

FSP Technology Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Preface

We have reviewed the Consolidated Financial Statements of FSP Technology Inc. and its subsidiaries, which comprise the Consolidated Balance Sheets as of March 31, 2022, and 2021, and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to March 31, 2022, and 2021. The Management is responsible for the preparation and fair presentation of the consolidated financial statements following the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews following the Statement of Auditing Standards 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." The procedures performed to review the consolidated financial statements include inquiry (mainly the inquiry to the persons responsible for financial and accounting affairs), analysis procedure, and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note IV(II) to the consolidated financial statements, it has included part of its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the independent auditors for the same period. As of March 31, 2022, and 2021, these subsidiaries had the total assets of NT\$2,111,516 thousand and NT\$1,817,894 thousand, respectively, representing 10.49% and 9.83% of the consolidated total assets, had the total liabilities of NT\$783,175 thousand and NT\$742,524 thousand, respectively, representing 11.71% and 10.77% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NT\$51,047 thousand and NT\$18,913 thousand from January 1 to March 31, 2022, and 2021, respectively, representing (47.57)% and 17.20% of the consolidated comprehensive profit (loss), respectively.

Besides the above-mentioned in the previous paragraph, as stated in Note VI(VIII) of the consolidated financial statements, investments accounted for under the equity method of FSP Technology Inc. and subsidiaries amounted to NT\$30,495 thousand and NT\$26,286 thousand as of March 31, 2022, and 2021, respectively. The share of corporate profit recognized under the equity method was NT\$1,844 thousand and NT\$1,176 thousand from January 1 to March 31, 2022, and 2021, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by the independent auditors.

Qualified Conclusion

Except for possible effects from financial statements of these investees mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of FSP Technology Inc. and its subsidiaries as of March 31, 2022, and 2021, and their consolidated financial

performance and cash flows from January 1 to March 31, 2022, and 2021 following the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

The engagement partners on the audit resulting in this independent auditors' report are Chang, Chun-I and Chao, Min-Ju.

KPMG
Taipei, Taiwan (Republic of China)
April 28, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

March 31, 2022 and 2021 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2022, December 31, 2021 and March 31, 2021

Unit: NT\$ thousands

Assets		2022.3.31		2021.12.31		2021.3.31		Liabilities and Equity		2022.3.31		2021.12.31		2021.3.31	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11xx	Current Assets:							21xx	Current Liabilities:						
1100	Cash and cash equivalents (Note VI(I))	\$ 2,896,916	14	2,794,253	13	3,257,679	18	2100	Short-term borrowings (Notes VI(IX), (XII) and VIII)	\$ 16,901	-	16,315	-	45,989	-
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	492,453	3	516,074	3	448,963	3	2150	Notes payable	12,337	-	14,445	-	10,244	-
1136	Financial assets at amortized cost - current (Note VI(IV))	10,800	-	10,800	-	-	-	2170	Accounts payable	4,194,254	21	4,986,689	24	4,790,488	26
1150	Notes receivable, net (Notes VI(V) and (XX))	67,042	-	62,112	-	113,745	1	2180	Accounts payable - related parties (Note VII)	60,840	-	90,024	-	89,376	-
1170	Accounts receivable, net (Notes VI(V) and (XX))	3,345,227	17	3,864,730	19	3,384,707	18	2200	Other payables (Notes VI(XVI), (XXI) and VII)	1,033,323	5	1,151,339	5	861,987	5
1180	Accounts receivable - related parties, net (Notes VI(V), (XX) and VII)	869,251	4	801,748	4	678,041	4	2230	Current income tax liabilities	207,828	1	167,169	1	143,416	1
1200	Other receivables (Notes VI(III), (VI) and VII)	106,483	1	73,406	-	55,330	-	2250	Provisions - current (Note VI(XV))	137,879	1	146,223	1	148,988	1
1220	Current income tax assets	5,648	-	5,779	-	5,634	-	2280	Lease liabilities - current (Notes VI(XIV) and VII)	174,479	1	166,758	1	132,801	1
130x	Inventories (Note VI(VII))	3,250,824	16	3,590,546	17	2,828,741	15	2300	Other current liabilities (Notes VI(XIII) and (XX))	101,609	1	92,137	1	79,555	-
1410	Prepayments	63,160	-	77,899	-	69,631	-	2320	Long-term liabilities - current portion (Notes VI(IX), (XIII) and VIII)	74,419	-	73,014	-	26,656	-
1470	Other current assets	24,402	-	34,848	-	20,574	-		Total current liabilities	6,013,869	30	6,904,113	33	6,329,500	34
	Total current assets	11,132,206	55	11,832,195	56	10,863,045	59	25xx	Non-current Liabilities:						
15xx	Non-current Assets:							2540	Long-term borrowings (Notes VI(IX) and (XIII), and VIII)	180,660	1	199,334	1	153,401	1
1517	Financial assets at fair value through other comprehensive income - non-current (Notes VI(III) and (XVIII))	6,427,196	32	6,763,138	32	5,254,732	29	2570	Deferred income tax liabilities	2,919	-	2,919	-	2,039	-
1550	Investment under equity method (Note VI(VIII))	30,495	-	26,947	-	26,286	-	2580	Lease liabilities - non-current (Notes VI(XIV) and VII)	445,610	2	474,996	2	348,465	2
1600	Property, plant and equipment (Notes VI(IX), (XII), and (XIII), VIII and IX)	1,550,223	8	1,544,427	8	1,515,078	8	2640	Net defined benefit liabilities non-current	42,620	-	44,234	-	55,555	-
1755	Right-of-use assets (Notes VI(X), (XIV) and VII)	611,712	3	635,433	3	473,077	3	2645	Guarantee deposits received	518	-	500	-	499	-
1780	Intangible assets (Note VI(XI))	224,325	1	223,496	1	220,657	1	2670	Other non-current liabilities (Note VI(XIII))	3,691	-	3,970	-	3,266	-
1840	Deferred income tax assets	82,475	1	82,240	-	72,398	-		Total non-current liabilities	676,018	3	725,953	3	563,225	3
1900	Other non-current assets (Notes VI(IX), VIII and IX)	71,431	-	69,666	-	70,055	-		Total liabilities	6,689,887	33	7,630,066	36	6,892,725	37
	Total non-current assets	8,997,857	45	9,345,347	44	7,632,283	41	2xxx	Equity Attributable to Owners of the Parent (Note VI(III), (VIII) & (XVIII))						
								3100	Capital Stock	1,872,620	9	1,872,620	9	1,872,620	10
								3200	Capital Surplus	1,011,016	5	1,011,016	5	1,011,016	6
								3300	Retained earnings:						
								3310	Legal reserve	1,033,544	5	1,033,544	5	940,416	5
								3350	Unappropriated earnings	3,436,556	17	3,209,195	15	2,743,633	15
									Total retained earnings	4,470,100	22	4,242,739	20	3,684,049	20
								34xx	Other Equity:						
								3410	Exchange differences on translation of financial statements of foreign operations	(42,849)	-	(117,703)	(1)	(103,394)	(1)
								3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	5,772,680	29	6,200,289	29	4,823,323	26
									Total other equity	5,729,831	29	6,082,586	28	4,719,929	25
									Total equity attributable to shareholders of the parent	13,083,567	65	13,208,961	62	11,287,614	61
								36xx	Non-controlling Interests	356,609	2	338,515	2	314,989	2
1xxx	Total assets	\$ 20,130,063	100	21,177,542	100	18,495,328	100	3xxx	Total equity	13,440,176	67	13,547,476	64	11,602,603	63
								2-3xxx	Total liabilities and equity	\$ 20,130,063	100	21,177,542	100	18,495,328	100

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

**FSP Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to March 31, 2022 and 2021**

Unit: NT\$ thousands

	January to March, 2022		January to March, 2021	
	Amount	%	Amount	%
4000 Operating revenue (Notes VI(XX) and VII)	\$ 3,717,016	100	3,948,571	100
5000 Operating costs (Notes VI(VII, (IX), (X), (XI), (XIV), (XV), and (XVI), VII and XII)	3,157,969	85	3,398,492	86
5920 Add: Realized (Unrealized) Profit on Sales:	642	-	(269)	-
5900 Gross profit	<u>559,689</u>	<u>15</u>	<u>549,810</u>	<u>14</u>
6000 Operating expenses (Notes VI(V), (VI), (IX), (X), (XI), (XIV), (XVI) and (XXI), VII and XII):				
6100 Selling and marketing expenses	160,424	4	131,673	3
6200 General and administrative expenses	145,963	4	138,860	4
6300 Research and development expenses	118,358	3	105,696	3
6450 Gain on expected credit loss	-	-	(2,464)	-
Total operating expenses	<u>424,745</u>	<u>11</u>	<u>373,765</u>	<u>10</u>
6900 Net operating income	<u>134,944</u>	<u>4</u>	<u>176,045</u>	<u>4</u>
7000 Non-operating income and expenses (Notes VI(II), (III), (VIII), (XIII), (XIV) and (XXII), and VII):				
7100 Interest income	4,049	-	7,997	-
7010 Other income	14,701	-	3,176	-
7020 Other gains and losses	38,342	1	(4,422)	-
7050 Finance costs	(5,105)	-	(2,783)	-
7060 Share of profits (losses) of associates and joint ventures under equity method	1,844	-	1,176	-
Total non-operating income and expenses	<u>53,831</u>	<u>1</u>	<u>5,144</u>	<u>-</u>
7900 Income before income tax from continuing operations	<u>188,775</u>	<u>5</u>	<u>181,189</u>	<u>4</u>
7950 Less: Income tax expense (Note VI(XVII))	<u>39,221</u>	<u>1</u>	<u>43,035</u>	<u>1</u>
8200 Net Income	<u>149,554</u>	<u>4</u>	<u>138,154</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified to profit or loss (Note VI(XVIII))				
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(333,216)	(9)	(14,569)	-
8349 Less: Income tax related to components that will not be reclassified to profit or loss	-	-	-	-
Total items that will not be reclassified to profit or loss	<u>(333,216)</u>	<u>(9)</u>	<u>(14,569)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss (Note VI(VIII) and (XVIII))				
8361 Exchange differences on translation of financial statements of foreign operations	75,300	2	(13,702)	-
8370 Share of other comprehensive income (losses) of associates and joint ventures under equity method	1,062	-	60	-
8399 Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	<u>76,362</u>	<u>2</u>	<u>(13,642)</u>	<u>-</u>
8300 Other Comprehensive Income	<u>(256,854)</u>	<u>(7)</u>	<u>(28,211)</u>	<u>-</u>
8500 Total Comprehensive Income	<u>\$ (107,300)</u>	<u>(3)</u>	<u>109,943</u>	<u>3</u>
Net income (losses) attributable to:				
8610 Shareholders of the parent	\$ 132,968	4	131,083	3
8620 Non-controlling Interests	16,586	-	7,071	-
	<u>\$ 149,554</u>	<u>4</u>	<u>138,154</u>	<u>3</u>
Total comprehensive income (losses) attributable to:				
8710 Shareholders of the parent	\$ (125,394)	(3)	102,798	3
8720 Non-controlling Interests	18,094	-	7,145	-
	<u>\$ (107,300)</u>	<u>(3)</u>	<u>109,943</u>	<u>3</u>
Earnings per share (unit: NT\$) (Note VI(XIX))				
9750 Basic earnings per share	<u>\$ 0.71</u>		<u>0.70</u>	
9850 Diluted earnings per share	<u>\$ 0.70</u>		<u>0.70</u>	

