



東捷資訊服務股份有限公司
Information Technology Total Services Corp.

www.itts.com.tw

Stock Code : 6697

2021 Annual Report

Printed on 30 April, 2022

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Spokesperson

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III. Name, address, website, and contact number of the stock transfer agency:

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Tel.: (02) 2504-8125

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IV. Name of CPAs and name of CPA firm, address, website and contact number for the latest financial statements:

Name of CPA: Ping-Chun Chih/Tsung-Hsi Lai

Name of CPA firm: PricewaterhouseCoopers Taiwan

Address: 27F, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City

Tel.: (02) 2729-6666

Website: <https://www.pwc.com.tw>

V. Name of the overseas trading center where the securities are listed for trading and the method of querying the information of the overseas securities: None.

VI. Company website:

<http://www.itts.com.tw>

Table of Contents

Page

One.	Report to the Shareholders	1
Two.	Company Profile	7
Three.	Corporate Governance Report	9
	I. Organizational system	9
	II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches	12
	III. Status of Corporate Governance	25
	IV. Information on CPA Fees	52
	V. Information on the Replacement of CPAs	52
	VI. Information on CPA Firms or Their Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Were Employees in the Most Recent Year	53
	VII. Transfers and Pledges of Stock Equity by Directors, Managers, and Shareholders Holding over 10% of the Company's Shares in the Most Recent Year and as of the Date of Publication of the Annual Report	54
	VIII. Information on the Top Ten Shareholders Who Are Related Parties to Each Other	55
	IX. The Number of Shares Held by the Company's Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Consolidated Shareholding Percentage	55
Four.	Fundraising Status	56
	I. Capital and Shares	56
	II. Issuance of Corporate Bonds	60
	III. Issuance of Preferred Shares	60
	IV. Issuance of Global Depository Receipts	60
	V. Issuance of Employee Stock Options and New Employee Restricted Shares	60
	VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies	60
	VII. Implementation of the Capital Utilization Plan	60
Five.	Overview of Operations	62
	I. Description of the Business	62
	II. Market and Sales Overview	77
	III. Employees	87
	IV. Information on Environmental Expenditure	87
	V. Labor–Management Relations	88
	VI. Information and Communication Security Management	89
	VII. Important Contracts	92

Table of Contents

Page

Six.	Financial Status	93
	I. Condensed Balance Sheet and Statement of Consolidated Income for the Last Five Years	93
	II. Financial Analysis for the Last Five Years	97
	III. Audit Committee's Review Report for the Financial Statements for the Most Recent Year	100
	IV. Financial Statements for the Most Recent Year	101
	V. Whether the Company and Its Associates Have Financial Difficulties	101
Seven.	Review and Analysis of Financial Position and Financial Performance and Risk Matters	102
	I. Financial Position	103
	II. Financial Performance	103
	III. Cash flow	104
	IV. Impact of major capital expenditures in the most recent year on financial operations	104
	V. The Investment Strategy in the Most Recent Year and Main Causes for Gains or Losses	104
	VI. Analysis and Assessment of Risk Matters	104
	VII. Other Important Matters	109
Eight.	Special Disclosures	110
	I. Information on Associates in the Most Recent Year	110
	II. Private Placement of Securities in the Most Recent Year and up to the Publication of This Annual Report	123
	III. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and up to the Publication of This Annual Report	124
	IV. Other Important Supplementary Information	124
	V. Primary Listed (Foreign) Companies Shall Include a Description of Major Differences from Taiwan's Regulations on the Protection of Shareholders' Equity	124
	VI. Any Events that Occurred in the Most Recent Year and up to the Publication Date of This Annual Report which Significantly Affected Shareholders' Equity or the Price of Shares Pursuant to Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act	124

One. Letter to Shareholders

Dear Shareholders,

In 2021, ITTS has continued to develop digital services in various industries. In the face of the daunting challenges of the COVID-19 variant and the ongoing escalation of the global pandemic, we have striven to introduce professional information systems and provide digital transformation consulting services and build a layout in the information service market step by step. Despite the dilemma and impact of the pandemic, we have successfully seized business opportunities and become a partner to help our clients undertake digital transformation. Thus, our revenue bucked the trend and grew and our net income after tax increased by 10% compared with 2020.

The acceleration of digital transformation has ushered the new era of “Digital First”, which has expanded the influence of digital technologies on the production and consumption of goods and services. IDC estimated that more than 52% of global GDP will be generated from digital transformation and investment in digital technologies and that at least 65% of GDP in the Asia Pacific region will be contributed by digital technologies by 2023. In addition, due to the impact of the pandemic, enterprises are accelerating the progress of their digital transformation initiatives to move more of their services and applications to the cloud, which has also caused ubiquitous threats to information security. With the global attention to corporate sustainability issues, more enterprises are investing in digital technology to realize environmental sustainability, and new services provided are gradually moving toward a sustainability-as-a-service (SaaS) model, featuring technological innovation, low-carbon economy, and a win-win outcome. Targeting enterprises’ needs for transformation, information security defense, and digital sustainability, ITTS, with more than 20 years of experience in information outsourcing services and business process outsourcing services, has not only developed new clients in existing fields but strengthened our strategic alliances with partners in different industries. We provide smart IoT solutions, information security outsourcing service solutions, and cloud platform establishment and planning services to help companies jointly realize digital sustainability and adopt innovative technology applications. It is estimated that our business will grow steadily with better performance in the post-pandemic era in 2022.

I. Review of 2021 business performance

(I) Business plan and implementation

The Company's net operating income in 2021 was NT\$1,325,626,000, which was an increase from 2020, with a gross margin of 15%. Net income after tax for 2021 was NT\$72,481,000, an increase of 10% from 2020, and earnings per share after tax was NT\$2.65.

(II) Status of budget implementation

The Company did not publish its annual public financial forecast, so there is no comparative information between the actual data and forecast.

(III) Revenues, expenses, and profitability analysis

Item		Year	
		2021	2020
Financial structure	Debt ratio	35.57	43.73
	Long-term capital to property real estate, plant and equipment ratio (%)	1,832.36	3,248.39
Solvency	Current ratio	197.22	170.31
	Quick ratio	187.57	156.03
	Interest coverage ratio	104.02	44.28
Operating ability	Account receivable turnover days	159	192
	Inventory turnover days	8	13
Profitability	Return on assets (%)	8.16	7.10
	Return on shareholders' equity (%)	13.44	12.50
	Operating income to paid-in capital (%)	29.74	24.10
	Pre-tax profit to paid-in capital (%)	31.71	27.47
	Net income after tax (%)	5.47	5.35
	Earnings per share (NT\$)	2.65	2.41

(IV) Performance in research and development

1. Production line AI image recognition solution

To facilitate the convenience and speed of collecting workers' working time and allow operators to automatically record their work time on the spot through their images, we adopt a manufacturing execution system (MES) to assist the automatic recording of the entry and exit time of the work site through an AI image recognition technology. This can also reduce the errors caused by manual recording of working time and improve management efficiency.

2. Completion the development of a quotation inquiry platform

We adopt an AI prediction algorithm to predict the futures price of bulk materials and analyze procurement to ensure the reasonableness of purchase costs. The platform can support multi-company and multi-currency centralized procurement, bidding, open bidding, sourcing, and supplier evaluation functions with the aim of extending the functions of the supplier delivery management solution to provide a complete process management model for production cost forecasting, analysis, and management from purchase requisition, procurement to supplier delivery.

3. Completion of the development of transportation management - container loading platform

It solves the issue that the content of the items that can only be learned after the manual loading is completed. The container loading platform allow users to instantly know the content of the items to be shipped, automatically calculates whether the weight is evenly distributed after loading, and guides the loading personnel which to load first to improve the efficiency of warehousing and transportation management.

4. Development and integration of ITTS and Advantech's manufacturing solution app

To develop a smart factory solution, ITTS and Advantech jointly developed the overall equipment effectiveness (OEE) management solution, from which we identified and improved the key factors affecting production efficiency to improve equipment performance through regular repair and maintenance. The app developed has also been integrated into Advantech's iFactory solution to create a digital operation center for the electrical engineering industry, and we strive to accelerate the industrial upgrade through the rapid promotion of a package deal.

II. Overview of Business Plan for 2022

(I) Management policy and important production and marketing policies

In addition to continuously improving our independent core technological capabilities and enhancing our consulting service capabilities to reinforce our market competitiveness, to increase revenue and net income, we target the needs from digital transformation, cloud applications, information security, digital sustainability, and innovation brought about by the pandemic. We have also reinforced our strategic partnerships to seize opportunities. Meanwhile, the Company will pay close attention to and cooperate with trends and policies in domestic and foreign industries, governments, academia, and research, to continue to develop its international market and a global layout, with a focus on future operation plans in the following aspects:

1. New operating models: Provide smart cloud platform solutions and use subscription-based services, including:
 - Expand RISE with SAP ERP cloud service (SAP comprehensive business transformation solution).
 - Provide our own supply chain management (SCM) system and a cloud MES market SaaS solution on the monthly rental basis.
 - Provide information security and AI customer service SaaS solutions on the monthly rental basis.
2. New products or new services: Act as an agent or form alliances for cloud and information security/AI products to provide cloud establishment and security protection services, including:
 - Act as an agent to sell Google products and provide Google Cloud Platform (GCP) solutions.
 - Form alliances with automation manufacturers to develop smart medical business opportunities.
 - Act as an agent for the AI-based face recognition system to create business opportunities arising from people flow, access control, and occupational safety.
3. New markets: Act as an agent for the AI-based face recognition system to create business opportunities arising from people flow, access control, and occupational safety, including:
 - Expand Google Cloud Platform (GCP) solutions to existing e-commerce and ERP clients.
 - Step into the customer service and information service markets in Southeast Asia.
 - Expand the ERP into the auto parts businesses in the southern industrial parks

4. R&D: Combine industry–academia–research resources to develop our own product cloud solutions, including:

- R&D production line (metal or electromechanical) AI image recognition solution.
- R&D procurement cost AI prediction module solution.
- Strengthen SCM, MES, warehouse management solution (WMS) core module solutions.
- Establish our own product cloud market/public cloud SaaS solutions.
- Develop order placing solutions with a digital output function.

(II) Expected sales volume and basis

The Company did not publish a 2022 financial forecast, so it is not applicable.

III. Future development strategy

ITTS's future development strategy is based on the above-mentioned operational plan and goals. In terms of business operation and development, we will expand our service areas with our existing core capabilities. In addition, we will continue to invest resources to develop relevant technologies based on the actual needs in the industry, focus on AI applications, cloud platform services, information security outsourcing services, smart factories, smart logistics, and IoT innovative technology applications in response to the needs arising from the cloud, long-distance, unmanned services, information security, and digital sustainability, as well as the trend of digital transformation and ESG issues. We will also act as an agent to sell information security solutions and original cloud collaboration platforms, such as Google, to develop digital sustainable innovative technology solutions.

As for brand promotion, we will continue to strengthen ITTS's professional image as an industrial solution expert, develop business opportunities through digital marketing, and enhance the Company's brand professionalism and reputation. We will engage in online and offline activities, such as media activities, seminars, or forums, along with mass media and digital media, to promote and increase our exposure, enhance our brand awareness by leaving a deep impression on the public, and make good use of our partnerships with original businesses, industry associations, and the media to jointly market products and services, expand the market, and develop potential business opportunities. In terms of our existing clients, we will provide more in-depth solution suggestions about their industry needs as a consultant and strengthen customer stickiness and loyalty on the existing foundation of trust, to increase clients' needs and maximize our profits.

In terms of internal operations, we will optimize the information process to improve operational efficiency and reinforce the performance reward system to motivate interdepartmental collaboration. As for supply chain management, we will build a supplier management platform to provide performance visualization management. In addition, we will develop reliable supplier sources, strengthen our evaluation system, build a business intelligence (BI) system, provide multi-dimensional business management analysis services, and improve the achievement rate of interdepartmental business opportunities. We will adhere to our corporate culture and focus on performance, collaboration and cooperation, continuous learning, and pursuit of excellence. As for talent cultivation

strategies, we will establish a digital learning environment, cultivate intelligent talents, expand recruitment channels, as well as cultivate middle and top-level management trainees. To meet the business expansion needs, we will build a high-performance team with a high degree of identification with the organization's culture.

IV. The impact of external competition, legal, and the overall business environments

Although the recurring pandemic outbreaks continue to affect the global industrial supply chain, the economies, driven by the incentives of various governments, are expected to continue to recover. Taiwan is relatively stable and benefits from the turbulent markets. With the continuous recovery of the global economy, the effect of more connected supply chains and clusters of investments in the local community gradually appears. Overseas Taiwanese businesses have returned their investments to Taiwan. With domestic and overseas businesses continuing to invest in Taiwan, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, estimates that our country's economic growth rate will exceed 4%. In addition, the Taiwan Institute of Economic Research predicts that the domestic economic growth rate this year will be 4.10%, driven by domestic demand.

In terms of international economic forecasts, according to the 2022 U.S. economic growth rate forecasts released by four international forecasting agencies, the U.S. economic growth rate is about 3.5–4.1%, which is the second-best performance to 2021 after 2005, so the economy remains relatively strong. The economic growth rate of the eurozone this year is about 3.7–4.2%, which is the second-best performance to 2021 after the establishment of the eurozone, so the economy remains relatively strong. In terms of production and business activities in China's market, as the manufacturing industry is affected production recovery and improved supplier delivery time, the latest forecast by IHS Market in February showed that China's economic growth rate in 2022 will be 5.33%. During the recent international economic development, Russia's launch of an attack on Ukraine has resulted in a rising tension between Russia and Ukraine and worsened the short-term fluctuations in the global financial market, and the prices of international raw materials, gold, and food have soared, adding to inflationary pressures in the U.S. and Europe and the uncertainty of economic recovery.

With the development of cloud computing, big data, machine learning, and AIoT, digital transformation in every sector has become an irreversible trend. As per a research report by TrendForce, it is estimated that the global smart manufacturing market is expected to reach US\$450 billion by 2025 with a compound annual growth rate (CAGR) of 10.5%. Meanwhile, as per Forbes, 5G and edge computing, extended reality (XR) and metaverse, industrial internet of things (IIoT), predictive maintenance, robotics and cobots will accelerate the transformation of manufacturing into Industry 4.0. As for the ICT and software industries, Market Intelligence & Consulting Institute (MIC), Institute for Information Industry, has released a future trend observation report that in the face of the trend of digital transformation, businesses' investment in information technology (IT) will increase. With the economic recovery, enterprises have begun to increase their investments in IT. The performance of both software and hardware has grown significantly. As AI technology has become more developed, it may bring more opportunities for intelligent

services and innovative business models. As enterprises are implementing anti-pandemic measures, anti-hacking has become more important. Enterprises are bound to change their original information security strategies and reinforce their information security resilience. In addition, the non-fungible token (NFT) craze will accelerate the development of the digital market. Under the 5+2 Key Innovative Industries policy implemented by the government, it aims to facilitate the development of six core industries, strengthen the independent and diverse key industrial technology application capabilities, and promote the AI applications to be adopted in all industries, thereby facilitating the nation-wide industrial upgrade and transformation. It is estimated that an amount of NT\$7.6 billion will be invested to attract international companies in the fields of cloud, AI, and IoT to increase their investments in Taiwan, which is also expected to drive the growth of information service providers.

ITTS's management team insists on the consistent business service concept that clients' trust and entrustment is the value of ITTS's existence, makes good use of our solid professional and core capabilities, promotes innovative service platforms, and assists clients to achieve digital sustainability goals by means of digital transformation tools and key technologies. Although the overall environment is full of uncertainties due to the impact of the pandemic, which also brings potential business opportunities for enterprises to accelerate their transformation. We are confident to lead all our employees to enhance and develop our capabilities and create new highs through a smart operating model to create maximum benefits for all our shareholders.

Chairman:

President:

Accounting Manager:

Two. Company Profile

I. Date of Incorporation: December 1, 1990.

II. Company History:

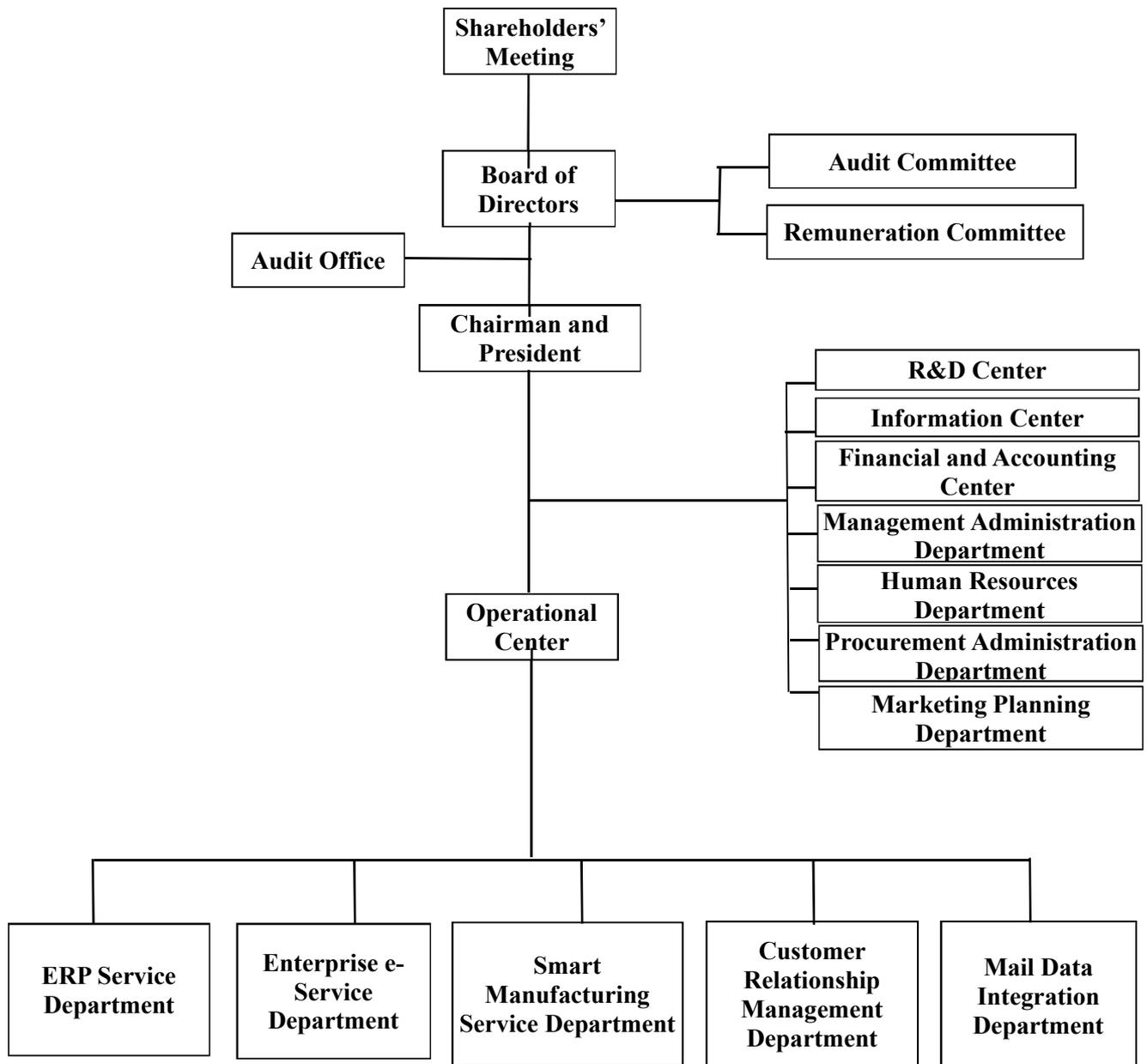
Year	Important Milestones
1990	Approved to be incorporated with a registered capital of NT\$40.5 million
2000	Established subsidiary Information Technology Total Services (BVI) Co., Ltd. Invested in subsidiary Universal Mail Service Ltd.
2001	Established subsidiary Unison Service Corporation Passed ISO 9001:2000 quality certification
2002	Became a BPO provider in Greater China Established the first subsidiary Information Technology (Hangzhou) Co., Ltd. in China
2003	Passed the SAP Customer Competence Center (SAP CCC) certification as the first company in Taiwan
2004	Established subsidiary Technology (Wuxi) Co., Ltd. in China
2006	Won the Best SAP Partner award Won the Best Product Award in the Call Center category of the 10th MIS Best Choice
2007	Passed ISO 27001:2005 information security certification (customer service centers) Established subsidiary Information Technology Total Service (Xiamen) in China
2008	Obtained registration for five service capabilities from the Industrial Development Bureau, Ministry of Economic Affairs
2010	Obtained ISO 27001:2005 information security certification
2011	Obtained SAP Partner Certification of Expertise (PCoE) certification Named SAP gold partner
2012	Worked with Yonyou Network Technology Co. Ltd. (Yonyou) and National Taipei University of Business to build a business intelligence research center
2013	Launched the PaaS service model for Microsoft Azure
2014	Obtained Yonyou's Taiwan Diamond-grade Distributor status
2015	Established a complete food traceability system from farm to table
2016	Obtained SAP Partner Certification of Expertise (PCoE) certification 2016 SAP Taiwan Partner of the Year Award MVP 2016 Greater China Best Success Factors Partner of the Year

Year	Important Milestones
2017	Won the 4th Mittelstand Award of the Ministry of Economic Affairs
2018	<p>Stock listed on the emerging stock market for trading on September 26 (6697)</p> <p>Entered the new field of automotive components by means of new technology of ERP HANA</p> <p>Assisted business group clients in introducing CRM globally to improve customer business opportunities and service management</p> <p>Provided one-stop smart integrated services from smart factories to smart logistics based on professional experience in the electromechanical industry</p>
2019	<p>Stock listed on the Taipei Exchange for trading on December 26 (6697)</p> <p>Conducted private placement of ordinary shares for NT\$147,444,000, with the paid-in capital amounting to NT\$273,233,000 after the capital increase</p> <p>Worked with Advantech to provide end-to-end smart factory services (from OT to IT) in the manufacturing industry</p> <p>Ranked among the top 5000 large enterprises in Taiwan</p> <p>Ranked 25th in the computer system integration service industry</p>
2020	<p>Officially launched the Kaohsiung Branch</p> <p>Introduced industry-leading smart logistics solutions, and officially unveiled the first AIoT communication and command center</p> <p>Won the SAP Innovation Awards for the smart equipment management platform</p> <p>Entered the construction industry by means of new FSM technology</p>
2021	<p>Became a GCP Partner in April</p> <p>Obtained the AI Application Capability Service Certificate from the Ministry of Economic Affairs</p> <p>Obtained the Information Security Service Certificate from the Ministry of Economic Affairs</p> <p>Obtained the Google Workspace (GWS) Authorized Reseller Qualification</p> <p>Won the 6th Taiwan Mittelstand Awards</p>

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Functions of Major Divisions

Major Divisions	Main Functions
Audit Office	<ol style="list-style-type: none"> 1. Objectively check whether the designed internal control system is effective and whether the system is implemented, so as to improve the organization's operation and enhance the overall value. 2. Assist organizations and managers to evaluate and improve risk management, internal control, and corporate governance to achieve organizational goals through systematic and disciplined methods.
ERP Service Department	<ol style="list-style-type: none"> 1. Provide consulting services for ERP system introduction and relevant customized development. 2. Responsible for ERP system maintenance services. 3. Responsible for ERP system management, historical data archiving, remote backup, and version upgrade services. 4. On-site service management solutions.
Enterprise e-Service Department	<p>Provide overall information outsourcing services as the main business, including</p> <ol style="list-style-type: none"> 1. Customized system planning and development services. 2. Enterprise network planning, construction, and maintenance services. 3. Information security product planning and introduction. 4. Software and hardware maintenance and consulting services for end-use equipment. 5. Cloud demand diagnosis, planning and establishment, cloud service management, off-site backup, cloud migration, and cloud platform system subscription services.
Customer Relationship Management Department	<ol style="list-style-type: none"> 1. Provide consulting services for the establishment of customer service centers. 2. Provide call center outbound call and answering services. 3. Provide telemarketing services.
Mail Data Integration Department	<ol style="list-style-type: none"> 1. Provide mail receipt and distribution management services. 2. Provide printing and sealing services for bills, invoices, and stock affairs documents. 3. Provide various graphic advertisement output services.
Smart Manufacturing Service Department	<ol style="list-style-type: none"> 1. Responsible for the planning and implementation of cross-departmental system solutions. 2. Provide system data analysis and business intelligence (BI) systems. 3. Provide smart logistics, smart factory solutions, and product planning services. 4. Provide supply chain management solutions and smart warehousing solutions.
R&D Center	<ol style="list-style-type: none"> 1. Integrate company technologies and conduct product development. 2. Develop innovative service platforms.
Information Center	<ol style="list-style-type: none"> 1. Responsible for the development and maintenance of internal information systems. 2. Responsible for internal network management and maintenance. 3. Responsible for the inquiry and processing of internal IT requirements.

Major Divisions	Main Functions
Financial and Accounting Center	<ol style="list-style-type: none"> 1. Coordinate the Company's various financial and accounting matters. 2. Responsible for the evaluation of fund receipt and payment, financing, and other relevant matters. 3. Responsible for board meetings and stock affairs. 4. Establish and improve financial and accounting management operating systems.
Management Administration Department	<ol style="list-style-type: none"> 1. Responsible for annual budget preparation and management. 2. Assist managers in evaluating and analyzing the performance of various departments. 3. Responsible for company-wide business logistics support activities.
Human Resources Department	<ol style="list-style-type: none"> 1. Responsible for personnel administration and salary management. 2. Responsible for company-wide personnel development management as well as education and training planning and implementation. 3. Responsible for the inspection of company-wide personnel skills and functions, and the establishment and management of a talent database.
Procurement Administration Department	<ol style="list-style-type: none"> 1. Responsible for company-wide general administration and management. 2. Responsible for the execution of company-wide procurement procedures.
Marketing Planning Department	<ol style="list-style-type: none"> 1. Responsible for company-wide business development and execution. 2. Responsible for inter-departmental communication and coordination to facilitate the progress of business. 3. Maintain customer relations and keep abreast of customer needs. 4. Organize or participate in exchange activities or exhibitions to expand the customer base. 5. Implement relevant marketing plans, increase media exposure, and enhance the Company's reputation.

II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(I) Information on Directors

1. Names of directors (including independent directors) and supervisors, their major (academic) experience, and current positions held at the Company and other companies concurrently, term of office, and shareholdings

April 29, 2022/Unit: Share; %

Title	Nationality or place of registration	Name	Gender and age	Date of election (appointment)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors, or supervisors			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Graduate Institute of Management, National Taiwan University of Science and Technology	Chairman, Unison Service Corporation, Chairman, Universal Mail Service Ltd., etc.	-	-	-	
	Republic of China	Representative: Shang-Wei Kao	Male 61-70	2021.7.30	3 years	2006.3.14	417,591	1.53	428,591	1.57	40,000	0.15	-	-						Note 1
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Master of Business Administration, West Coast University, USA	Chairman, TECO Electric & Machinery Co., Ltd., Chairman, Taiwan Pelican Express Co., Ltd., etc.	-	-	-	
	Republic of China	Representative: Chwen-Jy Chiu	Female 61-70	2021.7.30	3 years	2005.6.30	32,000	0.12	32,000	0.12	-	-	-	-						
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Graduate Institute of Industrial Management, National Taiwan University of Science and Technology	Head of the Operation Management Team, Business Performance Planning Office of TECO Electric & Machinery Co., Ltd., concurrently as the Head of the Management Accounting Department	-	-	-	
	Republic of China	Representative: An-Ping Liu	Male 51-60	2021.7.30	3 years	2021.7.30	3,000	0.01	3,000	0.01	-	-	-	-						
Director	Republic of China	TECO Electric & Machinery Co., Ltd.	-	2021.7.30	3 years	1999.5.20	11,467,248	41.97	11,467,248	41.97	-	-	-	-	Ph.D., Industrial Engineering, Tunghai University	Assistant Vice President, AIM, TECO Electric & Machinery Co., Ltd.	-	-	-	
	Republic of China	Representative: Kuo-Min Chen	Male 51-60	2021.7.30	3 years	2021.7.30	-	-	-	-	-	-	-	-						
Director	Republic of China	Advantech Investment Co., Ltd.	-	2021.7.30	3 years	2021.7.30	5,084,273	18.61	5,084,273	18.61	-	-	-	-	Executive Master of Business Administration, National Chengchi University	Assistant Vice President, Advantech Co., Ltd.	-	-	-	
	Republic of China	Representative: Shih-Chang Lin	Male 41-50	2021.7.30	3 years	2021.7.30	-	-	-	-	-	-	-	-						
Director	Republic of China	Wen-Nan Chan	Male 51-60	2021.7.30	3 years	2021.7.30	-	-	-	-	-	-	-	Ph.D., Department of Information Management, National Central University	Independent Director, Chunghwa Precision Tech. Co., Ltd., Independent Director, Asolid Technology Co., Ltd., etc.	-	-	-		

Title	Nationality or place of registration	Name	Gender and age	Date of election (appointment)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as department heads, directors, or supervisors			Notes
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Independent Director	Republic of China	Yi-Bing Lin	Male 51-60	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Computer Science and Engineering, University of Washington (Seattle)	Professor, College of Artificial Intelligence, National Yang Ming Chiao Tung University	-	-	-	
Independent Director	Republic of China	Cheng-Kang Chen	Male 51-60	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Industrial Engineering, Iowa State University	Professor, Department of Information Management, National Taiwan University of Science and Technology	-	-	-	
Independent Director	Republic of China	Jui-Tang Chang	Male 51-60	2021.7.30	3 years	2018.9.18	-	-	-	-	-	-	-	-	Ph.D., Accounting, Southern Illinois University	Professor, Department of Accounting, National Chung Hsing University, Independent Director at Optivision Technology Incorporation and Tamagawa Holdings Co., Ltd.	-	-	-	

Note 1: Mr. Shang-Wei Kao, chairman of the Company, also serves as the president concurrently. This is mainly because the chairman has been in the information industry for more than 30 years and is very familiar with the industry to which the Company belongs. In order to create the greatest value for the Company and give back to the shareholders, it is currently still necessary for the chairman and the president to be the same person; therefore, in order to strengthen the supervisory function of the board of directors, there are three independent directors on the board, and an Audit Committee has been established. Meanwhile, more than half of the directors are not serving as employees or managers concurrently. The Company is also actively training the Chief Operating Officer (COO). After the COO has become familiar with the Company's relevant business, it is planned to have him take over as the president of the Company as appropriate to implement corporate governance.

