign exchange rates	<u>75</u>	<u>2</u>	<u>77</u>
Balance at December 31, 2020	<u>\$ 73,566</u>	<u>5,688</u>	<u>79,254</u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2021	\$ 33,937	3,708	37,645
Depreciation for the year	19,372	2,226	21,598
Disposal	(933)	(1,198)	(2,131)
Effect of changes in foreign exchange rates	<u>(673)</u>	<u>(40)</u>	<u>(713)</u>
Balance at December 31, 2021	<u>\$ 51,703</u>	<u>4,696</u>	<u>56,399</u>
Balance at January 1, 2020	\$ 17,079	1,500	18,579
Depreciation for the year	16,811	2,209	19,020
Effect of changes in foreign exchange rates	<u>47</u>	<u>(1)</u>	<u>46</u>
Balance at December 31, 2020	<u>\$ 33,937</u>	<u>3,708</u>	<u>37,645</u>
<b>Carrying amount:</b>			
Balance at December 31, 2021	<u>\$ 42,010</u>	<u>4,383</u>	<u>46,393</u>
Balance at January 1, 2020	<u>\$ 37,998</u>	<u>4,186</u>	<u>42,184</u>
Balance at December 31, 2020	<u>\$ 39,629</u>	<u>1,980</u>	<u>41,609</u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group in 2021 and 2020, were as follows:

	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2021	\$ 541,940	55,658	597,598
Effect of movement in exchange rates	-	(3,101)	(3,101)
Balance at December 31, 2021	<u>\$ 541,940</u>	<u>52,557</u>	<u>594,497</u>
Balance at January 1, 2020	\$ 541,940	53,617	595,557
Effect of movement in exchange rates	-	2,041	2,041
Balance at December 31, 2020	<u>\$ 541,940</u>	<u>55,658</u>	<u>597,598</u>
<b>Amortization and impairment loss:</b>			
Balance at January 1, 2021	\$ 541,940	41,914	583,854
Amortization for the year	-	2,969	2,969
Effect of movement in exchange rates	-	(2,398)	(2,398)
Balance at December 31, 2021	<u>\$ 541,940</u>	<u>42,485</u>	<u>584,425</u>
Balance at January 1, 2020	\$ 541,940	37,342	579,282
Amortization for the year	-	3,060	3,060
Effect of movement in exchange rates	-	1,512	1,512
Balance on December 31, 2020	<u>\$ 541,940</u>	<u>41,914</u>	<u>583,854</u>
<b>Carrying amount:</b>			
Balance at December 31, 2021	<u>\$ -</u>	<u>10,072</u>	<u>10,072</u>
Balance at January 1, 2020	<u>\$ -</u>	<u>16,275</u>	<u>16,275</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>13,744</u>	<u>13,744</u>

(i) Amortization and impairment losses

The amortization of intangible assets and impairment losses in 2021 and 2020 are included in the statement of comprehensive income:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Operating expenses	<u>\$ 2,969</u>	<u>3,060</u>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Impairment losses

In 2021 and 2020, the Group's recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount was greater than its carrying amount and no impairment loss was recognized.

(l) Short-term borrowings

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	\$ 1,953,251	2,118,526
Secured bank loans	50,000	27,000
Total	<u>\$ 2,003,251</u>	<u>2,145,526</u>
Unused short-term credit lines	<u>\$ 2,944,472</u>	<u>2,357,185</u>
Range of interest rates	<u>0.48%~1.50%</u>	<u>0.4%~2.79%</u>

For the collateral for short-term borrowings, please refer to note 8.

(m) Other payables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Employee bonus payable	\$ 346,528	337,775
Compensation due to directors and supervisors	49,133	37,552
Payables on machinery and equipment	155,580	32,462
Salaries and bonus payables	183,050	106,823
Professional service payables	106,616	108,695
Commission payables	1,539	3,602
Labor/health insurance payables	19,863	16,266
Others	281,335	273,187
	<u>\$ 1,143,644</u>	<u>916,362</u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (n) Long-term borrowings

The details were as follows:

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.4%	116~117	\$ 1,367,608
Unsecured bank loans	JPY	0.855%	111	7,422
Secured bank loans	TWD	1.11%	114	8,249
Less: current portion				(9,941)
Total				\$ 1,373,338
Unused long-term credit lines				\$ 632,392
<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.4%	116	\$ 423,932
Unsecured bank loans	JPY	0.855%	111	25,509
Secured bank loans	TWD	1.11%	114	10,357
Less: current portion				(19,296)
Total				\$ 440,502
Unused long-term credit lines				\$ 1,576,068

For the collateral for long-term borrowings, please refer to note 8.

## (o) Lease liabilities

The Group's finance lease liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	\$ 19,957	\$ 13,404
Non-current	\$ 27,196	\$ 28,721

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 769	735
Expenses relating to short-term leases	\$ 15,446	17,222

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

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ 37,419	36,586

(i) Real estate leases

As of December 31, 2021, the Group leases buildings for its office space and factory. The leases of office space and factory typically run for a period of one to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases other facilities, with lease terms of one to five years.

The Group also leases factory and other facilities with one year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	\$ 180,510	185,659
Fair value of plan assets	(115,527)	(113,818)
	64,983	71,841
Effect of the asset ceiling	-	-
Net defined benefit liabilities	\$ 64,983	71,841

(Continued)

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$110,582 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<u>2021</u>	<u>2020</u>
Defined benefit obligations at January 1	\$ 185,659	176,106
Current service costs and interest cost	1,641	2,628
Remeasurements loss (gain):		
– Actuarial loss (gain) arising from financial assumptions	15,418	10,478
Benefits paid	<u>(22,208)</u>	<u>(3,553)</u>
Defined benefit obligations at December 31	<u><u>\$ 180,510</u></u>	<u><u>185,659</u></u>

3) Movements in fair value of plan assets

The movements in the value of the plan assets for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 113,818	109,864
Interest income	405	894
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	1,607	2,733
Contributions paid by the employer	3,934	3,880
Benefits paid	<u>(4,237)</u>	<u>(3,553)</u>
Fair value of plan assets at December 31	<u><u>\$ 115,527</u></u>	<u><u>113,818</u></u>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Movements of the effect of the asset ceiling

There is no change in the effect of the asset ceiling for 2021 and 2020.

