

FSP Technology Inc.
Parent Company Only Statements of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes VI(XXI) and VII)	\$ 12,319,833	100	10,873,018	100
5000	Operating costs (Notes VI(VII), (X), (XI), (XII), (XVI), and (XVII), VII and XII)	10,483,687	85	9,306,280	86
5910	Add: Unrealized sales gains (losses)	(10,948)	-	(25,953)	-
5900	Gross profit	1,825,198	15	1,540,785	14
6000	Operating expenses (Notes VI(V), (X), (XI), (XII), (XV), (XVII), and (XXII), VII and XII):				
6100	Selling and marketing expenses	445,124	4	385,878	4
6200	General and administrative expenses	487,276	4	417,538	4
6300	Research and development expenses	363,444	3	350,383	3
6450	Expected credit loss	3,828	-	4,614	-
	Total operating expenses	1,299,672	11	1,158,413	11
6900	Net operating income	525,526	4	382,372	3
7000	Non-operating income and expenses (Notes VI(II), (III), (VIII), (IX), (XV) and (XXIII), and VII):				
7100	Interest income	2,375	-	7,358	-
7010	Other income	148,325	1	123,787	1
7020	Other gains and losses	(512)	-	(50,588)	-
7050	Finance costs	(3,867)	-	(2,250)	-
7070	Share of profits (losses) of subsidiaries, associates and joint ventures under equity method	202,618	2	284,687	3
	Total non-operating income and expenses	348,939	3	362,994	4
7900	Income before income tax from continuing operations	874,465	7	745,366	7
7950	Income tax expense (Note VI(XVIII))	120,383	1	76,052	1
8200	Net Income	754,082	6	669,314	6
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss (Note VI(XVII), (XVIII) and (XIX))				
8311	Gains (losses) on re-measurements of defined benefit plans	6,610	-	(7,821)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	1,854,340	15	2,044,026	19
8330	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	246	-	50,817	1
8349	Less: Income tax related to items that will not be reclassified subsequently	1,322	-	(1,564)	-
	Total items that will not be reclassified to profit or loss	1,859,874	15	2,088,586	20
8360	Items that may be reclassified subsequently to profit or loss (Note VI(VIII) and (XIX))				
8361	Exchange differences on translation of financial statements of foreign operations	(27,216)	-	28,236	-
8380	Share of other comprehensive income (losses) of subsidiaries, associates and joint ventures under equity method	(809)	-	(1,400)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(28,025)	-	26,836	-
8300	Other Comprehensive Income	1,831,849	15	2,115,422	20
8500	Total Comprehensive Income	\$ 2,585,931	21	2,784,736	26
Earnings per share (unit: NT\$) (Note VI(XX))					
9750	Basic earnings per share	\$ 4.03		3.55	
9850	Diluted earnings per share	\$ 3.99		3.52	

(Please see accompanying notes to the Parent Company Only Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

	2020.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 2,755,699	0.20	5,385
Past due within 30 days	18,100	12.38	2,241
Past due 31-60 days	6,053	37.90	2,294
Past due 61-90 days	4,068	73.31	2,982
Past due 91-120 days	823	82.27	677
Past due over 121 days	<u>12,272</u>	<u>100.00</u>	<u>12,272</u>
	<u>\$ 2,797,015</u>		<u>25,851</u>

The carrying amount of the above notes and accounts receivable did not include the account receivable due from subsidiaries and a specific customer, amounting to NT\$195,961 thousand and NT\$19,793 thousand, respectively. The above-mentioned accounts receivable was not overdue.

Due to poor recovery of the account receivable due from this customer, the Company has specifically recorded an allowance for loss of NT\$3,959 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.

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

	2021	2020
Beginning balance	\$ 29,810	29,149
Impairment losses recognized	3,828	4,614
Write-off	(832)	(3,953)
Ending balance	<u>\$ 32,806</u>	<u>29,810</u>

(VI) Other receivables

	2021.12.31	2020.12.31
Other receivables	\$ 16,480	19,966
Other receivables - related parties	40,968	49,665
Less: Allowance for impairment loss	-	-
	<u>\$ 57,448</u>	<u>69,631</u>

As of December 31, 2021 and 2020, there were no overdue for all other receivables (including related parties).