2. Major shareholders of corporate shareholders

March 31, 2022

Corporate Shareholder	Major shareholders of corporate shareholders	
	Name of shareholders	Holding Percentage
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd.	17.45%
	Walsin Lihwa Corporation	10.77%
	Land Union Investment Limited	6.34%
	Creative Sensor Inc.	3.62%
	Ho Yuan International Investment Co., Ltd.	2.14%
	Silchester International Investor's International Value Stock Trust Investment Account under the custody of the Bank of Taiwan	2.11%
	Dongguang Investment Co., Ltd.	1.50%
	WGI Emerging Markets Smaller Companies Fund Investment Account under the custody of the Department of Business, Standard Chartered Bank (Taiwan) Limited	1.44%
	Investment Account of the Norges Bank under the custody of Citibank (Taiwan)	1.35%
	Guangyuan Industrial Co., Ltd.	1.25%
Advantech Investment Co., Ltd.	Advantech Co., Ltd.	100%

3. Major shareholders of corporate shareholders

March 31, 2022

Corporate Shareholder	Major shareholders of corporate shareholders
PJ Assets Management Co., Ltd.	Heyang Management Consulting Co., Ltd. (94.95%), others (5.05%)
Walsin Lihwa Corporation	Liguo Royal Bank (Singapore) Co., Ltd. Investment Account under the custody of the Department of Business of Standard Chartered Bank (7.33%), Winbond Electronics Corp. (6.47%), Jinxin Investment Co., Ltd. (6.41%), TECO Electric & Machinery Co., Ltd. (5.98%), Rong Chiang International Ltd. (4.31%), Huali Investment Co., Ltd. (2.91%), Yu-Hui Chiao (2.72%), Pictet Investment Account under the custody of HSBC (1.80%), Yu-Heng Chiao (1.78%), Investment Account of the Central Bank of Norway under the custody of Citibank (Taiwan) (1.52%)
Land Union Investment Limited	Ho Yuan International Investment Co., Ltd. (100%)

Corporate Shareholder	Major shareholders of corporate shareholders
Creative Sensor Inc.	TECO Image Systems Co., Ltd. (17.26%), Tong-An Investment Co., Ltd. (6.23%), TECO International Investment Co., Ltd. (4.13%), KORYO ELECTRONICS CO., LTD (2.98%), TECO Electric & Machinery Co., Ltd. (1.68%), A-Chung Hou (1.35%),Zhang Junxian (1.14%),Fidelity Fund Investment Account under the custody of the Department of Business of Standard Chartered Bank (0.73%), Trust Property Account under the custody of CTBC Bank Co., Ltd. (0.82%),
Dongguang Investment Co., Ltd.	Guangyuan Industrial Co., Ltd. (39.28%), He-Hui Huang-Lin (35.01%), Hong Kong Shangmingye Investment Co., Ltd. (12.73%), Donghe International Investment Co., Ltd. (6.00%), others (6.98%)
Guangyuan Industrial Co., Ltd.	Dongguang Investment Co., Ltd. (33.86%), He-Hui Huang-Lin (51.58%), Hong Kong Shangmingye Investment Co., Ltd. (10.0%), Donghe International Investment Co., Ltd. (0.74%), others (3.82%)
Advantech Co., Ltd. (as per the data announced in 2022)	Asustek Computer Incorporation (13.30%), Kechen Investment Co., Ltd. (11.78%), Yanben Investment Co., Ltd. (11.64%), Ke-Chen Liu (3.63%), Advantech Foundation (2.88%), First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund under the custody of HSBC Bank (Taiwan) Limited (2.36%), Chuanfei Investment Co., Ltd. (2.37%), Yung-Shun Chuang (2.26%), Yuan-Wang Partner Fund Limited Partnership Investment Account under the custody of HSBC Bank (Taiwan) Limited (1.55%), Chunghwa Post Co., Ltd. (1.30%)

4. Disclosure of information on the professional qualifications of directors and the independence of independent directors

April 29, 2022

Qualifications Name	Professional qualifications and experience	Independence status	Number of public companies in which the director concurrently serves as an independent director
Representative of TECO Electric & Machinery Co., Ltd.: Shang-Wei Kao	Mr. Shang-Wei Kao is the Chairman of the Company. He has worked at the Company for more than 20 years and has over 30 years of work experience in the information industry.	-	0
Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu	Ms. Chwen-Jy Chiu is the Chairwoman of TECO Electric & Machinery Co., Ltd. and has work experience in operations, management, financial accounting, and industry.	-	0
Representative of TECO Electric & Machinery Co., Ltd.: An-Ping Liu	Mr. An-Ping Liu is the head of the Operation Management Team, Business Performance Planning Office of TECO Electric & Machinery Co., Ltd., and concurrently the head of the Management Accounting Department; he has relevant work experience in business, finance, and accounting.	-	0
Representative of TECO Electric & Machinery Co., Ltd.: Kuo-Min Chen	Mr. Kuo-Min Chen is the assistant vice president of AIM, TECO Electric & Machinery Co., Ltd. and has the relevant work experience required to carry out the Company's business.	-	0
Representative of Advantech Investment Co., Ltd.: Shih-Chang Lin	Mr. Shih-Chang Lin is the assistant vice president of Advantech Co., Ltd., used to be the COO of Throughtek Co., Ltd., and has relevant work experience required to carry out the Company's business.	-	0
Wen-Nan Chan	Mr. Wen-Nan Chan used to be the Chairman of Elitegroup Computer Systems Co., Ltd., head of the Market Intelligence & Consulting Institute, Institute for Information Industry, and the Chairman of the Asia Pacific Industrial Analysis Association; he has the relevant work experience required to carry out the Company's business. Currently, he serves as an independent director at Chunghwa Precision Test Tech. Co., Ltd., Advanced Control & Systems Inc., and Partner Tech Corp.	-	4

Qualifications Name	Professional qualifications and experience	Independence status	Number of public companies in which the director concurrently serves as an independent director
Yi-Bing Lin	<p>Mr. Yi-Bing Lin is a professor at the College of Artificial Intelligence, National Yang Ming Chiao Tung University, and used to be Deputy Minister of the Ministry of Science and Technology, and Vice Chairman of the National Science Council; he has the relevant work experience required to carry out the Company's business.</p> <p>He also serves as the convener of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	0
Cheng-Kang Chen	<p>Mr. Cheng-Kang Chen is a professor at the Department of Information Management, National Taiwan University of Science and Technology, and has worked at said department for more than 20 years; he has the relevant work experience required to carry out the Company's business.</p> <p>He also serves as a member of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	0
Jui-Tang Chang	<p>Mr. Jui-Tang Chang is a professor at the Department of Accounting, National Chung Hsing University, a former member of the Taipei Exchange Review committee as a financial accounting expert, and has extensive experience in financial accounting. Currently, he is also an independent director at Optivision Technology Incorporation and Tamagawa Holdings Co., Ltd.</p> <p>He also serves as a member of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	2

5. Board diversity and independence:

(1) Board diversity:

The Company implements the board diversity policy. Members of the board of directors generally possess the knowledge, skills, and competence necessary to perform their duties. To strengthen the functions of the board of directors and achieve the ideal goal of corporate governance, the Corporate Governance Best Practice Principles has specified a diversity policy that directors concurrently serving as the Company's managers shall not exceed one third of the total number of directors, and the policy will be updated as per the board operations, operating models, and development needs, including but not limited to the following standards in two aspects:

- I. Basic conditions and values: Gender, age, nationality, culture, etc.
- II. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The Company's current board diversity policy and its implementation are as follows:

Core elements of diversity Name of director	Basic composition			Professional background	Professional knowledge and skills							
	Gender	Nationality	Serving as an employee concurrently	Academic qualifications	Operational decision analysis	Accounting and financial management	Operational management	Risk management	Industrial knowledge	Global marketing	Leadership	Decision-making
Representative of TECO Electric & Machinery Co., Ltd.: Shang-Wei Kao	Male	Republic of China	✓	Management	✓	✓	✓	✓	✓	✓	✓	✓
Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu	Female	Republic of China		Business administration	✓	✓	✓	✓	✓	✓	✓	✓
Representative of TECO Electric & Machinery Co., Ltd.: An-Ping Liu	Male	Republic of China		Industrial management	✓	✓	✓	✓	✓	✓	✓	✓
Representative of TECO Electric & Machinery Co., Ltd.: Kuo-Min Chen	Male	Republic of China		Industrial engineering	✓	✓	✓	✓	✓	✓	✓	✓
Representative of Advantech Investment Co., Ltd.: Shih-Chang Lin	Male	Republic of China		Management administration	✓	✓	✓	✓	✓	✓	✓	✓
Wen-Nan Chan	Male	Republic of China		Information management	✓	✓	✓	✓	✓	✓	✓	✓
Yi-Bing Lin (Independent Director)	Male	Republic of China		Computer engineering	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Kang Chen (Independent Director)	Male	Republic of China		Industrial engineering	✓	✓	✓	✓	✓	✓	✓	✓
Jui-Tang Chang (Independent Director)	Male	Republic of China		Accounting	✓	✓	✓	✓	✓	✓	✓	✓

There are a total of nine directors (including three independent directors) on the Company's 12th board of directors. Each term lasts three years, and they may be re-elected. The three independent directors all serve for four years, and all independent directors should not serve for over three consecutive terms. The board members are all Taiwanese citizens, and there are three independent directors (accounting for 33%); one director who is also an employee (accounting for 11%); one female director (accounting for 11%).

Implementation of the board diversity policy and the complementarity principle is in alignment with and better than the standards specified in the Company's Corporate Governance Best Practice Principles. In the future, the board diversity policy will be updated as appropriate according to the operation of the board, the operating model, and the development needs, to ensure that board members generally possess the knowledge, skills, and qualities needed to perform their duties.

(2) Independence of the board:

There are a total of nine directors (including three independent directors) on the Company's 12th board of directors; among them, there are three independent directors (accounting for 33%); one director who also serves as a manager (accounting for 11%). The Company has checked the relevant information and declarations when the director and independent director candidates were nominated, and it has been confirmed that no directors are spouses or relatives within the second degree of kinship of one another.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

April 29, 2022

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major (academic) experience	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Notes
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	Republic of China	Shang-Wei Kao	Male	September 1, 1999 (Effective since the board meeting on January 1, 2007)	428,591	1.57	40,000	0.15	-	-	Master's Degree, National Taiwan University of Science and Technology	Chairman, Unison Service Corporation, Chairman, Universal Mail Service Ltd., etc.	-	-	-	Note 1
Vice President	Republic of China	Hsin-Cheng Liu	Male	March 16, 2020	10,000	0.04	-	-	-	-	Master's Degree, School of Management, National Defense University	Director, Unison Service Corporation and Director, Universal Mail Service Ltd., etc.	-	-	-	
Assistant Vice President	Republic of China	Yu-Min Chiang	Male	September 1, 1999	7,750	0.03	-	-	-	-	Bachelor's Degree, National Taiwan University of Science and Technology	-	-	-	-	Note 2
Assistant Vice President	Republic of China	Wei-Ting Cheng	Male	May 1, 2013	3,000	0.01	-	-	-	-	Master's Degree, Tamkang University	Director, Universal Mail Service Ltd.	-	-	-	
Assistant Vice President	Republic of China	Huan-Yu Hsu	Male	December 1, 2006	1,000	0.00	-	-	-	-	Bachelor's Degree, China University of Science and Technology	Director, Universal Mail Service Ltd., Chairman, Unison Service Corporation, etc.	-	-	-	
Assistant Vice President	Republic of China	Hsin-Ying Chen	Female	December 11, 2006	6,000	0.02	-	-	-	-	Bachelor's Degree, National Yunlin University of Science and Technology	-	-	-	-	
Assistant Vice President	Republic of China	Shih-Yang Lin	Male	August 1, 2018	-	-	-	-	-	-	Bachelor's Degree, Chinese Culture University	Director, Universal Mail Service Ltd.	-	-	-	
Chief Financial Officer	Republic of China	Lung-Chu Hung	Female	June 20, 2020	-	-	-	-	-	-	Master's Degree, National Chiao Tung University	Chief Financial Officer, TECO Electric & Machinery (Pte) Ltd. Singapore	-	-	-	

Note 1: Mr. Shang-Wei Kao, chairman of the Company, also serves as the president concurrently. This is mainly because the chairman has been in the information industry for more than 30 years and is very familiar with the industry to which the Company belongs. In order to create the greatest value for the Company and give back to the shareholders, it is currently still necessary for the chairman and the president to be the same person; therefore, in order to strengthen the supervisory function of the board of directors, there are three independent directors on the board, and an Audit Committee has been established. Meanwhile, more than half of the directors are not serving as employees or managers concurrently. The Company is also actively training the Chief Operating Officer (COO). After the COO has become familiar with the Company's relevant business, it is planned to have him take over as the president of the Company as appropriate to implement corporate governance.

Note 2: Assistant Vice President Yu-Min Chiang resigned on December 31, 2021.

(III) Remuneration of Directors, the President, and Vice Presidents in the Most Recent Year

1. Remuneration of Directors and Independent Directors

December 31, 2021/Unit: NTD thousand; %

Title	Name	Remuneration to directors								Sum of A, B, C, and D and the sum as a percentage of net income		Remuneration as company employee								Sum of A, B, C, D, E, F, and G and the sum as a percentage of net income	Remuneration from investees other than subsidiaries or the parent company	
		Remuneration (A)		Pension upon retirement (B)		Directors' remuneration (C)		Service expenses (D)				Salaries, bonuses, special allowances, etc. (E)		Pension upon retirement (F)		Employee compensation (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements			
														Cash amount	Stock amount	Cash amount	Stock amount					
Chairman	Representative of TECO Electric & Machinery Co., Ltd.: Shang-Wei Kao																					
Director	Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu																					
Director	Representative of TECO Electric & Machinery Co., Ltd.: An-Ping Liu (Note 1)																					
Director	Representative of TECO Electric & Machinery Co., Ltd.: Kuo-Min Chen (Note 1)																					
Director	Representative, Advantech Investment Co., Ltd.: Shih-Chang Lin (Note 1)	Total: 6,490	Total: 6,490	-	-	Total: 2,200	Total: 2,200	Total: 235	Total: 262	12.31	12.35	-	-	-	-	Total: 600	-	Total: 600	-	13.14	13.18	5,839
Director	Wen-Nan Chan (Note 1)																					
Director	Representative of TECO Electric & Machinery Co., Ltd.: Huan-Kuo Chih (Note 2)																					
Director	Representative of TECO Electric & Machinery Co., Ltd.: Ching-Mei Tsai (Note 2)																					
Director	Shih-Liang Lin (Note 2)																					
Director	Cheng-Lung Chen (Note 2)																					
Independent Director	Yi-Bing Lin																					
Independent Director	Cheng-Kang Chen	-	-	-	-	Total: 1,800	Total: 1,800	Total: 120	Total: 120	2.65	2.65	-	-	-	-	-	-	-	-	2.65	2.65	-
Independent Director	Jui-Tang Chang																					

- Specify the policy, system, standard, and structure of remuneration to the independent directors, the correlation between the amount of remuneration and the duties assumed, the risk, the time spent, and relevant factors:
The remuneration to the Company's directors and independent directors is determined as per the Articles of Incorporation while considering the Company's operating performance, the risks of future fluctuations in the industry, as well as the operational risks, transaction risks, and financial risks that the Company may face in future operations.
- In addition to the disclosures in the table above, the remuneration of directors for providing services to any of all companies in the financial statements in the most recent year (e.g. as a consultant in a non-employee capacity): None.

Note 1: Appointed on July 30, 2021.
Note 2: Dismissed on July 30, 2021.

Range of remuneration

Range of remuneration paid to directors of the Company	Name of director			
	Sum of A, B, C, and D		Sum of A, B, C, D, E, F, and G	
	The Company	All companies included in the financial statements H	The Company	All companies included in the financial statements I
Below NT\$1,000,000	Chwen-Jy Chiu (Note 1), Huan-Kuo Chih (Note 1), Ching-Mei Tsai (Note 1), Yi-Bing Lin, Cheng-Kang Chen, Jui-Tang Chang, Shih-Liang Lin, and Cheng-Lung Chen	Chwen-Jy Chiu (Note 1), Huan-Kuo Chih (Note 1), Ching-Mei Tsai (Note 1), Yi-Bing Lin, Cheng-Kang Chen, Jui-Tang Chang, Shih-Liang Lin, and Cheng-Lung Chen	Chwen-Jy Chiu (Note 1), Huan-Kuo Chih (Note 1), Ching-Mei Tsai (Note 1), Yi-Bing Lin, Cheng-Kang Chen, Jui-Tang Chang, Shih-Liang Lin, and Cheng-Lung Chen	Chwen-Jy Chiu (Note 1), Huan-Kuo Chih (Note 1), Ching-Mei Tsai (Note 1), Yi-Bing Lin, Cheng-Kang Chen, Jui-Tang Chang, Shih-Liang Lin, and Cheng-Lung Chen
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)				
NT\$2,000,000 (inclusive) – NT\$3,500,000 (non-inclusive)				
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)				
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)	Shang-Wei Kao (Note 1)			
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)				
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)				
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)				
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)				
NT\$100,000,000 and above				
Total	13	13	13	13

Note 1: Legal representative of TECO Electric & Machinery Co., Ltd.

2. Remuneration to the President and Vice Presidents

December 31, 2021/Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D and as a percentage of net income (%)		Remuneration from investees other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Shang-Wei Kao	Total: 1,906	Total: 1,906	-	-	Total: 858	Total: 858	Total: 732	-	Total: 732	-	4.82	4.82	-
Vice President	Hsin-Cheng Liu													

Range of remuneration

Range of remuneration paid to the president and vice presidents of the Company	Name of the President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial statements (Note 7)
Below NT\$1,000,000		
NT\$1,000,000 (inclusive) – NT\$2,000,000 (non-inclusive)		
NT\$2,000,000 (inclusive) – NT\$5,000,000 (non-inclusive)	Shang-Wei Kao, Hsin-Cheng Liu	Shang-Wei Kao, Hsin-Cheng Liu
NT\$3,500,000 (inclusive) – NT\$5,000,000 (non-inclusive)		
NT\$5,000,000 (inclusive) – NT\$10,000,000 (non-inclusive)		
NT\$10,000,000 (inclusive) – NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) – NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) – NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) – NT\$100,000,000 (non-inclusive)		
NT\$100,000,000 and above		
Total	2	2

3. Name of managers who received employee compensation and the distribution situation in the most recent year

Unit: NTD thousand

Title	Name	Stock amount	Cash amount	Total	The sum as percentage of net income of 2021 (%)
President	Shang-Wei Kao	-	Total: 1,332	Total: 1,332	2.04%
Vice President	Hsin-Cheng Liu				
Assistant Vice President	Yu-Min Chiang				
Assistant Vice President	Wei-Ting Cheng				
Assistant Vice President	Huan-Yu Hsu				
Assistant Vice President	Hsin-Ying Chen				
Assistant Vice President	Shih-Yang Lin				
Chief Financial Officer	Lung-Chu Hung				

Note 1: The amount of managers' employee remuneration (including shares and cash) approved by the board of directors in the most recent year. The net income after tax refers to the net income after tax in the parent company only financial statements in the most recent year.

4. Analysis of the proportion of the total remuneration paid to directors, supervisors, the president, and vice presidents to the net income as in the parent only or individual financial statements in the most recent two years, as well as the remuneration policies, standards, and packages; the procedures for determining the remuneration, and their correlation with the business performance and future risks.
- (1) Proportion of the total remuneration paid to directors, supervisors, the president, and vice presidents to the net income in the most recent two years:

Unit: NTD thousand

Year	Remuneration paid to directors, supervisors, the president, and vice presidents	Total remuneration as percentage of net income after tax
2020	14,201	21.59%
2021	14,470	19.82%

- (2) Remuneration policies, standards, and packages; procedures for determining remuneration; their correlation with the business performance and future risks.
- A. Remuneration policies, standards, and packages; procedures for determining remuneration
- a. Directors and supervisors: The remuneration of the Company's directors and supervisors is determined in accordance with the Company's Articles of Incorporation.
 - b. President and vice presidents: The remuneration of the president and vice presidents includes salary, bonuses and employee compensation, and is determined based on the positions held, responsibilities assumed, and contribution to the Company while referring to the usual payment level in the industry; the procedures for determining the remuneration are conducted according to the Company's Articles of Incorporation and the hierarchy of approval.

B. The correlation with business performance and future risks

The remuneration of the Company's directors, supervisors, president and vice presidents is based on the consideration of the Company's operating performance, the risks of future fluctuations in the industry, as well as the operational risks, transaction risks, and financial risks that the Company may face in the future operations.

III. Status of Corporate Governance

(I) Information on the operations of the board of directors

The Board of Directors convened 8 meetings in 2021. The attendance of directors is summarized as follows:

Title	Name	Actual attendance (times)	Attendance by proxy	Actual attendance (%)	Notes
Chairman	Representative of TECO Electric & Machinery Co., Ltd.: Shang-Wei Kao	8	0	100%	Reelected on July 30, 2021
Director	Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu	8	0	100%	Reelected on July 30, 2021
Director	Representative of TECO Electric & Machinery Co., Ltd.: Huan-Kuo Chih	3	1	75%	Discharged on July 30, 2021 (Expected number of attendances: 4)
Director	Representative of TECO Electric & Machinery Co., Ltd.: Ching-Mei Tsai	4	0	100%	Discharged on July 30, 2021 (Expected number of attendances: 4)
Director	Shih-Liang Lin	4	0	100%	Discharged on July 30, 2021 (Expected number of attendances: 4)
Director	Cheng-Lung Chen	4	0	100%	Discharged on July 30, 2021 (Expected number of attendances: 4)
Director	Representative of TECO Electric & Machinery Co., Ltd.: An-Ping Liu	4	0	100%	Newly appointed on July 30, 2021 (Expected number of attendances: 4)
Director	Representative of TECO Electric & Machinery Co., Ltd.: Kuo-Min Chen	4	0	100%	Newly appointed on July 30, 2021 (Expected number of attendances: 4)
Director	Representative, Advantech Investment Co., Ltd.: Shih-Chang Lin	4	0	100%	Newly appointed on July 30, 2021 (Expected number of attendances: 4)
Director	Wen-Nan Chan	4	0	100%	Newly appointed on July 30, 2021 (Expected number of attendances: 4)
Independent Director	Yi-Bing Lin	8	0	100%	Reelected on July 30, 2021
Independent Director	Cheng-Kang Chen	8	0	100%	Reelected on July 30, 2021
Independent Director	Jui-Tang Chang	8	0	100%	Reelected on July 30, 2021

Additional disclosure:

I. For board of directors' meetings that meet any of the following circumstances, specify the date, session, the content of the proposal, independent directors' opinions and the Company's response to such opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: Please refer to this annual report for the operations of the Audit Committee. All proposals were approved by all independent directors without objection.

(II) Except for the aforementioned matters, independent directors that had any dissenting or reserved opinions regarding other resolutions approved by the board of directors, for which there is a record or declaration in writing: None.

II. Disclosure regarding recusal for proposals involving conflicts of interest, including the names of directors concerned, the content of the proposal, reason for recusal, and the voting process:

The 1st meeting of the 12th board of directors (July 30, 2021)

Names of directors: Independent directors Yi-Bing Lin, Cheng-Kang Chen, and Jui-Tang Chang

Proposal: Appointment of members of the 3rd Remuneration Committee.

Reasons for recusal from voting: As independent directors Yi-Bing Lin, Cheng-Kang Chen, and Jui-Tang Chang were the candidates for the Remuneration Committee, they recused themselves from the meeting without participating in the discussion and voting on this proposal.

Resolution: Except for independent directors Yi-Bing Lin, Cheng-Kang Chen, and Jui-Tang Chang who recused themselves due to conflicts of interest, the proposal was passed without objection by the remaining directors present after soliciting opinions by the chair.

III. The implementation status of the performance evaluation of the board of directors:

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1, 2020 – December 31, 2020	Board performance evaluation	Board Member Performance Self-Evaluation Questionnaire for the internal self-evaluation of the board	The Board Member Performance Self-Evaluation Questionnaire includes a total of 48 evaluation indicators in the five major aspects of the extent of participation in the Company's operation, improvement of decision-making quality by the board, composition and structure of the board, election and continuing education of directors, and internal control.
Once a year	January 1, 2021 – December 31, 2021	Board performance evaluation	Board Member Performance Self-Evaluation Questionnaire for the internal self-evaluation of the board	

IV. Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and most recent years:

(I) Enhancing powers of functional committees

The Company's board of directors established a Remuneration Committee on August 8, 2018, and an Audit Committee on September 18, 2018, to assist the board of directors in performing their supervisory duties. The Audit Committee is composed of all independent directors (three members), and the Remuneration Committee is composed of (three) independent directors appointed by the board of directors. The charter of each committee has been approved by the board of directors, and the committees regularly report their activities and resolutions to the board of directors.

(II) Enhancing board performance evaluation

To implement corporate governance, clearly define performance targets, and improve the functions and operational efficiency of the board of directors, the Company passed a resolution at the 10th meeting of the 11th board of directors (December 26, 2019) to formulate the Rules of the Performance Evaluation of the Board of Directors, and

revised it at the 5th board of directors (March 18, 2022). Since 2020, we conduct the performance evaluation of the board of directors at the end of each year and submit the evaluation results to the board of directors for review and improvement.

(II) Information on the operations of the Audit Committee

The Company's Audit Committee was established on September 18, 2020, to replace the original supervisors. The members of the committee are composed of the independent directors of the board of directors (three members), with an independent director elected by all members as the convener and chair of the committee meetings. The operations are conducted in accordance with the Company's Audit Committee Charter. The matters that shall be reviewed by the committee include the Company's financial statements, the Company's auditing and accounting policies and procedures, the Company's internal control system, major asset or derivatives transactions, fundraising or issuance of securities, appointment, dismissal, or remuneration of certified public accountants, and appointment and dismissal of financial, accounting, or internal audit managers.

Major tasks of 2021:

1. Reviewed the financial statements
The 2020 annual financial statements (including the consolidated financial statements), which have been audited by Ming-Chuan Hsu and Chao-Hsien Chiu, CPAs at PwC Taiwan, the business report, and the earnings distribution statement prepared by the board of directors have been reviewed and approved by the 16th meeting of the 1st Audit Committee (March 24, 2021), submitted to and approved by the 17th meeting of the 11th board of directors (March 24, 2021), and submitted to and ratified by the 2021 general shareholders' meeting (July 30, 2021).
2. Assessed the effectiveness of internal control
The Company evaluates the design and execution of its internal control system based on the criteria specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies to determine whether the existing system continues to be effective in 2020. The Company's internal control self-assessment was completed on November 30, 2020, and no major defects were discovered in the design and implementation of the internal control system. Our subsidiaries' internal control self-assessments were completed on December 31, 2020, and no major defects were discovered in the design and implementation of the internal control system. Therefore, the design and implementation of the Company's internal control system should be effective. After being reviewed and approved at the 16th meeting of the 1st Audit Committee (March 24, 2021) and submitted to and approved by the 17th meeting of the 11th board of directors (March 24, 2021), the 2020 Statement on the Internal Control System was issued.
3. Operations of the Audit Committee
The Audit Committee convened 5 (A) meetings in 2021; the attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (%) (B/A)	Notes
Convener and chair	Yi-Bing Lin	5	0	100%	Reelected on July 30, 2021
Committee member	Cheng-Kang Chen	5	0	100%	Reelected on July 30, 2021
Committee member	Jui-Tang Chang	5	0	100%	Reelected on July 30, 2021

Additional disclosure:

I. Where the operations of the Audit Committee meet any of the following circumstances, the minutes in question shall clearly state the meeting date, term, content of the proposal, independent directors' objections, reservations, or major suggestions, resolutions adopted by the Audit Committee, and the Company's response to the Audit Committee's opinions.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act: The details are as follows.

(II) Except for the aforementioned matters, other resolutions not passed by the Audit Committee but approved by two-thirds of all directors: None.

Board of Directors	Content of proposal and subsequent response	Matters specified in Article 14-5 of the Securities and Exchange Act	Matters that have not been approved by the Audit Committee but approved by more than two-thirds of all directors
The 17th meeting of the 11th board of directors (March 24, 2021)	2020 Statement on the Internal Control System	V	-
	2020 Business Report and Financial Statements	V	-
	Distribution of earnings for 2020	V	-
	Audit Committee's resolution result (March 24, 2021): All committee members present approved said proposals.		
	The Company's response to the Audit Committee's opinion: All the directors present agreed to pass them.		
The 4th meeting of the 12th board of directors (December 28, 2021)	Approval of the 2022 audit plan	V	-
	Independence and competence of the Company's CPAs	V	-
	Proposal for appointment and remuneration of CPAs for 2022	V	-
	Audit Committee's resolution result (December 28, 2021): All committee members present approved said proposals.		
	The Company's response to the Audit Committee's opinion: All the directors present agreed to pass them.		

II. Where an independent director recused himself/herself due to a conflict of interest, specify the independent director's name, content of the proposal, reason for recusal, and the voting process: None.

III. Communication between independent directors and the internal audit officer and CPAs:

(I) Communication methods between independent directors and the internal audit officer and CPAs: The Company's independent directors have direct communication channels with the internal audit officer and CPAs; in accordance with the regulations of the competent authority, the independent directors regularly check the Company's financial and business conditions and communicate with the management and the governance units directly.

1. The Company's internal audit officer regularly reports on the internal audit at the quarterly Audit Committee meeting, and has fully communicated the execution status of the audit business, the deficiencies identified in the audit, improvement measures, the tracking status, and the effectiveness.

2. The Company's CPAs report on the results of the audit or review of the financial statements of the Company and its subsidiaries, and other matters required to be communicated as stipulated by relevant laws and regulations in the Audit Committee meeting after the completion of the semi-annual and annual audit and review of the financial statements.

(II) Summary of the communication between independent directors and CPAs:

Audit Committee	Matters communicated	Communication results
The 16th meeting of the 1st Audit Committee (March 24, 2021)	Reviewed the 2020 Business Report and Financial Statements	Deliberated, approved, and submitted to the board of directors for resolution.
The 17th meeting of the 1st Audit Committee (April 28, 2021)	Financial statements for the first quarter of 2021	Deliberated, approved, and submitted to the board of directors for resolution.
The 1st meeting of the 2nd Audit Committee (August 10, 2021)	Financial statements for the second quarter of 2021	Deliberated, approved, and submitted to the board of directors for resolution.
The 2nd meeting of the 2nd Audit Committee (November 12, 2021)	Financial statements for the third quarter of 2021	Deliberated, approved, and submitted to the board of directors for resolution.

(III) Summary of the communication between independent directors and the internal audit officer:

Audit Committee	Matters communicated	Communication results
The 16th meeting of the 1st Audit Committee (March 24, 2021)	Internal audit report for the fourth quarter of 2020	Ratified.
	Review of the 2020 Statement on the Internal Control System.	Deliberated, approved, and submitted to the board of directors for resolution.
The 17th meeting of the 1st Audit Committee (April 28, 2021)	Internal audit report for the first quarter of 2021	Ratified.
The 1st meeting of the 2nd Audit Committee (August 10, 2021)	Internal audit report for the second quarter of 2021	Ratified.
The 2nd meeting of the 2nd Audit Committee (November 12, 2021)	Internal audit report for the third quarter of 2021	Ratified.
The 3rd meeting of the 2nd Audit Committee (December 28, 2021)	Review of the 2022 audit plan	Deliberated, approved, and submitted to the board of directors for resolution.