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen Managerial Officer: Cheng, Ya-Jen Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to March 31, 2022 and 2021

Unit: NT\$ thousands

	Equity Attributable to Owners of the Parent										
	Retained earnings					Other equity items			Total equity attributable to shareholders of the parent	Non-controlling Interests	Total Equity
	Capital stock - common shares	Capital Surplus	Legal reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total			
Balance as of January 1, 2021	\$ 1,872,620	1,011,016	940,416	2,446,328	3,386,744	(89,678)	5,004,114	4,914,436	11,184,816	307,844	11,492,660
Net Income	-	-	-	131,083	131,083	-	-	-	131,083	7,071	138,154
Other Comprehensive Income	-	-	-	-	-	(13,716)	(14,569)	(28,285)	(28,285)	74	(28,211)
Total Comprehensive Income	-	-	-	131,083	131,083	(13,716)	(14,569)	(28,285)	102,798	7,145	109,943
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	166,222	166,222	-	(166,222)	(166,222)	-	-	-
Balance as of March 31, 2021	\$ 1,872,620	1,011,016	940,416	2,743,633	3,684,049	(103,394)	4,823,323	4,719,929	11,287,614	314,989	11,602,603
Balance as of January 1, 2022	\$ 1,872,620	1,011,016	1,033,544	3,209,195	4,242,739	(117,703)	6,200,289	6,082,586	13,208,961	338,515	13,547,476
Net Income	-	-	-	132,968	132,968	-	-	-	132,968	16,586	149,554
Other Comprehensive Income	-	-	-	-	-	74,854	(333,216)	(258,362)	(258,362)	1,508	(256,854)
Total Comprehensive Income	-	-	-	132,968	132,968	74,854	(333,216)	(258,362)	(125,394)	18,094	(107,300)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	94,393	94,393	-	(94,393)	(94,393)	-	-	-
Balance as of March 31, 2022	\$ 1,872,620	1,011,016	1,033,544	3,436,556	4,470,100	(42,849)	5,772,680	5,729,831	13,083,567	356,609	13,440,176

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2022 and 2021

Unit: NT\$ thousands

	<u>January to March, 2022</u>	<u>January to March, 2021</u>
Cash flows from operating activities:		
Income before income tax	\$ 188,775	181,189
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	90,454	82,454
Amortization expenses	2,233	553
Gain on expected credit loss	-	(2,464)
Interest expenses	5,105	2,783
Interest income	(4,049)	(7,997)
Dividend income	(28)	-
Share of profits (losses) of associates and joint ventures under equity method	(1,844)	(1,176)
Gain on disposal and scrap of property, plant and equipment	(70)	(77)
Unrealized (Realized) sales gains (losses)	(642)	269
Total adjustments for profit or loss	<u>91,159</u>	<u>74,345</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	23,621	116,769
Notes receivable	(4,930)	(28,292)
Accounts receivable	519,503	219,870
Accounts receivable - related parties	(67,503)	(61,288)
Other receivables	(24,333)	14,560
Inventories	339,722	(173,410)
Prepayments	14,739	6,307
Other current assets	10,446	3,407
Other Non-Current Assets	(416)	678
Total changes in operating assets	<u>810,849</u>	<u>98,601</u>
Changes in operating liabilities:		
Notes payable	(2,108)	(4,757)
Accounts payable	(792,435)	(52,379)
Accounts payable - related parties	(29,184)	9,372
Other payables	(118,052)	(90,937)
Provisions for liabilities	(8,344)	(8,202)
Other current liabilities	9,193	11,448
Net defined benefit liabilities	(1,614)	(1,663)
Other non-current liabilities	-	1,640
Total changes in operating liabilities	<u>(942,544)</u>	<u>(135,478)</u>
Total changes in operating assets and liabilities	<u>(131,695)</u>	<u>(36,877)</u>
Total adjustments	<u>(40,536)</u>	<u>37,468</u>
Cash flows generated by operating activities	148,239	218,657
Interest received	3,852	8,022
Interest paid	(5,104)	(2,541)
Income tax paid	(624)	(4,196)
Net cash flows generated from operating activities	<u>146,363</u>	<u>219,942</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(91,979)	(162,960)
Disposal of financial assets at fair value through other comprehensive income	86,158	166,835
Increase in prepayments for investment	-	(5,000)
Acquisition of property, plant, and equipment	(35,675)	(32,785)
Disposal of property, plant and equipment	117	253
Acquisition of intangible assets	(3,062)	(172)
Decrease (increase) in refundable deposits	(1,345)	535
Increase in prepayments for equipment	(458)	(952)
Dividends received	28	-
Net cash flows used in investing activities	<u>(46,216)</u>	<u>(34,246)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	586	13,827
Proceeds from long-term loans	-	71,360
Repayments of long-term loans	(17,269)	(14,790)
Repayment of the principal of lease liabilities	(41,905)	(39,314)
Net cash flows generated from (used in) financing activities	<u>(58,588)</u>	<u>31,083</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies	61,104	(10,217)
Increase in cash and cash equivalents for the period	102,663	206,562
Cash and cash equivalents at the beginning of the year	2,794,253	3,051,117
Cash and cash equivalents at the end of the year	<u>\$ 2,896,916</u>	<u>3,257,679</u>

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

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

I. Company History

FSP Technology Inc. (the “Company”) was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company and its subsidiaries (the “Group”) are primarily engaged in the manufacturing, processing, and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group has initially adopted the following new amendments to IFRS since January 1, 2022, and there was no 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”

(II) IFRSs issued by the International Accounting Standards Board (“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 IASB, but not yet endorsed by the FSC:

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

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 “Classification of liabilities as current or non-current”	The amendments are intended to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain maturity dates should be classified as current (or to be due within one year) or non-current on the balance sheets. The amendments also clarify the classification requirements for debts that companies may settle by conversion into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	Amendments to IAS 1 mainly include: · Requiring companies to disclose their material accounting policies rather than their significant accounting policies; · Accounting policy information concerning insignificant transactions, other matters, or conditions shall be deemed as immaterial and the Group is not required to disclose such information; and · Not all accounting policy information relating to significant transactions, other matters, or conditions is considered material for the financial statements of a company.	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition of accounting estimates, clarifying that accounting estimates are monetary amounts in the financial statements that are subject to the uncertainty of measurement. The amendments also clarify the relationship between accounting policies and accounting estimates by stating that companies are required to establish accounting estimates for the accounting policies they apply.	January 1, 2023

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

The Group is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Group completes the evaluation.

The Group expects that the following new and amended standards, which have not been endorsed by the FSC, will not have a significant impact on the Consolidated Financial Statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

IV. Summary of Significant Accounting Policies

Except for the following descriptions, the consolidated financial statements adopt the same significant accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2021, for details.

(I) Compliance declaration

This consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the “Preparation Regulations”) and IFRS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the necessary information that shall be disclosed in annual consolidated financial statements prepared in accordance with IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the IFRSs endorsed by the FSC”).

(II) Basis of consolidation

The consolidated financial statements adopt the preparation principles as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV(III) of the consolidated financial statements for the year ended December 31, 2021, for details.

1. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements are as follows:

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.3.31	2021.12.31	2021.3.31	
The Company	FSP International Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
“	FSP Group Inc.	Engaged in safety certification	100.00%	100.00%	100.00%	Note 3
“	Amacrox Technology Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3

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

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.3.31	2021.12.31	2021.3.31	
"	3Y Power Technology (TAIWAN) Inc. ("3Y Power")	Trading and manufacturing of power supplies and related electronic products	65.87%	65.87%	65.87%	Note 3
"	Harmony Trading (HK) Ltd.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	FSP Technology USA Inc.	Business development and product technical service	100.00%	100.00%	100.00%	Note 3
"	FSP Turkey Dis Tic. Ltd. Sti. ("FSP Turkey")	Business development and product technical service	91.41%	91.41%	- %	Note 2 and 3
FSP International Inc. (BVI)	Shenzhen Huili Electronic Co., Ltd. ("Huili")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
"	FSP Technology Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Proteck Electronics (Samoa) Corp.	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Power Electronics Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	Famous Holding Ltd.	Investment holdings	100.00%	100.00%	100.00%	
"	FSP International (HK) Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
FSP Technology Inc. (BVI)	FSP-C R&D Center ("FSP Jiangsu")	Research & development and design of various energy saving technology	100.00%	100.00%	100.00%	Note 3
Protek Electronics (Samoa) Corp.	Protek Electronics (China) Corp. ("Protek Dongguan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
Power Electronics Co., Ltd. (BVI)	Zhonghan Electronics (Shenzhen) Co., Ltd. ("Zhonghan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Famous Holding Ltd.	WUXI SPI Technology Co., Ltd. ("WUXI SPI")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	

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

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.3.31	2021.12.31	2021.3.31	
"	WUXI Zhonghan Technology Co., Ltd. ("WUXI Zhonghan")	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
FSP International (HK) Ltd.	Hao Han Electronic Technology (Jian) Co., Ltd. ("Hao Han")	Trading and manufacturing of electronic components	100.00%	100.00%	100.00%	Note 3
WUXI Zhonghan	Shenzhen Zhonghan Technology Co., Ltd. ("Zhonghan Tech.")	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	Proteck Power North America, Inc.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
3Y Power	3Y Power Technology (USA) Inc. ("3Y Power USA")	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	Luckyield Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
Luckyield Co., Ltd.	WUXI 3Y Technology Co., Ltd. ("WUXI 3Y")	Design, manufacturing and trading of power supplies	100.00%	100.00%	100.00%	Note 1 and 2

Note 1. The Company invested in WUXI 3Y through Luckyield Co., Ltd., and the comprehensive shareholding percentage as of March 31, 2022, December 31, 2021 and March 31, 2021 were all 65.87%.