5) Expenses recognized in profit or loss

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

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 991	1,219
Net interest of net liabilities for defined benefit obligations	<u>245</u>	<u>515</u>
	<u>\$ 1,236</u>	<u>1,734</u>

	<u>2021</u>	<u>2020</u>
Operating cost	\$ 1,448	1,447
Operating expenses	<u>(212)</u>	<u>287</u>
	<u>\$ 1,236</u>	<u>1,734</u>

6) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ (88,280)	(80,534)
Recognized during the period	<u>(13,811)</u>	<u>(7,746)</u>
Accumulated amount at December 31	<u>\$ (102,091)</u>	<u>(88,280)</u>

7) Actuarial assumptions

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.650 %	0.350 %
Future salary increase rate	2.50 %	2.500 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$3,900.

The weighted-average lifetime of the defined benefits plans is 12 years.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

8) Sensitivity analysis

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

	<b>Influences of defined benefit obligation</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2021		
Discount rate	\$ 4,029	(4,167)
Future salary increasing (decreasing)	(3,989)	3,878
December 31, 2020		
Discount rate	4,434	(4,592)
Future salary increasing (decreasing)	(4,385)	4,258

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for December 31, 2021 and 2020 .

(ii) Defined contribution plans

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

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$59,897 and \$47,296 for the years ended December 31, 2021 and 2020, respectively.

(q) Income taxes

(i) Income tax expense

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

	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 209,923	348,351
Deferred tax expense		
Origination and reversal of temporary differences	22,453	13,450
	<b>\$ 232,376</b>	<b>361,801</b>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified to profit or loss:		
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	\$ <u>-</u>	<u>1,571</u>

- 3) Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Profit before tax	\$ <u>2,068,886</u>	<u>1,591,591</u>
Income tax using the Company's domestic tax rate	\$ 413,777	318,318
Basic income tax	3,074	-
Tax-exempt income and tax incentives	(638)	(514)
Current-year losses for which no deferred tax asset was recognized	40,664	-
Change in unrecognized temporary differences	(165,600)	18,261
Change in provision in prior periods	(980)	-
Additional tax on undistributed earnings	211	-
Effect of tax rates in foreign jurisdiction and others	<u>(58,132)</u>	<u>25,736</u>
	\$ <u>232,376</u>	<u>361,801</u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Tax effect of deductible Temporary Differences	\$ <u>374,943</u>	<u>505,287</u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	<b>Allowance for inventory valuation losses</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>			
Balance at January 1, 2021	\$ 40,480	10,453	50,933
Recognized in profit or loss	(7,798)	(1,885)	(9,683)
Foreign currency translation differences for foreign operations	-	(6)	(6)
Balance at December 31, 2021	<u>\$ 32,682</u>	<u>8,562</u>	<u>41,244</u>
Balance at January 1, 2020	\$ 45,337	13,672	59,009
Recognized in profit or loss	(4,857)	(4,780)	(9,637)
Recognized in other comprehensive income	-	1,571	1,571
Foreign currency translation differences for foreign operations	-	(10)	(10)
Balance at December 31, 2020	<u>\$ 40,480</u>	<u>10,453</u>	<u>50,933</u>
	<b>Profit or loss of subsidiary in equity</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>			
Balance at January 1, 2021	\$ 68,211	-	68,211
Recognized in profit or loss	10,115	2,655	12,770
Balance at December 31, 2021	<u>\$ 78,326</u>	<u>2,655</u>	<u>80,981</u>
Balance at January 1, 2020	\$ 64,398	-	64,398
Recognized in profit or loss	3,813	-	3,813
Balance at December 31, 2020	<u>\$ 68,211</u>	<u>-</u>	<u>68,211</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares was amounted to \$4,500,000, respectively with a par value of \$10 per share, of which \$450,000 thousand shares. In addition, the issuance of ordinary shares each consisted of 157,991 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of shares outstanding for 2021 and 2020 was as follows:

	<b>Ordinary shares</b>	
	<b>(in thousand of shares)</b>	
	<b>2021</b>	<b>2020</b>
Balances on December 31	<u><u>157,991</u></u>	<u><u>157,991</u></u>

(i) Capital surplus

The balance of capital surplus were as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Share capital	\$ 1,108,172	1,108,172
Additional paid-in capital arising from bond conversion	1,500,091	1,500,091
Capital surplus from merger	144,225	144,225
Employee share options	188,297	188,297
Employee compensation transferred to capital	15,410	15,410
Gain or loss on disposal of subsidiary share options	54,184	23,619
Expired share/stock options	<u>130,146</u>	<u>130,146</u>
	<u><u>\$ 3,140,525</u></u>	<u><u>3,109,960</u></u>

The Company decided to distribute cash dividends \$315,982 by capital surplus via the general meeting of shareholders held on June 9, 2020.

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

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Retained earnings

According to the Company's article of incorporation, if there is a surplus considering all accounts by the end of a fiscal year, the surplus shall be allocated in the following order:

- 1) Offset accumulated deficits from previous years.
- 2) 10% is to be appropriated as legal reserve, unless legal reserve has reached total paid-in capital.
- 3) Allocate a portion to special capital reserve, as required by relevant laws and regulations.
- 4) Any remaining profit together with any undistributed retained earnings, including the adjusted unappropriated retained earnings, after deduction of items (1) to (3) shall be allocated to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval, wherein the distributable dividend and bonus may be paid by issuing new shares.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

The Company formulated its dividend policy by considering the mid-to-long term operating growth and capital need for investing activities, together with the purpose of healthy financial structure. The board drafts an earnings distribution plan and proposes it to the annual general shareholders' meeting. The appropriation of the Company's net income may be distributed by ways of cash dividend and/or stock dividends considering future capital demand and stock dilution. Stock dividend accounts for 0% to 50% of total dividends, while cash dividend accounts for 50% to 100% of total dividends.

If there is no retained earnings to be distributed, or there is but way below the actual distribution from last fiscal year, or any concern with regard to finance/business/operation, the reserve could be distributed in accordance with regulations and authorities.