(III) Corporate governance implementation and deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the Company formulated and disclosed Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company's board of directors approved the formulation of the Company's Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies on May 8, 2019. The board of directors approved the second amendment to said principles on March 16, 2020, to be aligned with the development trend of corporate governance and in response to the development of social and international issues in recent years and disclosed it on the MOPS and the Company's website.	In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. The Company's shareholding structure and shareholders' equity				
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) In addition to entrusting a dedicated stock affairs agency to handle shareholder-related affairs, the Company has set up an investor service section on its official website and disclosed detailed information on points of contact (contact information of the spokesperson, acting spokesperson, and the dedicated personnel in charge of stock affairs), to handle shareholders' suggestions or disputes.	No major deviations.
(II) Does the Company keep abreast of the list of major shareholders and the ultimate controlling parties of such shareholders?	V		(II) The Company keeps abreast of the list of major shareholders and the ultimate controlling parties of such shareholders.	No major deviations.
(III) Has the Company established and implemented risk management and firewalls for companies it is affiliated with?	V		(III) The personnel, assets, and financial management rights and responsibilities between the Company and its affiliates are clearly defined, and the Company regularly audits its affiliates' accounts and internal control systems, to establish an appropriate risk control mechanism and firewalls.	No major deviations.
(IV) Has the Company established internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established the Procedures for Handling Material Inside Information and Code of Ethical Conduct to prohibit its insiders from using undisclosed information on the market to buy and sell securities.	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Has the board of directors formulated a diversity policy, set specific management goals and implemented them accordingly?</p>	V		<p>(I) The Company implements the board diversity policy and specifies the board diversity policy in the Corporate Governance Best Practice Principles, including but not limited to the two major standards below:</p> <p>(1) Basic conditions and values: Gender, age, nationality, culture, etc.</p> <p>(2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>Management goals: The composition of board member makeup shall be based on the diversity principle. Directors concurrently serving as the Company's managers shall not exceed one-third of the total directors, and a board diversity policy shall be formulated as per the board operations, operating models, and development needs.</p> <p>There are a total of nine directors (including three independent directors) on the 12th board of directors. Each term lasts three years, and they may be re-elected. Among them, one is a female director (11.11%); one director is also a manager (11.11%); and independent directors account for 33.33% of all directors (all three independent directors serve for four years).</p> <p>The board members are all leaders in industry and academia, with diverse and complementary industry experience and expertise in finance and accounting, in alignment with the management goals of the board diversity policy (please refer to the board diversity policy and its implementation on page 13). The board members actively participated in board meetings, with an individual attendance rate of 98.61% in 2021, to effectively supervise and understand the implementation of the Company's business plans.</p>	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(II) In addition to the Remuneration Committee and the Audit Committee set up in accordance with the law, has the Company voluntarily set up other functional committees?		V	(II) The Company has set up two functional committees, the Remuneration Committee and the Audit Committee. In the future, the Company will evaluate the establishment of other functional committees based on actual operational needs to continuously improve the quality of corporate governance.	The Company's Remuneration Committee and the Audit Committee exercise their powers and responsibilities in accordance with the law independently.
(III) Has the Company established a standard to measure the performance of the board of directors and implement it annually? Does the Company submit the results of the performance evaluation to the board of directors as reference in determining the remuneration of individual directors and nomination for re-election?	V		(III) To implement corporate governance, clearly define performance targets, and improve the functions and operational efficiency of the board of directors, the Company passed a resolution at the 10th meeting of the 11th board (December 26, 2019) to formulate the Rules of the Performance Evaluation of the Board of Directors in accordance with Article 37 of the Corporate Governance Best Practice Principles of Listed Companies. Since 2020, the Finance Department collects relevant information on board activities, distributes relevant self-evaluation questionnaires for board members to fill out, and submits the evaluation result report to the board of directors for review and improvement at the end of each year. An external professional independent organization or a team of external experts and scholars may be appointed every three years to conduct an evaluation of the implementation of the board performance evaluation and write an external evaluation and analysis report.	No major deviations.
(IV) Does the Company regularly assess the independence of CPAs?	V		(IV) The Company has discussed and approved the Certified Public Accountant Selection and Evaluation Regulations at the 10th meeting of the 11th board of directors (December 26, 2019). The Company's financial accounting unit conducts a preliminary assessment of CPAs' independence and competence, submits the results to the Audit Committee for review and approval, and then submits it to the board of directors for approval. The financial accounting unit assessed Ping-Chun Chih and Tsung-Hsi Lai, CPAs at PwC Taiwan, as per the Certified Public Accountant	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			Assessment Checklist (Note 1), both of whom met the Company's criteria for independence and competence and were qualified to serve as the Company's CPAs. The 16th meeting of the 11th board of directors (December 28, 2020) and the 4th meeting of the 12th board of directors (December 28, 2021) have discussed and approved the independence and competence of the CPAs.	
IV. Does the Company have an appropriate number of qualified governance personnel and designate one chief corporate governance officer to oversee corporate governance affairs (including but not limited to providing the directors and supervisors with information needed to perform their duties, assisting the directors and supervisors with legal compliance, handling matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of board and shareholders' meetings, etc.)?	V		The Company's concurrent corporate governance unit is the Finance Department, which is responsible for corporate governance-related matters. It provides the materials required by the directors to perform their duties from time to time and organizes a board meeting at least once a quarter and a general shareholders' meeting once a year in accordance with the law, convenes extraordinary shareholder' meetings in accordance with the law when necessary, handles the registration of changes in the Company's affairs, prepares minute of board meetings and shareholders' meetings, makes announcements and declarations in accordance with the regulations of the competent authority, and raises employees' awareness of the Company's ethical corporate management philosophy and the laws and regulations and matters requiring attention related to insider equity from time to time.	No major deviations.
V. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers), set up a dedicated area for stakeholders on the Company's website, and respond to important corporate social responsibility issues that stakeholders are concerned about appropriately?	V		The Company's has set up a dedicated area for stakeholders on its website; there are communication channels and points of contact to listen to stakeholders' needs, and the issues collected will be responded to and tracked according to individual conditions.	No major deviations.
VI. Does the Company appoint a professional stock affairs agency to handle the affairs of shareholders' meetings?	V		The Company appoints a professional stock affairs agency to handle the affairs of shareholders' meetings. Stock affairs agency: Stock Transfer Agency Department, Taishin Securities (Tel.: 02-25048125; address: B1, No. 96, Section 1, Jianguo North Road, Taipei City)	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
VII. Public Disclosure of Information				
(I) Has the Company set up a website to disclose financial business and corporate governance information?	V		(I) The Company has set up a website to disclose financial business and corporate governance information. The Company's website is: www.itts.com.tw .	No major deviations.
(II) Does the Company adopt other means for disclosure (such as setting up an English website, appointing personnel to collect and disclose relevant information, properly implementing a spokesperson system, and placing the process of investor conferences on the website)?	V		(II) The Company has established a spokesperson and an acting spokesperson, and dedicated personnel to be responsible for the collection and disclosure of the Company's information so as to implement the spokesperson system.	No major deviations.
(III) Does the Company publicly announce and file the annual financial statements within two months after the end of each fiscal year and announce and file the financial statements for the first, second, and third quarters and the monthly operation status prior to the specified deadline?	V		(III) The Company announces and files its annual financial statements (within three months), and announces and files the financial statements for the first, second, and third quarters (within 45 days) and the monthly operation status (before the 10th day of each month) before the deadline specified under Article 36 of the Securities and Exchange Act. The 2021 financial statements have been announced and filed on March 18, 2022.	There are some minor deviations from the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, but it still complies with the requirements of the Securities and Exchange Act.
VIII. Does the Company have other important information to facilitate better understanding of its corporate governance operations (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?	V		<ol style="list-style-type: none"> In order to protect employees' rights and interests, the Company holds regular meetings to facilitate labor-management communication. Regarding investor relations, the Company discloses its important operational information regularly, continues to improve the transparency of the Company's information, and has established a feedback mechanism for investors to put forth relevant suggestions for the Company's development, so that investors can keep abreast of the Company's operations and development plans. The Company has established an Employee Welfare Committee to provide various benefit measures and plan a series of family care and employee care policies to help them improve their family relationships, and enhance personal health and abilities, thereby improving their work performance. The attendance of the Company's directors at the board of directors meetings is high, and the average attendance rate per person (excluding attendance by proxy) in 2021 reached 	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			<p>98.61%.</p> <p>4. All directors met the requirements for the training hours under the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies and received a total of 72 hours of training in 2021.</p> <p>5. The Company purchases liability insurance for all directors during their term in office within the scope of business in order to reduce and disperse the risk of major damage on the Company and its shareholders due to errors or negligence. The Company reported on the insured amount (US\$5 million), coverage (all directors), and insurance period of directors' liability insurance at the 3rd meeting of the 12th Board of Directors (November 12, 2021).</p>	
IX. Please specify the status of the improvements made based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified.	V		<p>1. As per the results of the 8th Corporate Governance Evaluation released in the most recent year (2021), the Company ranked among the top 51% to 65% of the companies listed on the Taipei Exchange.</p> <p>2. Improvements and priorities and measures:</p> <p>(1) Planning to set up functional committees other than those required by law.</p> <p>(2) Planning to hold an investor conference in 2022.</p>	No major deviations.

Note 1: Certified Public Accountant Assessment Checklist

I. Independence review			
	Assessment content	Assessment results	Compliance of independence
1	Has the CPA, the spouse, or a minor child thereof invested in the Company or shared financial gains therewith?	No	✓
2	Has the CPA, the spouse, or a minor child thereof lent or borrowed funds to or from the Company? However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.	No	✓
3	Has the CPA or members of the audit team thereof served as a director, manager, or a position with a material impact on the Company's audit case currently or within the last two years?	No	✓
4	Has the CPA or members of the audit team thereof advertised or brokered shares or other securities issued by the Company?	No	✓
5	Has the CPA or members of the audit team thereof represented the Company in the defense of legal cases or other disputes with third parties in addition to the business authorized by law?	No	✓
6	Is the CPA or any member of the audit team thereof a spouse, lineal relative, lineal relative by marriage or relative within the second degree of kinship of any of the Company's directors, managers, or persons with a material impact on the audit case?	No	✓
7	Have any of the other practicing CPAs at the same firm who resigned within one year served as the Company's director, manager, or a position with a material impact on the audit case?	No	✓
8	Has the CPA or members of the audit team received gifts or special offers of significant value from the Company or its directors, managers, or major shareholders?	No	✓
9	Is the CPA currently employed by the client or a party under investigation to do a regular job with a fixed salary or serve as a director or supervisor?	No	✓
II. Review of independence			
	Assessment content	Assessment results	Compliance of independence
1	Has the CPA been accused from projects with a direct or significant indirect interest in an audit project which affect the impartiality and independence thereof?	Yes	✓
2	When auditing or reviewing or performing an ad hoc review of the financial statements and rendering an opinion, does the CPA maintain nominal independence in addition to substantive independence?	Yes	✓
3	Do members of the audit team, other practicing CPAs at the same CPA firm, or shareholders of the same CPA firm, accounting firm, firms affiliated or associated with the CPA firm also maintain independence from the Company?	Yes	✓
4	Does the CPA perform professional services with integrity and a meticulous attitude?	Yes	✓
5	Does the CPA maintain a fair and objective position when performing professional services without the professional judgment thereof affected by prejudice, conflicts of interest, or interests?	Yes	✓

(IV) Information on the Remuneration Committee members

1. Information on the Remuneration Committee members

Identity	Name	Qualifications Professional qualifications and experience	Independence status	Number of other public companies where a concurrent position as Remuneration Committee member is served
Independent Director	Yi-Bing Lin	<p>Mr. Yi-Bing Lin is a professor at the College of Artificial Intelligence, National Yang Ming Chiao Tung University, and used to be Deputy Minister of the Ministry of Science and Technology, and Vice Chairman of the National Science Council; he has the relevant work experience required to carry out the Company's business.</p> <p>He also serves as the convener of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors' declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	0
Independent director (convener)	Cheng-Kang Chen	<p>Mr. Cheng-Kang Chen is a professor at the Department of Information Management, National Taiwan University of Science and Technology, and has worked at said department for more than 20 years; he has the relevant work experience required to carry out the Company's business.</p> <p>He also serves as a member of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors' declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	0
Independent Director	Jui-Tang Chang	<p>Mr. Jui-Tang Chang is a professor at the Department of Accounting, National Chung Hsing University, a former member of the Taipei Exchange Review committee as a financial accounting expert, and has extensive experience in financial accounting. Currently, he is also an independent director at Optivision Technology Incorporation and Tamagawa Holdings Co., Ltd.</p> <p>He also serves as a member of the Company's Audit Committee, and it has been confirmed that he is not under any of the circumstances specified in the subparagraphs of Article 30 of the Company Act as per the independent directors' declaration submitted at the time of nomination.</p>	<p>The Company inspected the independent directors' qualifications at the time of election to confirm that they are independent, and that the number of the Company's shares held by them, their spouses, and relatives within the second degree of kinship (or in the names of others) is zero.</p>	2

2. Responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for evaluating the remuneration policy and system of the Company's directors and managers in a professional and objective manner while performing the duty of care as a good manager. It convenes at least two meetings a year and may hold meetings at any time as needed, to make suggestions to the board of directors as a reference during its decision-making process.

(1) Responsibilities of the Company's Remuneration Committee

- A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managers.
 - B. Periodically evaluate and prescribe the remuneration of directors and managers.
- (2) When the Remuneration Committee performs its duties and exercises its powers, it shall proceed as per the standards below:
- A. With respect to the performance assessment and remuneration of directors and managers of the Company, it shall refer to the typical pay levels adopted in the industry, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risks.
 - B. Directors and managers shall not to engage in behavior beyond the risk tolerance level of the Company for the purpose of pursuing remuneration.
 - C. With respect to the time to distribute bonus in proportion to the short-term performance of directors and senior managers, or remuneration that is partially variable, the Company shall consider the characteristics of the industry and the nature of its business to decide the proper time to pay.

3. Information on the operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) The term of office of the current members: From July 30, 2021, to July 29, 2024. The Remuneration Committee convened 3 (A) meetings in 2021, and the qualifications and attendance of the members are summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Notes
Convener and chair	Cheng-Kang Chen	3	0	100%	Reelected on July 30, 2021
Committee member	Jui-Tang Chang	3	0	100%	Reelected on July 30, 2021
Committee member	Yi-Bing Lin	3	0	100%	Reelected on July 30, 2021

Additional disclosure:

- I. If the board of directors did not adopt or amended the Remuneration Committee's suggestions, please specify the meeting date, term, content of the proposal, resolution of the board of directors, and the Company's response to the Remuneration Committee's opinions: None.
- II. For the resolutions of the Remuneration Committee, if any member expressed objections or had reservations, then the Remuneration Committee meeting's date, term, content of the proposal, opinions of its members, and the handling of the opinions shall be indicated: None.
- III. The major matters communicated and the summary of the resolutions in 2021 are as follows:

Date	Major matters communicated	Communication results
The 7th meeting of the 2nd term (March 24, 2021)	Results of the 2020 year-end bonuses and performance bonuses to be distributed to managers	Ratified.
	Proposal for distribution of 2020 employee compensation and remuneration of the directors	Deliberated, approved, and submitted to the board of directors for resolution.
The 8th meeting of the 2nd term (April 28, 2021)	Proposal for partial amendments to the Company's Director's Remuneration Payment Regulations.	Deliberated, approved, and submitted to the board of directors for resolution.
The 1st meeting of the 3rd term (December 28, 2021)	Report on distribution of 2020 employee compensation to managers.	Ratified.
	Proposal for distribution of the 2021 year-end bonuses	Ratified.

(V) Promotion of sustainable development and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
I. Has the Company established a governance framework for the promotion of sustainable development and a dedicated (or concurrent) unit to promote sustainable development, and has the board of directors authorized the senior management to handle matters, and does the board of directors supervise the implementation?		V	Although the Company has not set up a dedicated unit to promote sustainable development, it is still committed to the implementation of corporate social responsibility.	We will proceed in accordance with relevant laws and regulations when there are legal requirement or practical needs.
II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operations and establish relevant risk management policies or strategies based on the principle of materiality?	V		The Company formulates annual business strategies and management guidelines at regular internal management meetings based on the characteristics of the Company's industry, social conditions, sustainable development trends, and domestic and international competitors' actions, and we supervise each operating unit through regular internal management meetings and the annual self-evaluation work to reduce the impact of risks on the Company.	No major deviations.
III. Environmental issues				
(I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	V		(I) The Company's environmental management is handled in accordance with relevant laws and regulations as well as the policies launched by government agencies.	No major deviations.
(II) Does the Company endeavor to upgrade the efficiency of energy use and use environmentally-friendly materials?	V		(II) We actively implement various energy reduction measures and select equipment with high energy efficiency and energy-efficient designs to reduce the energy consumption of our business operations and products. The Company has adopted an electronic approval process for some forms. Through paperless management, the amount of paper used is reduced so as to achieve the purpose of energy conservation, carbon reduction, and greenhouse gas reduction.	No major deviations.
(III) Has the Company evaluated the potential risks and opportunities arising from climate change now and in the future and taken relevant countermeasures?	V		(III) The Company has adopted LED lights for the lighting in all offices, set up waste battery recycling bins, and conducts waste sorting to recycle resources, so as to save energy and reduce carbon emissions while alleviating the impact of operating activities on climate change.	No major deviations.
(IV) Has the Company made statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulated policies for greenhouse gas reduction, water reduction, or other waste management?		V	(IV) The Company is not in the manufacturing industry, so it does not have statistics on relevant data, but it reviews water and electricity consumption regularly, while adopting electronic forms to reduce paper consumption, implementing waste sorting to recycle resources, and continuing to promote environmental	In the future, the Company will formulate relevant policies according to the needs.

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons there of
	Yes	No	Summary	
			protection and energy conservation and carbon reduction.	
IV. Social issues				
(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and the International Bill of Human Rights?	V		(I) To fulfill our corporate social responsibility and protect the basic human rights of all our employees and stakeholders, we, following the United Nations Universal Declaration of Human Rights and other international conventions, implement human rights protection work in alignment with the spirit and principles of these conventions, including prohibiting any form of sexual harassment, discrimination, and threats of violence; ensuring that our employment policy is non-discriminatory and prohibits child labor; offering a fair and reasonable salary system; providing a safe and healthy work environment, implementing human rights protection, and complying with the local labor laws and regulations where the Company is located.	No major deviations.
(II) Has the Company established and implemented proper employee benefit measures (including salary, leave, and other benefits) and does it reflect the corporate business performance or achievements in the employee remuneration?	V		(II) The Company has set up a welfare committee, and has set out policies for benefits, including reasonable salary and remuneration and employee leave, and a well-defined and effective reward and punishment system. Performance management is implemented through a performance evaluation system, and the evaluation results are used as the basis for salary adjustment or the distribution of bonuses.	No major deviations.
(III) Does the Company provide employees with a safe and healthy work environment, and provide employees with regular safety and health education?	V		(III) The Company provides a spacious, excellent, and safe work environment with sufficient lighting, and organizes employee health examination regularly.	No major deviations.
(IV) Has the Company established an effective career development and training program for employees?	V		(IV) The Company has planned complete competence training for managers and employees at all levels, including new employee training, professional advanced training, supervisor training, and external training courses required for work, to help our employees continue to learn and grow through diverse learning methods. In regular performance interviews, supervisors and employees discuss and set out individual annual work development plans and goals and regularly review the plans and provide feedback, to help them formulate the most suitable development plans.	No major deviations.

Assessment criteria	Implementation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons there of
	Yes	No	Summary	
<p>(V) Does the Company comply with relevant laws and international standards with regard to customers' health, safety and privacy, marketing, and labeling for its products and services and has it established relevant policies and complaint procedures to protect customers' rights?</p> <p>(VI) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations on issues of environmental protection, occupational safety and health, or labor rights. What is the status of its implementation?</p>	V	V	<p>(V) The Company has set up a dedicated section for stakeholders and a channel for complaints and messages from the general public on its website. Any opinions or needs can be sent to the head of the human resources unit through a service hotline, website, or e-mail, and personnel of relevant units will actively understand the issues and respond appropriately.</p> <p>(VI) The Company has not yet formulated relevant provisions for supplier management but will assess whether a supplier has a record of impacting the environment and society before doing business with it as appropriate, and will avoid doing business with any parties who are in conflict with the Company's corporate social responsibility policy in accordance with the Company's Corporate Social Responsibility Best Practice Principles.</p>	<p>No major deviations.</p> <p>No major deviations.</p>
V. Has the Company stipulated standards or guidelines for the preparation of reports according to internationally accepted reports, and does it prepare sustainability reports and other reports for disclosing non-financial information of the Company? Are the aforesaid reports assured or certified by a third-party verification agency?		V	The Company does not prepare a sustainability report but has established a corporate social responsibility section on its website to disclose relevant information.	We will proceed in accordance with relevant laws and regulations when there are legal requirement or practical needs.
VI. Where a company has established its own Sustainable Development Best Practice Principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operations and the principles formulated: The Company has established its own Sustainable Development Best Practice Principles, and there are no significant differences between the internal operations and what is stipulated in the principles.				
VII. Other important information that facilitates the understanding of the promotion of sustainable development: The Company operates in accordance with laws and regulations and discloses relevant information on its official website: https://www.itts.com.tw/zh-tw/csr/csr-implementation				

(VI) Implementation of ethical management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons thereof

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
I. Establishment of the ethical management policy and program				
(I) Has the Company formulated an ethical management policy approved by the board of directors and clearly indicated the ethical management policy and practice in rules and external documents? Are the board of directors and the senior management committed to implementing said policy actively?	V		(I) The Company adheres to the concept of sustainable development, and the board of director has formulated the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct, both of which have been disclosed on the Company's website. The board of directors approved the formulation the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct on August 8, 2018, and the amendments to the Ethical Corporate Management Best Practice Principles on August 13, 2019, for board members, the management, and employees to follow. The regulations are announced and promoted inside the Company, and the board of directors and the management are committed to putting them into practice actively.	No major deviations.
(II) Has the Company established a risk assessment mechanism against unethical conduct, does it analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and has it established a prevention program accordingly with the inclusion of the preventive measures against each behavior specified in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(II) The board of directors, on August 13, 2019, passed a resolution to amend the Ethical Corporate Management Best Practice Principles, which clearly set out a business activity evaluation mechanism for the risk of unethical conduct, covering the preventive measures for the conduct under Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies (1. Offering and accepting bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorships. 4. Offering or accepting unreasonable presents, hospitality, or other improper benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.). In addition, the Company has formulated the Procedures for Ethical Management and Guidelines for Conduct to strengthen relevant preventive measures, while encouraging internal and external personnel to report unethical conduct or improper behavior to implement ethical management	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Has the Company specified the operating procedures, behavior guidelines, disciplinary actions for violation, and complaint system in the prevention program for unethical conduct, and implement the program accordingly? Does the Company review and modify the program mentioned above regularly?	V		(III) and ensure whistleblowers' and counterparties' legitimate rights and interests. The Procedures for Ethical Management and Guidelines for Conduct formulated by the Company on August 8, 2018, clearly stipulate that employees may not directly or indirectly offer, promise, request, or accept any illegitimate benefits, nor commit other unethical acts, such as breach of good faith, illegality, or breach of fiduciary duty, to obtain or maintain interests. We also offer education and training to enable our directors, managers, and employees to understand the details and duly comply with the rules. For violations of the Company's ethics and integrity policy, regardless of job titles, the Company will take disciplinary actions in accordance with the Employee Reward and Punishment Measures, and employees are provided with channels for complaints to deal with opinions of unfair and unreasonable treatment.	No major deviations.
II. Implementation of ethical corporate management (I) Does the Company assess counterparties' records of ethical conduct and specify ethical conduct clauses in the contracts it signs with counterparties?	V		(I) The Company's Ethical Corporate Management Best Practice Principles clearly state that it shall avoid engaging in business transactions with agents, suppliers, customers, or other counterparties who do not operate in good faith. If any business counterparty or partner is found to have unethical conduct, the Company's employees shall stop doing business with them immediately and blacklist them in order to implement the Company's ethical corporate management policy.	No major deviations.
(II) Has the Company established a dedicated unit under the board of directors to promote ethical corporate management and to report on the ethical management policy, prevention program of unethical conduct, and status of supervision to the board of directors regularly (at least once a year)? (III) Has the Company formulated policies to prevent conflicts of interest, and does it provide appropriate channels for opinions and implement them accordingly?	V V		(II) The Company's stock affairs unit is a concurrent unit in charge of ethical corporate management and works to raise the board of directors' and internal personnel' awareness of this policy from time to time, and the audit unit regularly reports on the status of supervision of the implementation to the board of directors. (III) The Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct clearly define the conflict of interest policies and the circumstances/criteria for conflicts, and require relevant personnel to recuse themselves when a conflict of interest occurs while requesting relevant personnel to proactively and fully inform their	No major deviations. No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
(IV) Has the Company established an effective accounting system and internal control system to implement ethical management and drafted relevant audit plans based on the risk assessment results of unethical conduct by the internal audit unit? Is the compliance of the prevention program for unethical conduct audited accordingly by the internal audit unit or CPAs appointed?	V		(IV) To ensure the implementation of ethical management and ensure the correctness of accounting and financial processes and the effectiveness of internal control, the Company has set up the Audit Committee to supervise the Financial and Management Center during the management of financial risks in real time. The Audit Office considers five elements of compliance and internal control and puts forth an audit plan for the following year after evaluating the Company's risks at all levels under the existing organizational structure based on the Company's strategic goals and its past audit experience. It reports on the quarterly audits in the quarterly Audit Committee and board meetings. We conduct the self-assessment of the internal control system of each business division and important affiliates in the fourth quarter of each year, and compile the results of the self-assessments of the internal control system in the first quarter of the following year and then report it to the Audit Committee and the board of directors, to examine the management team's control over the internal and external environmental risks, business divisions' control over the operational risk, as well as the effectiveness of the design and implementation of the internal control system.	No major deviations.
(V) Does the Company regularly organize internal and external education and training on ethical corporate management?	V		(V) The Company regularly organizes internal education and training courses, such as training for new employees and new supervisors every year, while keeping them informed of the important contents of the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct and regularly holding meetings to raise employees' awareness to allow them to better understand our ethical management policy and relevant regulations.	No major deviations.
III. Implementation status of the whistleblowing system (I) Has the Company formulated a specific whistleblowing and reward system, and established an accessible whistleblowing channel, while designating personnel to be responsible for investigating accused parties?	V		(I) For our whistleblowing system, we have established the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct, to stipulate the principles of integrity in the conduct of business and the codes of conduct. If an employee discovers suspected unethical behavior, they have the responsibility to raise a warning immediately. We also have a reporting email (integrity@itts.com.tw) and a hotline in place for employees, outsiders, or suppliers to directly report any illegitimate practices	No major deviations.

Assessment criteria	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary	
			in finance, law, or ethics. The Audit Office is responsible for accepting and handling such reports.	
(II) Has the Company formulated standard operating procedures for the investigation of the matters reported, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?	V		(II) Articles 3 and 4 of the Company's Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct set out the reporting channels and handling procedures, the standard operating procedures for the investigation of reports, and the subsequent measures to be taken after an investigation is completed, and Article 4, paragraph 5 of the procedures specify a confidentiality mechanism that the Company shall handle whistleblowers or the persons involved in the investigation and the contents thereof in a confidential and prudent manner.	No major deviations.
(III) Does the Company take measures to protect whistleblowers from being improperly handled due to whistleblowing?	V		(III) Article 4, paragraph 5 of the Company's Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct specifies a whistleblower protection mechanism, under which the Company shall protect whistleblowers or the persons involved in the investigation and the contents thereof, and strictly prohibit any form of unfair treatment or retaliation against those who make reports in good faith or assist with the investigation.	No major deviations.
IV. Enhancing information disclosure Does the Company disclose on its website and the MOPS the content and effectiveness of implementation of its Ethical Corporate Management Best Practice Principles?	V		The Company has explicitly disclosed its ethical management philosophy on its website. Regarding the Company's investor relations and stakeholders' rights and interests, the Company maintains open communication channels at all times, leverages the spokesperson mechanism, and immediately publishes public information on the MOPS in line with the principle of integrity to maintain investor relations and to safeguard stakeholders' rights and interests while disclosing the Company's implementation of ethical management and the measures adopted in the annual report.	No major deviations.
V. Where a company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please specify the difference between its operations and the principles formulated: The Company has established its own Ethical Corporate Management Best Practice Principles, and there are no significant differences between the internal operations and what is stipulated in the principles.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: The Company complies with the Company Act, the Securities and Exchange Act, the regulations of the Taiwan Stock Exchange and Taipei Exchange, and relevant laws and regulations as the basis for duly implementing ethical management. It is forbidden to commit unethical acts with transaction counterparties in the ordinary course of business. The Company has amended the Ethical Corporate Management Best Practice Principles on August 13, 2019, and formulated the Procedures for Ethical Management and Guidelines for Conduct on August 8, 2018.				

(VII) Where a company has formulated the Ethical Corporate Management Best Practice Principles and relevant regulations, it shall make disclosure and the inquiry method:

The Company's corporate governance-related regulations have been published in "Formulation of Corporate Governance Rules" under the "Corporate Governance" category on the MOPS of the Taiwan Stock Exchange. You may go to <http://mops.twse.com.tw> for inquiry.

(VIII) Other important information to facilitate better understanding of the status of corporate governance shall be disclosed together:

1. The Company's important information is announced on the MOPS in accordance with the regulations of the competent authority.
2. Directors' continuing education in 2021:

Title	Name	Date of class	Organizer	Title of class	Time (hours)
Representative of corporate director	Shang-Wei Kao	2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
		2021/12/29	Accounting Research and Development Foundation	The Key to Implementing Sustainable Development	3.0
Representative of corporate director	Chwen-Jy Chiu	2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
		2021/12/20	Taiwan Investor Relations Institute	Analysis of the Latest International ESG Policies and Trends	3.0
Representative of corporate director	An-Ping Liu	2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
		2021/12/20	Taiwan Investor Relations Institute	Analysis of the Latest International ESG Policies and Trends	3.0
Representative of corporate director	Kuo-Min Chen	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6.0
		2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
		2021/12/20	Taiwan Investor Relations Institute	Analysis of the Latest International ESG Policies and Trends	3.0
Representative of corporate director	Shih-Chang Lin	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6.0
		2021/11/26	Taiwan Corporate Governance Association	Net Zero Emissions by 2030 and 2050 – Sustainability Challenges and Opportunities for Global Enterprises	3.0
		2021/12/20	Taiwan Investor Relations Institute	Analysis of the Latest International ESG Policies and Trends	3.0
Director	Wen-Nan Chan	2021/04/27	Securities and Futures Institute	Theoretical Innovation and Practical Application Of AVM	3.0
		2021/05/12	Taiwan Institute of Directors	Transformation based on a Century-old Enterprise's Experience	3.0
		2021/08/03	Taiwan Corporate Governance Association	Comprehensive Digital Resilience – Emergency Response and Recovery from Ransomware	3.0
Independent Director	Yi-Bing Lin	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum (afternoon session)	3.0
		2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
Independent Director	Cheng-Kang Chen	2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0
		2021/12/20	Taiwan Investor Relations Institute	Analysis of the Latest International ESG Policies and Trends	3.0
Independent Director	Jui-Tang Chang	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6.0
		2021/11/05	Taiwan Investor Relations Institute	Analysis of Information Security and Risk Trends	3.0

(IX) Implementation of the internal control system:

1. Statement on the Internal Control System

Information Technology Total Services Co., Ltd.
Statement on the Internal Control System

Date: March 18, 2022

The Company makes the following statement based on the results of the self-inspection of the internal control system in 2021:

- I. We acknowledge that the Board of Directors and managerial officers are responsible for the establishment, operation and maintenance of the internal control system. We have established such a system. The system's purpose is to provide reasonable assurance for the achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified.
- III. We judge the design and operation of the internal control system for their effectiveness with reference to the items to be judged for the effectiveness of the internal control system specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). In terms of the items to be judged pursuant to the Regulations, internal control systems are divided into the following five constituent elements according to the management control process: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring activities. Each constituent element contains a number of items. Refer to the provisions of the abovementioned Regulations.
- IV. We have adopted the judgment items of the internal control system to assess the effectiveness of the design and operation of the internal control system.
- V. Based on the results of the above assessment, we confirm that our internal control system on December 31, 2021 (including monitoring and management of subsidiaries) was effective in terms of its design and operation with respect to understanding the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws, and it can reasonably ensure that the above objectives are achieved.
- VI. This Statement will be a major part of our annual reports and prospectuses and will be open to the public. Any illegal misrepresentations or concealments in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The Statement was passed at the board meeting on March 18, 2022. Among the 9 directors present, some expressed objections while the remaining directors all approved the content of the Statement.

Information Technology Total Services Co., Ltd.

Chairman:

President:

2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report shall be disclosed: None.

(X) In the most recent year and as of the date of the publication of the annual report, where the Company and its insiders have been punished in accordance with the law, or the Company has imposed penalties on its internal personnel for violations of the internal control system, and the results of the penalties may have a significant impact on shareholders' rights or securities prices, the content of the penalties, main deficiencies, and improvements shall be specified: None.