(VII) Inventories

	2021.12.31	2020.12.31
Finished goods	\$ 1,039,194	851,759
Work in process	491,915	371,510
Raw materials	631,392	404,140
	<u>\$ 2,162,501</u>	<u>1,627,409</u>

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

Breakdown of cost of goods sold:

	<u>2021</u>	<u>2020</u>
Inventories sold	\$ 10,347,849	9,293,633
Inventory valuation loss (reversal gain)	14,795	(32,975)
Unallocated manufacturing expense	87,786	9,768
Loss on inventory obsolescence	33,086	35,856
Loss (gain) on inventory counts	171	(2)
	<u><u>\$ 10,483,687</u></u>	<u><u>9,306,280</u></u>

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

(VIII) Investments Accounted for Using the Equity Method

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

	<u>2021.12.31</u>	<u>2020.12.31</u>
Subsidiary	\$ 2,917,328	2,762,521
Associate invested through subsidiary	26,947	25,319
	<u><u>\$ 2,944,275</u></u>	<u><u>2,787,840</u></u>

1. Subsidiary

Please refer to the consolidated financial statements for the year ended December 31, 2021.

2. Associate invested through subsidiary

The financial information of insignificant associates that are invested through subsidiary and the Company adopts the equity method for recognition is summarized below. The amount is included in the Parent Company Only Financial Statements.

	<u>2021.12.31</u>	<u>2020.12.31</u>
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	<u><u>\$ 26,947</u></u>	<u><u>25,319</u></u>

	<u>2021</u>	<u>2020</u>
Attributable to the Company:		
Income from Continuing Operations	\$ 3,284	3,049
Other Comprehensive Income	(809)	(1,400)
Total Comprehensive Income	<u><u>\$ 2,475</u></u>	<u><u>1,649</u></u>

3. Collateral

As of December 31, 2021 and 2020, the Company did not pledge any investments accounted for under the equity method as collateral.

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

(XX) Earnings per Share

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

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 3,082,102	2,321,157
China	3,181,832	3,207,349
U.S.A.	1,535,740	1,305,495
Germany	2,161,664	1,924,441
Other countries	<u>2,358,495</u>	<u>2,114,576</u>
	<u>\$ 12,319,833</u>	<u>10,873,018</u>
Major product/service line:		
Sales of power supply	<u>\$ 12,319,833</u>	<u>10,873,018</u>

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (Continued)

2. Contract balance			
		2021.12.31	2020.12.31
		2020.1.1	
Notes and accounts receivable (including related parties)	\$	3,380,369	3,012,769
		<u>3,021,417</u>	
Less: Allowance for impairment loss		(32,806)	(29,810)
		<u>(29,149)</u>	
Total	\$	3,347,563	2,982,959
		<u>2,992,268</u>	
Contract liabilities (recognized in other current liabilities)	\$	41,625	33,487
		<u>34,952</u>	

The amount of revenue recognized in 2021 and 2020 that was included in the contract liability balance at January 1, 2021 and 2020, was NT\$9,217 thousand and NT\$8,665 thousand, respectively.

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

Notes to Parent Company Only Financial Statements of FSP Technology Inc. (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 Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(131,045)	(1.06)	Note 1			56,617	1.67	
The Company	Zhong Han	100% owned investment via direct shareholding	(Sales)	(1,004,634)	(8.13)	Note 1			-	-	
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	939,867	10.80	Note 4		Note 4	(104,088) (Note 3)	(2.77)	
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	433,479	4.98	Note 4		Note 4	(42,251) (Note 3)	(1.12)	
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	237,150	2.72	Note 4		Note 4	(17,971) (Note 3)	(0.48)	
The Company	Voltronic	The Company is the Director of this company	Purchases	210,723	2.42	Note 5			(90,024)	(2.39)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	260,047	2.99	Note 1			(81,547)	(2.17)	
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(315,435)	(17.16)	Note 1			80,601	12.03	
3Y Power	Zhong Han	Affiliate	(Sales)	(440,891)	(23.98)	Note 1			-	-	
3Y Power	Huili	Affiliate	Purchases	247,178	17.99	Note 4		Note 4	(22,094)	(3.82)	

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

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

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

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

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

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

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

Note: As of March 4, 2022.

9. Derivative instruments transactions: None.

FSP Technology Inc.
Statement of Inventories

December 31, 2021

Unit: NT\$ thousands

Item	Amount		Remark
	Cost	Net realizable value	
Finished goods	\$ 1,085,723	1,328,596	Market value refers to the estimated net realizable value
Work in process	502,282	491,915	"
Raw materials	655,301	631,668	"
Total	2,243,306	<u>2,452,179</u>	
Lee: allowance for inventory valuation loss	<u>80,805</u>		
	<u>\$ 2,162,501</u>		

Breakdown of prepayment

Customer Name	Summary	Amount	Remark
Prepayment for purchase:			
Non-related party		\$ 23,288	
Related party - WUXI SPI		<u>7,383</u>	
Subtotal		<u>30,671</u>	
Prepaid expenses		22,993	
Tax overpaid retained for offsetting the future tax payable		<u>11,419</u>	
		<u>\$ 65,083</u>	