Note 2. The Company acquired a 91.41% stake in FSP Turkey for NT\$22,640 thousand (US\$800 thousand) on May 31, 2021 and it became a subsidiary of the Company since then.

Note 3. It was a non-significant subsidiary, and its financial statements were not reviewed by the independent auditors.

2. Subsidiaries which are not included in the Consolidated Financial Statements: None.

(III) Employee benefits

The pension cost under the defined benefit plan for the interim period is calculated based on the actuarial pension cost rate of the preceding ending date of the fiscal year from the start to the end of the year, and adjusted for material market fluctuations, material project modifications, settlements or other material one-time matters for the period.

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

(IV) Income Tax

The Group measured and disclosed the income tax expenses of the interim period according to Paragraph B12, IAS 34 “Interim Financial Reporting.”

Income tax expenses were accrued by applying management's best estimate of the tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Income tax expenses recognized directly in equity or other comprehensive income were measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgments, estimates, and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from the estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the Group's accounting policies are consistent with Note V of the consolidated financial statements for the year ended December 31, 2021.

VI. Details of Significant Accounts

Except for the following descriptions, the details of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2021, for relevant information.

(I) Cash and cash equivalents

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash on hand	\$ 8,469	10,346	6,860
Cash equivalents			
Money market funds	-	21,651	-
Repurchase agreements	-	-	198,700
Deposits in saving accounts and checking accounts	2,092,503	1,772,124	2,059,949
Time deposits	795,944	990,132	992,170
	<u>\$ 2,896,916</u>	<u>2,794,253</u>	<u>3,257,679</u>

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

(II)	Financial assets at fair value through profit or loss	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
	Financial assets mandatorily measured at fair value through profit or loss			
	Non-derivative financial assets			
	Beneficiary certificates	\$ 202,305	232,758	212,315
	Private equity funds	12,000	12,000	-
	Foreign unlisted stocks	71,632	71,632	67,232
	Structured deposits	206,516	199,684	169,416
	Total	<u>\$ 492,453</u>	<u>516,074</u>	<u>448,963</u>

As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group held structured deposits and expected yields ranged from 1.40% to 3.35%, 1.40% to 3.30%, and 1.15% to 3.85% with maturity from April 2022 to June 2022, January 2022, to March 2022, and April 2021, to May 2021, respectively.

Please refer to Note VI (XXII) for the amount recognized in profit or loss remeasured at fair value.

Please refer to Note VI(XXIII) for the information of market risk.

(III)	Financial assets at fair value through other comprehensive income	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
	Equity instruments at fair value through other comprehensive income			
	Domestic listed stock - Voltronic Power Technology Corp.	\$ 5,775,500	6,213,715	4,829,759
	Domestic listed stock - JESS-LINK Products Co., Ltd.	419,737	351,144	302,750
	Domestic listed stock - WT Microelectronics Co., Ltd.	49,650	48,950	47,850
	Domestic listed stock - Taiwan Cement Corp.	2,495	2,400	-
	Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.	5,970	6,150	-
	Foreign listed stocks	13,683	18,118	19,212
	Foreign unlisted stocks	26,494	26,494	26,494
	Domestic unlisted stocks	133,667	96,167	28,667
	Total	<u>\$ 6,427,196</u>	<u>6,763,138</u>	<u>5,254,732</u>

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

1. Investments in equity instruments at fair value through other comprehensive income
The Group holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, so these investments have been designated to be measured at fair value through other comprehensive income.

The Group recognized dividend income of NT\$28 thousand and NT\$0 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income from January 1 to March 31, 2022 and 2021, respectively.

In order to meet the needs of the funding plan, the Group divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income from January 1 to March 31, 2022, and 2021, and the fair value at the time of disposal was NT\$94,705 thousand and NT\$166,835 thousand with disposal gains of NT\$94,393 thousand and NT\$166,222 thousand, respectively. As of March 31, 2022, the proceeds from disposal amounted to NT\$8,547 thousand and were not yet paid and recognized under other receivables.

2. Please refer to Note VI(XXIII) for the information of market risk.

(IV) Financial assets at amortized cost

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Corporate bond - Novaland Group (NVL)	\$ 10,800	10,800	-
Less: Loss allowances	-	-	-
Total	<u>\$ 10,800</u>	<u>10,800</u>	<u>-</u>

The Group assesses that the asset is held to maturity to receive contractual cash flows. The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Group purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT\$10,959 thousand with a coupon rate of 10.00%.

2. Please refer to Note VI(XXIII) for the information of credit risk.

(V) Notes receivable and accounts receivable

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Notes receivable	\$ 67,042	62,112	113,745
Accounts receivable	3,385,136	3,904,501	3,429,098
Accounts receivable - related parties	869,251	801,748	678,041
Less: Loss allowances	(39,909)	(39,771)	(44,391)
Total	<u>\$ 4,281,520</u>	<u>4,728,590</u>	<u>4,176,493</u>

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

Group's notes receivable and accounts receivable were not discounted or provided as collaterals.

The Group applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information, including macro economy and related industry information, is taken into consideration as well.

Analysis of expected credit loss on notes receivable and accounts receivable of the Group's operating entity in Taiwan was as follows:

	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,266,209	0~0.33	9,357
Past due within 30 days	98,047	0~16.97	16,200
Past due 31-60 days	7,834	45.78	3,587
Past due over 121 days	2,258	100.00	2,258
	\$ 3,374,348		31,402

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer amounted to NT\$7,021 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$1,404 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

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

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,511,925	0~0.35	10,532
Past due within 30 days	109,271	14.41	15,748
Past due 31-60 days	2,464	40.57	1,000
Past due 61-90 days	2,717	72.80	1,978
Past due 91-120 days	78	82.48	64
Past due over 121 days	2,412	100.00	2,412
	\$ 3,628,867		31,734

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$5,361 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$1,072 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2021.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,126,733	0~0.18	5,154
Past due within 30 days	34,110	11.41	3,891
Past due 31-60 days	17,373	34.91	6,065
Past due 61-90 days	3,899	67.53	2,633
Past due 91-120 days	2	75.77	-
Past due over 121 days	9,766	100.00	9,766
	\$ 3,191,883		27,509

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$23,492 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$4,698 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

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

The analysis of the expected credit loss on notes receivable and accounts receivable for the Group's operating entities in Mainland China is provided below:

	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 709,428	0.05	371
Past due within 30 days	30,358	0.05	16
Past due 31-60 days	9,498	0.05	5
	<u>\$ 749,284</u>		<u>392</u>
	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 939,699	0.04	366
Past due within 30 days	21,821	0.04	8
Past due 31-60 days	5,407	0.04	2
Past due 61-90 days	2,497	0.04	1
Past due over 121 days	13	0.04	-
	<u>\$ 969,437</u>		<u>377</u>
	2021.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 840,862	0.67	5,663
Past due within 30 days	9,343	0.67	63
Past due 31-60 days	51,327	0.67	346
Past due 61-90 days	284	0.67	2
Past due over 121 days	6,060	0.67	40
	<u>\$ 907,876</u>		<u>6,114</u>

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

The analysis of the expected credit loss on notes receivable and accounts receivable for other operating entities of the Group is provided below:

	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 153,973	-	-
Past due within 30 days	16,001	-	-
Past due 31-60 days	12,497	-	-
Past due 61-90 days	1,588	-	-
Past due 91-120 days	<u>6</u>	-	<u>-</u>
	<u>\$ 184,065</u>		<u>-</u>

The carrying amount of the above notes and accounts receivable did not include the accounts receivable due from certain customers, amounting to NT\$6,711 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 139,257	-	-
Past due within 30 days	17,666	-	-
Past due 31-60 days	<u>1,185</u>	-	<u>-</u>
	<u>\$ 158,108</u>		<u>-</u>

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,588 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

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

	2021.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 80,864	-	-
Past due within 30 days	6,895	-	-
Past due 31-60 days	798	-	-
Past due 61-90 days	3,006	-	-
	\$ 91,563		-

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,070 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

Changes in the allowance for notes receivable and accounts receivable were as follows:

	January to March, 2022	January to March, 2021
Beginning balance	\$ 39,771	42,029
Impairment losses recognized	-	2,397
Effect of exchange rate changes	138	(35)
Ending balance	\$ 39,909	44,391

(VI) Other receivables

	2022.3.31	2021.12.31	2021.3.31
Other receivables	\$ 106,959	73,866	55,804
Less: Loss allowances	(476)	(460)	(474)
	\$ 106,483	73,406	55,330

Changes in loss allowance for other receivables:

	January to March, 2022	January to March, 2021
Beginning balance	\$ 460	5,348
Reversal of impairment loss	-	(4,861)
Effect of exchange rate changes	16	(13)
Ending balance	\$ 476	474

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

(VII) Inventories

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Finished goods	\$ 1,610,543	1,844,900	1,267,256
Work in process	686,445	712,743	608,823
Raw materials	953,836	1,032,903	952,662
	<u>\$ 3,250,824</u>	<u>3,590,546</u>	<u>2,828,741</u>

Breakdown of cost of goods sold:

	<u>January to March, 2022</u>	<u>January to March, 2021</u>
Inventories sold	\$ 3,127,772	3,383,343
Loss on inventory write-down	15,727	4,658
Unallocated manufacturing expense	14,470	10,395
Loss on inventory obsolescence	-	96
	<u>\$ 3,157,969</u>	<u>3,398,492</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group did not pledge any inventories as collateral.