(XI) Important resolutions of the shareholders' meeting and board meetings in the most recent year and as of the date of the publication of the annual report:

Shareholders' meeting/board meeting	Date	Important resolutions
Board of Directors	2021/3/24	<ol style="list-style-type: none"> 1. 2020 Statement on the Internal Control System 2. Proposal for distribution of 2020 employee compensation and remuneration of the directors 3. 2020 Business Report and Financial Statements 4. Distribution of earnings for 2020 5. Renewal of borrowing facilities from financial institutions in 2021 and new loan facility contracts 6. Proposal for reelection of the directors of the 12th board of the Company 7. Partial amendments to the Rules of Procedure for Shareholders' Meetings 8. Proposal for matters related to convening of the Company's 2021 general shareholders' meeting
Board of Directors	2021/4/28	<ol style="list-style-type: none"> 1. Proposal to request the board of directors to nominate director (including independent director) candidates 2. Proposal to lift the non-competition restrictions upon the newly elected directors and representatives 3. Proposal for partial amendments to the Director's Remuneration Payment Regulations 4. Proposal for partial amendments to the Company's Articles of Incorporation 5. Proposal for addition of matters related to the 2021 general shareholders' meeting
Board of Directors	2021/6/22	<ol style="list-style-type: none"> 1. Proposal for amendments to the Contract Approval Hierarchy
Board of Directors	2021/7/14	<ol style="list-style-type: none"> 1. Proposal for changes in the matters related to convening of the Company's 2021 general shareholders' meeting
Shareholders' Meeting	2021/7/30	<p>Management Presentation:</p> <ol style="list-style-type: none"> 1. 2020 Business Report 2. 2020 Audit Committee's Review Report 3. Report on the distribution of employee compensation and the remuneration of directors for 2020 <p>Proposals:</p> <ol style="list-style-type: none"> 1. 2020 Business Report and Financial Statements 2. Distribution of earnings for 2020 <p>Elections:</p> <ol style="list-style-type: none"> 1. Proposal for reelection of the directors of the 12th board of the Company <p>Discussions:</p>

Shareholders' meeting/board meeting	Date	Important resolutions
		<ol style="list-style-type: none"> 1. Proposal to lift the non-competition restrictions upon the newly elected directors and representatives 2. Proposal for partial amendments to the Company's Articles of Incorporation 3. Partial amendments to the Rules of Procedure for Shareholders' Meetings
Board of Directors	2021/7/30	<ol style="list-style-type: none"> 1. Proposal to nominate candidates for the chairman 2. Appointment of the 3rd Remuneration Committee members
Board of Directors	2021/8/10	<ol style="list-style-type: none"> 1. Consolidated financial statements for the second quarter of 2021
Board of Directors	2021/11/12	<ol style="list-style-type: none"> 1. Consolidated financial statements for the third quarter of 2021
Board of Directors	2021/12/28	<ol style="list-style-type: none"> 1. Approval of the 2022 budget plan 2. Approval of the 2022 audit plan 3. Approval of proposal for evaluation of independence and competence of the Company's CPAs and appointment thereof 4. Proposal for appointment and remuneration of CPAs for 2022 5. New and renewal of borrowing facilities from financial institutions
Board of Directors	2022/3/18	<ol style="list-style-type: none"> 1. 2021 Statement on the Internal Control System 2. Proposal for distribution of 2021 employee compensation and remuneration of the directors 3. 2021 Business Report and Financial Statements 4. Distribution of earnings for 2021 5. New and renewal of borrowing facilities from financial institutions 6. Proposal for partial amendments to the Company's Articles of Incorporation 7. Proposal for partial amendments to the Procedures for Acquisition and Disposal of Assets 8. Proposal for partial amendments to the Corporate Governance Best Practice Principles 9. Proposal for partial amendments to the Corporate Social Responsibility Best Practice Principles 10. Proposal for partial amendments to the Rules of the Performance Evaluation of the Board of Directors 11. Proposal for matters related to convening of the Company's 2022 general shareholders' meeting

3. Implementation of the resolutions by the 2021 general shareholders' meeting (July 30, 2021):

Number	Resolution	Implementation status
1	Ratification of the 2020 Business Report and Financial Statements.	* The number of votes in favor of this proposal accounted for 99.98% of the total voting rights of shareholders present, and this proposal was passed as proposed.
2	Ratification of the 2020 earnings distribution statement, with a cash dividend of NT\$2 per share to be paid out.	1. The number of votes in favor of this proposal accounted for 99.98% of the total voting rights of shareholders present, and this proposal was passed as proposed. 2. The ex-dividend record date was August 23, 2021, and the cash dividends were paid out on September 7, 2021.
3	Completion of the election of directors for the 12th board of directors	1. Nine directors (including three independent directors) for the 12th board of directors were elected for a term of three years from July 30, 2021, to July 29, 2024. 2. The newly-elected directors were registered per Approval Letter Jing-Shou-Shang-Zi No. 11052876710 dated September 6, 2021, from the Department of Commerce, Ministry of Economic Affairs.
4	Approval of the proposal to lift the non-competition restrictions upon the directors of the 12th board	* The number of votes in favor of this proposal accounted for 99.83% of the total voting rights of shareholders present, and this proposal was passed as proposed.
5	Approval of the amendments to the Articles of Incorporation	1. The number of votes in favor of this proposal accounted for 99.92% of the total voting rights of shareholders present, and this proposal was passed as proposed. 2. The amendments to the Articles of Incorporation were registered per Approval Letter Jing-Shou-Shang-Zi No. 11052876710 dated September 6, 2021, from the Department of Commerce, Ministry of Economic Affairs.
6	Approval of the amendments to the Rules of Procedure for Shareholders' Meetings	* The number of votes in favor of this proposal accounted for 99.88% of the total voting rights of shareholders present, and this proposal was passed as proposed.

- (XII) Directors or supervisors who had different opinions on important resolutions passed by the board of directors in the most recent year and as of the date of publication of the annual report for which there is a record or declaration in writing: N/A.
- (XIII) Summary of the resignation and dismissal of the Company's chairman, president, accounting manager, financial manager, internal audit officer, corporate governance officer, and R&D manager in the most recent year and as of the publication date of the annual report: None.

IV. Information on CPA Fees

(I) Information on CPA Fees

Unit: NTD thousand

Accounting firm name	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Notes
PricewaterhouseCoopers Taiwan	Ping-Chun Chih	2021	1,500	275	1,775	The non-audit fees are for transfer pricing services.
	Tsung-Hsi Lai					

(II) If the CPA firm is replaced and the audit fees paid during the year in which the replacement occurred are less than the audit fees paid in the previous year, the amount of the audit fees before and after the replacement and the reason thereof shall be disclosed:
N/A.

(III) If the audit fees paid decreased by at least 10% compared with those in the previous year, the amount, proportion, and reason for the decrease of the audit fees shall be disclosed:
N/A.

V. Information on the Replacement of CPAs:

In 2021, the Company conformed with PwC Taiwan's internal position adjustment, and the original CPAs Ming-Chuan Hsu and Chao-Hsien Chiu were replaced with CPAs Ping-Chun Chih and Tsung-Hsi Lai.

(I) Information about former CPAs

Date of replacement	January 1, 2021		
Reason for replacement	PwC Taiwan's adjustment to CPAs' internal positions		
Whether the termination of audit service was initiated by the client or by the auditor	Concerned party		Client
	Status	CPA	
	Service terminated by	N/A	N/A
	Service no longer accepted (continued) by	N/A	N/A
Opinions other than unqualified opinions issued in the last two years, and the reason for such opinions	None		
Disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	None	V	
	Description		
Other disclosures (Disclosures deemed necessary under Article 10, subparagraph 6, item 1-4 to item 1-7 of the Regulations)	None		

(II) Information about succeeding CPAs

Name of accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Ping-Chun Chih, Tsung-Hsi Lai
Date of reappointment	January 1, 2021
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial statements prior to reappointment	N/A
Written disagreements from the succeeding CPAs against the opinions made by the former CPAs	N/A

(III) The former CPAs' response to the items referred to in the Article 10, subparagraph 6, item 1 and item 2-3 of the Regulations: N/A.

VI. Information on CPA Firms or Their Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Were Employees in the Most Recent Year: N/A.

VII. Transfers and Pledges of Stock Equity by Directors, Managers, and Shareholders Holding over 10% of the Company's Shares in the Most Recent Year and as of the Date of Publication of the Annual Report:

(I) Changes in the equity of directors, managers, and major shareholders

Title	Name	2021		Current year up to April 29	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Shang-Wei Kao	7,000	-	4,000	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Chwen-Jy Chiu	-	-	-	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: An-Ping Liu	-	-	-	-
Director	TECO Electric & Machinery Co., Ltd.	-	-	-	-
	Representative: Kuo-Min Chen	-	-	-	-
Director	Advantech Investment Co., Ltd.	-	-	-	-
	Representative: Shih-Chang Lin	-	-	-	-
Director	Wen-Nan Chan	-	-	-	-
Independent Director	Yi-Bing Lin	-	-	-	-
Independent Director	Cheng-Kang Chen	-	-	-	-
Independent Director	Jui-Tang Chang	-	-	-	-
President	Shang-Wei Kao	7,000	-	4,000	-
Vice President	Hsin-Cheng Liu	-	-	-	-
Manager	Yu-Min Chiang (resigned on December 31, 2021)	(21,000)	-	-	-
Manager	Huan-Yu Hsu	-	-	-	-
Manager	Wei-Ting Cheng	-	-	-	-
Manager	Hsin-Ying Chen	-	-	-	-
Manager	Shih-Yang Lin	-	-	-	-
Chief Financial Officer	Lung-Chu Hung	-	-	-	-

(II) Information on share transfers: N/A.

(III) Information on equity pledges: N/A.

VIII. Information on the Relationships Among Top Ten Shareholders

April 29, 2022/Unit: Share; %

Name	Own shareholding		Shareholdings of spouse and underage children		Total shareholding in names of others		Relationship characterized as spouse or relative within second degree of kinship or closer among the top ten shareholders		Notes
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Representative of TECO Electric & Machinery Co., Ltd.: Chwen-Jy Chiu	11,467,248	41.97%	-	-	-	-	Tong-An Investment Co., Ltd.	Shareholder with a shareholding of 99.6%	
Representative of Advantech Investment Co., Ltd.: Ke-Chen Liu	5,084,273	18.61%	-	-	-	-	-	-	
Representative of Tong-An Investment Co., Ltd.: Mao-Hsiung Huang	1,841,250	6.74%	-	-	-	-	TECO Electric & Machinery Co., Ltd.	Company with 99.6% of its shares held by other entities	
Representative of Dong He International Investment Co., Ltd.: Tung-Hai Kao	450,000	1.65%	-	-	-	-	-	-	
Shang-Wei Kao	428,591	1.57%	40,000	0.15%	-	-	TECO Electric & Machinery Co., Ltd.	Director	
Ming-Chin Chiu	379,000	1.39%	-	-	-	-	-	-	
Li-Yu Sung	360,000	1.32%	-	-	-	-	-	-	
Su-Chin Wang	255,000	0.93%	-	-	-	-	-	-	
Mu-Cun Zhong	160,000	0.59%	-	-	-	-	-	-	
Tung-Jung Yang	139,000	0.51%	-	-	-	-	-	-	

IX. The Number of Shares Held by the Company, Directors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Consolidated Shareholding Percentage:

December 31, 2021/Unit: Thousand shares; %

Investee (Note)	Invested by the Company		Held by directors, supervisors, managers, and businesses directly or indirectly controlled		Consolidated investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Tension Envelope	2,500	50%	-	-	2,500	50%
Unison Service Corporation	1,700	100%	-	-	1,700	100%
Universal Mail Service Ltd.	1,300	100%	-	-	1,300	100%
ITTS (BVI)	1,541	100%	-	-	1,541	100%
Information Technology (Wuxi) Co., Ltd.	-	100%	-	-	-	100%
Information Technology Total Service (Xiamen)	-	100%	-	-	-	100%

Four. Fundraising Status

I. Capital and Shares

(I) Source of share capital

1. Formation process of share capital

Unit: NTD thousand; Thousand shares

Month/Y ear	Issue price	Authorized share capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Offset by any property other than cash	Others
1990.12	10	8,100	81,000	4,050	40,500	Founding capital	-	Note 1
1997.08	10	8,100	81,000	7,350	73,500	Capital increase in cash by NT\$33,000,000	-	Note 1
1997.08	10	8,100	81,000	1,470	14,700	Capital reduction by NT\$58,800,000	-	Note 1
1999.09	10	20,000	200,000	18,057	180,570	Capital increase in cash by NT\$165,870,000	-	Note 1
2000.04	10	20,000	200,000	19,999	199,990	Capital increase in cash by NT\$19,420,000	-	Note 2
2018.07	13.31	40,000	400,000	20,337	203,371	Capital increase from employee remuneration by NT\$4,500,000	-	Note 3
2019.05	29	40,000	400,000	25,421	254,213	Capital increase in cash from ordinary shares via private placement by NT\$50,842,000	-	Note 4
2020.02	42.6	40,000	400,000	27,323	273,233	Capital increase in cash for first-time listing on the Taipei Exchange by NT\$19,020,000	-	Note 5

Note 1: It is not a change in the share capital over the last five years, so the effective date and document number of the capital increase or reduction are not indicated.

Note 2: Approved per Letter Jing-(2000)-Shang No. 113713 on May 4, 2000.

Note 3: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10751350700 dated July 20, 2018.

Note 4: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10849950600 dated May 21, 2019.

Note 5: Approved per Letter Fu-Chan-Ye-Shang-Zi No. 10945051720 dated February 17, 2020.

2. Total number of shares

April 29, 2022/Unit: Share

Type of share	Authorized share capital			Notes
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	27,323,364	12,676,636	40,000,000	Stock listed on the Taipei Exchange

Note: The outstanding shares include 5,084,273 shares through private placement.

(II) Composition of shareholders

April 29, 2022

Quantity	Composition of shareholders					
	Government agencies	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and individuals	Total
Number of people	-	1	22	1,095	1	1,119
Number of shares held	-	39,350	19,297,052	7,981,962	2,000	27,323,364
Shareholding percentage	-	0.14%	70.62%	29.21%	0.02%	100.00%

(III) Distribution of equity

April 29, 2022/Unit: Share

Range of shares	Number of shareholders	Number of shares held	Shareholding percentage
1-999	109	5,709	0.02%
1,000-5,000	729	1,452,386	5.32%
5,001-10,000	133	1,053,314	3.85%
10,001-15,000	28	372,000	1.36%
15,001-20,000	35	634,709	2.32%
20,001-30,000	31	809,002	2.96%
30,001-40,000	17	606,100	2.22%
40,001-50,000	14	656,531	2.40%
50,001-100,000	7	538,000	1.97%
100,001-200,000	8	930,251	3.40%
200,001-400,000	3	994,000	3.64%
400,001-600,000	2	878,591	3.22%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
1,000,001 or more	3	18,392,771	67.32%
Total	1,119	27,323,364	100.00%

(IV) Major shareholders

April 29, 2022/Unit: Share

Shares	Number of shares held	Shareholding percentage
Name of major shareholder		
TECO Electric & Machinery Co., Ltd.	11,467,248	41.97%
Advantech Co., Ltd.	5,084,273	18.61%
Tong-An Investment Co., Ltd.	1,841,250	6.74%
Dong He International Investment Co., Ltd.	450,000	1.65%
Shang-Wei Kao	428,591	1.57%
Ming-Chin Chiu	379,000	1.39%
Li-Yu Sung	360,000	1.32%
Su-Chin Wang	255,000	0.93%
Mu-Cun Zhong	160,000	0.59%
Tung-Jung Yang	139,000	0.51%

(V) Information on Market Price, Net Value, Earnings, and Dividends per Share

Unit: NTD; Thousand shares

Item		Year	2020	2021	Current year up to April 29, 2022 (Note 6)
Market price per share (Note 1)	Highest		53.70	42.70	38.80
	Lowest		27.25	37.10	37.00
	Average		40.27	39.89	37.92
Net worth per share	Before distribution		19.43	20.04	-
	After distribution		17.43	(Note 2)	
Earnings per share	Weighted average shares		27,323	27,323	
	Earnings per share		2.41	2.65	
Dividend per share	Cash dividends		2	2.00	
	Stock dividends	Stock dividend from retained earnings	-		
		Stock dividend from capital surplus	-		
	Accumulated unpaid dividends		-	-	
Return on investment analysis	P/E ratio (Note 3)		16.71	15.05	
	P/D ratio (Note 4)		20.14	19.94	
	Cash dividend yield (Note 5)		4.97%	5.01%	

Note 1: The highest and lowest market prices of the ordinary shares every year are indicated, and the average market prices are calculated for each year based on the market value and volume of each year.

Note 2: The Company's 2021 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

Note 3: P/E ratio = average closing price per share for the year / earnings per share.

Note 4: P/D ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 6: As of the publication date of the annual report, the Company had no financial figures for 2022 that have been audited or reviewed by CPAs.

(VI) The Company's Dividend Policy and Implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

According to the Company's profitability of the current year, 1% to 10% of the earnings shall be appropriated as employee compensation. The remuneration to directors shall not exceed the maximum limit of 5%. The remuneration to employees may be granted to employees of subordinate firms who satisfy specific conditions. Where the Company has accumulated losses, however, said losses shall be compensated first.

Decisions regarding the ratios of remuneration to employees, remuneration to directors, and regarding payment of employee compensation either in cash or in shares shall be duly resolved and approved with a majority vote at the board of directors meeting attended by directors who make up more than two-thirds of all directors and such a decision so resolved shall be reported to the shareholders' meeting.

The term "profitability of the current year" as set forth in the first paragraph denotes the profit before tax of the year before deduction of remuneration to employees and remuneration to directors.

If the Company has earnings upon the annual account settlement, an amount shall be first allocated for tax payments and for making up accumulated losses in accordance with

law. Then, 10% shall be set aside as legal reserve, provided that the legal reserve shall no longer be appropriated if the legal reserve reaches the total amount of the Company's paid-in capital. The balance shall be taken to set aside or to reverse the special reserve according to the regulation of the competent authority. The balance, if any, along with the accumulated unappropriated retained earnings from the prior year, shall be duly distributed to shareholders as proposed by the board of directors, and the proposal shall be duly submitted to and resolved by the shareholders' meeting.

The Company shall duly conform to the overall environment, the characteristics of industrial development, and the long-term financial plan of the Company to ensure sustainable development and stable business management. The Company's dividend policy is based on the Company's capital budget to measure annual capital needs. The Company shall retain the working capital required for financing before allocating the balance of the earnings for cash dividends and stock dividends. The allocation process is set forth below:

- I. Determine the optimal budget for capital.
 - II. Determine the amount of working capital required for said budget.
 - III. Determine the amount of retained earnings for the working capital.
 - IV. After determining an appropriate sum to be reserved to meet the needs for business operations, the balance of the earnings may be distributed to shareholders by means of dividends. The balance to be distributed shall not be less than 10% of the cumulative amount of distributable earnings in that year. The amount of cash dividend shall, nevertheless, not be less than 10% of the dividend to be distributed.
2. The situation of the distribution of shareholders' dividends proposed/(already) discussed for this year:

The Company has proposed to allocate NT\$54,646,728 for cash dividends to shareholders from the distributable earnings of 2021, with a cash dividend of NT\$2 per share. After this proposal is passed by the shareholders' meeting, it is proposed to authorize the chairman to set the ex-dividend record date and the date of distribution.

(VII) The impact of the stock dividends proposed by the shareholders' meeting on the Company's operating performance and earnings per share: N/A.

(VIII) Employee compensation and directors' remuneration

1. The percentage or scope of employee compensation and directors' remuneration as stated in the Company's Articles of Incorporation:

According to the Company's profitability of the current year, 1% to 10% of the earnings shall be appropriated as employee compensation. The remuneration to directors shall not exceed the maximum limit of 5%.

2. The basis of estimating the amount of employee compensation and directors' remuneration for the current period, the basis for calculating the quantity of stock dividends to be allocated, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure thereof:

After the end of the year, if there is a significant change in the amount to be distributed as resolved by the board of directors before the release of the consolidated financial statements, the change shall be adjusted to the original annual amount. If there is any change to the amount after the release of the consolidated financial statements, it will be handled as changes in accounting estimates, and adjusted and accounted for in the following year.

3. Information on distribution of bonuses resolved by the board of directors:
- (1) Employee compensation and directors' remuneration distributed in cash or stock:
The Company's proposal for 2021 employee compensation and directors' remuneration was passed by the board of directors on March 18, 2022. The director's remuneration is in the amount of NT\$4,860,000 while the employee compensation is in the amount of NT\$6,820,000, which do not differ from the estimated figures in the financial statements.
- (2) The ratio of the amount of employee compensation distributed in shares to the total net income after tax and employee compensation for the current period: N/A.
- (3) Imputed earnings per share for the proposed employee compensation and directors' remuneration: N/A.
4. The actual distribution of employee compensation and directors' remuneration in the prior year (including the number of shares distributed, amount, and share price), the difference between the actual distribution and the estimated figures, if any, as well as reason and treatment thereof:
- (1) The actual distribution of employee compensation and directors' remuneration in the prior year:

Unit: NTD thousand

	The amount approved by the board of directors	The amount approved by the shareholders' meeting	Number of shares	Share price
Employee compensation – cash	5,874	5,874	-	-
Directors' remuneration – cash	4,195	4,195	-	-
Total	10,069	10,069		

- (2) There is no difference between the actual distribution and the amounts recognized in the statements.

(IX) Repurchase of the Company's shares by the Company: N/A.

II. Issuance of Corporate Bonds: N/A.

III. Issuance of Preferred Shares: N/A.

IV. Issuance of Global Depository Receipts: N/A.

V. Issuance of Employee Stock Options and New Employee Restricted Shares: N/A.

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: N/A.

VII. Implementation of the Capital Utilization Plan:

- (I) Private placement of securities

The first private placement of new shares in 2019: Please refer to page 123 of this handbook.

- (II) Capital increase in cash

The first capital increase in cash in 2019 through issuance of new shares

1. Competent authority's approval date and document number: Taipei Exchange Letter Zheng-Gui-Shen-Zi No. 1080012084 dated November 11, 2019.
2. The total amount of the funds required for this plan: NT\$77,031,000.
3. Source of the funds: Issuance of 1,902,000 ordinary shares for cash capital increase, with a par value of NT\$10 per share and an issue price of NT\$42.6 per share. The total amount raised was NT\$82,342,000.
4. Progress of the plan and capital utilization: The capital increase in cash aimed to replenish the working capital, which was implemented in the fourth quarter of 2019 and announced as required.
5. Expected benefits: The funds raised through the capital increase in cash will be used to replenish the working capital in order to meet the needs for operating working capital for the growth of the operating scale in the future and increase long-term stable funds, strengthen the financial structure, and reduce operating risks, which will help improve the Company's operating competitiveness and mid- and long-term development in the future.
6. The revision of the plan, the sources and use of funds, the reason for the revision, the benefits before and after the revision, and the date when the revised plan is submitted to the shareholders' meeting: N/A.
7. Evaluation of actual benefits: The funds raised from the issue of new shares in this capital increase in cash are used to replenish the working capital. After the completion of this plan, the debt ratio in terms of financial structure has fallen from 53.44% in the third quarter of 2019 to 44.94% in the fourth quarter of 2019. In terms of solvency, the current ratio and quick ratio have increased from 171.34% and 150.15% in the third quarter of 2019 to 276.59% and 253.79% in the fourth quarter of 2019, respectively. The above-mentioned financing has improved the Company's financial structure and solvency compared to before the fundraising, which will be positively helpful to the Company's future expansion of the scale of operations and business development. This will also enhance the Company's market competitiveness and flexibility of fund movement. Therefore, the anticipated effect of this fundraising plan for replenishing the working capital has been demonstrated.

Five. Overview of Operations

I. Description of the Business

(I) Scope of business

1. Main businesses of the Company include:

We mainly provide IT services (ITS), business process services (BPS), and applications and services for AIoT innovation and development. ITTS's information service sales area ranges from the Greater China region to the Asia-Pacific region, and the industries involved range from the government and public sector, finance, manufacturing, high-tech, telecommunications, logistics to retail. Looking ahead to the future, ITTS plans to work with excellent partners to provide AIoT solutions, information security solutions, and cloud platform establishment and planning services to help enterprises jointly realize digital sustainability and adopt innovative technology applications, thereby creating competitive advantages for clients.

2. Weight of business of current main products:

Unit: NTD thousand

Year \ Product item	2020		2021	
	Net operating revenue	Weight (%)	Net operating revenue	Weight (%)
ITO services	784,695	64%	874,696	66%
BPO services	445,942	36%	450,930	34%
Total	1,230,637	100%	1,325,626	100%

3. Current products (services) and functions:

● ERP services

ITTS is the largest gold partner of SAP Taiwan, providing ERP life cycle management services, including business process planning, application software introduction, post-launch maintenance services (application software and systems), and SAP system management services, as well as establishment and planning services for future system upgrades or cloud migration.

ITTS has worked with more than 250 well-known customers in the Greater China region in industries from manufacturing and high-tech to retail, dozens of which are well-known publicly listed companies.

ITTS's customers have a high degree of loyalty, mainly because ITTS is an expert in the unique business processes of the manufacturing industry and very proficient in the operation of SAP, an international software tool, to help customers adjust their business processes to comply with the best practice in line with the international standards. ITTS also provides complete ERP life cycle management. By integrating smart mobile and big data cloud platforms, it has established first-line structured and unstructured data collection capabilities and integrated ERP business data to create the sources of value of business intelligent analyses for enterprises, to enhance customers' new competitiveness in the industry. Customers will have their competitive advantages strengthened because of the services provided by ITTS. Furthermore, after the ERP system is introduced and put into

operation, customers can hand over the subsequent maintenance to ITTS with peace of mind, and confirm ITTS's service quality through the service level agreement (SLA) and key performance indicators (KPIs) on a regular basis.

- Enterprise e-services

Provide Infra network design and maintenance services, application software (such as human resource management, office automation (OA) and warehouse management system (WMS)) development and maintenance services, and cloud platform planning and implementation services (such as Google Cloud Platform, Microsoft Azure SaaS services, and SAP cloud platform services), as well as information security planning and consulting services.

ITTS's enterprise e-services can assist the server rooms of multinational corporations across the Taiwan Strait in taking care of the maintenance and operations of human resources, machinery, and equipment so that customers can hand over the subsequent maintenance to ITTS with peace of mind, and confirm ITTS's service quality through the SLA and KPIs on a regular basis.

AIoT services

In response to the expected growth of IoT-related services in the next five years, ITTS is currently investing early and has already worked with several indicative customers in the application services of smart factories, smart logistics, and smart catering. For the above-mentioned smart services, ITTS also provides smart communication room, business intelligence, and predictive analysis services. Many indicative customers are adopting ITTS's smart services. For example:

- Smart catering application services

In 2011, when mobile commerce and social media were just emerging, ITTS first proposed a project to establish a smart store for MOS Burger to embrace social community through mobility in response to the Establishment of Smart Store in the Circulation Service Industry Point Project of the Department of Commerce. ITTS therefore assisted MOS Burger in applying both mobile commerce and social community technology to enhance its customer stickiness while increasing new customers. As a result, its number of customers increased by 5%, and the overall turnover grew by 8%.

- Smart logistics application services

ITTS has many years of experience in providing home delivery logistics services. In addition to integrating all information on people, vehicles, objects, and routes and building AI operation control centers, we help build AI warehousing and logistics centers for businesses by combining AI image recognition for storage locations, cloud computing, and wireless positioning, to provide functions such as AI image identification for storage locations, automatic route planning, real-time vehicle dispatch, and visualization of remaining storage space. With the automated, real-time, and smart AI logistics solutions, we help companies improve warehouse flow management efficiency and achieve energy efficiency and sustainability goals. It has been estimated that after the adoption of the solution, the average time of in and out

of warehouses will be reduced by 12% and that plants will reduce carbon emissions by more than 6,000 kilograms per year. Smart factory application services

As mentioned above, ITTS is experienced in serving the companies of the TECO Group to build smart factories, and is well versed in the unique business processes of the manufacturing industry, so it has developed its own-brand MES system. With an affordable and competitive price, ITTS has promoted it to the medical electronics assembly industry and global fastener and metal processing suppliers to help the industries gradually transform themselves into smart factories, and their output value and reduction of failure costs, such as rework rates, have been greatly improved.

Due to the restructuring of the global supply chain as a result of the pandemic, the complete supply chain management solution developed by ITTS covers the entire process, from price inquiry, quotations, procurement, production, warehousing to transportation, to help companies improve delivery rates, reduce inventory and costs, and improve management efficiency, and customer satisfaction.

We work with Advantech to jointly develop an overall equipment effectiveness (OEE) management solution, from which we have identified and improved the key factors affecting production efficiency to improve equipment performance through regular repair and maintenance. The app developed has also been integrated into Advantech's iFactory solution to create a digital operation center for the electrical engineering industry, and we strive to accelerate the industrial upgrade through the rapid promotion of a package deal. Through the alliance with Advantech, we can further expand our market through Advantech's team.

- Customer relationship management services

As a top three customer service center, ITTS provides inbound and outbound telemarketing, sales order, and membership services, as well as customer service center establishment consulting services and AI cloud customer service.

ITTS provides experienced customer service personnel with knowledge of each industry, customer service information equipment, and customer service venues to corporate clients, so that they can completely outsource the services of the customer service center to ITTS without any concerns, and confirm ITTS's service quality through the SLA and KPIs on a regular basis.

For example, ITTS took over the Samsung event inquiry service (customer service line). Through ITTS' high-quality reception team, strict quality control, patient response to inquiries, and extensive management and reception experience, it has successfully assisted Samsung in improving its operational performance and quality of customer service. Since this project was launched, it has successfully provided customers with excellent service quality, full-time control of personnel in this project, and effectively coordinated manpower and reduced costs.

- Postal information integration services

ITTS provides mail room process outsourcing services, from the management and control of the mail-in and -out processes to the postage accounting management; successful

examples include collaboration with an international bank (for more than 10 years with continuous trust in ITTS's service quality) and with high-quality domestic banks.

In addition, ITTS provides bill printing outsourcing services, which allows monitoring and managing of the entire process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients). The industries in which major corporate clients operate are as follows:

- Telecom and financial industries
Mainly providing billing, stock affairs, insurance policy printing and delivery services.
- Information and communication service industry
Payment notice and receipt printing and delivery services.
- Government agencies
Mainly providing payment (tax) bill printing and delivery services, successful examples include the Taipei City Health Insurance Bureau, Northern Taiwan Health Insurance Bureau, Southern Taiwan Health Insurance Bureau, Eastern Taiwan Health Insurance Bureau, Kaohsiung and Pingtung Health Insurance Bureau, Taipei Motor Vehicles Office, Northern Taiwan Motor Vehicles Office, Hsinchu Motor Vehicles Office, Kaohsiung City Motor Vehicles Office, and Kaohsiung Motor Vehicles Office, etc.
- Service industry
Mainly providing printing and delivery services for direct mail (DM), marketing, and publicity.

4. New products (services) planned for development:

The service models of cloud computing include Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Software as a Service (SaaS), Desktop as a Service (DaaS), etc. Of these, ITTS's greatest development potential and core competitiveness lies in SaaS.

ITTS's SaaS is divided into three layers of services:

- Platform services at the operation layer – emphasizing unified corporate processes
Providing ERP one-stop all-round services as the starting point, extending from the smart factory, factory warehouse management, order management, electronic receipt platform, smart customer service, to diversified meal ordering services.
- Business management layer – emphasizing the applications and services required for corporate management
Providing platform-based services, including customer business opportunity management, global travel and expense management, dealer inventory management, e-procurement management, and catering purchase, sale, and inventory management for corporate management.
- Corporate operation layer – emphasizing strategic operation analyses
With business smart platforms as the main services, providing various big data analysis capabilities, such as sales analysis, financial analysis, production analysis, and cloud coordination and control center services.

ITTS plans to develop and apply platform services across the three layers of operation, management, and corporate operation in the future, including:

- Application maintenance service (AMS) management platform

Providing services for customer problem requests, assignment, and tracking, inquiry about working hours, as well as management of knowledge regarding companies' project experiences and announcements

- Cloud AI smart customer service platform

Companies will not need to invest in personnel, machinery, and equipment. They can rent customer service units in number as needed and customer services provided by the customer service platform through PaaS in a flexible manner, and use it out-of-the-box, without being limited by hardware equipment. In addition to wireless equipment, existing smart customer service functions will be extended. By continuously training smart customer service response capabilities through AI analysis models and machine learning technology, it will provide more refined customized customer service response services to replace manpower.