1) Legal reserve

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Special reserve

In accordance with the regulations of the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2020 and 2019 had been approved during the board meeting on March 10, 2021 and March 11, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 8.00	<u>1,263,926</u>	5.00	<u>789,954</u>

The amount of cash dividends on appropriation of earning for 2021 been approved during the board meeting on March 9, 2022. The relevant dividend distributions to shareholders were as follows:

	<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 9.00	<u>1,421,917</u>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (51,074)	(71,310)	(122,384)
Exchange differences on foreign operations:			
The Company	(37,914)	-	(37,914)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiaries	\$ -	(11,225)	(11,225)
Disposal of investments in equity instruments designate at fair value through other comprehensive income			
Subsidiaries	-	7,669	7,669
Balance at December 31, 2021	<u>\$ (88,988)</u>	<u>(74,866)</u>	<u>(163,854)</u>
Balance at January 1, 2020	\$ (47,294)	(81,527)	(128,821)
Exchange difference on foreign operations:			
The Company	(3,780)	-	(3,780)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(6,283)	(6,283)
Subsidiaries	-	16,500	16,500
Balance at December 31, 2020	<u>\$ (51,074)</u>	<u>(71,310)</u>	<u>(122,384)</u>

(s) Share-based payments

- (i) As of December 31, 2021, the share-based payment arrangements of Holy Stone Healthcare Co., Ltd., was as follows:

	<u>Equity-settled</u> <u>Employee stock options</u>
Fair value at grant date	2021.7.12
Number of shares granted	3,390,000
Contract term	5 years
Recipients	Employee
Vesting conditions	Provide future service of 2~4 years

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Determining the fair value of equity instruments granted

Holy Stone Healthcare Co., Ltd. used "Black-Scholes" method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<b>Equity-settled</b>
	<b>Employee stock options</b>
Fair value at grant date (in New Taiwan Dollars)	11.68
Share price at grant date (in New Taiwan Dollars)	-
Exercise price (in New Taiwan Dollars)	21.00
Expected volatility (%)	52.19 ; 49.30 ; 47.88
Expected life (years)	5
Expected dividend (%)	-
Risk-free interest rate (%)	0.1983 ; 0.2361 ; 0.2685

Holy Stone Healthcare Co., Ltd. is unlisted OTC company, which is based on the average historical 3, 4 and 5 year volatility.

(iii) Determining of share-based payment arrangements

Details of the employee stock options was as follows:

	<b>2021</b>	
(in New Taiwan Dollars/units)	<b>Weighted average exercise price</b>	<b>Number of options</b>
Outstanding at January 1	\$ -	-
Granted during the year (number)	21.00	3,500,000
Forfeited during the year (number)	-	-
Exercised during the year (number)	-	-
Expired during the year (number)	-	-
Other (number)	-	(110,000)
Outstanding at December 31	21.00	<u><u>3,390,000</u></u>
Exercisable at December 31	-	<u><u>-</u></u>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The detail of the share option of Holy Stone Healthcare Co., Ltd. as of December 31, 2021 was as follows:

	<b>December 31, 2021</b>
Range of exercise price (in New Taiwan Dollars)	\$ 21.00
Weighted average of remaining contractual period (years)	4.53

(iv) Expense recognized in profit or loss

Holy Stone Healthcare Co., Ltd. incurred expenses of share-based arrangements in 2021 as follows:

	<b>2021</b>
Expense resulting from granted employee share options	\$ <b>937</b>

(t) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company	\$ <b>1,952,417</b>	<b>1,312,345</b>

2) Weighted average number of outstanding ordinary shares

	<b>2021</b>	<b>2020</b>
(In thousands of shares)		
Weighted average number of ordinary shares at December 31	<b>157,991</b>	<b>157,991</b>

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders of the Company (basic)	\$ <b>1,952,417</b>	<b>1,312,345</b>

2) Weighted average number of ordinary shares (diluted)

	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares (basic)	\$ 157,991	157,991
Effect of employee share bonus	2,507	1,964
Weighted average number of ordinary shares (diluted) at December 31	\$ <b>160,498</b>	<b>159,955</b>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (u) Revenue from contracts with customers

## (i) Details of revenue

	<b>2021</b>		
	<b>Electronic department</b>	<b>Other department</b>	<b>Total</b>
Major products/service lines:			
Passive components	\$ 6,173,772	-	6,173,772
Active components	4,359,847	-	4,359,847
System and modules	3,676,718	-	3,676,718
Others	<u>1,103,698</u>	<u>1,288,011</u>	<u>2,391,709</u>
	<b><u>\$ 15,314,035</u></b>	<b><u>1,288,011</u></b>	<b><u>16,602,046</u></b>
	<b>2020</b>		
	<b>Electronic department</b>	<b>Other departments</b>	<b>Total</b>
Major products/service lines:			
Passive components	\$ 5,473,035	-	5,473,035
Active components	3,684,329	-	3,684,329
System and modules	3,097,285	-	3,097,285
Others	<u>1,446,637</u>	<u>1,129,142</u>	<u>2,575,779</u>
	<b><u>\$ 13,701,286</u></b>	<b><u>1,129,142</u></b>	<b><u>14,830,428</u></b>

## (ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable	\$ 153,821	91,731	72,657
Accounts receivables	3,072,262	3,042,772	2,657,060
Less: loss allowance	<u>(27,721)</u>	<u>(25,307)</u>	<u>(26,405)</u>
Total	<b><u>\$ 3,198,362</u></b>	<b><u>3,109,196</u></b>	<b><u>2,703,312</u></b>
Contract liabilities	<b><u>\$ 120,417</u></b>	<b><u>81,189</u></b>	<b><u>101,339</u></b>

For details on notes and accounts receivable and loss allowance, please refer to note 6(d).

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, including the adjusted unappropriated retained earnings, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. Employee compensation, directors, and in addition thereto, a report of such distribution shall should only be submitted to the shareholders' meeting. The directors' and supervisors' remuneration should only be paid in cash. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$257,947 and \$197,148, and directors' and supervisors' remuneration amounting to \$49,133 and \$37,552, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors, as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

(w) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Dividend income	\$ 1,706	641
Gain on financial assets at fair value through profit and loss	27,337	66,573
Gain on disposals of investment	-	84
Foreign exchange losses	(37,257)	(32,155)
Others	<u>14,186</u>	<u>23,872</u>
	<u>\$ 5,972</u>	<u>59,015</u>

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Concentration of credit risk

The Group's majority customers are in high-tech industries, to reduce concentration of credit risk, the Group evaluates customers' financial positions periodically and requires its customers to provide collateral or promissory notes, if necessary.

3) Receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(d).