(VIII) Investments Accounted for Using the Equity Method

A summary of the Group's investments accounted for using the equity method at the reporting date is provided below:

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Associate	<u>\$ 30,495</u>	<u>26,947</u>	<u>26,286</u>

1. Associate

Aggregated financial information on associates that were accounted for using the equity method and were not individually material to the Group is summarized below. These financial information was included in the amount of the Consolidated Financial Statements.

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	<u>\$ 30,495</u>	<u>26,947</u>	<u>26,286</u>

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

	January to March, 2022	January to March, 2021
Attributable to the Group:		
Income from Continuing Operations	\$ 1,844	1,176
Other comprehensive income	1,062	60
Total comprehensive income	\$ 2,906	1,236

2. Collateral

As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group did not pledge any investments accounted for under the equity method as collateral.

3. Unreviewed Investments Recognized Through the Equity Method

The shares of profit or loss and other comprehensive income entitled by the Group and investments recognized through the equity method are calculated based on the financial statements which have not been reviewed by the independent auditors.

(IX) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment from January 1 to March 31, 2022, and 2021 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportati on Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Cost or deemed cost:									
Balance as of January 1, 2022	\$ 310,476	1,155,739	27,589	1,177,087	19,031	474,302	74,207	27,875	3,266,306
Addition	-	12,892	-	9,070	-	7,295	358	6,095	35,710
Disposal and obsolescence	-	-	-	(666)	-	(7,125)	-	-	(7,791)
Reclassification (Note 1)	-	1,895	-	1,151	-	-	-	(1,895)	1,151
Effect of exchange rate changes	-	9,958	877	32,069	570	3,699	2,587	-	49,760
Balance as of March 31, 2022	\$ 310,476	1,180,484	28,466	1,218,711	19,601	478,171	77,152	32,075	3,345,136
Balance as of January 1, 2021	\$ 310,476	1,098,471	27,416	1,110,067	16,812	435,223	66,062	78,707	3,143,234
Addition	-	-	-	10,732	800	4,928	146	20,323	36,929
Disposal and obsolescence	-	-	-	(1,862)	-	(314)	-	-	(2,176)
Reclassification (Note 1)	-	-	-	175	-	1,981	-	(185)	1,971
Effect of exchange rate changes	-	(2,528)	(178)	(6,143)	(102)	(654)	(478)	-	(10,083)
Balance as of March 31, 2021	\$ 310,476	1,095,943	27,238	1,112,969	17,510	441,164	65,730	98,845	3,169,875
Depreciation and impairment loss:									
Balance as of January 1, 2022	\$ -	469,062	7,387	824,346	13,085	378,664	29,335	-	1,721,879
Recognition in current period	-	11,691	526	22,599	276	9,266	2,303	-	46,661
Disposal and obsolescence	-	-	-	(658)	-	(7,086)	-	-	(7,744)
Effect of exchange rate changes	-	7,957	226	22,021	406	2,402	1,105	-	34,117
Balance as of March 31, 2022	\$ -	488,710	8,139	868,308	13,767	383,246	32,743	-	1,794,913
Balance as of January 1, 2021	\$ -	479,797	5,371	751,234	13,354	348,326	21,343	-	1,619,425
Recognition in current period	-	11,806	514	20,790	220	8,743	2,002	-	44,075
Disposal and obsolescence	-	-	-	(1,690)	-	(310)	-	-	(2,000)
Effect of exchange rate changes	-	(1,930)	(34)	(4,042)	(78)	(440)	(179)	-	(6,703)
Balance as of March 31, 2021	\$ -	489,673	5,851	766,292	13,496	356,319	23,166	-	1,654,797
Carrying amounts:									
Balance as of January 1, 2022	\$ 310,476	686,677	20,202	352,741	5,946	95,638	44,872	27,875	1,544,427
Balance as of March 31, 2022	\$ 310,476	691,774	20,327	350,403	5,834	94,925	44,409	32,075	1,550,223
Balance as of March 31, 2021	\$ 310,476	606,270	21,387	346,677	4,014	84,845	42,564	98,845	1,515,078

Note 1. From January 1 to March 31, 2022 and 2021, the amount transferred from equipment prepayment was NT\$1,151 thousand and NT\$1,971 thousand, respectively.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of March 31, 2022, December 31, 2021, and March 31, 2021.

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

(X) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction, transportation equipment and office equipment leased by the Group were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Costs of right-of-use assets:				
Balance as of January 1, 2022	\$ 27,546	1,046,660	3,451	1,077,657
Reduction (contract modification)	-	(87)	-	(87)
Effect of exchange rate changes	603	35,807	39	36,449
Balance as of March 31, 2022	<u>\$ 28,149</u>	<u>1,082,380</u>	<u>3,490</u>	<u>1,114,019</u>
Balance as of January 1, 2021	\$ 29,112	783,629	3,404	816,145
Addition	-	-	716	716
Reduction (contract expired)	-	-	(287)	(287)
Effect of exchange rate changes	(134)	(4,924)	(8)	(5,066)
Balance as of March 31, 2021	<u>\$ 28,978</u>	<u>778,705</u>	<u>3,825</u>	<u>811,508</u>
Depreciation of right-of-use assets:				
Balance as of January 1, 2022	\$ 3,062	437,245	1,917	442,224
Depreciation in current period	255	43,312	226	43,793
Effect of exchange rate changes	56	16,216	18	16,290
Balance as of March 31, 2022	<u>\$ 3,373</u>	<u>496,773</u>	<u>2,161</u>	<u>502,307</u>
Balance as of January 1, 2021	\$ 2,154	299,010	1,561	302,725
Depreciation in current period	268	37,851	260	38,379
Reduction (contract expired)	-	-	(287)	(287)
Effect of exchange rate changes	(9)	(2,374)	(3)	(2,386)
Balance as of March 31, 2021	<u>\$ 2,413</u>	<u>334,487</u>	<u>1,531</u>	<u>338,431</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 24,484</u>	<u>609,415</u>	<u>1,534</u>	<u>635,433</u>
Balance as of March 31, 2022	<u>\$ 24,776</u>	<u>585,607</u>	<u>1,329</u>	<u>611,712</u>
Balance as of March 31, 2021	<u>\$ 26,565</u>	<u>444,218</u>	<u>2,294</u>	<u>473,077</u>

(XI) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets from January 1 to March 31, 2022 and 2021 were as follows:

	Goodwill	Software cost	Patent	Total
Costs:				
Balance as of January 1, 2022	\$ 218,672	15,603	15,863	250,138
Addition in current period	-	3,062	-	3,062
Effect of exchange rate changes	-	3	-	3
Balance as of March 31, 2022	<u>\$ 218,672</u>	<u>18,668</u>	<u>15,863</u>	<u>253,203</u>

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

	Goodwill	Software cost	Patent	Total
Balance as of January 1, 2021	\$ 218,672	12,851	15,863	247,386
Addition in current period	-	172	-	172
Effect of exchange rate changes	-	(1)	-	(1)
Balance as of March 31, 2021	<u>\$ 218,672</u>	<u>13,022</u>	<u>15,863</u>	<u>247,557</u>
Amortization and impairment loss:				
Balance as of January 1, 2022	\$ -	10,779	15,863	26,642
Amortization for the period	-	2,233	-	2,233
Effect of exchange rate changes	-	3	-	3
Balance as of March 31, 2022	<u>\$ -</u>	<u>13,015</u>	<u>15,863</u>	<u>28,878</u>
Balance as of January 1, 2021	\$ -	10,485	15,863	26,348
Amortization for the period	-	553	-	553
Effect of exchange rate changes	-	(1)	-	(1)
Balance as of March 31, 2021	<u>\$ -</u>	<u>11,037</u>	<u>15,863</u>	<u>26,900</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 218,672</u>	<u>4,824</u>	<u>-</u>	<u>223,496</u>
Balance as of March 31, 2022	<u>\$ 218,672</u>	<u>5,653</u>	<u>-</u>	<u>224,325</u>
Balance as of March 31, 2021	<u>\$ 218,672</u>	<u>1,985</u>	<u>-</u>	<u>220,657</u>

(XII) Short-term loans

The details of the Group's short-term borrowings are provided below:

	2022.3.31	2021.12.31	2021.3.31
Credit loans	<u>\$ 16,901</u>	<u>16,315</u>	<u>45,989</u>
Unused facility	<u>\$ 638,696</u>	<u>803,882</u>	<u>861,332</u>
Interest rate range	<u>2.26</u>	<u>1.00~2.26</u>	<u>1.00~2.26</u>

Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.

(XIII) Long-term loans

The details of the Group's long-term borrowings are provided below:

	2022.3.31	2021.12.31	2021.3.31
Secured bank borrowings	\$ 255,079	272,348	180,057
Less: current portion of long-term debt	74,419	73,014	26,656
Total	<u>\$ 180,660</u>	<u>199,334</u>	<u>153,401</u>

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

Unused facility	\$ 20,000	20,000	186,930
Interest rate range	1.58	1.41~1.58	1.41~1.58

1. Collateral for bank borrowings

Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.