- Supply chain management (SCM) platform – supplier e-procurement management (ePM) system

Developing a system that meets the requirements of companies' various procurement processes, and can conduct procurement plan sourcing management for several typical procurement process operations based on companies' and organizations' procurement requirements and systems:

1. Trend analysis (AI predictive algorithm)
2. Order management
3. Price inquiry management
4. Bid management
5. Supplier management
6. Supply management
7. Sign-off management

The highlight of this system is that it can provide corporate purchasers with predictions of the prices of raw materials in the next 90 days and analyze market price and purchase price trends, as well as confirm whether purchase prices are reasonable and assist purchasers in formulating purchase strategies. The predictive algorithm uses the long short-term memory (LSTM) model in the recurrent neural network (RNN) as the raw material price prediction model, which must include the factors that affect the prices of raw materials in the relevant data analyses. It will require the continuous collection of a great deal of relevant data to improve the accuracy of trend prediction through continuous training of the model. An application example is as follows: If you wish to predict the price of raw steel prices in the next 90 days, the factors that will affect the price of steel are: 1. iron ore price, 2. scrap steel price, 3. coal price, and there are influencing factors in each. The coal price will be affected by the oil price, so when the oil price rises, the coal price will also increase based on past experience.

- Supply chain management (SCM) platform – transportation system management (TSM) platform

It is rare to use a platform to count the quantity of the goods that can be loaded into a container upon shipment in the market. It is more common that such quantity can only be learned after a container is fully loaded. The highlight of this system is that it can be connected with the delivery note function of the ERP or WMS to obtain the volume and weight of the goods to be shipped and instantly count the quantity that can be loaded and provide the loading sequence, with the information on container weight distribution through a 3D diagram.

(II) Industry Overview

1. Industry status and development

Although the recurring pandemic outbreaks continue to affect the global industrial supply chain, national economies, driven by the incentives of various governments, are expected to continue to recover. Taiwan is relatively stable and benefits from the turbulent markets. With the continuous recovery of the global economy, the effect of more connected supply chains and clusters of investments in the local community gradually becomes clear. Overseas Taiwanese businesses have brought their investments back to Taiwan. With domestic and overseas businesses continuing to invest in Taiwan, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, estimates that Taiwan's economic growth rate will exceed 4%. In addition, the Taiwan Institute of Economic Research predicts that the domestic economic growth rate this year will be 4.10%, driven by domestic demand.

In terms of international economic forecasts, according to the 2022 U.S. economic growth rate forecasts released by four international forecasting agencies, the U.S. economic growth rate is about 3.5–4.1%, which is the second best performance after 2021 since 2005, so the economy remains relatively strong. The economic growth rate of the eurozone this year is about 3.7–4.2%, which is the second best performance after 2021 since the establishment of the eurozone, so the economy remains relatively strong. In terms of production and business activities in China's market, as the manufacturing industry is affected by production recovery and improved supplier delivery time, the latest forecast by IHS Market in February showed that China's economic growth rate in 2022 will be 5.33%. Of the recent international economic developments, Russia's invasion of Ukraine has resulted in rising tensions between Russia and Ukraine and worsened the short-term fluctuations in the global financial market, and the prices of international raw materials, gold, and food have soared, adding to inflationary pressures in the U.S. and Europe and the uncertainty of economic recovery.

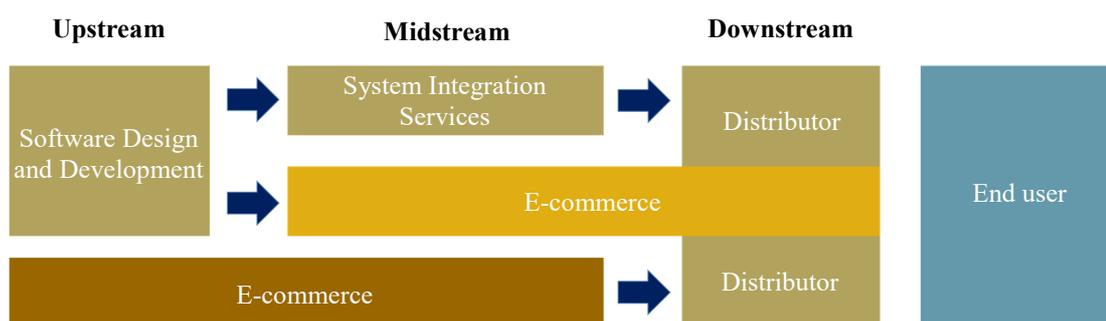
With the development of cloud computing, big data, machine learning, and AIoT, digital transformation in every sector has become an irreversible trend. As per a research report by TrendForce, it is estimated that the global smart manufacturing market is expected to reach US\$450 billion by 2025, with a compound annual growth rate (CAGR) of 10.5%. Meanwhile, as per Forbes, 5G and edge computing, extended reality (XR) and metaverse, industrial internet of things (IIoT), predictive maintenance, robotics and cobots, etc., will accelerate the transformation of manufacturing into Industry 4.0. As for the ICT and software industries, Market Intelligence & Consulting Institute (MIC), Institute for Information Industry, has released a future trend observation report that in the face of the trend of digital transformation,

businesses will invest more in information technology (IT). With the economic recovery, enterprises have begun to increase their investments in IT. The software and hardware have both grown significantly. As AI technology is becoming more developed, it may bring more opportunities for intelligent services and innovative business models. As enterprises are implementing anti-pandemic measures, anti-hacking has become more important. Enterprises are bound to change their original information security strategies and reinforce their information security resilience. In addition, the non-fungible token (NFT) craze will accelerate the development of the digital market. The 5+2 Key Innovative Industries policy implemented by the government aims to facilitate the development of six core industries, strengthen the independent and diverse key industrial technology application capabilities, and promote the adoption of smart technology in all industries, thereby facilitating the nation-wide industrial upgrade and transformation. It is estimated that an amount of NT\$7.6 billion will be invested to attract international companies in the fields of cloud, AI, and IoT to increase their investments in Taiwan, which is also expected to drive the growth of information service providers.

Building on the accumulated experience in and client base of the ERP services, ITTS will continue to provide ERP services to maintain its relations with existing clients while also providing emerging technologies and services. Targeting enterprises' needs for transformation, information security defense, and digital sustainability, ITTS, with more than 20 years of experience in information outsourcing services and business process outsourcing services, has not only developed new clients in existing fields, but also strengthened its strategic alliances with partners in different industries. We provide AIoT solutions, information security solutions, and cloud platform establishment and planning services to help companies jointly realize digital sustainability and adopt innovative technology applications.

2. Correlation between the upstream, midstream and downstream parts of the industry

The upstream, midstream, and downstream parts of the information service industry can be divided into application/system software design and development, system integration services, e-commerce, data processing services, distributors, etc. (as shown in the figure).



As ITTS is involved in application/system software design and development, system integration services, and data processing services, it spans the upstream and midstream parts of the industry.

Application/system software design and development companies are engaged in the business of application software in various fields; system integration service companies are responsible for the integration of hardware and software services and the provision of technical consulting services; e-commerce is a business transaction activity carried out using the Internet; data processing service companies provide services in the establishment of information for

databases, retrieval and analysis services, website hosting, and other relevant businesses; distributors are engaged in agency sales of various software products.

- Application/system software design and development companies

These companies develop specific application/system software mainly to meet customers' operational needs, including application/software developed for specific industries, such as finance, medical care, and distribution, or special application/software developed based on functions, such as business intelligence (BI), enterprise resource planning (ERP), customer relationship management (CRM), and information security.

- System integration service providers

Software and hardware are established according to customers' specific operational needs, and the services provided range from front-end planning, design, execution, overall project management, consulting services, and information system integration services. System integration service projects mostly include different platforms and technologies. For example, for the development of systems and customized applications as well as integration of existing application software, due to the high degree of customization of system integration, a contract must be signed for each project to define the specifications of each solution and the output performance of different layers, and the output of the final project is a complete system that meets the purpose and technological regulations as defined in the project contract.

- E-commerce

This refers to two parties conducting transaction activities and related services on computers through various networks. It is the digitization and networking of all links of traditional business activities. E-commerce includes order processing through the Internet, payment for goods made through the Internet, transmission of logistics information through the Internet, supply chain management, online marketing and transactions, business processing through the Internet, electronic data exchange, inventory management, automatic data collection systems, etc. At present, e-commerce has developed into three types of business models. First is to provide technology and platform to enterprises, called business-to-business (B2B) e-commerce services; the second type is to directly provide business services to consumers, which are carried out in online stores, called business-to-consumer (B2C) e-commerce services; the third is that buyers and sellers are individuals who conduct transactions through auction websites, and this model called consumer-to-consumer (C2C) e-commerce services. In B2B services, portal websites are used to provide a technical platform to store owners who do not operate online businesses. Store owners can use the technical platform to engage in online sales business, thereby saving software development and personnel costs. In B2C services, online stores operate their own platforms to provide general consumers with goods trading services. Online store owners need to operate their online platforms and the sales business at the same time, and they need to invest a relatively large amount of resources. C2C services allow buyers and sellers to conduct transactions through auction sites, which are intermediaries that facilitate transactions between the two parties and charge a small processing fee.

With the development of e-commerce, relevant cash flow services have also emerged. With the Act Governing Electronic Payment Institutions (third-party payment act) taking effect in May 2015, 2015 has become the “first year of mobile payments.” The current domestic mobile payment utilization rate exceeds 24%. The Financial Supervisory Commission (FSC) has also amended the information and security control measures for electronic payment institutions, which have been implemented since January 1, 2018. With the development of online credit deposit, collection and payment, account transfer, online and offline integrated payment services, as well as the scanning of QR codes of physical products using a mobile phone, the mobile phone has become a medium for payment, and third-party payment accounts have become the back-end cash flow. The integration of logistics and cash flow has also created a key emerging development business for software companies. The overall mobile payment industry has begun to develop in the direction of “cross-border, cross-device, cross-scenario, and virtual and physical integration.” Thus, the barriers for mobile payment have been gradually lifted.

- Data processing services

This refers to data backup and recovery, repeated data backup, and provision of website hosting services. Because a computer system is composed of many components, any component failure may cause data damage or loss, which will destroy data that has been created over a long time, and both natural disasters and man-made damage may cause the system to crash or fail. Therefore, data processing services are a necessary part of maintaining corporate information security, and the demand for information security promotes the opportunities for corporate information security solutions. In recent years, with the maturity of cloud technology and the long-distance business opportunities brought about by the pandemic, enterprises have gradually increased their awareness of and demand for cloud services. Data backup has become the most popular option either on premises, in the cloud, or through a database set up in the cloud.

- Distributors

Distributors provide the sale of packaged software, including business software, development software, office application software, etc., on behalf of domestic and foreign brand owners. They also provide customers with related software education and training to help customers and consumers use the software they sell.

Overall, there are thousands of computer system software service companies in Taiwan, which can be further subdivided into the software service industry, system integration service industry, and other system design service industry. Among them, the computer software service industry accounts for about 90%, in which system integration is the main business. In an age where software has gobbled up the world, all industries need software. Whether it's Internet innovation, game software, or mobile apps, considerable software service development is required. However, the software industry in Taiwan is small in scale, and it is difficult for many cross-domain integrations, including those of the electronics industry, medical care services, financial services, etc., to develop due to the small size of the market.

The international giant Microsoft established an AI R&D Center in Taiwan, focusing on AI technology research and industrial application development, including the three major aspects of the SwiftKey intelligent keyboard for Chinese characters, audience intent recognition, and AI vertical industrial applications, to focus on the vertical integration of the AI industry, as Taiwan's manufacturing industry is an industry on which the R&D center puts great emphasis. In addition, the upgrade of traditional industrial services in the future will also require software, but Taiwan's software talent is limited, and the government needs to actively promote the integration of software and hardware, guide the innovation of the software industry, and integrate the software industry with the hardware industry to leverage the existing advantages. Only then will Taiwan be able to form a considerable industrial scale.

3. Various product development trends

ITTS's main product currently lies in ERP integration planning services, and through the existing customer stickiness to the ERP services, it will assist corporate clients in developing the following services:

- Development of e-procurement services for suppliers
- Development of smart factory services, factory warehousing management services, and distributors' inventory management services for R&D, production, and distribution
- Development of travel expense management services, customer business opportunity management services, and catering purchase, sale, and inventory platform services for internal audit and control
- Development of order management services, electronic receipt platform services, intelligent customer service services, and diversified meal ordering services for end customers
- Development of various big data analysis services, such as sales analysis, financial analysis, production analysis, and cloud coordination and control center services for high-level decision-makers
- Information security consulting and planning services, including information security review, information security inspection, information security monitoring and troubleshooting, as well as information security protection services
- Cloud migration services and cloud services, such as application systems, system establishment, big data business intelligence in the cloud (cloud establishment), and providing self-developed products (such as cloud customer service or supplier management platform) in the form of SaaS and PaaS (equipment cloud) for subscription.

4. Competition

The status quo of Taiwan's information service and software industry shows a trend of competition and collaboration between local players and foreign companies. On the whole, this industry has laid a certain foundation. Companies in this regard have accumulated extensive experience and expertise in their own fields, and can accurately grasp and provide solutions that meet users' needs. However, the barriers to entry are not high, and companies are concentrated in a few niche markets, resulting in fierce competition.

Due to the impact of the pandemic, the acceleration of digital transformation has brought about new development opportunities for the information service industry. The ICT vertical industry chain is competitive while cooperative. The upstream and downstream suppliers are close technological and business partners with each other. Only through strategic alliances will the partnerships create maximum benefits.

(III) Technology and R&D overview

1. In terms of technology and R&D, in response to cloud and IoT services, ITTS's SaaS has the most potential for development and is also where its core competitiveness lies. ITTS's SaaS intelligent information service platform is divided into three layers of services, namely the operation management layer with an emphasis on the standardization of the processes of enterprises; the business management layer, which focuses on the applications and services required by the management of companies; and the corporate operation layer with a focus on strategic operation analysis.

ITTS plans to develop the following platform services in the future:

- Smart mail sending and receipt platform services
Put the internal and external mail sending and receipt process onto a platform for enterprises. With an RFID reader embedded in envelopes, a large amount of internal mail can be sensed and distributed at a time.
- Digital data processing platform services
Digitize the forms or large images in the business processes inside and outside enterprises, and provide keyword quick search, access, and download services on a single platform.
- AI smart customer service platform services
Companies will not need to invest in personnel, machinery, and equipment. They can rent customer service units in number as needed and customer services provided by the customer service platform through PaaS in a flexible manner, and use it out-of-the-box. Also, by continuously training smart customer service response capabilities through AI analysis models and machine learning technology, ITTS will provide more refined customized customer service response services.
- ERP and AMS self-service management platform services
Provide customer service, knowledge management, news announcements, and other functions.
- Supply chain management platform (SCM) – supplier delivery management system (DMS)
The Company's delivery management system (DMS) for supplier delivery management is an independent enterprise management system developed by the Company. Its main functions are to regulate the procurement of central plants and their raw material suppliers, simplify the business processes, reduce the proportion of overdue deliveries from suppliers, and improve procurement efficiency.
The system has a unique built-in face recognition function which is mostly used in attendance and access control systems, and seldom used in business management-related systems, and management-related systems can improve the following problems through

such non-contact biometric solutions:

- (1) Because users are required to wear gloves in the work environment on the customer's end, logging in through face recognition can address the inconvenience of entering the accounts and passwords to log in to the DMS with the gloves on.
- (2) Logging in through face recognition can also address the inconvenience that customers need to enter the account and password on the small screen when logging in to the DMS using mobile phones.
- (3) Logging in through face recognition can improve the problem that one account is used by multiple users, better track the operation records of each user, and clarify relevant rights and responsibilities.

2. R&D personnel and their education and experience

Unit: person

Academic qualifications		2020		2021		March 31, 2022	
		Number of people	%	Number of people	%	Number of people	%
Academic degree distribution	Doctoral Degree	-	-	-	-	-	-
	Master's Degree	2	18.2%	3	30%	3	30%
	Bachelor's Degree	8	72.7%	6	60%	6	60%
	Below Bachelor's Degree	1	9.1%	1	10%	1	10%
	Total	11	100%	10	100%	10	100%
Average service length (years)		4.3		5.3		5.6	

3. R&D expenses invested each year in the past five years

Unit: NTD thousand

Item/Year	2017	2018	2019	2020	2021
R&D expenses	-	1,610	6,815	6,525	8,832
Net operating revenue	1,124,667	1,217,463	1,227,636	1,230,637	1,325,626
Ratio of R&D expenses to net operating revenue (%)	-	0.13	0.56	0.53	0.67

Note: The Company has split up a dedicated R&D department since 2018

4. Technologies or products successfully developed in the last five years

Year	R&D outcomes	Description of main benefits
2015	Application of cloud and big data technology in Taiwan Pelican Express's home delivery communication center	Planned and realized overall solutions for vehicle control centers, providing vehicle dispatching and customer services <ul style="list-style-type: none"> ➤ Real-time vehicle team monitoring ➤ Vehicle dispatch management ➤ Delivery status tracking
2016	-	-
2017	Energy-saving smart indoor air quality IoT monitoring service plan	<ul style="list-style-type: none"> ➤ 2017 WCIT exhibition with more than 1,000 visitors ➤ This service platform won the 14th National Innovation Awards ➤ The platform is interfaced with the More platform of the Institute for Information

Year	R&D outcomes	Description of main benefits
		<p>Industry via Open API to provide innovative data analysis services</p> <ul style="list-style-type: none"> ➤ Invited to build an energy-saving indoor air quality monitoring system in an elderly residential community in Zhongshan District, Taipei City ➤ Implemented a project for 22 air conditioners at Jiuli Hotel with more than 13% of electricity saved ➤ The air quality in the registration area, the dispensary area and waiting room at Taipei City Hospital Renai met the requirements
2018	Electronic invoice value-added center services	<ul style="list-style-type: none"> ➤ Real-time and accurate data concatenation and upload ➤ Compliance adjustment and simultaneous update of the cloud ➤ Customization of invoice column, flexibly unlimited ➤ Training consulting services to safeguard customers' rights
2019	Smart cloud maintenance and repair services	<ul style="list-style-type: none"> ➤ Health prediction and preventive maintenance and repair warnings are activated through IoT and AI technology ➤ Smart dispatching cloud with the matching function triggered automatically allows maintenance and repair personnel to receive orders at once ➤ Maintenance and repair history data analysis can provide immediate feedback to rectify predictive analysis models ➤ Proactive preventive maintenance and repair to effectively enhance customer experience
2019	Smart warehouse management system	<ul style="list-style-type: none"> ➤ Through a highly flexible system architecture, storage location planning, work-in-process control, mobile management, and other functions, transparent, real-time, and information-based smart warehouse management is realized. ➤ Reduced inventory obsolescence rate ➤ Increased warehouse turnover rate ➤ Synchronize data in real time (synchronized with SAP) ➤ Improved utilization of storage space
2019	Smart manufacturing and execution system for the electromechanical industry	<ul style="list-style-type: none"> ➤ Various management modules can be purchased flexibly according to enterprises' needs ➤ From the operational technology (OT) layer to the IT layer, production machine information is quickly retrieved, compiled, and sent to systems ➤ Provide the analytical capabilities required for real-time manufacturing, perfectly linking equipment, people, operations, and supply chains ➤ Solve the production management problems of people, machines, materials, methods, environment, and measurement

Year	R&D outcomes	Description of main benefits
		in a single instance
2020	Supply chain management platform (SCM) – supplier delivery management system (DMS)	<ul style="list-style-type: none"> ➤ Provide a collaborative platform, allow the central plants and suppliers to work on purchase orders in this management platform ➤ Information is more transparent, communication is smoother, and delivery is more accurate ➤ Through the integration of purchase orders on the SAP system, suppliers can begin operations on this platform according to the workflow
2021	Supply chain management platform (SCM) – supplier e-procurement management (ePM) system	<ul style="list-style-type: none"> ➤ AI predictive analysis of price trends in the raw material market ➤ Supplier evaluation management ➤ Traceability of historical records of invitations to bid ➤ Purchase requisition without Part No. in cooperation with the design unit ➤ Automatic price setting and inquiry of a system for materials with large price fluctuations

(IV) Long- and short-term business development plans

1. Short-term business development plan

In the future, smart and digital transformation will be the overall development trend of enterprises. 2019 was a year in which the development of AI thrived with a greater focus on the application of machine learning in various fields. In 2020, ITTS adopted the increase in revenue and net profit as its top priority. Therefore, ITTS not only continued to develop new customers, but also actively transformed to a new business model by shifting from project-based to platform-based services in order to create stable and continuous performance and revenue.

In addition to continuing its original service areas and striving to grow, ITTS will expand into the innovative IoT-related fields of smart factories, AI, smart logistics, smart customer service, and smart catering, while developing cloud applications and providing professional information security solutions and consulting services.

1. New operating models: Provide smart cloud platform solutions and adopt subscription-based services, including:
 - Expand RISE with SAP ERP cloud services (SAP comprehensive business transformation solution)
 - Provide our own supply chain management (SCM) system and a cloud MES market SaaS solution on a monthly rental basis
 - Provide information security and AI customer service SaaS solutions on a monthly rental basis
2. New products or new services: Act as an agent or form alliances for cloud and information security/AI products to provide cloud establishment and security protection services, including:
 - Act as an agent to sell Google products and provide Google Cloud Platform (GCP) solutions
 - Form alliances with automation manufacturers to develop smart medical business opportunities

- Act as an agent for AI-based facial recognition systems to create business opportunities arising from people flows, access control, and occupational safety
3. New markets: Act as an agent for AI-based facial recognition systems to create business opportunities arising from people flows, access control, and occupational safety, including:
 - Expand GCP solutions to existing e-commerce and ERP clients
 - Enter the customer service and information service markets in Southeast Asia
 - Expand ERP into the auto parts businesses in the southern industrial parks
 4. R&D: Combine industry–academia–research resources to develop our own product cloud solutions, including:
 - Research and develop production line (metal or electromechanical) AI image recognition solutions
 - Research and develop procurement cost AI prediction module solutions
 - Strengthen SCM, MES, warehouse management solution (WMS) core module solutions
 - Establish our own product cloud market/public cloud SaaS solutions
 - Develop order placing solutions with a digital output function
2. Long-term business development plan

With the rise of emerging technologies, such as IoT and AI, ITTS has developed innovative applications, including smart manufacturing, smart logistics, and smart catering solutions in response to these emerging technologies, and has successfully helped customers launch systems, which has helped develop the reputation of ITTS.

In terms of services, ITTS already possesses interdisciplinary experience in technological services and integration capacity, and currently continues to enhance professional service capacity for emerging technology applications. It also forms alliances with outstanding global partners to expand sales from Greater China and the Asia-Pacific region to the world, to increase the reach of its leading technological services and in turn create competitive advantages for customers. The industries ITTS's customers are from range from the government and public sector, finance, manufacturing, high-tech, telecommunications, and logistics to retail.

Looking ahead to the next 5 to 10 years, ITTS will continue to develop innovative applications and services related to IoT, AI, and cloud applications from the perspectives of new business models, new products or services, new markets, and R&D, to create competitive advantages for customers and investment value for shareholders.

II. Market and sales overview

(I) Market analysis

1. Sales regions for the main products

Unit: NTD thousand; %

Region of sale \ Year		2020		2021	
		Amount	Percentage (%)	Amount	Percentage (%)
Domestic sale		1,096,977	89.14	1,186,821	89.53
Export	Asia	77,679	6.31	83,569	6.30
	Europe	10,615	0.86	10,279	0.78
	Americas	34,614	2.81	33,358	2.52
	Other regions	10,752	0.88	11,599	0.87
	Subtotal	133,660	10.86	138,805	10.47
Total		1,230,637	100.00	1,325,626	100.00

Note: Other regions include Africa and Oceania.

2. Market share

The Company is a professional information service provider. It mainly provides IT process and business process services. It has developed the market for many years and its turnover has grown year by year. In terms of market share, as there are many service providers in the market, the scope of business is different. There are currently no effective statistics, so there is no fair and objective market share data. The industries in which ITTS's successful examples of customers operate are as follows:



3. Demand and supply conditions for the market in the future

The acceleration of digital transformation has ushered in the new era of “Digital First”, which has expanded the influence of digital technologies on the production and consumption of goods and services. IDC estimated that, in 2023, more than 52% of global GDP will be generated from digital transformation and investment in digital technologies and that at least 65% of GDP in the Asia Pacific region will be contributed by digital technologies. In addition, due to the impact of the pandemic, enterprises are accelerating the progress of their digital transformation initiatives to move more of their services and applications to the cloud, which has also caused ubiquitous threats to information security. With the global concern for corporate

sustainability issues, more enterprises are investing in digital technology to realize environmental sustainability, and new services provided are gradually moving toward a sustainability-as-a-service (SaaS) model that offers a win-win outcome in terms of technological innovation and low-carbon economy.

Affected by COVID-19, more than 1 billion people around the world have worked from home. According to a study conducted by the Industrial Economics and Knowledge Center, Industrial Technology Research Institute, the post-pandemic new normal has led to more new business opportunities. In the next four years, 30% of job opportunities will be provided remotely or in a hybrid manner. Meanwhile, 40% of physical business experiences or activities will be replaced by virtual experiences. In other words, many technologies and business models will be produced.

To sum up, the development of new technologies and the influence of the pandemic have accelerated the urgent market demand for digital transformation by 10 years, and the trend will not stop even after the pandemic. International organizations also estimate that it will create business opportunities of more than US\$800 billion by 2025 at least in the Asia-Pacific region.

4. Competitive niche

At present, information service companies engaging in business similar to ITTS include Systex Corporation, Wistron ITS, ARES International Corp., and Sysage Technology Co., Ltd. Each of these companies has different operating outcomes based on its own technology, business philosophy, and product characteristics. ITTS focuses on product quality, product certification, technological services, and product innovation, with a competitive advantage over its competitors.

- Key technology or service model

- ERP services

ERP is an enterprise resource planning system that uploads and integrates a company's accounting, manufacturing, purchase, sales, and inventory data to achieve better operational planning for the company. ITTS is well versed in the business processes in the manufacturing industry and is familiar with SAP series software. It assists customers in adjusting to international best practices and provides complete ERP life cycle management. Indicative customers include Delta, TECO, Chimei Corporation, TSRC Corporation, and Innolux Corporation.

- **Compared with NTT, SAP, and other large agencies, ITTS is the only provider that can provide remote data backup and historical data archiving services at the same time**

- Enterprise e-services

ITTS provides Infra network design and maintenance services, application software (such as human resource management, office automation (OA) and warehouse management system (WMS)) development and maintenance services, and cloud platform services (such as Microsoft Azure SaaS services, and SAP cloud platform services).

- Application software development and customized services:

- ITTS plans and provides storage space allocation planning, work-in-process control, and mobile management, and other functions to realize transparent, real-time, and information-based smart warehouse management for customers

in the manufacturing industry. An indicative customer is client is TECO-Westinghouse Motor Company.

■ **Integrate smart glasses to develop exclusive smart warehouse applications and remote maintenance and repair services**

Information technology infrastructure library (ITIL) information security and network certification training outsourcing services: ITTS has created some achievements in the operating process of national defense systems, and one U.S. contractor has outsourced its client's internal ITIL operating process to ITTS for nine consecutive years. Meanwhile, we were commissioned by another U.S. contractor for information security and cyber training in 2020.

➤ Customer service center outsourcing services

■ Telephone customer service outsourcing: Provide professional telephone customer service personnel and equipment to assist in handling consumer services related to corporate clients' products. Indicative customers include Samsung Electronics, 3M Enterprise Ltd., and the Ministry of Health and Welfare.

■ Physical customer service outsourcing: Provide professional service personnel consulting and physical customer service outsourcing services, which are deeply favored and trusted by shopping malls. Indicative well-known customers include E-DA Theme Park, Mitsui Outlet Park, and Dream Mall for the establishment and training of shopping mall customer service teams. Among them, Dream Mall has outsourced its customer service for 11 years.

➤ Representative awards

■ **Ranked first in the reception service of shopping malls in Taiwan by Global Views Monthly**

■ **Rated "very satisfied" with the Department Store Customer Service in the Dream Mall Mystery Shopper Evaluation**

➤ Postal information integration services

■ Mail room process outsourcing services: From the management and control of the mail-in and -out process, postage accounting management, to bill printing outsourcing service, ITTS has developed an **exclusive mail sending and receipt network technology application system** to assist in managing postage, the delivery process of physical mail, etc., using the system. ITTS is **the only provider in Taiwan that can provide both manpower and systems for postal outsourcing**. Indicative customers include a foreign bank (for more than 10 years) and high-quality domestic banks.

■ Bill printing outsourcing services: ITTS can monitor and manage the entire outsourcing process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients). Indicative customers are from various industries, such as the telecommunications and financial industry, information and communications service industry, government agencies (local motor vehicle offices across Taiwan).

➤ Applications and services for IoT innovation and development

■ Smart logistics application services:

applications and services related to IoT and AI from the perspectives of new business models, new products or services, new markets, and R&D while extending the sales to Greater China, the Asia-Pacific region, and the world through innovative technologies and services.

- Brand distribution channel development

- ITTS positions itself as an AI platform service provider, with the mission of assisting enterprises in digital transformation through its AIoT, cloud platform, business innovation e-service. Meanwhile, it provides industry-specific solutions and services in manufacturing, catering & retail distribution, logistics and transportation, and telecommunications and finance in the select markets of Greater China, the U.S., Japan, and Southeast Asia.

- Strive to thrive during the development period – enhance the foundation and extend the reach with its parent group as the springboard

ITTS is one of TECO's investees; in 1999, TECO separated its IT department, and ITTS signed an information service outsourcing contract with its parent group TECO. ITTS mainly provides information technology service (ITS) and business process service (BPS). ITS includes ERP integration planning and corporate information projects, while BPS includes customer relationship management and postal data integration. ITTS has grown rapidly under the TECO Group. After becoming well versed in the catering, manufacturing, and logistics industry processes, with the take-off of cloud technology, ITTS has worked to develop innovative AIoT services, and the large business body of the TECO Group can help ITTS accumulate a great deal of practical experience in project services.

- Strengthen the business during the stable development period – develop a reputation and build an image of professional consultant in manufacturing

Owing to the advantage of starting out in the field of manufacturing, ITTS has the opportunity for long-term collaboration with the manufacturing industry. It has also made ITTS the only information services provider in the industry focusing on electromechanical, automotive components, and manufacturing industries. Benefiting from the huge demand for smart manufacturing in Industry 4.0, optimizing the production process for the manufacturing industry will create an irreplaceable advantage for ITTS.

In addition to continuing to strengthen the relationship with target customers through services, ITTS interacts with customers through sharing information on the development of technology, successful case introduction, and seminars on the latest trends to grow together.

- Expand business during the take-off period – collaborate with original equipment manufacturers and media to increase the reputation of the brand

In addition to maintaining interactions with customers, ITTS has maintained good relations with original equipment manufacturers, and works with original manufacturers (such as Cisco, Dell, and the original ERP manufacturer SAP) to enter markets together while interacting with potential customers across different fields by participating in large events organized by original manufacturers (such as the annual SAP Forum organized by SAP).

In addition, ITTS has actively established relationships with the media after being listed on the Taipei Exchange, and regularly provides press releases to give

information on its solutions to investors and to reach potential customers. Since the first half of 2021, it has published more than 400 news reports. The information includes smart manufacturing solutions, partnership with the GCP, exhibitions and seminars, and other media exposure, as well as the publication of successful cases and professional technology development news and IoT solutions, to quickly shape a corporate image of being a consultant and expert with stable business.

The Company also sponsors mainstream media (e.g. the Digitimes) that is readily accessible to target customers, and co-organizes events with the media (such as the Smart Factory Forum) to reach out to potential new customers.