Other financial assets at amortized cost include other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the impact of estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,003,251	2,005,701	2,005,701	-	-
Current contract liabilities	120,417	120,417	120,417	-	-
Accounts payable	1,232,048	1,232,048	1,232,048	-	-
Accounts payable to related parties	75,429	75,429	75,429	-	-
Other payables	1,143,644	1,143,644	1,143,644	-	-
Lease liabilities	47,153	48,732	20,516	21,948	6,268
Long-term loans	<u>1,383,279</u>	<u>1,405,263</u>	<u>15,520</u>	<u>1,038,148</u>	<u>351,595</u>
	<u>\$ 6,005,221</u>	<u>6,031,234</u>	<u>4,613,275</u>	<u>1,060,096</u>	<u>357,863</u>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,145,526	2,147,682	2,147,682	-	-
Current contract liabilities	81,189	81,188	81,188	-	-
Accounts payable	1,053,184	1,053,184	1,053,184	-	-
Accounts payable to related parties	48,094	48,094	48,094	-	-
Other payables	916,362	916,362	916,362	-	-
Lease liabilities	42,125	46,560	15,366	21,491	9,703
Long-term loans	<u>459,798</u>	<u>467,843</u>	<u>21,257</u>	<u>284,963</u>	<u>161,623</u>
	<u>\$ 4,746,278</u>	<u>4,760,913</u>	<u>4,283,133</u>	<u>306,454</u>	<u>171,326</u>

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 88,372	27.6800	2,446,148	81,939	28.4800	2,333,622
EUR	1,639	31.3200	51,336	1,180	35.0200	41,318
HKD	20,356	3.5490	72,244	19,161	3.6730	70,379
GBP	309	37.3000	11,517	294	38.9000	11,425
JPY	426,214	0.2405	102,504	464,731	0.2763	128,405
CNY	24,120	4.3440	104,778	39,542	4.3770	173,074
NTD	3,974	1.0000	3,974	4,692	1.0000	4,692
<u>Non-monetary items</u>						
USD	1,236	27.6800	34,214	910	28.4800	25,915
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	76,587	27.6800	2,119,922	92,357	28.4800	2,630,329
EUR	202	31.3200	6,323	180	35.0200	6,321
HKD	821	3.5490	2,913	951	3.6730	3,494
GBP	226	37.3000	8,423	270	38.9000	10,489
JPY	78,670	0.2405	18,920	80,729	0.2763	22,306
CNY	665	4.3440	2,887	696	4.3770	3,046
NTD	2,236	1.0000	2,236	2,533	1.0000	2,533

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, other receivables, loans, accounts payable, and other payable that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD, EUR, JPY, HKD, GBP and CNY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$31,544 and \$4,220, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(37,257) and \$(32,155), respectively.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% of basis points, the Group's net income would have increased / decreased by \$33,865 and \$26,053 for the year ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing at floating variable rates and investment in variable-rate bills.

(v) Other market price risk

If the equity price changes, the impact to comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both periods, will be as follows:

Prices of securities at the reporting date	2021		2020	
	Other comprehensive income after tax		Other comprehensive income after tax	
		Net income		Net income
Increasing 1%	\$ -	2,091	-	1,478
Decreasing 1%	\$ -	(2,091)	-	(1,478)

Information related to major foreign currency equity investment on the report date is as follows:

	December 31, 2021			December 31, 2020		
	Currency	Rate	NTD	Currency	Rate	NTD
USD	218	27.680	6,023	348	28.480	9,905

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 554,828	459,758	-	95,070	554,828
Financial assets at fair value through other comprehensive income	57,937	-	-	57,937	57,937
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,954,236	-	-	-	-
Notes and accounts receivable, net	3,198,362	-	-	-	-
Other receivables	157,924	-	-	-	-
Subtotal	7,310,522	-	-	-	-
Total	<u>\$ 7,923,287</u>	<u>459,758</u>	<u>-</u>	<u>153,007</u>	<u>612,765</u>
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 2,003,251	-	-	-	-
Current contract liabilities	120,417	-	-	-	-
Accounts payable	1,232,048	-	-	-	-
Accounts payable to related parties	75,429	-	-	-	-
Other payables	1,143,644	-	-	-	-
Lease liabilities	47,153	-	-	-	-
Long-term borrowings	1,383,279	-	-	-	-
Subtotal	6,005,221	-	-	-	-
Total	<u>\$ 6,005,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 337,083	318,900		18,183	337,083
Financial assets at fair value through other comprehensive income	84,940	-	-	84,940	84,940
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,459,782	-	-	-	-
Notes and accounts receivable, net	3,109,196	-	-	-	-
Other receivables	122,710	-	-	-	-
Subtotal	7,691,688	-	-	-	-
Total	<b>\$ 8,113,711</b>	<b>318,900</b>	-	<b>103,123</b>	<b>422,023</b>
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 2,145,526	-	-	-	-
Current contract liabilities	81,189	-	-	-	-
Accounts payable	1,053,184	-	-	-	-
Accounts payable to related parties	48,094	-	-	-	-
Other payables	916,362	-	-	-	-
Lease liabilities	42,125	-	-	-	-
Long-term borrowings	459,798	-	-	-	-
Subtotal	4,746,278	-	-	-	-
Total	<b>\$ 4,746,278</b>	-	-	-	-

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

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

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The book values of the Group's loans and receivables, financial asset carried at cost, and financial liabilities measured at amortized cost are similar to their fair values.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Valuation techniques for financial instruments measured at fair value

3.1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair value of financial instruments with an active market were as follow according to the categories and attributes:

The listed stock is traded in the active market and its fair value is based on the quoted market price accordingly.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method or other valuation techniques including a models using observable market data at the reporting date.

3.2) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss-debt investment" and "fair value through other comprehensive income – equity investments".

(y) Financial risk management

(i) Overview

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

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

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how the management supervision is in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

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

1) Accounts receivable Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Since the Group has a large customer, it does not significantly focus on dealing with a single customer; therefore, there is no significant concentration of the risk of account receivable. In order to reduce the credit risk, the Group also regularly assesses the financial status of its customers, if necessary, and will require its customers to provide security or guarantee.

The Group sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar group of assets. The allowance for doubtful accounts of the Group was based on the statistic information of past payment of similar financial assets.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Investments

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

3) Guarantees

As of December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of 2021, the Group's unused credit line amounted to \$3,576,864 and \$3,933,253, respectively.

(v) Market risk

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

1) Currency risk

The Group devoted in foreign exchange purchases and sales, forming the variable exposure from exchange rate. The management of exchange rate exposure is to use forward foreign exchange rate contract to manage the risk under the policy.

The loan interest is valued under the currency of principals. In general. The currency of loans shall be identical to the cash flow generated from operating activities, mostly NTD, but JPY and USD as well. The Group provides economic hedge and there is no need to sign for derivatives under such circumstances; hence the hedge accounting is not adopted.