2. Government-subsidized loan with preferential interest rate

In August 2020, the Group obtained a NT\$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses". The drawdown period was until December 31, 2021, and multiple drawdowns were allowed. As of the expiry date, the amount of actual utilization of the Group was NT\$185,580 thousand. Based on the market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT\$3,591 thousand which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities. Such deferred revenue was transferred to other income amounted to NT\$358 thousand and NT\$201 thousand, respectively, from January 1 to March 31, 2022, and 2021.

(XIV) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2022.3.31	2021.12.31	2021.3.31
Current	\$ 174,479	166,758	132,801
Non-current	445,610	474,996	348,465
Total	\$ 620,089	641,754	481,266

For maturity analysis, please refer to Note VI(XXIII) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	January to March, 2022	January to March, 2021
Interest expense on lease liabilities	\$ 2,728	2,222
Variable lease payments not included in the measurement of lease liabilities	476	368
Expenses of short-term leases	3,534	2,530
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	25	15

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

Amount recognized in the Statements of Cash Flows was as follows:

	January to March, 2022	January to March, 2021
Total cash outflow in operating activities	\$ 6,763	5,135
Total cash outflow in financing activities	41,905	39,314
Total cash flows on lease	\$ 48,668	44,449

1. Lease of land, buildings and construction

The Group leases land, buildings, and construction as factories, office premises, staff quarters, and warehouses with lease terms ranging from 1 to 10 years. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Group from January 1 to March 31, 2022, were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	\$ 476	5

2. Other leases

The Group leases machinery, and transportation equipment with the lease terms ranging from three months to eight years.

The lease terms of some of the Group's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered short-term leases or leases of low-value assets and the Group elected to apply for exemption and did not recognize related right-of-use assets and lease liabilities.

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

(XV) Provisions for liabilities

	January to March, 2022	January to March, 2021
Balance as of January 1	\$ 146,223	157,190
Addition of provision during the year	14,520	31,835
Amount utilized during the year	(22,864)	(40,037)
Balance as of March 31	\$ 137,879	148,988

The provision of the Group is mainly for sales-related maintenance obligations. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

(XVI) Employee benefits

1. Defined benefit plans

Since no major market fluctuations, major reductions, liquidations or other major one-off events occurred after the previous annual reporting date, the Group has measured and disclosed the pension costs for the interim period by the pension costs determined by actuary on December 31, 2021, and 2020.

The details of costs and expenses presented by the Group are as follows:

	January to March, 2022	January to March, 2021
Operating costs	\$ 72	63
Selling and marketing expenses	103	86
General and administrative expenses	268	222
Research and development expenses	334	278
	\$ 777	649

2. Defined contribution plans

The pension expenses of the Company and its domestic consolidated subsidiaries following the Measures for Determining Pension Appropriation are as follows:

	January to March, 2022	January to March, 2021
Operating costs	\$ 548	531
Selling and marketing expenses	1,543	1,488
General and administrative expenses	2,189	2,147
Research and development expenses	3,834	3,726
	\$ 8,114	7,892

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

Per the above-mentioned defined contribution plan, it contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's pension fund account at the Bureau of Labor Insurance following the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

Following local regulations, other consolidated subsidiaries recognized pension expenses of NT\$25,043 thousand and NT\$22,904 thousand, respectively, from January 1 to March 31, 2022, and 2021.

From January 1 to March 31, 2022, and 2021, the Group contributed NT\$3,185 thousand and NT\$3,145, respectively, to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

3. Other short-term employee benefits

As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group had accrued unused leave bonuses of NT\$39,960 thousand, NT\$44,230 thousand and NT\$37,701 thousand, respectively, which were recorded under other payables.

(XVII) Income Tax

The income tax expense of the Group from January 1 to March 31, 2022, and 2021 was as below:

	January to March, 2022	January to March, 2021
Income tax expense for the period	<u><u>\$ 39,221</u></u>	<u><u>43,035</u></u>

The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2019.

(XVIII) Capital and other equity

Except for the following descriptions, there was no significant change in the capital and other equity of the Group from January 1 to March 31, 2022, and 2021. Please refer to Note VI(XX) of the consolidated financial statements for the year ended December 31, 2021, for details.

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

1. Other equity items (net after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2022	\$ (117,703)	6,200,289	6,082,586
Exchange differences on translation of financial statements of foreign operations	73,792	-	73,792
Share of other comprehensive income of associates and joint-ventures under the equity method	1,062	-	1,062
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(333,216)	(333,216)
Disposal of equity instruments at fair value through other comprehensive income	-	(94,393)	(94,393)
Balance as of March 31, 2022	<u>\$ (42,849)</u>	<u>5,772,680</u>	<u>5,729,831</u>
Balance as of January 1, 2021	\$ (89,678)	5,004,114	4,914,436
Exchange differences on translation of financial statements of foreign operations	(13,776)	-	(13,776)
Share of other comprehensive income of associates and joint-ventures under the equity method	60	-	60
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(14,569)	(14,569)
Disposal of equity instruments at fair value through other comprehensive income	-	(166,222)	(166,222)
Balance as of March 31, 2021	<u>\$ (103,394)</u>	<u>4,823,323</u>	<u>4,719,929</u>

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

2. Non-controlling interests (net after tax)

	January to March, 2022	January to March, 2021
Beginning balance	\$ 338,515	307,844
Net income for the year attributable to non-controlling interests	16,586	7,071
Exchange differences on translation of financial statements of foreign operations	1,508	74
	\$ 356,609	314,989

(XIX) Earnings per Share

	Unit: Thousands of shares	
	January to March, 2022	January to March, 2021
Basic earnings per share:		
Net income attributable to the ordinary shareholders of the Company	\$ 132,968	131,083
Weight-average number of ordinary shares outstanding	187,262	187,262
Basic earnings per share (Unit: In New Taiwan Dollars)	\$ 0.71	0.70
Diluted earnings per share:		
Net income attributable to the ordinary shareholders of the Company	\$ 132,968	131,083
Weight-average number of ordinary shares outstanding	187,262	187,262
Employee compensation	1,493	1,086
Weight-average number of ordinary shares outstanding	188,755	188,348
Diluted earnings per share (Unit: In New Taiwan Dollars)	\$ 0.70	0.70

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

(XX) Revenue from contracts with customers

1. Breakdown of revenue

		January to March, 2022					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
	Taiwan	\$ 601,524	138,697	-	-	-	740,221
	China	681,591	135,022	449,260	118,897	4,890	1,389,660
	U.S.A.	286,319	3,372	-	-	181,841	471,532
	Germany	407,303	36,083	-	-	-	443,386
	Other countries	648,220	4,769	-	-	19,228	672,217
		<u>\$ 2,624,957</u>	<u>317,943</u>	<u>449,260</u>	<u>118,897</u>	<u>205,959</u>	<u>3,717,016</u>
Major product/service line:							
	Sales of power supply	<u>\$ 2,624,957</u>	<u>317,943</u>	<u>449,260</u>	<u>118,897</u>	<u>205,959</u>	<u>3,717,016</u>

		January to March, 2021					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
	Taiwan	\$ 690,215	105,699	-	-	-	795,914
	China	733,800	73,971	469,117	172,634	4,635	1,454,157
	U.S.A.	308,431	4,648	-	-	129,723	442,802
	Germany	639,206	15,710	-	-	-	654,916
	Other countries	597,745	3,037	-	-	-	600,782
		<u>\$ 2,969,397</u>	<u>203,065</u>	<u>469,117</u>	<u>172,634</u>	<u>134,358</u>	<u>3,948,571</u>
Major product/service line:							
	Sales of power supply	<u>\$ 2,969,397</u>	<u>203,065</u>	<u>469,117</u>	<u>172,634</u>	<u>134,358</u>	<u>3,948,571</u>

2. Contract balance

	2022.3.31	2021.12.31	2021.3.31
Notes and accounts receivable (including related parties)	\$ 4,321,429	4,768,361	4,220,884
Less: Loss allowances	(39,909)	(39,771)	(44,391)
Total	<u>\$ 4,281,520</u>	<u>4,728,590</u>	<u>4,176,493</u>
Contract liabilities (recognized in other current liabilities)	<u>\$ 72,118</u>	<u>52,856</u>	<u>49,632</u>

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

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

(XXI) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

The Company accrued NT\$10,447 thousand and NT\$10,993 thousand as employee compensation and NT\$1,566 thousand and NT\$1,832 thousand as remuneration for Directors from January 1 to March 31, 2022 and 2021, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating expenses for the periods. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price on the day preceding the Board of Directors' meeting.

For the years ended December 31, 2021 and 2020, the Company provided its remuneration to employees amounted to NT\$65,000 thousand and NT\$50,000 thousand, respectively, and the remuneration for Directors of NT\$7,000 thousand and NT\$5,600 thousand, respectively, which was consistent with the actual status of the distribution. The information can be obtained from the open information monitoring website.

(XXII) Non-operating income and expenses

1. Interest income

	January to March, 2022	January to March, 2021
Bank deposits	<u>\$ 4,049</u>	<u>7,997</u>

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

2. Other income

	January to March, 2022	January to March, 2021
Dividend income	28	-
Other income		
Government grant	4,614	626
Tax refund	3,225	846
Gain on write-off of overdue payable	3,847	-
Others	2,987	1,704
	\$ 14,701	3,176

3. Other gains and losses

	January to March, 2022	January to March, 2021
Foreign currency exchange gain (loss), net	\$ 36,282	(6,370)
Gain on financial assets measured at fair value through profit or loss	2,021	1,927
Gain on disposal and retirement of property, plant and equipment, net	70	77
Others	(31)	(56)
	\$ 38,342	(4,422)

4. Finance costs

	January to March, 2022	January to March, 2021
Interest expense:		
Bank borrowings	\$ 2,377	561
Lease liabilities	2,728	2,222
	\$ 5,105	2,783

(XXIII) Financial instruments

Except for the following descriptions, there have been no significant changes in the classification and fair value of the Group's financial instruments, and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXV) of consolidated financial statements for the year ended December 31, 2021, for relevant information.