5. Favorable, unfavorable factors for the development vision and countermeasures

- Favorable conditions
 - With the rise of new platform economy, big data, AI blockchain, Industrial Internet of Things, etc., application system development and services have become the focus. ITTS has the capabilities in application system development and services.
 - The proportion of profit from the global and Taiwan platform services continues to rise, and ITTS has platform operation experience.
 - The ERP market continues to grow in Taiwan, and there is a great deal of demand for the introduction of the system for automotive components.
 - Industry 4.0 drives the demand for MES and ERP.
 - Affected by the pandemic, companies' production capacity decreased due to the suspension of work, which has facilitated a gradual increase in the demand for IoT.
- Unfavorable conditions
 - Increase in basic wages leads to an increase in personnel expenses
Countermeasures: Review the technical structure of personnel to strengthen the use of manpower and carry out cost control
 - Difficulties in recruiting talent
Countermeasures: Improve the Company's brand image and visibility through industry-academia collaboration with domestic universities or through social platforms and media to attract talent.
 - Insufficient visibility in the international market
Countermeasures: Engage in mergers and acquisitions or add new operating bases overseas, to increase collaboration with international companies so as to increase visibility.

(II) Important uses and production processes of main products

1. Important uses of main products:

Product category	Main use and function
ERP services	Provide ERP life cycle management services, including business process planning, application software introduction, post-launch maintenance services (application software and systems), and SAP system management services.

Product category	Main use and function
Enterprise e-services	Provide Infra network design and maintenance services, application software (such as human resource management, office automation (OA) and warehouse management system (WMS)) development and maintenance services, and cloud platform services (such as GCP, Microsoft Azure SaaS services, and SAP cloud platform services).
AIoT services	Provide application services for smart catering, smart logistics, and smart factories. Provide business intelligence, smart communication room, and predictive analysis services at the same time for said smart services.
Customer relationship management services	Integrate smart cloud customer service to introduce automatic repair reporting service robots; provide customer service center establishment consulting services, customer service system establishment planning, MS D365 CRM introduction services, inbound and outbound telemarketing services, sales order services, and membership services, etc.
Postal information integration services	<ul style="list-style-type: none"> ● Mail room process outsourcing services: From the management and control of the mail-in and -out process to postage accounting management ● Bill printing outsourcing services: Monitor and manage the entire process (from data processing, typesetting, printing and sealing, customized marketing to bill delivery to end customers of corporate clients).

2. Production process: Classification is conducted according to different products, and the production process is briefly described as follows.

The outsourcing services provided by ITTS are mainly divided into the following three production processes:



Consultancy services



From the perspective of business operations, ITTS provides professional ITO or BPO consulting services.



Introduction services



Through the introduction of international standards, ITTS customizes professional introduction services for enterprises.



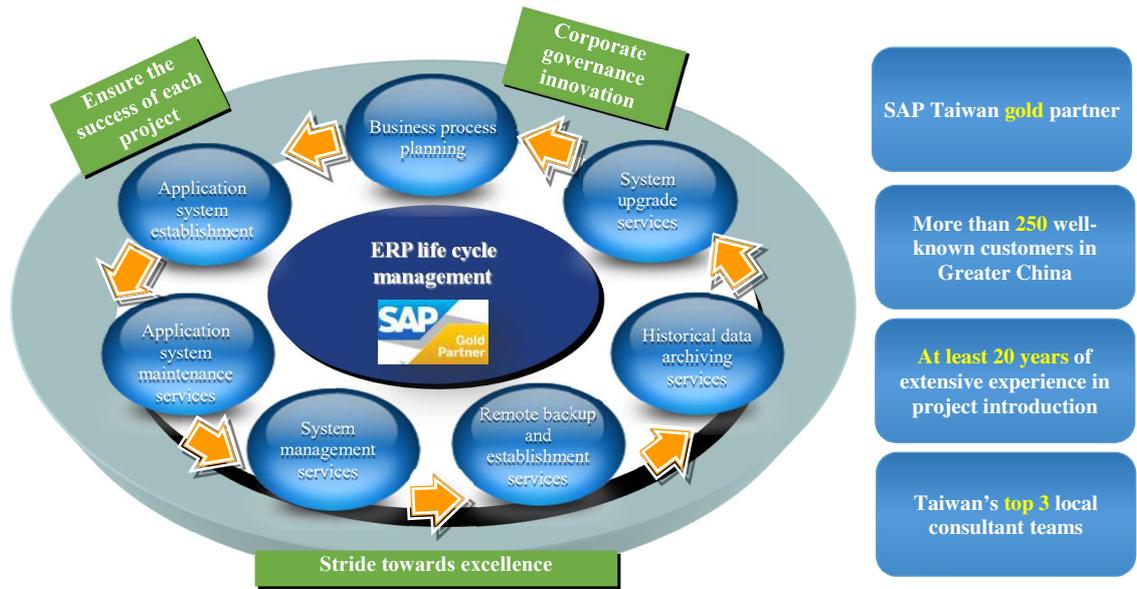
Operation services



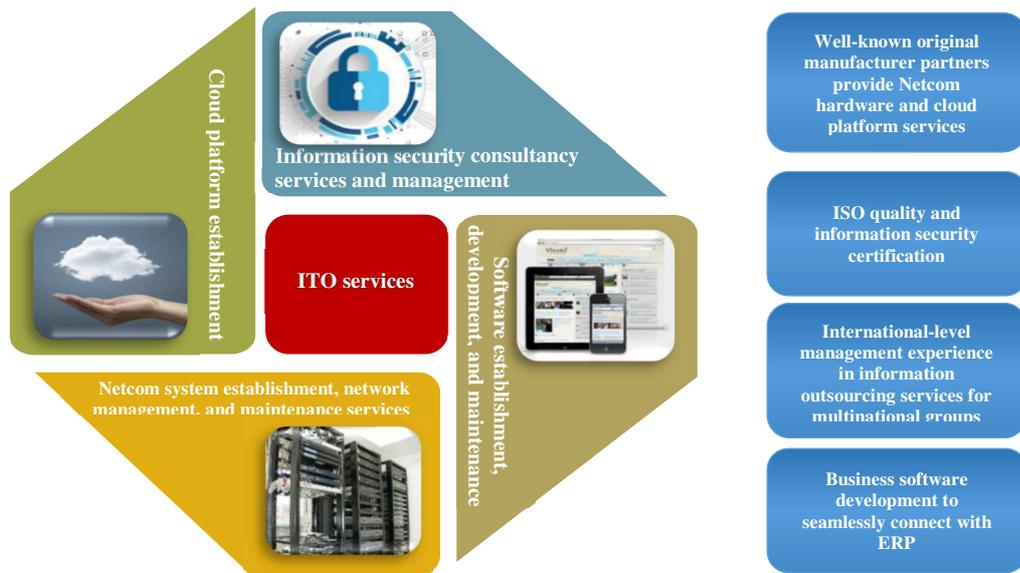
In addition to assisting companies to effectively introduce and launch projects, ITTS provides professional and considerate after-sales service to companies, so that they will have no concerns about the subsequent problems in the future.

The following is a description of each product line:

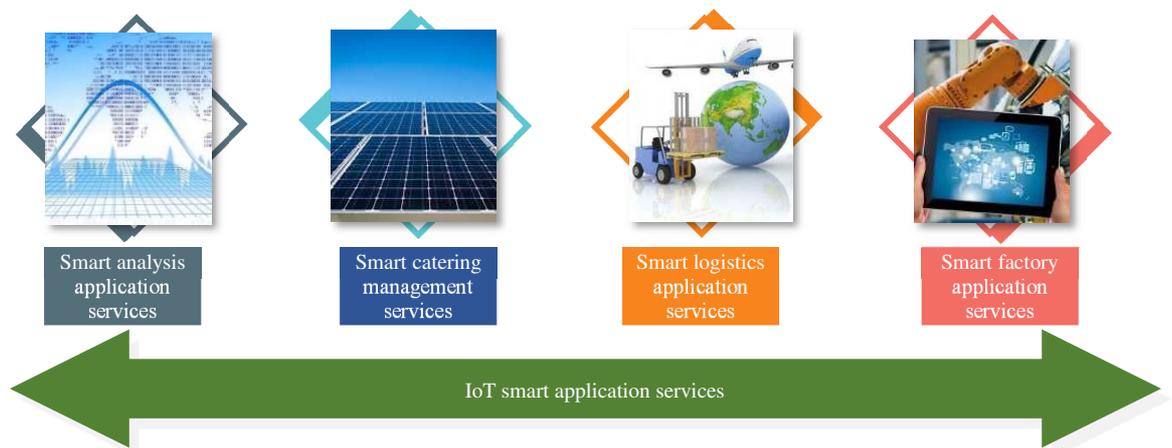
- ERP services



- Enterprise e-services



- AIoT services

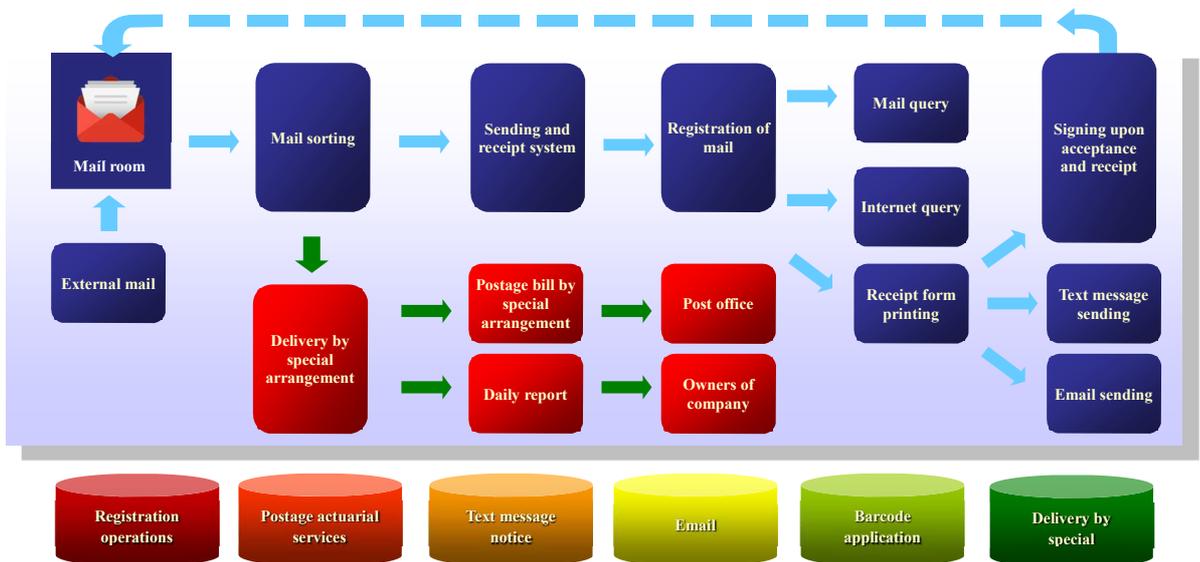


- Customer relationship management services



- Postal information integration services – mail room process outsourcing services

The only provider in Taiwan that can provide physical manpower and postal system outsourcing services at the same time for the mail room



- Postal information integration services – bill printing outsourcing services



Safeguard the security of customers' documents

3. Supply status of main materials

Main materials	Supplier	Supply status
Software purchase	SAP Taiwan Co., Ltd.	Excellent
Hardware purchase	Tatung System Technologies Inc.	Excellent
Material purchase	Yuen Foong Paper Co., Ltd.	Excellent

4. The name of each customer that has accounted for more than 10% of the total purchases (sales) in any of the last two years, the purchase (sale) amount and percentage, and the reasons for increase or decrease:

(1) Major supplier

Unit: NTD thousand

Item	2020				2021			
	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of total annual net purchases (%)	Relationship with the issuer
1	Supplier A	253,111	31.90%	Non-related party	Supplier A	233,935	29.30%	Non-related party
	Others	540,386	68.10%		Others	564,598	70.70%	
	Net purchase amount	793,497	100.0%		Net purchase amount	798,533	100.0%	

Reasons for increase or decrease: The Company's changes in the amount of purchases from the above-mentioned suppliers are mainly due to changes in customers' products and the market demand, and the changes are reasonable.

(2) Major customer

Unit: NTD thousand

Item	2020				2021			
	Name	Amount	Percentage of total annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of total annual net sales (%)	Relationship with the issuer
1	TECO Electric & Machinery Co., Ltd.	144,942	11.78%	Parent company	TECO Electric & Machinery Co., Ltd.	164,135	12.38%	Parent company
	Others	1,085,695	88.22%		Others	1,161,491	87.62%	
	Net sales	1,230,637	100%		Net sales	1,325,626	100%	

Reasons for increase or decrease: The changes in the sales to the Group's customers are mainly based on the increase or decrease due to different projects undertaken, and the changes are still reasonable.

5. Production value table for the last two years

Unit: Page/Piece; NTD thousand

Production value Main products (or segments)	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
ITO services		Not applicable for non-manufacturing industry		647,701	Not applicable for non-manufacturing industry		711,354
Customer relationship management		Not applicable for non-manufacturing industry		236,048	Not applicable for non-manufacturing industry		179,641
Postal information integration		149,200	74,600	182,421	149,200	70,900	242,331
Total		149,200	74,600	1,066,170	149,200	70,900	1,133,326

Note: Due to the nature of the business, quantity cannot be used as the unit for calculation.

6. Sales value table for the last two years

Unit: Page/Piece; NTD thousand

Sales value Main products (or segments)	Year	2020				2021			
		Domestic sale		Export		Domestic sale		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
ITO services		Note	651,035	Note	133,660	Note	735,890	Note	138,805
Customer relationship management		Note	262,592	Note	-	Note	203,897	Note	-
Postal information integration		74,600	183,350	-	-	70,900	247,034	-	-
Total		74,600	1,096,977	-	133,660	70,900	1,186,821	-	138,805

Note: Due to the nature of the business, quantity cannot be used as the unit for calculation.

III. Employees

Year		2020	2021	March 31, 2022
Number of employees	Managers	13	13	13
	General employees	314	321	318
	Production line employees	20	23	22
	Total	347	357	353
Average age		38.3	38.4	38
Average service length (year)		5.63	5.8	5.8
Academic degree distribution (%)	Doctoral Degree	0.3%		0.3%
	Master's Degree	13.3%	12.9%	13%
	Associate Degree	74.3%	76.4%	75.9%
	Senior High School	12.1%	10.4%	10.5%
	Below Senior High School	-	0.3%	0.3%

IV. Information on Environmental Expenditure

In the most recent year and as of the publication date of the prospectus, where the Company has suffered losses due to environmental pollution, disclose the estimated amount that has been incurred at present and may be incurred in the future and countermeasures: N/A.

V. Labor–Management Relations

(I) Specify the Company’s various employee benefit measures, continuing education and training, pension systems and the implementation, as well as the labor–management agreements and various measures for protecting employees’ rights and the interests

1. Employee benefit measures and implementation

The Company’s various benefit measures are provided in accordance with the Labor Standards Act, Labor Insurance Act, National Health Insurance Act, and other relevant laws and regulations. The Company’s leave policy is superior to the provisions of the Labor Standards Act, and employees are insured by group insurance, and the coverage includes accident insurance, accident medical insurance, hospitalization medical insurance, and occupational accident insurance, and regular free health examinations. In order to improve employees’ welfare, the Employee Welfare Committee has been established to coordinate all employee welfare matters, including allowances for marriage, funerals, hospitalization, childbirth, employee travel, etc., and to organize various events from time to time to take care of employees’ lives.

2. Employees’ continuing education and training

The Company’s employee education and training measures aim to train the professional knowledge and skills for employees so that they can perform their functions, increase work efficiency, and ensure work quality in order to achieve the Company’s goal of sustainable operation and development. The Company provides diverse training courses and a variety of professional on-the-job education and training, including new employee orientation, on-the-job training courses, labor safety and health education and training, professional courses, and various job-related expatriate training courses to enhance employees’ professional capabilities and core competitiveness while strengthening their complete training and continuing education channels.

3. Pension system and implementation

- (1) For employees who are subject to the provisions of the Labor Standards Act, the Company has settled the labor pension reserve account in 2017.
- (2) For employees who are subject to the provisions of the Labor Pension Act, the Company contributes 6% of each employee’s salary to the individual pension account on a monthly basis.
- (3) In addition, subsidiaries contribute the relevant retirement benefits in accordance with the laws and regulations of the countries where they are located and recognize them as an expense for the current year.

4. Labor–management agreement

The Company’s various regulations are based on the Labor Standards Act. The Company attaches great importance to employees’ opinions, and communicates with employees in a two-way and open manner. The internal communication channels are smooth so as to maintain a positive and harmonious interaction between labor and management.

5. Protection measures for employees’ rights and interests

The Company has established comprehensive regulations to protect employees' rights and interests, and regularly reviews and upgrades various benefit measures to ensure the complete protection of their rights and interests.

(II) In the most recent year and as of the publication date of the prospectus, where the Company has suffered losses due to labor disputes, disclose the estimated amount that has been incurred at present and may be incurred in the future and countermeasures: N/A.

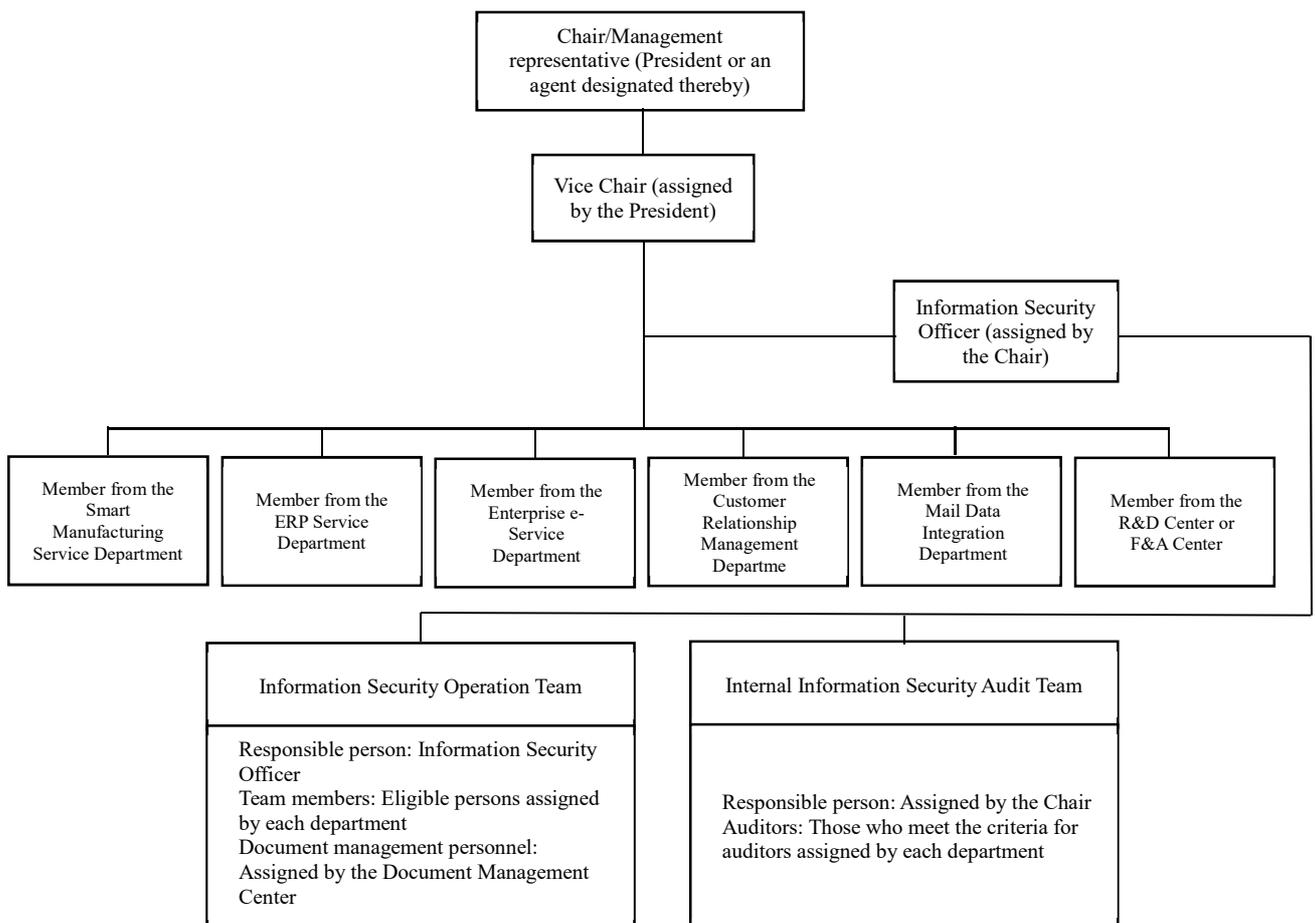
VI. Information and Communication Security Management

(I) Information and communication management strategy and structure

i. Information and communication management organization

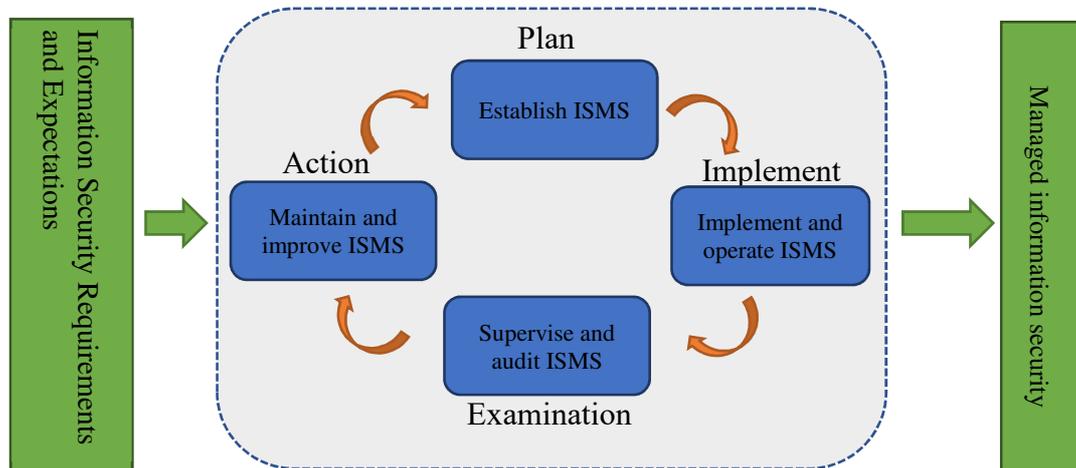
To maintain the effective implementation of the information security management system, the Company has established an Information Security Committee which includes the Information Security Operation Team, Internal Information Security Audit Team and Personal Data Protection Executive Team. The Committee should review relevant policies and audit the implementation at least once a year, and report the performance of Information Security Committee to the top management.

Organizational structure of the Information Security Committee:



ii. Information security governance framework

In order to maintain the sustainable operation of the company's business and strengthen information security management, the company's information security management system (ISMS) passed the ISO27001 international standard certification in 2009, and every year was verified by a fair third party to ensure the confidentiality, integrity and availability of information. In addition, it enhances the reliability of equipment and network systems. as well as colleagues' awareness of information security, so as to effectively and reasonably reduce corporate operational risks.



iii. Information security management plan

To avoid the occurrence of improper use, leakage, tampering, and destruction of information due to factors such as human negligence, intentional or natural disasters, which may bring possible risks and harm to the company, the specific management plan are as follows:

(1) Network Security

Continuously update equipments, firewall settings, intrusion prevention settings, and web reputation ratings, etc., and import network detection applications to perform packet skimming. Scan emails for viruses and block spam.

(2) Endpoint Protection

Antivirus software is installed on each endpoint device, which can block malicious virus intrusion immediately. For those who need to work remotely, install SSL VPN tools to strengthen the security.

(3) System management

The system should have sufficient authority management. New employees or authority changes should be set according to the access control management procedures. Resigned employees should be immediately locked, stopped or removed accounts and authority to prevent unauthorized use.

(4) Supply chain information security

Suppliers need to cooperate with the company's information security policy and related information security regulations, and perform confidential operations according to the contract.

(5) Data security protection

Establish a data backup mechanism, perform daily, weekly, and monthly backup operations, and regularly perform disaster recovery drills and tests.

(6) Training and advocacy

New employees are required to complete information security training courses. In addition, online training and publicity are carried out for all employees every year to enhance employees' awareness of information security.

iv. Major information security incidents

On December 20, 2021, some part of information systems of the company were attacked by hackers. The information security department had fully launched the relevant defense mechanisms and backup operations, and had coordinated with experts from external information security company to jointly deal with. After compiling abnormal information, notified the police and government information security unit, and maintained close contact.

After detecting the abnormal state of the network, immediately launched the information security defense mechanism and backup recovery, and at the same time strengthened the information security infrastructure, comprehensively improved the network protection level and ensure data security

v. Information security risks and countermeasures

The company has comprehensively improved the network and related information security protection, but cannot guarantee that the systems which control or maintain important corporate functions such as company operations and accounting can completely avoid attacks from any third-party. The information security regulations and procedures will be continuously reviewed and evaluated to ensure their adequacy and effectiveness, but there is no guarantee that the information security will not be threatened by new risks and attacks. Specifically as follows:

(1) Prevention of malicious attacks

Information security prevents from viruses, destructive software, ransomware intrusion, denial-of-service attacks those interfere with company operations, or even conduct extortion or extortion. Get the control of systems, or spy on confidential information. Those attacks could result in compensating customers for delayed or interrupted orders, or need to cost a huge to recover and improve procedures in order to enhance the company's cybersecurity system.

(2) Defense-in-depth information security architecture

Enhance network firewalls, intrusion prevention detection equipment and network partition control to prevent threats from spreading across devices and regions. At the same time, establish endpoint anti-virus measures according to the type of computer. Furthermore, import advanced solutions to detect and deal with malicious threats. Third, strengthen the publicity to prevent phishing mails and improve employees' email security awareness to reduce the impact of threats and malicious attacks.

(II) The losses and potential impacts of material information security incidents and countermeasures in the most recent year and up to the publication date of this annual report; if it cannot be reasonably estimated, specify the fact why it cannot be reasonably estimated: None.

VII. Important Contracts

Contract type	Concerned party	Contract period	Summary content	Restrictive clauses
Sales contract	Taishin International Bank Co., Ltd.	2021/04/01-2023/03/31	Printing and seal processing	None
Lease contract	TECO Electric & Machinery Co., Ltd.	2021/01/01-2021/12/31	Leasing of Nangang office	Full or partial sublease (sublet) or sale is prohibited
Agency contract	SAP Taiwan Co., Ltd.	Established by each project	SAP software agent sales	None

Six. Financial Status

I. Condensed Balance Sheet and Statement of Consolidated Income for the Last Five Years

(I) Balance Sheet

1. Condensed Parent Company Only Balance Sheet in Compliance with IFRSs

Unit: NTD thousand

Item	Year	Financial information for the last five years					Financial information for the current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		521,073	629,926	583,610	625,982	516,923	N/A
Property, plant and equipment		11,414	8,810	6,651	6,374	6,141	
Intangible assets		1,721	960	2,184	1,278	611	
Other assets		341,601	268,299	284,509	272,884	302,176	
Total assets		875,809	907,995	876,954	906,518	825,851	
Current liabilities	Before distribution	502,611	475,623	174,750	371,399	273,043	
	After distribution	542,609	516,297	229,397	426,046	Note 1	
Non-current liabilities		107,027	155,511	180,720	4,099	5,114	
Total liabilities	Before distribution	609,638	631,134	355,470	375,498	278,157	
	After distribution	649,636	671,808	410,117	430,145	Note 1	
Equity attributable to owners of the parent company		-	-	-	-	-	
Share capital		199,990	203,371	273,234	273,234	273,234	
Capital surplus		-	1,119	158,042	158,042	158,042	
Retained earnings	Before distribution	68,101	73,629	93,074	104,023	121,902	
	After distribution	28,103	32,955	38,427	49,376	Note 1	
Other equity items		(1,920)	(1,258)	(2,866)	(4,279)	(5,484)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	266,171	276,861	521,484	531,020	547,694	
	After distribution	226,173	236,187	466,837	476,373	Note 1	

Note 2: The Company's 2021 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

2. Condensed Consolidated Balance Sheet in Compliance with IFRSs

Unit: NTD thousand

Item	Year	Financial information for the last five years					Financial information for the current year up to March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Current assets		561,149	662,639	635,761	680,547	567,611	N/A
Property, plant and equipment		30,498	25,405	20,611	16,751	30,684	
Intangible assets		6,408	7,483	10,340	6,506	1,395	
Other assets		290,908	246,710	280,413	239,938	250,363	
Total assets		888,963	942,237	947,125	943,742	850,053	
Current liabilities	Before distribution	521,798	519,068	229,859	399,604	287,813	
	After distribution	561,796	559,742	284,506	454,251	Note 2	
Non-current liabilities		100,994	146,308	195,782	13,118	14,546	
Total liabilities	Before distribution	622,792	665,376	425,641	412,722	302,359	
	After distribution	662,790	706,050	480,288	467,369	Note 2	
Equity attributable to owners of the parent company		266,171	276,861	521,484	531,020	547,694	
Share capital		199,990	203,371	273,234	273,234	273,234	
Capital surplus		-	1,119	158,042	158,042	158,042	
Retained earnings	Before distribution	68,101	73,629	93,074	104,023	121,902	
	After distribution	28,103	32,955	38,427	49,376	Note 2	
Other equity items		(1,920)	(1,258)	(2,866)	(4,279)	(5,484)	
Treasury stock		-	-	-	-	-	
Non-controlling interests	Before distribution	-	-	-	-	-	
	After distribution	-	-	-	-	-	
Total equity	Before distribution	266,171	276,861	521,484	531,020	547,694	
	After distribution	226,173	236,187	466,837	476,373	Note 2	

Note 1: As of the publication date of the annual report, the Company had no financial figures for 2022 that have been audited or reviewed by CPAs.

Note 2: The Company's 2021 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

(II) Condensed Statement of Comprehensive Income

1. Condensed Parent Company Only Statement of Comprehensive Income in Compliance with IFRSs

Unit: NTD thousand

Item \ Year	Financial information for the last five years					Financial information for the current year up to March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	1,086,040	1,184,280	1,173,872	1,184,758	1,259,780	N/A
Gross profit	122,433	143,922	129,556	124,935	160,311	
Operating income	49,595	61,321	47,624	44,070	67,996	
Non-operating income and expenses	2,819	(1,033)	23,285	29,771	17,699	
Net income before tax	52,414	60,288	70,909	73,841	85,695	
Net income from continuing operations in the current period	46,118	45,033	60,398	65,780	72,481	
Income from discontinued operations	-	-	-	-	-	
Net income (loss) in the current period	46,118	45,033	60,398	65,780	72,481	
Other comprehensive income in the current period (net income after tax)	(5,028)	1,155	(1,608)	(1,597)	(1,160)	
Total comprehensive income in the current period	41,090	46,188	58,790	64,183	71,321	
Earnings per share	2.31	2.23	2.57	2.41	2.65	

2. Condensed Consolidated Statement of Comprehensive Income in Compliance with IFRSs

Unit: NTD thousand

Item \ Year	Financial information for the last five years					Financial information for the current year up to March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating revenue	1,124,667	1,217,463	1,227,636	1,230,637	1,325,626	N/A
Gross profit	134,875	150,489	162,900	164,467	192,300	
Operating income	49,907	58,446	62,872	65,853	81,261	
Non-operating income and expenses	2,775	2,499	7,843	9,203	5,379	
Net income before tax	52,682	60,945	70,715	75,056	86,640	
Net income from continuing operations in the current period	46,118	45,033	60,398	65,780	72,481	
Loss of discontinued operations	-	-	-	-	-	
Net income (loss) in the current period	46,118	45,033	60,398	65,780	72,481	
Other comprehensive income in the current period (net income after tax)	(5,028)	1,155	(1,608)	(1,597)	(1,160)	
Total comprehensive income in the current period	41,090	46,188	58,790	64,183	71,321	

Item \ Year	Financial information for the last five years					Financial information for the current year up to March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Net profit attributable to owners of the parent company	46,118	45,033	60,398	65,780	72,481	N/A
Net profit attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	41,090	46,188	58,790	64,183	71,321	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	2.31	2.23	2.57	2.41	2.65	

Note 1: As of the publication date of the annual report, the Company had no financial figures for 2022 that have been audited or reviewed by CPAs.