When short-term imbalance happens to monetary assets and liabilities measured at foreign currency, the Group maintains its exposure risk within acceptable by buying or selling foreign currency at board exchange rate.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Interest rate risk

The risk of the changes in fair value and the cash flow risk are generated from the Group simultaneously borrowing at fixed and floating rate. The Group manages interest rate risk through keeping an adequate combination between fixed and floating interest rate and interest rate SWAP.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. These are strategic investments and are not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios.

(z) Capital management

The Group's objectives for managing capital are to safeguard its capacity to continue to operate and provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce its cost of capital. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus net debt.

As of December 31, 2021, the Group's capital management strategy is consistent with the prior year as of December 31, 2020. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2021 and 2020, is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 6,185,807	5,086,114
Less: cash and cash equivalents	<u>(3,954,236)</u>	<u>(4,459,782)</u>
Net debt	<b><u>\$ 2,231,571</u></b>	<b><u>626,332</u></b>
Total equity	\$ 10,084,722	9,543,806
Less: adjustment	<u>-</u>	<u>-</u>
Adjusted equity	<b><u>\$ 10,084,722</u></b>	<b><u>9,543,806</u></b>
Debt-to-equity ratio	<b><u>22.13 %</u></b>	<b><u>6.56 %</u></b>

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

(i) For right-of-use assets under leases, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash Flows	Non-cash changes			December 31, 2021	
			Acquisition	Foreign exchange movement	Interest expense		Other
Lease liabilities	<u>\$ 42,125</u>	<u>(21,973)</u>	<u>31,327</u>	<u>(351)</u>	<u>769</u>	<u>(4,744)</u>	<u>47,153</u>

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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	January 1, 2020	Cash Flows	Acquisition	Non-cash changes			December 31, 2020
				Foreign exchange movement	Interest expense	Other	
Lease liabilities	\$ 42,570	(19,364)	18,414	(228)	735	(2)	42,125

**(7) Related-party transactions:**

- (a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
eGalax_eMPIA Technology Inc.	An associate
Empia Technology Inc.	An associate

- (b) Significant transactions with related parties

- (i) Purchases and payables to related parties

	Purchases		Payables to related parties	
	2021	2020	December 31, 2021	December 31, 2020
Associate	\$ 416,370	288,108	75,429	48,094

The purchase price with related parties is not comparable to the purchase price with the third-party vendors as there are no similar products purchased from other vendors. The payment terms with related parties were no different from the payment terms given by other vendors.

- (ii) As of December 31, 2021 and 2020, other receivables (reported in notes and accounts receivables, net) from related parties due to on behalf of the Group to collect and pay expenses and other expenditures, amounted to \$478 and \$277, respectively.
- (iii) In October 2020, the Group purchased its shares from other shareholders of UHOLY Investment Co, Ltd., acquiring 16,500 thousand share for \$247,500 in cash increasing the shareholding ratio from 57.69% to 100%. All payments from this transaction are made.

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 75,943	57,775

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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**(8) Pledged assets:**

The carry values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	Bank loans	\$ 156,522	156,522
Buildings	Bank loans	50,515	52,317
Time deposit	Purchases and commodity tax guarantee	40,884	18,843
		<u>\$ 247,921</u>	<u>227,682</u>

**(9) Commitments and contingencies:**

(a) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$135,000 and \$143,800, respectively.

(b) The unrecognized commitment of acquisition of property, plant and equipment were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 365,899</u>	<u>303,826</u>

(c) An anti-trust investigation regarding the former Japanese subsidiary was filed against the Group in March 2014. The Group has engaged attorneys to process the investigation and US Civil litigation. The anti-trust investigation was still in progress as of December 31, 2021.

**(10) Losses Due to Major Disasters: None.****(11) Subsequent Events: None.****(12) Other:**

(a) The followings were the summary statements of employee benefits, depreciation, and amortization expenses by function:

By item	By function	2021			2020		
		Cost of Sale	Operating expenses	Total	Cost of Sale	Operating expenses	Total
Employee benefits							
Salary		426,889	835,924	1,262,813	349,318	713,468	
Labor and health insurance		49,476	55,411	104,887	39,977	49,528	
Pension		24,554	36,579	61,133	20,692	28,338	
Remuneration of directors		-	50,028	50,028	-	36,632	
Others		15,050	18,356	33,406	12,591	15,144	
Depreciation		465,205	69,387	534,592	446,821	66,521	
Amortization		-	3,017	3,017	-	3,113	

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

## (i) Loans to other parties: None

## (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Holy Stone Holdings Co., Ltd.	2	1,972,779	142,675	138,400	-	-	1.40 %	4,931,948	Y	N	N
0	The Company	Jung Chan Investments Co., Ltd.	2	1,972,779	150,000	150,000	-	-	1.52 %	4,931,948	Y	N	N
0	The Company	Everplus Material Co., Ltd.	2	1,972,779	110,520	96,200	96,200	-	0.98 %	4,931,948	Y	N	N

Note 1: The total amount available for endorsement provided to one entity shall not exceed 20% of the Company’s net worth; and the total amount available endorsement provided to others shall not exceed 50% of the Company’s net worth.

Note 2: Seven forms of relationships in which corporate guarantees exist are defined as follows:

(a) At entity that is with business relationship.

(b) A Subsidiary which owned more than 50% by the guarantor.

(c) An investee owned more than 50% in total by both the guarantor and its subsidiary.

(d) An investee owned more than 90% by the guarantor or its subsidiary.

(e) Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.

(f) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

(g) The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The inter-company transactions have been eliminated in the consolidated financial statements.