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

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

(2) Concentration of credit risk

As of March 31, 2022, December 31, 2021, and March 31, 2021, the top three customers accounted for 23%, 28%, and 25%, respectively, of the Group's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. Above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using 12-month expected credit loss.

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
March 31, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 16,901	16,979	16,979	-	-	-	-
Long-term loans	255,079	262,126	39,019	38,884	77,409	106,814	-
Notes payable	12,337	12,337	12,337	-	-	-	-
Accounts payable	4,194,254	4,194,254	4,194,254	-	-	-	-
Accounts payable - related parties	60,840	60,840	60,840	-	-	-	-
Other payables	1,033,323	1,033,323	1,033,323	-	-	-	-
Lease liabilities	620,089	646,371	91,190	92,688	182,977	215,519	63,997
	<u>\$ 6,192,823</u>	<u>6,226,230</u>	<u>5,447,942</u>	<u>131,572</u>	<u>260,386</u>	<u>322,333</u>	<u>63,997</u>
December 31, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 16,315	23,332	16,406	6,926	-	-	-
Long-term loans	272,348	280,391	37,791	38,953	77,529	126,118	-
Notes payable	14,445	14,445	14,445	-	-	-	-
Accounts payable	4,986,689	4,986,689	4,986,689	-	-	-	-
Accounts payable - related parties	90,024	90,024	90,024	-	-	-	-
Other payables	1,151,339	1,151,339	1,151,339	-	-	-	-
Lease liabilities	641,754	670,148	88,163	88,427	182,148	250,601	60,809
	<u>\$ 7,172,914</u>	<u>7,216,368</u>	<u>6,384,857</u>	<u>134,306</u>	<u>259,677</u>	<u>376,719</u>	<u>60,809</u>

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

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
March 31, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 45,989	46,417	31,685	14,732	-	-	-
Long-term loans	180,057	186,958	7,543	21,782	46,908	110,725	-
Notes payable	10,244	10,244	10,244	-	-	-	-
Accounts payable	4,790,488	4,790,488	4,790,488	-	-	-	-
Accounts payable - related parties	89,376	89,376	89,376	-	-	-	-
Other payables	861,987	861,987	861,987	-	-	-	-
Lease liabilities	481,266	507,253	82,320	57,668	91,134	212,970	63,161
	\$ 6,459,407	6,492,723	5,873,643	94,182	138,042	323,695	63,161

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

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

The Group's financial assets and liabilities exposed to significant foreign currency exchange risk were as follows:

	2022.3.31			2021.12.31			2021.3.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB	\$ 203,494	4.506	916,944	263,138	4.344	1,143,071	202,938	4.344	881,563
USD	160,262	28.625	4,587,500	161,337	27.680	4,465,808	148,669	28.535	4,242,270
HKD	11,112	3.656	40,625	7,725	3.549	27,416	11,460	3.670	42,058
EUR	313	31.920	9,991	444	31.320	13,906	348	33.480	11,651
<u>Non-monetary items</u>									
USD	2,534	28.268	71,632	2,534	28.268	71,632	2,361	28.476	67,232
USD	1,146	28.625	32,804	1,080	27.680	29,894	1,004	28.535	28,649
RMB	6,322	4.191	26,494	6,322	4.191	26,494	6,322	4.191	26,494
HKD	3,801	3.600	13,683	5,104	3.549	18,118	5,235	3.670	19,212
<u>Financial liabilities</u>									
<u>Monetary items</u>									
RMB	95,515	4.506	430,391	111,426	4.344	484,035	109,009	4.344	473,535
USD	109,364	28.625	3,130,545	138,025	27.680	3,820,532	129,708	28.535	3,701,218
HKD	9,720	3.656	35,536	13,709	3.549	48,653	10,994	3.670	40,348

(2) Sensitivity analysis

The Group's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, short-term borrowings, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of March 31, 2022, and 2021, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, Hong Kong Dollar, and Euro with all other factors remaining unchanged, net income would have

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
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increased or decreased by NT\$78,344 thousand and NT\$38,498 thousand, respectively, from January 1 to March 31, 2022, and 2021. The analysis of the two periods was conducted on the same basis.

(3) Foreign exchange gain (loss) on monetary items

As the Group has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (losses) (including realized and unrealized) from January 1 to March 31, 2022, and 2021 were NT\$36,282 thousand and NT\$(6,370) thousand, respectively.

4. Market risk

If the prices of equity securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

	January to March, 2022		January to March, 2021	
Security price at the reporting date	Other comprehen sive income (pre-tax)	Pre-tax income	Other comprehe nsive income (pre-tax)	Pre-tax income
Increase by 5%	\$ 313,352	-	259,979	-
Decrease by 5%	\$ (313,352)	-	(259,979)	-

Please refer to Note VI(IV) “Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions” for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

The Group's demand deposits, time deposits and short-term liabilities are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

(1) Category of financial instruments and their fair value

Group's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

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

	2022.3.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 202,305	202,305	-	-	202,305
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	206,516	-	-	206,516	206,516
Subtotal	<u>492,453</u>	<u>202,305</u>	<u>-</u>	<u>290,148</u>	<u>492,453</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stock	6,253,352	6,253,352	-	-	6,253,352
Foreign listed stock	13,683	13,683	-	-	13,683
Non-publicly quoted equity instruments measured at fair value	160,161	-	-	160,161	160,161
Subtotal	<u>6,427,196</u>	<u>6,267,035</u>	<u>-</u>	<u>160,161</u>	<u>6,427,196</u>
Financial assets at amortized cost					
Corporate bond	\$ 10,800	-	-	-	-
Cash and cash equivalents	2,896,916	-	-	-	-
Notes receivable and accounts receivable	4,281,520	-	-	-	-
Other receivables	106,483	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	19,476	-	-	-	-
Refundable deposits (classified in other non-current assets)	40,635	-	-	-	-
Subtotal	<u>7,355,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,275,479</u>	<u>6,469,340</u>	<u>-</u>	<u>450,309</u>	<u>6,919,649</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 271,980	-	-	-	-
Notes payable and accounts payable	4,267,431	-	-	-	-
Other payables	1,033,323	-	-	-	-
Lease liabilities	620,089	-	-	-	-
Total	<u>\$ 6,192,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	2021.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 232,758	232,758	-	-	232,758
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	199,684	-	-	199,684	199,684
Subtotal	<u>516,074</u>	<u>232,758</u>	<u>-</u>	<u>283,316</u>	<u>516,074</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stock	6,622,359	6,622,359	-	-	6,622,359
Foreign listed stock	18,118	18,118	-	-	18,118
Non-publicly quoted equity instruments measured at fair value	122,661	-	-	122,661	122,661
Subtotal	<u>6,763,138</u>	<u>6,640,477</u>	<u>-</u>	<u>122,661</u>	<u>6,763,138</u>
Financial assets at amortized cost					
Corporate bond	\$ 1,800	-	-	-	-
Cash and cash equivalents	2,794,253	-	-	-	-
Notes receivable and accounts receivable	4,728,590	-	-	-	-
Other receivables	73,406	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,779	-	-	-	-
Refundable deposits (classified in other non-current assets)	39,290	-	-	-	-
Subtotal	<u>7,656,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,935,330</u>	<u>6,873,235</u>	<u>-</u>	<u>405,977</u>	<u>7,279,212</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 288,663	-	-	-	-
Notes payable and accounts payable	5,091,158	-	-	-	-
Other payables	1,151,339	-	-	-	-
Lease liabilities	641,754	-	-	-	-
Total	<u>\$ 7,172,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	2021.3.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 212,315	212,315	-	-	212,315
Non-publicly quoted equity instruments measured at fair value	67,232	-	-	67,232	67,232
Structured deposits	169,416	-	-	169,416	169,416
Subtotal	<u>448,963</u>	<u>212,315</u>	<u>-</u>	<u>236,648</u>	<u>448,963</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stock	5,180,359	5,180,359	-	-	5,180,359
Foreign listed stock	19,212	19,212	-	-	19,212
Non-publicly quoted equity instruments measured at fair value	55,161	-	-	55,161	55,161
Subtotal	<u>5,254,732</u>	<u>5,199,571</u>	<u>-</u>	<u>55,161</u>	<u>5,254,732</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 3,257,679	-	-	-	-
Notes receivable and accounts receivable	4,176,493	-	-	-	-
Other receivables	55,330	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,779	-	-	-	-
Refundable deposits (classified in other non-current assets)	36,291	-	-	-	-
Subtotal	<u>7,544,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,248,267</u>	<u>5,411,886</u>	<u>-</u>	<u>291,809</u>	<u>5,703,695</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 226,046	-	-	-	-
Notes payable and accounts payable	4,890,108	-	-	-	-
Other payables	861,987	-	-	-	-
Lease liabilities	481,266	-	-	-	-
Total	<u>\$ 6,459,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market. A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
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the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Group, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined regarding quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to the current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method, or other valuation methods, including calculated by applying a model using market information available at the Consolidated Balance Sheets date.

The fair value of financial instruments held by the Group that are not publicly quoted equity instruments with no active market is estimated using the market comparable company method. The key assumptions of the market comparable company method are based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies. This estimate of the equity securities has been adjusted for the effect of lack of market liquidity.

(3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds, and financial assets measured at fair value through other comprehensive income.

The Group's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because they are independent of each other.

Because the correlation between significant unobservable input value and fair value cannot be fully identified in practice, Group's structured deposits are not included in the disclosure of quantitative information of significant unobservable input values and the sensitivity analysis of fair value for reasonably possible alternative assumptions.