(III) Name of CPAs over the last five years and their audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2017	PricewaterhouseCoopers Taiwan	Ping-Chun Chih/ Ming-Chuan Hsu	Unqualified opinion plus Other Matters section
2018	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu/ Chao-Hsien Chiu	Unqualified opinion plus Other Matters section
2019	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu/ Chao-Hsien Chiu	Unqualified opinion plus Other Matters section
2020	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu/ Chao-Hsien Chiu	Unqualified opinion plus Other Matters section
2021	PricewaterhouseCoopers Taiwan	Ping-Chun Chih/ Tsung-Hsi Lai	Unqualified opinion plus Other Matters section

II. Financial Analysis for the Last Five Years

(I) Parent company only financial analysis for the last five years in compliance with IFRSs

Unit: NTD thousand

Analysis item		Financial Analysis for the Last Five Years					Current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt to assets ratio	69.61	69.51	40.53	41.42	33.68	N/A
	Long-term capital to property, plant and equipment ratio (%)	3,269.65	4,907.74	10,557.87	8,395.34	9,001.92	
Solvency (%)	Current ratio	103.67	132.44	333.97	168.55	189.32	
	Quick ratio	76.46	114.43	305.15	154.06	180.97	
	Interest coverage ratio	12.25	16.73	32.49	96.03	479.74	
Operating ability	Accounts receivable turnover ratio (times)	1.87	2.10	1.99	1.87	2.54	
	Average accounts receivable days	195	174	184	195	144	
	Inventory turnover ratio (times)	8.07	10.70	19.09	27.77	90.87	
	Accounts payable turnover ratio (times)	5.92	7.03	7.79	5.20	5.90	
	Average inventory turnover days	45	34	19	13	4	
	Property, plant and equipment turnover ratio (times)	87.25	117.12	151.85	181.92	210.51	
	Total asset turnover ratio (times)	1.22	1.33	1.32	1.33	1.54	
Profitability	Return on assets (%)	5.62	5.39	6.97	7.45	8.89	
	Return on equity (%)	17.36	16.59	15.13	12.50	13.38	
	Net income before tax to paid-in capital ratio (%)	26.21	29.64	25.95	27.02	31.36	
	Net profit margin (%)	4.25	3.80	5.15	5.55	5.75	
	Earnings per share (NTD)	2.31	2.23	2.57	2.41	2.65	
Cash flow	Cash flow ratio (%)	1.56	26.56	(37.62)	56.36	48.14	
	Cash flow adequacy ratio (%)	12.12	47.14	16.21	89.64	164.60	
	Cash reinvestment ratio (%)	(13.20)	24.92	(20.56)	39.70	19.42	
Leverage	Operating leverage	1.16	1.12	1.17	1.08	1.04	
	Financial leverage	1.10	1.07	1.05	1.02	1.00	

Reason for changes in financial ratios for the most recent two years:

- 400% increase in interest coverage ratio: Mainly due to a significant decrease in interest expense.
- 36% increase in account receivable turnover: Mainly due to a decrease in the balance of average accounts receivable.
- 26% decrease in average accounts receivable days: Mainly due to a decrease in the average amount of accounts receivable.
- 227% increase in inventory turnover ratio: Mainly due to a decrease in the average monetary amount of inventory.
- 69% decrease in average inventory turnover days: Mainly due to a decrease in the average monetary amount of inventory.
- Increase in cash flow adequacy ratio: Mainly due to an increase in net cash flow from operating activities over the last five years.
- Decrease in cash flow reinvestment ratio: Mainly due to a decrease in net cash flow from operating activities.

(II) Consolidated financial analysis for the last five years in compliance with IFRSs

Unit: NTD thousand

Analysis item		Year	Financial Analysis for the Last Five Years					Current year up to March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021		
Financial structure (%)	Debt to assets ratio	70.06	70.62	44.94	43.73	35.57	N/A	
	Long-term capital to property, plant and equipment ratio (%)	1,203.90	1,665.69	3,480.02	3,248.39	1,832.36		
Solvency (%)	Current ratio	107.54	127.66	276.59	170.31	197.22		
	Quick ratio	80.57	110.22	252.60	156.03	187.57		
	Interest coverage ratio	11.02	13.13	18.69	44.28	104.02		
Operating ability	Accounts receivable turnover ratio (times)	1.96	2.14	2.04	1.90	2.30		
	Average accounts receivable days	186	171	179	192	159		
	Inventory turnover ratio (times)	8.27	10.94	19.19	27.52	45.85		
	Accounts payable turnover ratio (times)	7.90	8.67	8.53	5.39	4.92		
	Average inventory turnover days	44	33	19.00	13.00	8.00		
	Property, plant and equipment turnover ratio (times)	38.17	43.56	53.36	65.88	55.89		
	Total asset turnover ratio (times)	1.26	1.33	1.30	1.30	1.48		
Profitability	Return on assets (%)	5.65	5.36	6.73	7.10	8.16		
	Return on equity (%)	17.36	16.59	15.13	12.50	13.44		
	Net income before tax to paid-in capital ratio (%)	26.34	29.97	25.88	27.47	31.71		
	Net profit margin (%)	4.10	3.70	4.92	5.35	5.47		
	Earnings per share (NTD)	2.31	2.23	2.57	2.41	2.65		
Cash flow	Cash flow ratio (%)	3.04	21.51	(10.36)	61.27	54.28		
	Cash flow adequacy ratio (%)	19.11	46.43	32.36	110.92	182.44		
	Cash reinvestment ratio (%)	(8.96)	19.99	(12.20)	46.55	24.53		
Leverage	Operating leverage	1.27	1.20	1.42	1.30	1.26		
	Financial leverage	1.12	1.09	1.07	1.03	1.01		

Reason for changes in financial ratios for the most recent two years:

- 44% decrease in long-term capital to property, plant and equipment ratio: Mainly due to an increase in the net amount of fixed assets.
- 20% increase in quick ratio: Mainly due to a decrease in current liabilities.
- 135% increase in interest coverage ratio: Mainly due to a significant decrease in interest expense.
- 21% decrease in accounts receivable turnover ratio: Mainly due to a decrease in the balance of average accounts receivable.
- 67% increase in inventory turnover ratio: Mainly due to a decrease in monetary amount of inventory.
- 38% decrease in average inventory turnover days: Mainly due to a decrease in the average monetary amount of inventory.
- Increase in cash flow adequacy ratio: Mainly due to an increase in net cash flow from operating activities over the last five years.
- Increase in cash flow reinvestment ratio: Mainly due to an increase in net cash flow from operating activities in the current period.

Note 1: As of the publication date of the annual report, the Company had no financial figures for 2022 that have been audited or reviewed by CPAs.

1. Financial structure
 - (1) Debt to assets ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net worth of property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = net income before income tax and interest expenses / interest expense in the current period.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable from operations) turnover ratio = net sales / average accounts receivable in each period (including accounts receivable and notes receivable from operations) balance.
 - (2) Average accounts receivable days = 365 / accounts receivable turnover ratio.
 - (3) Inventory turnover ratio = cost of goods sold / average of inventory.
 - (4) Accounts payable (including accounts payable and notes payable from operations) turnover = cost of goods sold / average accounts payable in each period (including accounts payable and notes payable from operations) balance.
 - (5) Average inventory turnover days = 365 / inventory turnover ratio.
 - (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after-tax income + interest expenses × (1 - tax rate)] / average total assets.
 - (2) Return on equity = after-tax income / average total equity.
 - (3) Net profit margin = after-tax income / net sales.
 - (4) EPS = (income attributable to owners of the parent company - dividend from preferred shares) / weighted average number of outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities over the last five years / (capital expenditure + increase in inventories + cash dividends) over the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit Committee's Review Report for the Financial Statements for the Most Recent Year

Audit Committee's Review Report

To the Company's 2022 General Shareholders' Meeting

The board of directors of the Company prepared and submitted the 2021 financial statements (including the consolidated financial statements), which have been audited by PricewaterhouseCoopers Taiwan, together with the business report and the proposal for distribution of earnings to us for review. We agreed to the audit opinion issued by the CPA firm, and reviewed and approved said business report and the proposal for distribution of earnings. Therefore, we hereby present them for your review in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Information Technology Total Services Co., Ltd.
Convener of the Audit Committee: Yi-Bing Lin

March 18, 2022

IV. The financial statements for the most recent year

- (I) 2021 Parent Company Only Financial Statements: Please refer to pages 125–196 of this annual report for details.
- (II) 2021 Consolidated Financial Statements: Please refer to pages 197 – 266 of this annual report for details.

V. The Company and its associates had no financial difficulties in the most recent year and as of the publication date of the annual report.

Seven. Review and Analysis of the Financial Position and Operating Results

I. Financial Position

(I) Financial position comparative analysis table

Unit: NTD thousand

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		567,611	680,547	(112,936)	(16.59%)
Property, plant and equipment		30,684	16,751	13,933	83.18%
Intangible assets		1,395	6,506	(5,111)	(78.56%)
Other assets		250,363	239,938	10,425	4.34%
Total assets		850,053	943,742	(93,689)	(9.93%)
Current liabilities		287,813	399,604	(111,791)	(27.98%)
Non-current liabilities		14,546	13,118	1,428	10.89%
Total liabilities		302,359	412,722	(110,363)	(26.74%)
Equity attributable to owners of the parent company		547,694	531,020	16,674	3.14%
Share capital		273,234	273,234	-	-
Capital surplus		158,042	158,042	-	-
Retained earnings		121,902	104,023	17,879	17.19%
Other equity items		(5,484)	(4,279)	(1,205)	28.16%
Total shareholders' equity		547,694	531,020	16,674	3.14%
<p>1. Where the change in the last two years has reached 20% or more, and the amount of change has reached NT\$10 million, the main reasons are specified as follows:</p> <p>(1) Increase in property, plant and equipment: Mainly due to an increase in machinery and equipment.</p> <p>(2) Decrease in current liabilities: Mainly due to a significant decrease in accounts payable.</p> <p>(3) Decrease in total liabilities: Mainly due to a significant increase in accounts payable.</p> <p>2. The impact and future response plan: The above-mentioned changes are caused by operating activities, there are no major abnormalities, so there is no need to formulate a response plan.</p>					

II. Financial Performance

(I) Financial performance comparative analysis table

Unit: NTD thousand

Item	2021	2020	Increase (decrease) amount	%
Net operating revenue	1,325,626	1,230,637	94,989	7.72%
Operating costs	1,133,326	1,066,170	67,156	6.30%
Gross profit	192,300	164,467	27,833	16.92%
Operating expenses	111,039	98,614	12,425	12.60%
Net operating income	81,261	65,853	15,408	23.40%
Operating income and expenses	5,379	9,203	(3,824)	(41.55%)
Net profit before tax of continuing operations	86,640	75,056	11,584	15.43%
Income tax expenses	(14,159)	(9,276)	(4,883)	52.64%
Net income in the current period	72,481	65,780	6,701	10.19%
Other comprehensive income	(1,160)	(1,597)	437	(27.36%)
Total comprehensive income in the current period	71,321	64,183	7,138	11.12%
<p>1. Where the change in the last two years has reached 20% or more, and the amount of change has reached NT\$10 million, the main reasons are specified as follows:</p> <p>(1) Increase in net operating income: Mainly due to an increase in operating revenue.</p> <p>2. Expected sales volume and basis, the possible impact on the Company's future financial business, and response plans: As the Company did not prepare and publish its financial forecast, the expected sales volume and basis are not applicable. There are no major abnormalities in the Company's operations, so there is no need to formulate a response plan.</p>				

III. Cash flow

(I) Analysis of cash flow changes in the most recent year (2021)

Unit: NTD thousand

Cash balance, beginning of the period (1)	Net cash flow from operating activities for the year (2)	Annual net cash flow from operating activities (3)	Amount of cash surplus (deficit) (1)+(2)-(3)	Remedial measures for cash deficit	
				Investment plans	Wealth management plans
85,874	156,226	101,820	140,280	-	-
<p>Analysis of cash flow changes:</p> <p>1. Analysis of cash flow changes for 2021:</p> <p>Operating activities: The decrease in accounts payable was the main reason for the net cash inflow from operating activities.</p> <p>Investing activities: The increase in acquisition of property, plant and equipment, and long-term notes and accounts receivable from clients were the main reasons for the net cash outflow from investing activities.</p> <p>Financing activities: Distribution of cash dividends was the main reason for the net cash outflow from financing activities.</p> <p>2. Remedial measures for estimated cash deficit and the liquidity analysis: N/A.</p>					

(II) Improvement plan for lack of liquidity: N/A.

(III) Analysis of liquidity for the coming year (2022):

Unit: NTD thousand

Cash balance, beginning of the period (1)	Estimated net cash flow from operating activities for the year (2)	Estimated annual net cash flow from operating activities (3)	Amount of cash surplus (deficit) (1)+(2)-(3)	Remedial measures for estimated cash deficit	
				Investment plans	Wealth management plans
140,280	88,102	160,053	68,329	-	-
Analysis of cash flow changes: 1. Analysis of cash flow in the coming year: Operating activities: The Company is actively expanding its core business and is expected to maintain a net cash inflow from operating activities in the coming year. Investing activities: This is mainly due to capital expenditure on new equipment and net cash outflow from investments in relevant industries. Financing activities: Funds from operating activities will be used to distribute cash dividends. It is expected that financing activities will generate net cash outflows in the coming year. 2. Remedial measures for estimated cash deficit and the liquidity analysis: N/A.					

IV. Impact of major capital expenditures in the most recent year on financial operations

(I) The utilization of major capital expenditures and sources of funds: None.

(II) Expected benefits generated: N/A.

V. The investment strategy in the most recent year, main causes for gains or losses, improvement plans, and investment plans for the coming year

(I) Investment policy for the most recent year:

The Company's current investment policy focuses on the targets related to the development of the core business. The Company will not engage in investment in other industries, and the relevant executive departments will comply with the internal control system regarding circular investment, supervision and management of subsidiaries, and the procedures for the acquisition and disposal of assets. Said policies or procedures have been discussed and approved by the board of directors or the shareholders' meeting.

(II) The main reasons for gains (losses) on investment and improvement plan:

The Company's 2021 gains on investment using the equity method recognized were NT\$922,000, a decrease of NT\$4,627,000 from the NT\$5,549,000 in 2020, which was mainly due to a decrease in the gains on the investment in Tension Envelop.

(III) Investment plans for the coming year: None.

VI. Analysis and Assessment of Risk Matters

(I) Impact of interest and exchange rate changes and inflation on the Company's profit and loss in the most recent year and future countermeasures:

1. Impact of interest rate changes on the Company's profit and loss and future countermeasures

The Company's net interest income (expense) for 2020 and 2021 was NT\$(1,514,000) and NT\$(574,000), respectively, accounting for 0.12% and 0.04% of the operating revenue, respectively, mainly due to the interest income from bank deposits and the financial costs of short-term borrowings. With an insignificant impact on the

Company's overall operation, the impact of interest rate changes on the Company's profit and loss was limited. In the future, the Company will still pay attention to changes in the domestic and foreign economic environment and take necessary measures in due course to reduce the risk of interest rate changes to the Company's profit and loss.

2. Impact of exchange rate changes on the Company's profit and loss and future countermeasures

The Company's purchases and sales are mainly conducted in NTD, USD, and CNY. The net exchange gains (losses) for 2020 and 2021 were NT\$(920,000) and NT\$7,000, respectively. The changes in exchange gains and losses were mainly caused by changes in the foreign currency assets held by the Company. The positions of foreign currency assets and liabilities held by the Company and the equivalent in the receipt and payment period can offset market risks. In addition, the number of days in the credit and payment periods are relatively short as most of payments and receipts are completed in only 1 to 2 months. Therefore, exchange rate changes do not have a significant impact on the Company.

The Company's financial unit will maintain close contact with various financial institutions according to the situation and ask them to provide professional consulting services for the Company to keep abreast of international exchange rate trends in real time. Meanwhile, the Company will adjust foreign currency positions in a timely manner according to actual capital needs and exchange rates in order to minimize the impact of exchange rate changes on the Company's profit and loss.

3. Impact of inflation on the Company's profit and loss and future countermeasures

The Company's products are not sold to general consumers, so inflation has no direct and immediate impact on the Company. In the past, inflation did not affect the Company's profit and loss. In the future, the Company will pay close attention to market price fluctuations. If the purchase cost increases due to inflation, the Company will adjust the sales price appropriately and keep abreast of the price changes of upstream raw materials to reduce the risk to the Company's profit and loss due to cost changes.

- (II) Policy for high-risk, high-leverage investments, loaning of funds, endorsements and guarantees, as well as derivatives transactions in the most recent year, major causes for profits or losses, and future countermeasures:

1. With a robust and pragmatic business philosophy, the Company focuses on operating its core business and does not engage in high-risk and high-leverage investments.
2. The Company has formulated the Procedures for Lending Funds to Others as the basis for the Company to engage in the lending of funds to others. As of the publication date of the annual report, the Company has not lent funds to others.
3. The Company has formulated the Operating Procedures for Endorsements and Guarantees as the basis for the Company to engage in endorsements/guarantees. As of the publication date of the annual report, the Company has not engaged in endorsements/guarantees.
4. The Company's financial hedging strategy is to hedge the risk of exchange rate fluctuations. As of the publication date of the annual report, the Company has not engaged in derivatives trading.
5. In the future, if the Company needs to lend funds to others, provide endorsements/guarantees, or engage in derivatives trading because of business needs, it will proceed in accordance with the relevant operating procedures established by the Company, and announce relevant information in a timely and correct manner according to laws and regulations.

(III) Future R&D projects and estimated expenses:

1. Future R&D projects

The development of the Company's products and technologies has always been in line with the needs of customers and the market, and the Company will pay close attention to future trends and developments in the industry, and research and develop products and technologies with great market growth potential in the future.

2. Estimated R&D expenses

The estimated R&D expenditure will be gradually budgeted according to the development progress of new products and new technologies. With the growth of revenue, the annual R&D expenses will be gradually increased to support future R&D projects, maintain core technologies, and increase the Company's market competitiveness. In the future, the Company will continue to invest in R&D expenses according to the progress and results of R&D.

(IV) Impact of changes in important domestic and foreign policies and laws on the Company's financial operations and countermeasures:

The Company's daily operations are conducted in accordance with relevant domestic and foreign laws and regulations, and it always pays attention to the trends of and changes in domestic and foreign policy development as well as laws and regulations, so as to fully stay up-to-date with the changes in the market environment and to put forth countermeasures in a proactive and timely manner. As of the publication date of the annual report, the Company's financial operations have not been affected by major changes in important domestic and foreign policies and laws.

(V) The impact of technological transformation (including information and communication security risks) and industrial changes on the Company's financial business and countermeasures:

The Company keeps abreast of technological changes and technological developments in the industry, and stays up-to-date with market fluctuations and competitors' movements, while adjusting its product mix in a timely manner to meet market needs and maintain its competitiveness. As of the publication date of the annual report, the Company's financial operations have not been affected by major technological and industrial changes.

(VI) Impact of corporate image changes on corporate crisis management and countermeasures:

Since its establishment, the Company has focused on its core business, complied with relevant laws and regulations, actively strengthened internal management, and improved management quality and performance, so as to continue to maintain a good corporate image and increase customers' trust in the Company. As of the date of publication of the annual report, the Company has not had any operational crises due to changes in the corporate image. However, a corporate crisis may cause considerable damage to the Company, so it will continue to implement various corporate governance measures to reduce the chance of occurrence of corporate risks to minimize the impact on the Company.

(VII) The expected benefits and potential risks of mergers or acquisitions and countermeasures: N/A.

(VIII) The expected benefits and potential risks of plant expansions and countermeasures: N/A.

(IX) The risks associated with concentrations of sales or purchases on certain customers/suppliers and countermeasures:

1. Purchases:

The main raw materials of the Company's products are software licenses, information hardware equipment, paper, and other raw materials. The raw material procurement strategy is to comprehensively evaluate a supplier's quality, price, delivery, and cooperation. The Company serves as an agent for SAP's systems for the ERP integration and planning services, so the software licenses are concentrated in SAP Taiwan Co., Ltd., SAP's subsidiary in Taiwan. Although the Company's purchases are concentrated in SAP Taiwan Co., Ltd., the Company is also one of SAP's gold partners. In addition to continuing to establish positive partnerships with existing suppliers, the Company actively seeks and works with excellent suppliers and has at least two suppliers for each raw material, so the Company should not have the risk of unstable supply sources.

2. Sales:

The Company's sales to the top ten customers accounted for 46% and 44% of the net operating revenue in 2020 and 2021, respectively. The sales were not concentrated in the top ten customers in terms of their proportion to the Company's revenue. In addition, there was no single customer accounting for more than 25% of the Company's revenue, so the Company did not have sales concentrated on single customers.

(X) The impact and risks of massive transfer of shares by directors, supervisors, or major shareholders holding more than 10% of the shares on the Company and countermeasures:

The Company's proposal for the issuance of new shares through a private placement for capital increase in cash was approved by the extraordinary shareholders' meeting on April 23, 2019. It privately offered 5,084,273 ordinary shares, and received the full payment for the shares on May 15, 2019. The strategic investor Advantech is a major shareholder holding more than 10% of the shares. Since the private placement, the Company's largest shareholder is still TECO Electric & Machinery Co., Ltd. (TECO). TECO and its associates together hold at least 50% of the Company's total shares since the private placement, so the private placement has no significant impact on the Company. The Company's supervisors have been replaced by an audit committee, and there were no major transfers of equity.

(XI) The impact and risks of changes of the management right on the Company and countermeasures:

The Company's proposal for the issuance of new shares through a private placement for capital increase in cash was approved by the extraordinary shareholders' meeting on April 23, 2019. It privately offered 5,084,273 ordinary shares, and received the full payment for the shares on May 15, 2019. The strategic investor Advantech currently holds 18.61% of the Company's shares and was elected as a director at the Company's election of all directors at the 2021 general shareholders' meeting on July 30, 2021. The Company's largest shareholder is still TECO. TECO and its associates together hold at least 50% of the Company's total shares after the private placement. Accordingly, there should be no concern about major changes to the Company's management right.

(XII) For any of the Company's directors, supervisors, president, de facto responsible persons, or major shareholders holding more than 10% of the shares involved in any litigation, non-litigious proceeding, or administrative dispute that has been finalized or is pending, with a significant impact on shareholders' equity or the price of securities, the facts in dispute, the amount of the subject matter, the commencement date of the litigation, the

main parties involved in the litigation, and the handling situation as of the publication date of the annual report shall be disclosed: N/A.

(XIII) Information security risk assessment analysis and countermeasures:

1. Information security policy:

In order to maintain the sustainable operation of the Company's business, strengthen the information security management system, ensure the confidentiality, integrity, and availability of information assets, and enhance the reliability of information processing facilities and network systems, as well as increase employees' awareness of information security while reducing the risks during business operations effectively and reasonably, the Company has formulated an information security policy as the standard for information security management:

- (1) Ensure that the Company's information security system continues to operate normally.
- (2) Ensure that the network and equipment in server rooms will still be available despite incidents or errors.
- (3) Ensure that confidential and sensitive data will not be leaked from important information systems or said systems shut down due to information security incidents.

2. Establishment of a risk management system:

In order to maintain information security within the scope of the Company's information security management system, the Company has established risk management procedures through systematic risk assessment methods and procedures to clarify the potential risks for information assets, and to identify various risks so as to implement appropriate control measures, with the aim of reducing risks to a tolerable level and alleviate the threat of information security incidents. For example, daily file and data backup and remote backup is conducted to ensure uninterrupted service. After backup, the information personnel will check the records.

In order to restore operations as soon as possible when information system damage occurs, and to reduce possible losses and risks, the Company has a disaster recovery plan and a disaster prevention plan, and the tests are carried out every year.

3. Information security and cyber risk assessment:

According to the Company's risk management procedures, the network and computer security protection systems are used to control or maintain the Company's R&D, accounting, and other important corporate operations, with the aim of reducing risks to a tolerable level, but there is no guarantee that the computer systems can completely avoid cyber attacks that will paralyze systems from any third parties.

The Company will review and evaluate the information management control cycle every year to ensure its appropriateness and effectiveness, but it cannot guarantee that the Company will not be affected by new risks and attacks of the ever-changing cyber security threats. Cyber attacks may attempt to steal the Company's business secrets, other intellectual property, and confidential information. Malicious hackers may also try to install computer viruses, destructive software, or ransomware on the Company's network system to interfere with the Company's operations or gain control of the Company's computers so as to blackmail the Company or snoop on its confidential information.

As of the publication date of the annual report, the Company has not found any major cyber attacks or incidents that have had or might have a significant adverse impact on its business and operations, and has not been involved in any legal cases or regulatory investigations in this regard.

4. Information security implementation measures:

In addition to regular information security education and training for the Company's employees, the Company strictly controls the entry and exit of server rooms, and has established an intrusion prevention system, an anti-spam system, an endpoint anti-virus systems, etc., to improve information security protection, while regularly conducting drills for the continuity of important business activities to ensure employees' safety and the continuity of critical operations or business activities and to reduce losses caused by incidents. The Company also conducts regular drills for data backup systems and disaster recovery mechanisms to reduce the impact of disasters on the Company's operations and ensure uninterrupted service.

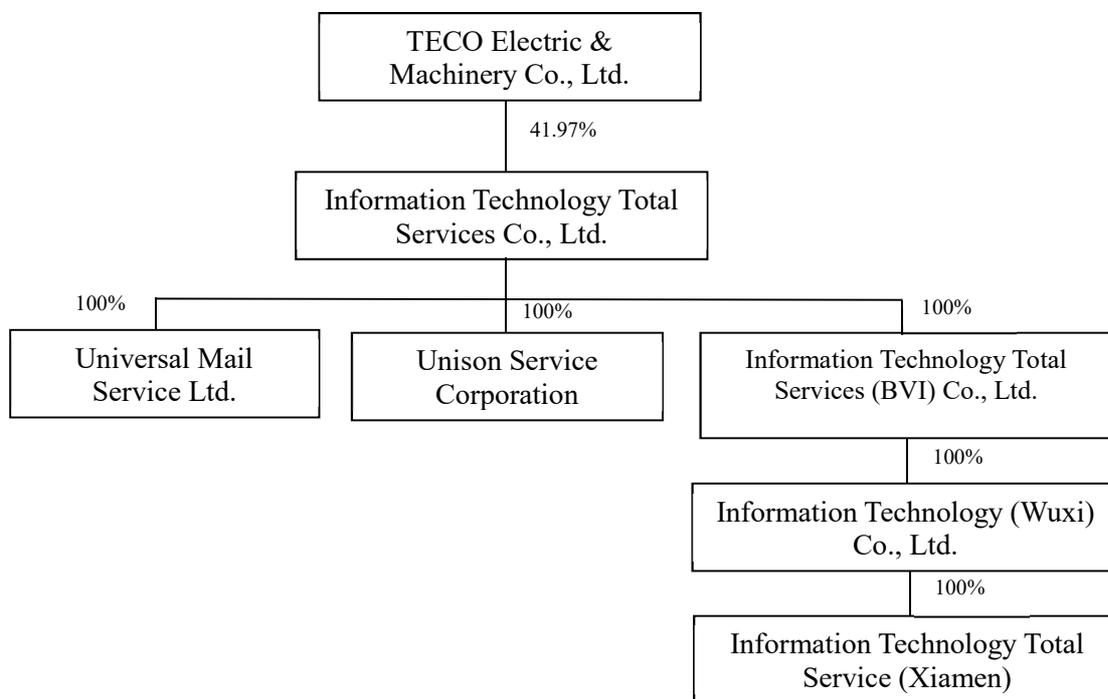
VII. Other Important Matters: None.