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair Value	Highest Percentage of ownership	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)			
The Company	Fuh Hwa Smart Energy Bond Fund I	-	Current financial asset at fair value through profit or loss Fund beneficiary certificate	2,997	33,324	-	33,324	2,997	-
The Company	Fuh Hwa Smart Energy Bond Fund II	-	"	12,660	142,610	-	142,610	12,660	-
The Company	INVESCO QQQ ETF	-	"	1	6,607	-	6,607	1	-
The Company	SPDR S&P500 ETF	-	"	1	13,147	-	13,147	1	-
The Company	MSCI EMERGING MKT ETP	-	"	1	1,352	-	1,352	1	-
The Company	FIDELITY FNDSJAPAN	-	"	14	7,085	-	7,085	14	-
The Company	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	90	55,350	-	55,350	90	-
The Company	GSI TECHNOLOGY INC. Stock	-	Non-current financial asset at fair value through profit or loss	47	6,023	0.20 %	6,023	47	-

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair Value		
The Company	CNO Co., Ltd. Stock	-	Non-current financial asset at fair value through profit or loss	1,400	-	12.28 %	-	1,400	-
Martek Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	12	7,380	-	7,380	12	-
Holy Stone Enterprise (Hong Kong) Co., Limited	SPDR S&P500 ETF	-	Current financial asset at fair value through profit or loss Fund beneficiary certificate	1	7,231	-	7,231	1	-
Holy Stone Enterprise (Hong Kong) Co., Limited	INVESCO QQQ ETF	-	"	1	4,405	-	4,405	1	-
Holy Stone Enterprise (Hong Kong) Co., Limited	FIDELITY FNDS-JAPAN	-	"	16	8,344	-	8,344	16	-
Holy Stone Enterprise (Hong Kong) Co., Limited	ALLANZ?EURO EQGR	-	"	15	8,580	-	8,580	15	-
Holy Stone Holdings Co., Ltd.	S_ATH2USD Greenity Communications, Inc	-	Non-current financial asset at fair value through other comprehensive income	220	-	0.76 %	-	220	-
Holy Stone Holdings Co., Ltd.	ISHARES RUSSELL1000 VALUE ETF	-	Current financial asset at fair value through profit or loss-Fund beneficiary certificate	1	1,394	-	1,394	1	-
Holy Stone Holdings Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	11	5,562	-	5,562	11	-
Holy Stone Holdings Co., Ltd.	ALLANZ?EURO EQGR	-	"	10	5,720	-	5,720	10	-
Holy Stone Holdings Co., Ltd.	S_ATH2USD SPDR S&P500 ETF	-	"	1	5,259	-	5,259	1	-
UHOLY Investment Co., LTD.	METANOIA COMMUNICATIONS INC. Stock	-	Non-current financial asset at fair value through other comprehensive income	155	-	0.18 %	-	155	-
UHOLY Investment Co., LTD.	IFIT Co., Ltd. Stock	-	"	269	-	-	-	269	-
UHOLY Investment Co., LTD.	Sen Yun Co., Ltd. Stock	-	"	140	-	-	-	140	-
UHOLY Investment Co., LTD.	C2 MICROSYSTEMS INC.	-	Non-current financial assets at fair value through profit or loss	1,200	-	3.20 %	-	1,200	-
UHOLY Investment Co., LTD.	Win Win Precision Technology CO., LTD. Stock	-	"	1,388	22,903	3.05 %	22,903	1,388	-
UHOLY Investment Co., LTD.	AZOTEK CO., LTD. Stock	-	"	981	31,377	1.63 %	31,377	981	-
UHOLY Investment Co., LTD.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	75	-
UHOLY Investment Co., LTD.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	70	-
UHOLY Investment Co., LTD.	NAN YA PRINTED CIRCUIT CORPORATION Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	15	8,580	-	8,580	15	-

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair Value		
UHOLY Investment Co., LTD.	CHILISIN ELECTRONICS CORP. Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	1	95	-	95	80	-
Jung Chan Investment Co., Ltd.	JYA-NAY CO., LTD. Stock	-	Non-current financial asset at fair value through other comprehensive income	2,976	25,868	12.40 %	25,868	2,976	-
Jung Chan Investment Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	"	1,846	24,874	11.99 %	24,874	1,846	-
Jung Chan Investment Co., Ltd.	CNO Co., Ltd. Stock	-	Non-current financial asset at fair value through other comprehensive income	494	-	4.33 %	-	494	-
Jung Chan Investment Co., Ltd.	METANOIA COMMUNICATIONS INC. Stock	-	"	27	-	0.04 %	-	27	-
Jung Chan Investment Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through profit or loss	140	2,156	0.54 %	2,156	140	-
Jung Chan Investment Co., Ltd.	WOM ASIA CO., LTD. Stock	-	"	645	2,485	2.45 %	2,485	645	-
Jung Chan Investment Co., Ltd.	Genovior Biotech Corporation Stock	-	"	3,590	28,002	7.03 %	28,002	3,590	-
Jung Chan Investment Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	75	-
Jung Chan Investment Co., Ltd.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	70	-
Jung Chan Investment Co., Ltd.	TONG HSING ELECTRONIC INDUSTRIES, LTD. Stock	-	"	20	5,950	-	5,950	20	-
Jung Chan Investment Co., Ltd.	NAN YA PRINTED CIRCUIT BOARD CORPORATION Stock	-	"	10	5,720	-	5,720	10	-
Jung Chan Investment Co., Ltd.	King Yuan ELECTRONICS CO., LTD. Stock	-	"	30	1,344	-	1,344	30	-
OHGA Smarthings Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	Non-current financial asset at fair value through other comprehensive income	540	7,195	3.51 %	7,195	540	-
OHGA Smarthings Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through other profit or loss	140	2,156	0.54 %	2,156	140	-
OHGA Smarthings Co., Ltd.	NFORE TECHNOLOGY CO., LTD. Stock	-	"	261	5,991	1.52 %	5,991	261	-
OHGA Smarthings Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	8	4,920	-	4,920	8	-
OHGA Smarthings Co., Ltd.	CHILISIN ELECTRONICS CORP. Stock	-	"	10	946	-	946	10	-

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(In Thousands units)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	21,970	300,000	21,970	300,150	300,000	150	-	-
The Company	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	95,811	1,000,000	95,811	1,000,494	1,000,000	494	-	-
The Company	Prudential Financial Money Market Fund	"	-	-	-	-	18,802	300,000	18,802	300,192	300,000	192	-	-
The Company	Capital Money Market Fund	"	-	-	-	-	27,655	450,000	27,655	450,208	450,000	208	-	-
The Company	Taishin Ta-Chong Money Market Fund	"	-	-	-	-	41,861	600,000	41,861	600,198	600,000	198	-	-
Jung Chan Investment Co., Ltd.	Yuanta Wan Tai Money Market Fund	"	-	-	-	-	34,195	522,000	34,195	522,055	522,000	55	-	-