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

Table of quantitative information of significant unobservable inputs is provided below:

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> · Net worth multiple (2.47, 2.59 and 1.84 as of 2022.3.31、2021.12.31 and 2021.3.31, respectively) · Discount for lack of market liquidity (29.39% as of 2022.3.31、2021.12.31 and 2021.3.31) 	<ul style="list-style-type: none"> · The higher the multiple, the higher the fair value · The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	<ul style="list-style-type: none"> · Net asset value 	<ul style="list-style-type: none"> · The higher the net assets value, the higher the fair value
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> · P/E ratio multiple (9.69~29.67, 9.69~29.67 and 10.15 as of 2022.3.31、2021.12.31, and 2021.3.31, respectively) · Net worth multiple (2.51~6.15, 2.40~5.42 and 5.87 as of 2022.3.31、2021.12.31, and 2021.3.31, respectively) · Discount for lack of market liquidity (29.39% as of 2022.3.31、2021.12.31 and 2021.3.31) 	<ul style="list-style-type: none"> · The higher the multiple, the higher the fair value · The higher the discount for lack of market liquidity, the lower the fair value

(4) Fair value measurement in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

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(Continued)

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
March 31, 2022						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,300	(4,300)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,815	(1,815)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	127	(127)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,648	(3,648)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
December 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,363	(4,363)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	475	(475)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	552	(552)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,234	(3,234)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
March 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	3,206	(3,206)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,029	(1,029)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,203	(1,203)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

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

(XXIV) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management compared to those disclosed in Note VI(XXVI) of the consolidated financial statements for the year ended December 31, 2021.

(XXV) Capital management

The Group's capital management objectives, policies, and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2021. In addition, there were no significant changes in the aggregate quantitative information of capital management items compared to the information disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI(XXVII) of the consolidated financial statements of 2021 for relevant information.

(XXVI) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities from January 1 to March 31, 2022 and 2021 was as follows:

	Non-cash changes							2022.3.31
	2022.1.1	Cash flow	Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	
Long-term loans	\$ 272,348	(17,269)	-	-	-	-	-	255,079
Short-term loans	16,315	586	-	-	-	-	-	16,901
Lease liabilities	641,754	(41,905)	-	-	20,327	(87)	-	620,089
Total liabilities from financing activities	\$ 930,417	(58,588)	-	-	20,327	(87)	-	892,069

	Non-cash changes							2021.3.31
	2021.1.1	Cash flow	Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	
Long-term loans	\$ 123,243	56,570	-	-	-	-	244	180,057
Short-term loans	32,162	13,827	-	-	-	-	-	45,989
Lease liabilities	522,577	(39,314)	716	-	(2,713)	-	-	481,266
Total liabilities from financing activities	\$ 677,982	31,083	716	-	(2,713)	-	244	707,312

VII. Related Party Transactions

(I) Related party name and relationship

Related parties that had transactions with the Group during the reporting periods were listed below:

Related Party	Relationship with the Group
FSP Group USA Corp.	Group's associate
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. ("Amacrox")	The entity's Chairman is the second-degree relatives of the Chairman of the Company

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<u>Related Party</u>	<u>Relationship with the Group</u>
Voltronic Power Technology Corp. ("Voltronic")	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange	Substantive related party
Cheng, Ya-Jen	Chairman of the Company

(II) Significant related party transactions

1. Operating revenue

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

	<u>January to March, 2022</u>	<u>January to March, 2021</u>
Associate	\$ 13,859	9,315
Other related party	560,282	533,466
	<u>\$ 574,141</u>	<u>542,781</u>

The prices and credit terms of the Group's sales to the above related parties were not significantly different from those of its regular customers.

2. Purchases

The amounts of purchases from related parties were as follows:

	<u>January to March, 2022</u>	<u>January to March, 2021</u>
Other related party	<u>\$ 39,479</u>	<u>70,184</u>

The Group purchased goods from the above-mentioned related parties, and did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

3. Receivables from related parties

The details of the receivables of the Group arising from sales transactions, business needs and disbursement fee were as follows:

<u>Accounting Subject</u>	<u>Related party category/name</u>	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Accounts receivable	Associate	\$ 14,104	15,710	17,024
	Other related party	855,147	786,038	661,017
		<u>869,251</u>	<u>801,748</u>	<u>678,041</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
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Accounting Subject	Related party category/name	2022.3.31	2021.12.31	2021.3.31
Other receivables	Associate	422	680	203
	Other related party			
	Sparkle Power Inc.	17,082	5,542	3,423
	FSP Power Solution GmbH	11,139	7,297	10,681
	Others	5,790	8,131	8,027
		<u>34,433</u>	<u>21,650</u>	<u>22,334</u>
		<u>\$ 903,684</u>	<u>823,398</u>	<u>700,375</u>

For the details of the loss allowance for accounts receivable -related party as of March 31, 2022, December 31, 2021, and March 31, 2021, please refer to Note VI(V). Please refer to Note VI(VI) for the details of the loss allowance for other receivables - other related parties, 3Y Power Exchange.

4. Payables to related parties

The details of the payables arising from the purchase of goods and the purchase via related parties were as follows:

Accounting Subject	Related party category/name	2022.3.31	2021.12.31	2021.3.31
Accounts payable	Other related party	<u>\$ 60,840</u>	<u>90,024</u>	<u>89,376</u>

5. Purchase of services from related parties

The details of the technical service fee, labor fee and commission paid by the Group to the related parties were as follows:

	January to March, 2022	January to March, 2021
Associate		
FSP Group USA Corp.	\$ 2,336	2,376
Other related party		
Amacrox	1,999	1,978
Sparkle Power Inc.	25	1,934
Others	518	275
	<u>\$ 4,878</u>	<u>6,563</u>

The details of the Group's recognized payable amounts due to related parties as a result of the above transactions and payments/collections on behalf of related parties were as follows:

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

Accounting Subject	Related party category/name	2022.3.31	2021.12.31	2021.3.31
Other payables	Associate	\$ 579	574	720
	Other related party	7,163	6,924	8,318
		\$ 7,742	7,498	9,038

6. Leases

In January 2019, the Group leased an office to the Chairman of the Company, and this lease transaction was recognized as a right-of-use asset and lease liability of NT\$9,487 thousand on January 1, 2020, following IFRS 16. The recognized interest expense from January 1 to March 31, 2022, and 2021 was NT\$34 thousand and NT\$38 thousand, respectively. The balance of lease liabilities as of March 31, 2022, December 31, 2021, and March 31, 2021, were NT\$7,485 thousand, NT\$7,710 thousand, and NT\$8,379 thousand, respectively.

(III) Compensation for key management personnel

	January to March, 2022	January to March, 2021
Short-term employee benefits	\$ 8,736	8,966
Post-employment benefits	177	175
	\$ 8,913	9,141

VIII. Pledged Assets

The carrying amount of pledged assets for custom duty performance guarantee, litigation guarantee and borrowings was as follows:

Assets	Pledged to secure	2022.3.31	2021.12.31	2021.3.31
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	\$ 100	100	100
Restricted demand deposits (recognized in other non-current assets)	Litigation guarantee	19,376	18,679	18,679
Land	Long-term and short-term borrowings	161,077	161,077	173,844
Housing and Construction	Long-term and short-term borrowings	184,447	186,447	113,097
Total		\$ 365,000	366,303	305,720

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IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of March 31, 2022, December 31, 2021, and March 31, 2021, the guarantee facilities extended by banks for customs, and excise duties were NT\$215,000 thousand, and utilized facilities were NT\$33,000 thousand, NT\$63,000 thousand and NT\$33,000 thousand, respectively.

(II) The Group purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the Group in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US\$2,268,402.22, should be borne jointly by the Group, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September 27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court.

The litigation between the Group and O2 was separated from the aforementioned litigation between O2 and Beyond Innovation on July 21, 2009. However, the Group has not yet received a notice of hearing from the US Court.

The Group was implicated by the use of Beyond Innovation's products, and after learning that Beyond Innovation's products involved in such disputes, we have switched to

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

alternative materials that do not involve infringement disputes. According to the intellectual property right guarantee signed by the Group and Beyond Innovation, Beyond Innovation shall bear all liabilities, losses, damages, costs, or other expenses incurred by the Group as a result of the use of its products. As a result, Beyond Innovation shall bear the adjudication costs borne by the Group. Therefore, the attorneys' fees and litigation costs incurred in the above patent litigation do not have a significant impact on the Group's financial statements. The Group recognized the aforementioned expenses in as expenses for the year in which they occurred based on fiscal conservatism.

- (III) The Group believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, we filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. We first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and Group did not approve the rejection. On January 16, 2019, the Group filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019, and the Group is still waiting for the final decision of the Supreme Court before enforcing the decision.
- (IV) The Group received a court notice on July 20, 2020, regarding a lawsuit filed by the Group's customer Jiangsu Lemote Tech Co., Ltd. (hereinafter referred to as Lemote) for transaction contract disputes. Lemote claimed that there were anomalies in the Group's products and requested the refund of payments already made and paid for related damages with a total amount of RMB 4,266,789.46. It also filed for a property preservation ruling with Changshu People's Court for freezing bank deposits equivalent to the aforementioned value totaling RMB 4,300,000 (listed under other non-current assets). The Court rendered a ruling on August 27, 2021, that required Lemote to return the products of the Group and required the Group to refund payments totaling RMB 2,822,600 paid by Lemote, pay a compensation of RMB 900,000, and pay RMB litigation expenses of 374,581, totaling more than RMB 4.09 million. The Group rejected the product anomaly stated by Lemote and the court ruling and filed an appeal to the Suzhou Intermediate People's Court in September 2021.
- (V) As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group had entered into purchase agreements for property, plant, and equipment amounting to NT\$54,729 thousand, NT\$53,386 thousand, and NT\$173,714 thousand, respectively, and had paid NT\$33,402 thousand, NT\$30,759 thousand, and NT\$99,991 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as

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

well as other non-current assets.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

- (I) A summary of employee benefits, depreciation, and amortization by function is provided below:

By nature	January to March, 2022			January to March, 2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	359,123	226,749	585,872	385,769	217,577	603,346
Insurance expense	1,807	17,554	19,361	1,640	16,533	18,173
Pension expense	23,222	10,712	33,934	21,901	9,544	31,445
Other employee benefit expense	12,784	9,269	22,053	11,255	8,979	20,234
Depreciation expenses	68,081	22,373	90,454	60,816	21,638	82,454
Amortization expenses	156	2,077	2,233	31	522	553

- (II) Seasonality in Operation

The operation of the Group is not subject to impacts from seasonal or cyclical factors.

XIII. Supplementary Disclosures

- (I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions from January 1 to March 31, 2022, and 2021 is disclosed as follows:

- Financing provided to other parties: None.
- Guarantees and endorsements provided to other parties: None.
- Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
The Company	Stock:							
	Mekong Resort Development Construction Co., Ltd.	—	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	
	Beneficiary certificates:							
	Fuh Hwa Ruei Neng Fund I	—	"	5,000,000	56,008	-	56,008	
	Fuh Hwa Ruei Neng Fund I	—	"	4,000,000	45,429	-	45,429	
	Fuh Hwa Guardian Fund	—	"	3,504,199	65,326	-	65,326	
Fuh Hwa Ruei Hua Fund	—	"	1,961,169	21,398	-	21,398		

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

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
	Yuanta FTSE4Good TIP Taiwan ESG ETF Securities Investment Trust Fund	—	"	400,000	14,144	-	14,144	
	Private equity fund: Mesh Cooperative Ventures Fund	—	"	12,000,000	12,000	2.46	12,000	
					285,937		285,937	
	Stock: Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	3,955,822	5,775,500	4.53	5,775,500	
	JESS-LINK Products Co., Ltd.	—	"	9,750,000	419,737	7.99	419,737	
	WT Microelectronics Co., Ltd.	—	"	1,000,000	49,650	0.74	49,650	
	Taiwan Cement Corp.	—	"	50,000	2,495	-	2,495	
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	"	10,000	5,970	-	5,970	
	TOT BIOPHARM International Co., Ltd.	—	"	1,195,200	13,683	0.19	13,683	
	Eastern Union Interactive Corp.	—	"	880,000	58,667	4.43	58,667	
	Guoyu Global Co., Ltd.	—	"	50,000	5,000	16.67	5,000	
	Taiwan Truewin Technology Co., Ltd.	—	"	1,000,000	70,000	4.69	70,000	
					6,400,702		6,400,702	
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	"	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	—	"	-	26,494	3.54	26,494	
					6,427,196		6,427,196	
The Company	Bond: Novaland Group (NYL)	—	Financial assets at amortized cost	9,000	10,800	-	10,800	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
5. Acquisition of real estate at costs which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
6. Disposal of real estate at prices which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
7. Total purchases from and sales to related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(155,328)	(5.62)	Note 1			209,786	6.78	

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

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(162,238)	(5.87)	Note 1			273,730	8.85	
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	133,724	8.44	Note 4		Note 4	(52,922) (Note 3)	(1.65)	Note 5

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

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

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

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

Note 5. Eliminated under consolidation.

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

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note 1)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	209,786	3.22	-		50,877	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	273,730	2.24	-		-	-
The Company	FSP North America	Substantive related party of the Company	142,151	2.25	-		59,760	-
3Y Power	The Company	65.87% owned reinvestment via indirect shareholding	100,308 (Note 2)	3.24	-		26,562	-

Note 1. As of April 18, 2022.

Note 2. Eliminated under consolidation.

9. Derivative instruments transactions: None.

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of total consolidated operating revenue or total assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Company	3Y Power	1	Cost of goods sold	72,888	No significant difference from other suppliers	1.96%
0	The Company	Huili	1	Cost of goods sold	133,724	No comparison is available	3.60%
0	The Company	Zhonghan	1	Cost of goods sold	81,362	No comparison is available	2.19%
0	The Company	WUXI SPI	1	Cost of goods sold	45,462	No comparison is available	1.22%
0	The Company	WUXI Zhonghan	1	Operating revenue	47,144	No significant difference from other customers	1.27%
0	The Company	FSP Technology USA Inc.	1	Operating revenue	38,189	No significant difference from other customers	1.03%
1	3Y Power	3Y Power Technology Inc.	3	Operating revenue	98,811	No significant difference from other customers	2.66%
1	3Y Power	Huili	3	Cost of goods sold	61,544	No comparison is available	1.66%

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

Note 1. Fill in the number per below:

1. 1. 0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. Types of relationships with traders are listed as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3. Information is disclosed only for the amounts that exceed 1% of total consolidated assets (balance sheet items) and 1% of total revenue (income statement items).

(II) Information on Invested Companies:

Reinvestment information from January 1 to March 31, 2022 and 2021 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment gain (loss) recognized for the period	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount			
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,171,748	(100,711) (Note 1)	(100,711) (Note 1)	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	375	3 (Note 2)	3 (Note 2)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	64,306	1,886 (Note 2)	1,886 (Note 2)	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	696,137	44,344 (Note 2)	29,224 (Note 2)	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,826	38 (Note 2)	38 (Note 2)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	2,210	288 (Note 2)	288 (Note 2)	Subsidiary
	FSP Turkey	Turkey	Business development and product technical service	22,640	22,640	6,673,000	91.41	16,803	3,035 (Note 2)	2,774 (Note 2)	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	119,666	(1,363) (Note 2)	-	Sub-subsi-diary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	200,186	(19,118) (Note 1)	-	Sub-subsi-diary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,402,645	(6,687) (Note 1)	-	Sub-subsi-diary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	17,916	1,232 (Note 2)	-	Sub-subsi-diary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	70,538	(4,065) (Note 2)	-	Sub-subsi-diary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,892	(33) (Note 2)	-	Sub-subsi-diary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	30,495	4,098 (Note 2)	1,844 (Note 2)	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	15,282	- (Note 2)	-	Sub-subsi-diary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	232,572	7,256 (Note 2)	-	Sub-subsi-diary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	3,921	11 (Note 2)	-	Sub-subsi-diary

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

- Note 1. The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.
- Note 2. The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.
- Note 3. The profit and loss of the sub-subsidiary has been consolidated into the profit and loss of the subsidiary. The transactions between the Company and each subsidiary of the Group including sales transaction amount, accounts receivable and payable, carrying amount of long-term equity investment, except for the associates) and investment profit and loss recognized in the current period, have been eliminated in preparing the consolidated financial statements.

(III) Information on investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period	Carrying amount of investment at the end of the period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	150,500	(II), 1	176,873	-	-	176,873	(73,996)	100.00	(73,996)	271,065	197,299
Zhonghan	Processing of power supply	232,465 (註二)	(II), 1	104,342	-	-	104,342	(19,130)	100.00	(19,130)	198,384	75,044
WUXI SPI	Processing of power supply	749,303 (註二)	(II), 1	508,326	-	-	508,326	(12,864)	100.00	(12,864)	115,496	-
WUXI Zhonghan	Manufacturing and trading of power supply	431,616	(II), 1	380,595	-	-	380,595	2,344	100.00	2,344	1,289,239	-
Zhong Han	Manufacturing and trading of power supply	135,180	(II), 1	20,196	-	-	20,196	7,420	100.00	7,420	782,585	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (註二)	(II), 1	13,380	-	-	13,380	(1,363)	100.00	(1,363)	121,352	-
Protek Dongguan	Processing of power supply	40,860	(II), 1	38,038	-	-	38,038	1,226	100.00	1,226	17,733	-
Hao Han	Transformer processing	169,777 (註二)	(II), 1	-	-	-	-	(4,065)	100.00	(4,065)	70,538	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,276	(II), 2	-	-	-	-	11	65.87	8	3,921	-

Note 1. Method of investment can be divided into the following 3 categories:

- 1) Direct investment in mainland China.
- 2) Indirect investment in mainland China through a holding company established in other countries
 1. Through FSP International Inc. to invest in mainland China.
 2. Through 3Y Power to invest in mainland China.
- 3) Others.

Note 2. This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3. The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 4: The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 5: Eliminated under consolidation.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK\$12,500 thousand and US\$35,640 thousand)	1,537,349 (Note 2) (HK\$12,500 thousand and US\$52,110 thousand)	7,850,140 (Note 1)

Note 1. 60% of net worth.

Note 2. For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to the mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD: 1:27.9941, CNY/TWD: 1:4.4064, HKD/TWD: 1:3.5861). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period is based on the exchange rates on March 31, 2022 (USD/TWD: 1:28.6250, CNY/TWD: 1:4.5060, HKD/TWD: 1:3.6560).

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

3. Significant transactions with the investee company in mainland China:
Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the Group and investees in China (which have been eliminated during the preparation of consolidated financial statements) from January 1 to March 31, 2022 and 2021.

(IV) Information on Major Shareholders:

Name of Major Shareholders	Shareholding	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.		15,091,766	8.05%
Cheng, Ya-Jen		12,167,477	6.49%
Yang, Fu-An		11,792,834	6.29%
Wang, Tsung-Shun		11,605,794	6.19%

- The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
- If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares following the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to the Market Observation Post System website.
- The percentage of shareholding is calculated by rounding to two decimal places.

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

XIV. Segment Information

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

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
January to March, 2022							
Revenue:							
Revenue from external customers	\$ 2,624,957	317,943	449,260	118,897	205,959	-	3,717,016
Intersegment revenue	466,614	184,970	1,133	4,174	14,631	(671,522)	-
Total revenues	\$ 3,091,571	502,913	450,393	123,071	220,590	(671,522)	3,717,016
Reportable segment profit or loss	\$ 123,832	47,142	6,759	(4,415)	14,266	1,191	188,775
January to March, 2021							
Revenue:							
Revenue from external customers	\$ 2,969,397	203,065	469,117	172,634	134,358	-	3,948,571
Intersegment revenue	514,931	165,758	3,511	6,206	26,274	(716,680)	-
Total revenues	\$ 3,484,328	368,823	472,628	178,840	160,632	(716,680)	3,948,571
Reportable segment profit or loss	\$ 130,804	14,651	11,994	7,362	16,779	(401)	181,189

The significant adjustment items of the above reportable segment information are described as follows:

The total revenue of the reportable segment and the inter-segment revenue to be eliminated were NT\$671,522 thousand and NT\$716,680 thousand from January 1 to March 31, 2022, and 2021, respectively.