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	International Trading Co.,Ltd (Shanghai)	Third-tier Subsidiary	Sale	(1,731,797)	(12.51)%	Next month-end 150 days	-	-	354,271	12.85%	Note
International Trading Co.,Ltd (Shanghai)	The Company	Ultimate parent company	Purchase	1,731,797	91.52%	Next month-end 150 days	-	-	(354,271)	(90.16)%	Note
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier Subsidiary	Sale	(962,400)	(6.95)%	Next month-end 120 days	-	-	188,183	6.83%	Note
Holy Stone Enterprise (Hong Kong) Co., Limited	The Company	Ultimate parent company	Purchase	962,400	92.14%	Next month-end 120 days	-	-	(188,183)	(89.41)%	Note
The Company	Infortech (China) Co.,Ltd	Third-tier Subsidiary	Sale	(747,382)	(5.40)%	This month-end 120 days	-	-	74,926	2.72%	Note
Infortech (China) Co.,Ltd	The Company	Ultimate parent company	Purchase	747,382	69.74%	This month-end 120 days	-	-	(74,926)	(99.02)%	Note
EPM	The Company	Ultimate parent company	Sale	(796,695)	(100.00)%	This month-end 30 days	-	-	67,941	100.00%	Note
The Company	EPM	Third-tier Subsidiary	Purchase	430,806	4.26%	This month-end 30 days	-	-	(67,941)	(5.84)%	Note
eGalax_eMPIA Technology Inc	The Company	Affiliated company	Sale	(415,730)	(28.43)%	This month-end 30 days	-	-	75,429	33.50%	-
The Company	eGalax_eMPIA Technology Inc	Affiliated company	Purchase	415,730	4.11%	This month-end 30 days	-	-	(75,429)	(6.48)%	-

Note: The amount was eliminated in the consolidated financial statements.

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier Subsidiary	188,183	7.05	-	-	97,332	-
The Company	International Trading Co., Ltd (Shanghai)	Third-tier Subsidiary	354,271	5.03	-	-	222,332	-

Note: The amount was eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	1	Sales revenue	962,400	Next month-end 120 days	5.80%
0	The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	1	Accounts Receivable	188,183	Next month-end 120 days	1.16%
0	The Company	International Trading Co., Ltd (Shanghai)	1	Sales revenue	1,731,797	Next month-end 150 days	10.43%
0	The Company	International Trading Co., Ltd (Shanghai)	1	Accounts Receivable	354,271	Next month-end 150 days	2.18%
0	The Company	Infortech (China) Co., Ltd	1	Sales revenue	747,382	This moth-end 120 days	4.50%
0	The Company	Infortech (China) Co., Ltd	1	Accounts Receivable	74,926	This moth-end 120 days	0.46%
1	EPM	The Company	2	Sales revenue	796,695	Next month-end in cash	4.80%
1	EPM	The Company	2	Accounts Receivable	67,941	Next month-end in cash	0.42%

Note 1: Company numbering as follow:

- (1) Parent Company—0.
- (2) Subsidiaries starting from 1.

Note 2: Relationship:

- (1) Transactions between parent Company and subsidiary.
- (2) Transactions between subsidiary and parent Company.
- (3) Transactions between subsidiary and subsidiary.

Note 3: Disclose only operating revenue and accounts receivable; related purchases, expense and payment are neglected.

(b) Information on investees:

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

(In thousands of shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	Hong Kong	MLCC and electronic components trading	49,046	49,046	11,500	100.00 %	353,971	11,500	19,623	19,623	Subsidiary of the Company
The Company	Holy Stone Holdings Co., Ltd.	Samoa	Investment activities	1,795,317	1,795,317	21,000	100.00 %	594,467	21,000	76,705	71,771	Subsidiary of the Company
The Company	UHOLY Investment Co., Ltd.	Taipei City	Investment activities	472,500	472,500	39,000	100.00 %	520,352	39,000	(11,486)	(16,002)	Subsidiary of the Company
The Company	Martek Co., Ltd.	Taipei City	Electric appliances precision instrument, computers and machinery and equipment selling	20,000	20,000	5,100	100.00 %	57,765	5,100	5,010	5,010	Subsidiary of the Company
The Company	Jung Chan Investment Co., Ltd	Taipei City	Investment activities	340,000	340,000	42,100	100.00 %	419,610	42,100	(5,405)	(5,551)	Subsidiary of the Company
The Company	Holy Stone Industry India Private Limited	India	Retail sale of Electronic Parts and components	29,260	-	7,400	100.00 %	27,211	7,400	(241)	(241)	Subsidiary of the Company

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**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	eGalax eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic materials	122,683	52,761	2,165	3.53 %	127,608	2,165	372,489	11,577	The Company's Investment accounted for using the equity
Holy Stone Holdings Co., Ltd.	Holy Stone Investments Co., Ltd	Hong Kong	Investment activities	190,992	196,512	6,900	100.00 %	476,183	6,900	59,268	59,268	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holypaq Corporation	Cayman Islands	Investment activities	33,216	34,176	1,200	100.00 %	741	1,200	-	-	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Green Glory Holdings Ltd.	Samoa	Investment activities	34,340	35,333	1,310	100.00 %	46,400	1,310	12,584	12,584	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Mayatek Co., Ltd.	Belize	Electric appliances precision instrument, computers and machinery and equipment selling	386,856	398,036	2,500	100.00 %	97,330	2,500	9,311	9,311	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Everplus Material Co.,Ltd.	Japan	Electric appliances precision instrument, computers and machinery and equipment selling	117,845	135,387	5	100.00 %	135,554	5	8,915	8,915	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holy Stone (Singapore) Pte. Ltd	Singapore	Retail sale of Electronic Parts and components	2,768	2,848	100	100.00 %	6,760	100	136	136	Subsidiary of Holy Stone Holdings Co., Ltd.
Green Glory Holdings Ltd.	Milestone Global Technology Ltd.	America	Electronic components developing and selling	13,840	14,240	500	100.00 %	29,853	500	7,805	7,805	Subsidiary of Green Glory Holdings
Green Glory Holdings Ltd.	Holystone(Europe) Ltd.	England	Retail sale of Electronic Parts and components	19,013	19,562	350	100.00 %	16,321	350	4,822	4,822	Subsidiary of Green Glory Holdings
UHOLY INVESTMENT LTD.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	683,837	683,837	42,436	34.57 %	91,291	42,436	(181,308)	(62,678)	Subsidiary of UHOLY INVESTMENT Co., Ltd. -
UHOLY INVESTMENT LTD.	eGalax eMPIA Technology Inc	Taipei, Taiwan	Retail sale of Electronic Parts and components	26,705	26,705	6,210	10.14 %	331,587	6,210	372,489	37,766	Subsidiary of UHOLY INVESTMENT Co., Ltd.
Holy Stone Healthcare Co., Ltd.	MDT INT'L SA	Switzerland	Electronic components developing and selling	78,768	78,768	2,550	100.00 %	92,073	2,550	16,490	16,490	Subsidiary of Holy Stone Healthcare Co., Ltd.
Holy Stone Healthcare Co., Ltd.	Global Search Holdings Ltd.	Samoa	Wholesaling of western Medicine and medical instruments	96,316	84,036	3,210	100.00 %	4,203	3,210	(10,674)	(10,674)	Subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	Holy Stone Biotech Co., Ltd.	England	Development and trading of medical instruments and biotechnology services	66,539	61,432	1,590	100.00 %	1,516	1,590	(5,703)	(5,703)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	AIHOL Corporation	America	Research development and patent application	21,314	16,234	10,750	100.00 %	2,269	10,750	(4,884)	(4,884)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
Jung Chan Investments Co., Ltd.	OHGA Smarthings Co., Ltd.	New Taipei, Taiwan	Electronic appliances, audio-visual electronics manufacturing and medical instruments	334,806	332,640	15,348	71.06 %	139,870	15,348	(9,070)	(6,431)	Subsidiary of Jung Chan Investments Co., Ltd
Jung Chan Investments Co., Ltd.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	44,603	73,296	2,580	2.10 %	8,921	4,240	(181,308)	(5,361)	Jung Chan's Investment accounted for using the equity
Jung Chan Investments Co., Ltd.	Merztek Incorporation	Hsin-Chu, Taiwan	Wholesaling of western Medicine and telecon	100,000	100,000	10,000	100.00 %	94,924	10,000	(3,933)	(3,933)	Subsidiary of Jung Chan Investments Co., Ltd
Jung Chan Investments Co., Ltd.	eGalax_eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic	9,475	9,475	202	0.33 %	10,202	202	372,489	1,228	Jung Chan's Investment accounted for using the equity
OHGA Smarthings Co., Ltd.	YUASA J?WAN Co., Ltd.	New Taipei, Taiwan	Wholesale and retail of Batteries	1,000	1,000	100	31.50 %	993	100	223	84	OHGA Smarthings Investment accounted for using the equity

Note : The amount was eliminated in the consolidated financial statements except using the equity method.

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee (Note 2)	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (Note 2, 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Holystone International Trading (Shanghai) Co., Ltd.	Sale of electronic products	110,997	(2)	99,925	-	-	99,925	49,625	100.00%	100.00%	49,625	294,419	-
Infortech International Trading (Shanghai) Ltd.	Development and sale of electronic products	27,680	(2)	27,680	-	-	27,680 (note 4)	-	100.00%	-	-	-	-
Infotech (China) Co., Ltd.	Sale of electronic products	58,128	(2)	58,128	-	-	58,128	9,722	100.00%	100.00%	9,722	181,576	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was audited by Group's auditor.

Note 3: The amount was eliminated in the consolidated financial statements.

Note 4: Infotech International trading (Shanghai) Ltd. had been liquidated by 2015, and application of cancellation was completed by July 29 in 2015.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
185,733	196,805	5,918,337

(iii) Significant transactions:

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

(d) Major shareholders: None of shareholders hold some than 5% of shares.

(Continued)

**HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
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**(14) Segment information:**

(a) General information

The Group has two reportable segments: electronic department and the other department. Electronic department is engaged in the development, design, manufacturing and sales of electronics-related products. And the other department does professional investment and the wholesaling of western medicine and medical equipment.

In 2021 and 2020, the above segments did not meet the quantitative thresholds.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gains or losses, because taxation, extraordinary activity, and foreign exchange gains or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note 4 “significant accounting policies”.

The Group treated intersegment sales and transfers as the third-party transactions. They are measured at market price.

The Group’s operating segment information and reconciliation are as follows:

	<b>2021</b>			
	<u>Electronic department</u>	<u>Other department</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :				
Revenue from external customers	\$ 15,314,035	1,288,011	-	16,602,046
Interest revenue	12,716	856	-	13,572
Total revenue	<u>\$ 15,326,751</u>	<u>1,288,867</u>	<u>-</u>	<u>16,615,618</u>
<b>Reportable segment profit or loss</b>	<u>\$ 2,197,091</u>	<u>(128,205)</u>	<u>-</u>	<u>2,068,886</u>
<b>Reportable segment assets</b>	<u>\$ 14,911,562</u>	<u>1,358,967</u>	<u>-</u>	<u>16,270,529</u>
<b>Reportable segment liabilities</b>	<u>\$ 5,944,249</u>	<u>241,558</u>	<u>-</u>	<u>6,185,807</u>

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	2020			
	Electronic department	Other department	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ 13,701,286	1,129,142	-	14,830,428
Interest revenue	14,677	2,146	-	16,823
Total revenue	<u>\$ 13,715,963</u>	<u>1,131,288</u>	<u>-</u>	<u>14,847,251</u>
Reportable segment profit or loss	<u>\$ 1,671,802</u>	<u>(80,211)</u>	<u>-</u>	<u>1,591,591</u>
Reportable segment assets	<u>\$ 13,213,528</u>	<u>1,416,392</u>	<u>-</u>	<u>14,629,920</u>
Reportable segment liabilities	<u>\$ 4,910,003</u>	<u>176,111</u>	<u>-</u>	<u>5,086,114</u>

(c) Product and service information

Product and services	2021	2020
Passive components	\$ 6,173,772	5,473,035
Active components	4,359,847	3,684,329
System module	3,676,718	3,097,285
Others	<u>2,391,709</u>	<u>2,575,779</u>
Total	<u>\$ 16,602,046</u>	<u>14,830,428</u>

(d) Geographic information

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

Geographical information	2021	2020
Revenue from external customers:		
China	\$ 12,009,860	10,563,122
Taiwan	2,815,894	2,665,223
United States	225,417	146,272
Others	<u>1,550,875</u>	<u>1,455,811</u>
Total	<u>\$ 16,602,046</u>	<u>14,830,428</u>
Non-current assets:		
Taiwan	\$ 4,409,435	3,492,254
China	100,692	103,375
Others	<u>153,603</u>	<u>113,217</u>
Total	<u>\$ 4,663,730</u>	<u>3,708,846</u>

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

(e) Major customers

In 2021 and 2020, the customers of the Group did not meet the disclosure standards.