Eight. Special Disclosures

I. Information on Affiliates

(I) Consolidated Business Report of Affiliates

1. Organizational chart of affiliates



2. Basic information on affiliates

Unit: NTD thousand

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
Unison Service Corporation	2001.08	21F-5, No. 97, Section 1, Xintai 5th Road, Xizhi District, New Taipei City	17,000	Customer relationship management services and consulting services for customer service center establishment
Universal Mail Service Ltd.	1989.12	2F, No. 51, Wuquan 7th Road, Wugu District, New Taipei City	13,000	Postal information integration and bill printing outsourcing services
Information Technology Total Services (BVI) CO., LTD.	2001.03	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	48,424	Investment holding company
Information Technology (Wuxi) Co., Ltd.	2004.08	2F, Component Factory, Lot 65-C, Xinwu District, Wuxi City	10,167	ERP establishment, system maintenance, and information equipment procurement
Information Technology Total Service (Xiamen)	2007.12	Room 307-2, Chengye Building, Venture Park, Gaoxin District, Huoju, No. 11, Huoju East Road, Huli District, Xiamen City	4,421	Customer relationship management services

3. Affiliates with a controlling and subordinate relationship as concluded in accordance with Article 369-3 of the Company Act:

Company Name	Name of Same Shareholder	Shareholding percentage
Tong Dai Co., Ltd.	TECO Electric & Machinery Co., Ltd.	83.53%
TECO International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Holding USA Inc.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Electric & Machinery (Pte.) Ltd. Singapore	TECO Electric & Machinery Co., Ltd.	90.00%
Tong-An Assets Management & Development Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Tong-An Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	99.80%
Teco Electro Devices Co., Ltd.	TECO Electric & Machinery Co., Ltd.	59.56%
Tecnos International Consulting Co., Ltd.	TECO Electric & Machinery Co., Ltd.	83.78%
UVG Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Tesen Electronic Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Smart Technologies Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Yatec Engineering Corporation	TECO Electric & Machinery Co., Ltd.	64.95%
Taian (Subic) Electric Co., Inc.	TECO Electric & Machinery Co., Ltd.	76.70%
An-Tai International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Micropac (BVI) Worldwide	TECO Electric & Machinery Co., Ltd.	100.00%
Taian-Etacom Technology Co., Ltd.	TECO Electric & Machinery Co., Ltd.	84.73%
E-Joy Electronics International Co., Ltd.	TECO Electric & Machinery Co., Ltd.	98.29%
A-Ok Technical Service Co., Ltd.	TECO Electric & Machinery Co., Ltd.	86.67%
Taiwan Pelican Express Co., Ltd.	TECO Electric & Machinery Co., Ltd.	25.27%
Tasia (Pte.) Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Asia Air Tech Industrial (Pte.) Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Australia Pty. Ltd.	TECO Electric & Machinery Co., Ltd.	99.99%
TECO New Zealand Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Great Teco Motor (Pte.) Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Wuxi TECO Electric & Machinery Co., Ltd.	TECO Electric & Machinery Co., Ltd.	84.12%
TECO Industrial (Malaysia) Sdn. Bhd.	TECO Electric & Machinery Co., Ltd.	80.84%
P.T TECO Elektro, Indonesia	TECO Electric & Machinery Co., Ltd.	99.50%
P.T.TECO Multiguna Electro	TECO Electric & Machinery Co., Ltd.	87.50%
Teco Electronic & Machinery (THAI) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	55.00%
TECO-Westinghouse Motor Company	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Westinghouse Motor Industrial, Canada	TECO Electric & Machinery Co., Ltd.	100.00%
Teco Electro Devices Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Wuxi Teco Electro Devices Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
An-Tai International Investment (Singapore) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Taian Technology (Wuxi) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Asia Electric & Machinery (Pte.) Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Jie Zheng Property Service & Management Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Nanchang TECO Electric & Machinery Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Nidec Corporation	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Electric & Machinery B.V.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Electric & Machinery Sdn. Bhd.	TECO Electric & Machinery Co., Ltd.	100.00%
Jiangxi TECO Electric & Machinery Co., Ltd.	TECO Electric & Machinery Co., Ltd.	98.07%
Qingdao TECO Precision Mechatronics Co., Ltd.	TECO Electric & Machinery Co., Ltd.	87.60%
Teco Westinghouse Motor Company S.A. deC.V.	TECO Electric & Machinery Co., Ltd.	100.00%
TYM Electric & Machinery Sdn. Bhd.	TECO Electric & Machinery Co., Ltd.	100.00%
Teco (Vietnam) Electronic & Machinery Co., Ltd.	TECO Electric & Machinery Co., Ltd.	80.00%
TECO Technology (Vietnam) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%

Company Name	Name of Same Shareholder	Shareholding percentage
TECO Group Science-Technology (Hangzhou) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Fujian TECO Precision Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Asia Innovative Technology (Xiamen) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO (Philippines) 3C & Appliances, Inc.	TECO Electric & Machinery Co., Ltd.	60.00%
Teco Appliance (HK) Co., Ltd	TECO Electric & Machinery Co., Ltd.	99.99%
Taian Electric Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
An-Sheng Travel Co., Ltd.	TECO Electric & Machinery Co., Ltd.	73.59%
Grey Back International Property Inc.	TECO Electric & Machinery Co., Ltd.	100.00%
Taian-Jaya Electric Sdn. Bhd.	TECO Electric & Machinery Co., Ltd.	95.00%
Tecocapital Investment (Samoa) Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Pelecanus Express Pte. Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Qingdao TECO Innovation Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Technology & Marketing Center	TECO Electric & Machinery Co., Ltd.	100.00%
Beijing Pelican Express Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Technical Information International Co. Ltd.	TECO Electric & Machinery Co., Ltd.	70.00%
Shanghai TECO Electric & Machinery Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Electric and Machinery GmbH.	TECO Electric & Machinery Co., Ltd.	100.00%
Tecom Co., Ltd.	TECO Electric & Machinery Co., Ltd.	63.52%
Tecom International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Baycom Opto-Electronics Technology Co., Ltd.	TECO Electric & Machinery Co., Ltd.	43.76%
Tecom Global Tech Investment (B.V.I.) Limited	TECO Electric & Machinery Co., Ltd.	100.00%
Wuhan Tecom Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Qingdao Jie Zheng Property Service & Management Company	TECO Electric & Machinery Co., Ltd.	100.00%
Top-tower Enterprises Co., Ltd.	TECO Electric & Machinery Co., Ltd.	40.00%
Teco Elektrik Turkey A.S	TECO Electric & Machinery Co., Ltd.	100.00%
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Teco Westinghouse Colombia S.A.S.	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario S.p.A.	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario S.A (Spain)	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario GMBH	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario Corp.	TECO Electric & Machinery Co., Ltd.	75.00%
Motovario S.A (France)	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario Int. Trading Co. Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Motovario Gear Solution Private Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Eagle Holding Co.	TECO Electric & Machinery Co., Ltd.	100.00%
TECO MOTOR B.V.	TECO Electric & Machinery Co., Ltd.	100.00%
Wuxi TECO Precision Industry Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Century Development Corporation	TECO Electric & Machinery Co., Ltd.	41.84%
Century Tech. C&M Corporation	TECO Electric & Machinery Co., Ltd.	100.00%
United Development Corporation	TECO Electric & Machinery Co., Ltd.	100.00%
Teco Industrial System Private Limited	TECO Electric & Machinery Co., Ltd.	100.00%
Teco Electrical Industries Private Limited	TECO Electric & Machinery Co., Ltd.	100.00%
CDC Development India Private	TECO Electric & Machinery Co., Ltd.	100.00%
Century Real Estate (International) Pte. Ltd.	TECO Electric & Machinery Co., Ltd.	70.00%
Century Biotech Development Corporation	TECO Electric & Machinery Co., Ltd.	72.00%
YATEC Engineering (VN) Company Limited	TECO Electric & Machinery Co., Ltd.	100.00%
TECO Sun Energy Company Limited	TECO Electric & Machinery Co., Ltd.	30.00%
Am Smart Technology	TECO Electric & Machinery Co., Ltd.	100.00%
Temico International Pte. Ltd.	TECO Electric & Machinery Co., Ltd.	60.00%
TECO EV Philippines Corporation	TECO Electric & Machinery Co., Ltd.	100.00%
Eurasia Food Service Co., Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Jinglaoman Food&Beverage Co., Ltd	TECO Electric & Machinery Co., Ltd.	66.69%
Ejoy Australia Pty. Ltd.	TECO Electric & Machinery Co., Ltd.	60.00%
Ejoy Australia Holdings Pty. Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
FCR Motion Technology Pty. Ltd	TECO Electric & Machinery Co., Ltd.	100.00%

Company Name	Name of Same Shareholder	Shareholding percentage
Motovario Australia Pty. Ltd.	TECO Electric & Machinery Co., Ltd.	100.00%
Temico Motor India Private Limited	TECO Electric & Machinery Co., Ltd.	100.00%
Temico India Private Limited	TECO Electric & Machinery Co., Ltd.	100.00%
Teco Electric Motors Africa Pty	TECO Electric & Machinery Co., Ltd.	100.00%

4. For parties that are presumed to have a controlling and subordinate relationship, the information on the same shareholders:

Unit: NTD thousand

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
Tong Dai Co., Ltd.	June 1972	No. 66 Sichuan Road, Taichung City	79,194	Distribution of heavy electrical products
TECO International Investment Co., Ltd.	June 1989	6F, No. 19-8, Sanchong Road, Nangang District, Taipei City	744,097	Investment in various production businesses, securities, and construction of commercial buildings
TECO Holding USA Inc.	March 1995	P.O. Box 277, Round Rock TX 78680-0277 U.S.A	739,250	Investment and trade business in the U.S.
TECO Electric & Machinery (Pte.) Ltd. Singapore	September 1972	47 Tuas Ave 9 Singapore 639190	163,680	Expansion of sale of TECO heavy electrical products in Singapore and its neighboring countries
Tong-An Assets Management & Development Co., Ltd.	July 1997	6F, No. 19-8, Sanchong Road, Nangang District, Taipei City	3,954,153	Real estate leasing
Tong-An Investment Co., Ltd.	August 1998	6F, No. 19-8, Sanchong Road, Nangang District, Taipei City	5,109,046	Investment in various businesses
Teco Electro Devices Co., Ltd.	March 1998	No. 11-1, Andong Road, Zhongli District, Taoyuan City	172,148	Production and sale of step and servo motors
Tecnos International Consulting Co., Ltd.	June 1998	4F, No. 156-2, Songjiang Road, Zhongshan District, Taipei City	120,878	Enterprise management consultancy and labor dispatch
UVG Investment Co., Ltd.	August 1999	Huntlaw Building P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands	6,516,244	Holding company
Tesen Electronic Co., Ltd.	March 2001	5F, No. 19-9, Sanchong Road, Nangang District, Taipei City	200,000	Manufacture of electrical appliances
TECO Smart Technologies Co., Ltd.	February 2002	4F, No. 19-8, Sanchong Road, Nangang District, Taipei City	76,449	Agency sale of prepaid cards and IC cards
Yatec Engineering Corporation	January 1993	2F, No. 19-8, Sanchong Road, Nangang District, Taipei City	120,100	Development, design, and maintenance of electrical system equipment
Taian (Subic) Electric Co., Inc.	March 1997	Phase I, Subic Bay Industrial Park Argonaut Highway Corner Brave	185,198	Production and sale of switch appliances
An-Tai International Investment Co., Ltd.	September 1990	6F, No. 19-8, Sanchong Road, Nangang District, Taipei City	348,500	Investment in various businesses
Micropac (BVI) Worldwide	March 1993	British Virgin Island	411,978	International trade
Taian-Etacom Technology Co., Ltd.	December 1999	7F, No. 156-2, Songjiang Road, Taipei City	83,000	Manufacture of busbar and its parts.
E-Joy Electronics International Co., Ltd.	June 2004	8F, No. 156-2, Songjiang Road, Zhongshan District, Taipei City	79,467	Wholesale and retail of electrical appliances
A-Ok Technical Service Co., Ltd.	October 2004	No. 34, Siyuan Road, Xinzhuang District, New Taipei City	22,500	Repair of electrical appliances
Taiwan Pelican Express Co., Ltd.	July 2000	No. 288, Yuanotong Road, Zhonghe District, New Taipei City	954,670	Professional logistics and distribution services, such as home delivery within designated routes
Tasia (Pte.) Ltd.	December 1995	47 Tuas Ave 9 Singapore 639190	21,729	Various investment business activities
Asia Air Tech Industrial (Pte.) Ltd.	June 1999	47 Tuas Ave 9 Singapore 639190	235,280	Holding company
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	November 1999	Yuyuanyi Road, Zhenyuyuan Industry District, Huangjiang, Dongguan City, Guangdong Province	305,631	Central chillers, industrial and commercial air-conditioning cabinets, and air-conditioning equipment accessories
TECO Australia Pty. Ltd.	April 1983	335-337 Woodpark Rd. Smithfield N.S.W. 2164 Australia	602,400	Expansion of sale of TECO heavy electric products and household appliances in Australia
TECO New Zealand Ltd.	April 1983	Unit 3/477 Gt Sth Road, Penrose, New Zealand	56,847	Sale of household appliances
Great Teco Motor Ltd.	January 2000	47 Tuas Ave 9 Singapore 639190	3,377,686	Holding company
Wuxi TECO Electric & Machinery Co., Ltd.	2002	No. 9 Changjiang South Road, New District, Wuxi City, Jiangsu Province	1,455,674	Production and sale of other multi-phase AC motors
TECO Industrial (Malaysia) Sdn. Bhd.	June 1989	Plot 535&539, Jalan Perusahaan Baru, Kawasan Prai, 13600 Prai, Penang, Malaysia.	584,895	Manufacture and sale of TECO heavy electrical products in Malaysia

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
P.T TECO Elektro, Indonesia	August 1997	JL. Bandengan Utara No.83/1/3 Jakarta 14440	704,45	Manufacture and sale of household appliances in Indonesia
P.T. TECO Multiguna Electro	June 1983	Jl. Bandengan utara No.83/1-3 Jakarta 14440, Indonesia	14,258	Expansion of sale of TECO heavy electrical products in Singapore and its neighboring countries
Teco Electronic & Machinery (THAI) Co., Ltd.	April 1987	128/1 Soi Watsrivarenoi Moo 7 Bangna-Trad Rd KM. 18 Bangplee Bangchalong Samuthprakarn 10504	50,130	Expansion of sale of TECO heavy electrical products in Singapore and its neighboring countries
TECO-Westinghouse Motor Company	January 1988	P.O. Box 277, Round Rock TX 78680-0277 U.S.A.	572,007	Expansion of sale of part of TECO heavy electric products as agreed in the U.S.
TECO Westinghouse Motor Industrial, Canada	December 1995	18060-190th Avenue Edmonton, Alberta Tss2K1 Canada	23,868	Expansion of sale of TECO heavy electrical products
Teco Electro Devices Co., Ltd.	March 1998	Sea Meadow House, Blackburne Highway, (P.O. Box 116) Road Town, Tortola, British Virgin Islands.	94,389	General trade and various investments
Wuxi TECO Electro Devices Co., Ltd.	December 2001	No. 29, Gaolang East Road, Wuxi New District (Lot No. 65-C, Wuxi High-Tech Industrial Development Zone, Jiangsu Province)	119,603	Manufacture and sale of step motors
An-Tai International Investment (Singapore) Co., Ltd.	March 1993	47 Tuas Ave 9 Singapore 639190	453,680	Professional investment company
Taian Technology (Wuxi) Co., Ltd.	July 2000	No. 29, Gaolang East Road, Wuxi City New District, Jiangsu Province	515,220	Design, production, and sale of optical fiber electronic equipment
Asia Electric & Machinery	June 2000	47 Tuas Ave 9 Singapore 639190	1,538,593	Holding company
Jie Zheng Property Service & Management Co., Ltd.	April 2000	4F, No. 66, Sanchong Road, Nangang District, Taipei City	30,250	Condominium building management service
Nanchang TECO Electric & Machinery Co., Ltd.	November 2003	No. 169, Huojuwu Road, Gaoxin District, Nanchang City, Jiangxi Province	495,655	Manufacture and sale of air conditioners
Nidec Corporation	February 1992	29th fl., Hamamatsucho Bldg, 1-1-1, Shibaura, Minato-ku, Tokyo, Japan, 105-0023	7,215	Sale of household appliances
TECO Electric & Machinery B.V.	April 2005	Schiekade 830 3032 AL Rotterdam The Netherlands	20,671	Distribution of heavy electric and liquid-crystal display TV (AV) products in Europe
TECO Electric & Machinery Sdn. Bhd.	December 1987	No.6,Jalan Firma 2 Kawasan Perindustrian Tebrau 1 Johor Bahru Johor Johor Bahur 81100	58,446	Expansion of sale of TECO heavy electrical products in Singapore and its neighboring countries
Jiangxi TECO Electric & Machinery Co., Ltd.	June 2005	No. 189, Dongyuan Road, Gaoxin Development Zone, Nanchang City, Jiangxi Province	1,455,218	Production and sale of TECO heavy electrical products
Qingdao TECO Precision Mechatronics Co., Ltd.	December 2006	No. 2179, Chaoyangshan Road, Jiaonan, Huangdao District, Qingdao City, Shandong Province	813,470	Production and sale: Fine blanking dies, precision cavity dies, standard mold parts, and new electromechanical components
Teco Westinghouse Motor Company S. A. de C. V.	December 2005	Ave. 2 Poniente No. 1504 Col. Centro Historico Puebla, Puebla, Mexico 72000	48,937	Production and sale of TECO heavy electrical products
TYM Electric & Machinery Sdn. Bhd.	June 2006	Plo52 Jalan Firma 2/1 Kawasan Perindustrian Tebrau 1 81100 Johor Bahru, Johor Malaysia	3,313	Sale of TECO heavy electrical products
Teco (Vietnam) Electronic & Machinery Company Ltd.	April 2005	Tam An Village, Long Thanh District, Long Thanh Industrial Zone Dong Nai Province, Vietnam	344,119	Production and sale of TECO heavy electrical products
TECO Technology (Vietnam) Co., Ltd.	August 2006	Long Thanh Industrial Zone, Tam An commune, Long Thanh District, Dong Nai Province, Vietnam	419,522	Production and sale of heavy electrical products
Asia Innovative Technology (Xiamen) Co., Ltd.	December 2006	No. 202, Shengye Building, No. 2, Weili Road, Information Optoelectronics Park, Gaoxin District, Huoju, Xiamen	810,256	R&D, production, and sale of liquid crystal displays
TECO Group Science-Technology (Hangzhou) Co., Ltd.	June 2007	Rooms 619 & 620, East Area, Building A, Zhejiang University National Science Park, No. 525, Xixi Road, Xihu District, Hangzhou	9,870	Electronic engineering and automatic control technology development and consulting services
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	February 2010	No.169, Dongyuan Road, Gaoxin Development Zone, Nanchang City, Jiangxi Province	161,019	Production and sale of a variety of air-conditioning equipment
Fujian TECO Precision Co., Ltd.	May 2008	Xiayang, Jiazhaoh, Zhanggang Village, Saiqi Development Zone, Fuan, Fujian, China	365,351	Production and sale of electric motors, generators and their parts, and water pumps
Teco Appliance (HK) Co., Ltd	February 1991	Room 3712, Hong Kong Plaza, No. 186-191, Connaught Road West, Hong Kong	5,331	Sale of household appliances
Taian Electric Co., Ltd.	March 2004	5F, No. 19-9, Sanchong Road, Nangang District, Taipei City	1,000	Production and sale of switch appliances
An-Sheng Travel Co., Ltd.	April 2005	(Room D) 5F, No.19-9, Sanchong Road, Nangang District, Taipei City	30,000	Travel industry
Hubbell-Taian Co., Ltd.	August 1991	7F, No. 19-8, Sanchong Road, Nangang District, Taipei City	27,200	Import, export, and sale of power transmission and distribution devices, lighting devices, as well as

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
				explosion-proof appliances and ancillary products
Universal Mail Service Ltd.	December 1989	2F, No. 51, Wuquan 7th Road, Wugu District, New Taipei City	13,000	Postal information integration and bill printing outsourcing services
Unison Service Corporation	August 2001	21F-5, No. 97, Section 1, Xintai 5th Road, Xizhi District, New Taipei City	17,000	Customer relationship management services
Information Technology Total Service (BVI) Co., Ltd.	March 2001	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	42,655	Various investment business activities
Information Technology (Wuxi) Co., Ltd.	August 2004	Lot No. 65-C, Wuxi High-Tech Industrial Development Zone	42,655	ERP establishment, system maintenance, and information equipment procurement
Information Technology Total Service (Xiamen)	December 2007	Unit 2B, No. 102, Shengye Building, No. 2, Weili Road, Information Optoelectronics Park, Gaoxin District, Huoju, Xiamen	4,344	Supply of information software, data processing, electronic information supply, and other relevant services
GreyBack International Property Inc.	February 2007	New East Kalayaan Subic Bay Freeport Zone 2222	27,683	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	June 1988	No.7861&7863,Jalan Teluk Batu1, Batu 41/2, Jalan, Kebun, Seksyen 36, 40470, Shah Alam	6,627	Production and sale of TECO heavy electrical products
TECO CAPITAL INC.	April 2008	Palm Grove house,P.O.Box 438,Road Town,Tortola,British Birgin Islands.	18,217	Various investment business activities
TECO (Philippines) 3C & Appliances, Inc.	August 2008	Subic Vest Commercial Complex Subic Bay Gateway Park Phase I Subic Bay Freeport Zone, 2222, Philippines	27,081	Sale of air conditioners and household appliances
Pelecanus Express Pte. Ltd.	April 2010	18. Chin Bee Drive Singapore 2261	24,912	Various investment business activities
Qingdao TECO Innovation Co., Ltd.	August 2010	No.169 Songling Road, Laoshan District, Qingdao	56,841	Consulting services, investor management, and management regarding science park development and operation
TECO Technology & Marketing Center Co., Ltd	April 2011	29th fl., Hamamatsucho Bldg, 1-1-1, Shibaura, Minato-ku, Tokyo, Japan, 105-0023	7,215	Various investment business activities
TECOCAPITAL INVESTMENT (SAMOA) CO., Ltd.	January 2011	OffshoreChambers ,P.O.Box217 .Apia .Samoa.	55,360	Holding company
Beijing Pelican Express Co., Ltd.	October 2010	No. 5, Guanghua Road, Industrial Development Zone, Tongzhou District, Beijing	0	Storage Services
Technical Information International Co. Ltd.	July 2008	Room 307-1, No. 11, Chengye Building, Huoju East Road, Huli District, Xiamen (Xiamen Torch Hi-Tech Industrial Development Zone)	43,440	Development and sale of software
Shanghai TECO Electric & Machinery Co., Ltd.	August 2012	Room 321, 3F, No. 6, Lane 1279, Zhongshan West Road, Shanghai	59,211	Agency for electrical engineering and electronic products
TECO Electric and Machinery GmbH.	September 2012	Industrieweg 21 30179 Hannover Germany	783	Production and sale of heavy electric products
Tecom Co., Ltd.	September 1980	No. 23, Yanfa 2nd Road, Hsinchu Science Park, Hsinchu City	945,998	Production and sale of key telephone systems, non-host key telephones, and rate calculating devices, etc.
Baycom Opto-Electronics Technology Co., Ltd.	April 1990	No. 23, Yanfa 2nd Road, Hsinchu Science Park, Hsinchu City	335,913	Research, manufacture, and sale of optical fiber, optical fiber cable, and components
Tecom Global Tech Investment (B.V.I.)	August 2002	Citco Building ,Wickhams Cay, P.O Box 662 ,Road Town,Tortola ,British Virgin Islands.	33,156	Investment in various businesses
Tecom Global Tech Investment Pte. Limited	July 2004	80 Robinson Road #02-00 , Singapore 068898	487,166	Investment in various businesses
Wuhan Tecom Co., Ltd.	February 2003	9F, Gaoke Building, No. 18, Huaguang Boulevard, Wuhan City	7,191	Technological development, production, sale and technical service business of products related to communication network information
Qingdao Jie Zheng Property Service & Management Company	August 2012	Room A201, No.169 Songling Road, Laoshan District, Qingdao	5,664	Property management and relevant supporting services
Top-tower Enterprises Co., Ltd.	July 1968	1F & 2F, No. 86, Caigong 1st Road, Zuoying District, Kaohsiung City	18,000	Franchise of FA/GE Product
Teco Elektrik Turkey A.S	August 2013	Yesilkoy Mah. Ataturk Caddesi No:12/1, EGS Business Park, B1 Blok 3. Kat Daire No: 173-174, 34149-Bakirkoy/Istanbul TURKEY	12,861	Franchise of Home Appliance and FA/GE Product
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	July 2014	No.189, Dongyuan Road, Gaoxin Development Zone, Nanchang City, Jiangxi Province	107,175	Production and sale of motors, coils, and components of relevant products
Teco Westinghouse Colombia S.A.S.	May 2014	CARRERA 27 No. 22 SUR- 51 Interior 152 Envigado- Antioquia-Colombia.	0	Production and sale of motors and generators
Motovario S.p.A.	October 1965	Galleria San Babila 4b, Milan, Italy	564,073	Production and sale of reducers and motors

Company Name	Date of Incorporation	Address	Paid-in Capital	Principle Business or Products
Motovario SAU (Spain)	February 2001	Sant Fruits de Bages (Barcelona), Crta. C -16C, Km. 4, NAVE 2	20,700	Production and sale of reducers and motors
Motovario Ltd.	March 1999	Rushock, Droitwich (UK), United Kingdom, Droitwich Road	13,590	Production and sale of reducers and motors
Motovario GMBH	February 1997	Grieheim (DE), Pflutzenstrasse 75	10,089	Production and sale of reducers and motors
Motovario Corp.	October 1997	Alpharetta GA (USA), Curie Drive 818	8,581	Production and sale of reducers and motors
Motovario S.A (France)	February 1995	Genas (FR), Rue de l'Avenir, 42	10,126	Production and sale of reducers and motors
Motovario Int. Trading Co. Ltd.	July 2004	Shanghai (China), Room 307, Xiling Road 118 Waigaogiao Ftz	7,191	Production and sale of reducers and motors
Motovario Gear Solution Private Ltd.	July 2011	Kolkata (India), Diamond Harbour Road, Ps-Thakurpukur	4,649	Production and sale of reducers and motors
Eagle Holding Co.	August 2010	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	3,076,649	Holding company
TECO MOTOR B.V.	July 2015	Rivium 3e straat 17,2909LH Capelle aan den IJssel, the Netherlands.	3,132,313	Holding company
Wuxi TECO Precision Industry Co., Ltd.	July 2015	No. 17, Changjiang East Road, Xinwu District, Wuxi City	854,951	Production and sale of motors and their parts
Century Development Corporation	February 1993	4F, No. 66, Sanchong Road, Nangang District, Taipei City	3,509,055	Real estate and industrial zone development management
Century Tech. C&M Corporation	October 1975	4F, No. 66, Sanchong Road, Nangang District, Taipei City	22,500	Construction business
United Development Corporation	March 1994	4F, No. 66, Sanchong Road, Nangang District, Taipei City	108,310	Domestic and overseas industrial zone and land investment consulting services
Teco Industrial System Private Limited	June 2012	351,, Patparganj Industrial area , Delhi-110092, India	5,538	Sales and marketing for motors in India
Teco Electrical Industries Private Limited	June 2016	BLOCK NO-277, R.S NO-166,, VILLAGE-RAIKA, OLD NH NO-8, VADODARA-391340, INDIA	24,174	Distribution of heavy electrical products
YATEC Engineering (VN) Company Limited	December 2016	4F, No. 136-138, 7A Road, Block B, Binh Chih East, Binh Thanh District, Ho Chi Minh City, Vietnam	17,121	Development, design, and maintenance of electrical system equipment
Century Real Estate (International) Pte. Ltd.	August 2017	47 TUAS AVENUE 9 SINGAPORE 639190	841,472	Investment in other regions
CDC Development India Private	October 2017	No. 1 & 2, The Millenia, Tower B, 10th Floor, Unit No-1003, Murphy Road, Ulsoor, Bengaluru, Karnataka - 560008, India	751,238	Domestic and overseas industrial zone and land investment consulting services
Century Biotech Development Corporation	March 2018	4F, No. 66, Sanchong Road, Nangang District, Taipei City	2,500,000	Domestic and overseas industrial zone and land investment consulting services
TECO Sun Energy Company Limited	June 2018	5F, No. 19-9, Sanchong Road, Nangang District, Taipei City	70,000	Energy technical services
Am Smart Technology	March 2018	1F, No. 66, Sichuan Road, Xitun District, Taichung City	20,000	Distribution of heavy electrical products
Temico International Pte. Ltd.	June 2018	47 TUAS AVENUE 9, SINGAPORE (639190)	250,734	Holding company
TECO EV Philippines Corporation	August 2015	Phase 1, Subic Bay Industrial Park Argonaut Highway Cor. Brave heart St. Subic Bay Freeport Zone Philippines 2222	29,408	Sale of vehicle products
Euro Asia Mado	December 2018	6F, No. 19-8, Sanchong Road, Nangang District, Taipei City	22,500	Franchise restaurant business
Jing Lao Man Restaurant	July 2012	2F-2, No. 66, Jingmao 2nd Road, Nangang District, Taipei City	28,000	Franchise restaurant business
Ejoy Australia Pty. Ltd.	July 2009	UNIT 1' 44 MURDOCH CIRCUIT ACACIA RIDGE QLD 4110, Australia	70,280	Distribution of household appliances
Motovario Australia Pty. Ltd.	February 2018	TOWER ONE INTERNATIONAL TOWERS SYDNEY' LEVEL 17 100 BARANGAROO AVENUE BARANGAROO NSW 2000	0	Various investment business activities
Teco Electric Motors Africa Pty. Ltd.	November 2017	7 Forbes Street, Midstream Estate, Ekurhuleni Gauteng 1692, South Africa	0	Agency for electrical engineering and electronic products
Ejoy Australia Holdings Pty Ltd.	July 2009	SHOP' 37 SUNNYPARK SHOPPING CENTRE SUNNYBANK QLD 4109	0	Various investment business activities
F C R Motion Technology Pty. Ltd.	February 2018	Unit 6, Automation Place, 38-40 Little Boundary Road, Laverton North, VIC 3026, Australia	52,549	Sale of electrical engineering and electronic products
Temico Motor India Private Limited	February 2020	Unit No 1003, Level 10, Tower B The Millenia, No 1 & 2, Murphy Road Ulsoor BANGALORE Bangalore KA 560008 IN	26,814	Manufacture and Sales of motor
Pelican Express (Vietnam) Company Limited	May 2020	No. 23, Huangliannigu Road, 10th Square, Sin Binh District, Ho Chi Minh City, Vietnam	5,561	Storage Services
Temico India Private Limited	September 2018	351, F.I.E., Industrial area Patparganj DELHI East Delhi DL 110092 IN	0	Production and sale of motors

5. In terms of the industries to which all affiliates belong, where the business operations between the affiliates are related to each other, the division of labor shall be specified:
 - A. Please refer to (I) 2. “The principal business in the Basic information on affiliates of the company” for the details of the overall business operations of the Company’s affiliates.
 - B. The Company provides information software, data processing, and electronic information supply services to affiliates.

6. Information on directors, supervisors, and presidents of affiliates

Company Name	Title	Name of individual or representative	Shareholding	
			Number of shares	Shareholding percentage
Unison Service Corporation	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Director	Hsin-Cheng Liu (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Director	Huan-Yu Hsu (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
	Supervisor	Su-Chin Wang (Information Technology Total Services Co., Ltd.)	1,700,000	100.00%
Universal Mail Service Ltd.	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Director	Hsin-Cheng Liu (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Director	Shih-Yang Lin (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Director	Wei-Ting Cheng (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Director	Huan-Yu Hsu (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Supervisor	Su-Chin Wang (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
	Supervisor	Jui-E Chen (Information Technology Total Services Co., Ltd.)	1,300,000	100.00%
Information Technology Total Services (BVI) CO., LTD.	Chairman	Shang-Wei Kao (Information Technology Total Services Co., Ltd.)	1,541,000	100.00%
Information Technology (Wuxi) Co., Ltd.	Chairman	Shang-Wei Kao (Information Technology Total Service (BVI) Co., Ltd.)	-	100.00%
	Director	Hsin-Cheng Liu (Information Technology Total Service (BVI) Co., Ltd.)	-	100.00%
	Director	Wei-Ting Cheng (Information Technology Total Service (BVI) Co., Ltd.)	-	100.00%
	Supervisor	Lung-Chu Hung (Information Technology Total Service (BVI) Co., Ltd.)	-	100.00%
Information Technology Total Service (Xiamen)	Chairman and Executive Director	Shang-Wei Kao (Information Technology (Wuxi) Co., Ltd.)	-	100.00%
	Supervisor	Yu-Min Chiang (Information Technology (Wuxi) Co., Ltd.)	-	100.00%

(II) Overview of the Operations of Affiliates

The financial position and operating results of each affiliate

Unit: NTD thousand; Earnings per share (NTD)

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Income in the current period (after tax)	Earnings per share (NTD) (after tax)
Unison Service Corporation	17,000	44,300	29,256	15,044	100,240	5,209	5,004	2.94
Universal Mail Service Ltd.	13,000	25,190	8,799	16,391	42,203	6,298	5,518	4.24
Information Technology Total Services (BVI) CO., LTD.	48,424	66,727	51	66,676	-	(65)	5,019	3.26
Information Technology (Wuxi) Co., Ltd.	10,167	45,544	17,017	28,527	73,396	1,579	2,119	N/A
Information Technology Total Service (Xiamen)	4,421	585	915	(330)	621	(416)	(177)	N/A

(III) Consolidated Financial Report of Affiliates

Information Technology Total Services Co., Ltd.

Statement on the Consolidated Financial Report of Affiliates

Considering that the companies to be included into the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2021 (from January 1, 2021, to December 31, 2021), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already been disclosed in said consolidated financial statements of the parent company and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Company name: Information Technology Total Services Co., Ltd.

Responsible persons: Shang-Wei Kao

March 18, 2022

(IV) Business Report of Affiliates

1. Relationship between the controlling company and its subordinates

December 31, 2021/Unit: Share; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors, supervisors, and managers appointed by the controlling company	
		Number of shares held	Shareholding percentage	Shares pledged	Title	Name
TECO Electric & Machinery Co., Ltd.	Information Technology Total Services Co., Ltd.'s controlling company and subordinates in compliance with Article 369-2 of the Company Act	11,467,248	41.97%	-	Chairman Director Director	Shang-Wei Kao Chwen-Jy Chiu An-Ping Liu Kuo-Min Chen

2. Transaction Status

(1) Purchases/Sales

Unit: NTD thousand

Transaction with the controlling company				Transaction terms and conditions with the controlling company		General transaction terms and conditions		Reason for difference	Accounts receivable (payable), notes receivable (payable)		Overdue accounts receivable			Notes
Purchase (sale)	Amount	Proportion to total	Gross margin	Unit price (NTD)	Credit period	Unit price (NTD)	Credit period		Balance	Proportion to total accounts receivable (payable), notes receivable (payable)	Amount	Treatment	Allowance for doubtful debts	
Purchase	5,337	1%	-	Note 1	Note 1	Note 1	Note 1	-	4,502	2%	-	-	-	-
Sale	164,135	13%	-	Note 2	Note 2	Note 2	Note 2	-	29,639	9%	-	-	-	-

Note 1: The purchases of services from the controlling company are mainly purchases for the establishment of systems, and there are no similar types of transactions to compare. The payment period is roughly 30–60 days.

Note 2: There is no significant difference in the transaction price of sales to non-related parties, and the payment collection period is 60–90 days. Service revenue includes software business contracts, including enterprise resource planning. Most of them are individual projects. Therefore, the contract price is determined by negotiation between both parties. The payment collection period is usually 30–120 days, and there are no significant differences in transactions with non-related parties.

(2) Property transactions: N/A.

(3) Financing provided: N/A.

(4) Asset leasing

Unit: NTD thousand

Type of transaction (lease-out or lease-in)	Target property		Lease term	Nature of lease	Basis for determination of rent	Collection (payment) method	Comparison with the general rent	Total rent in the current period	Collection/payment in the current period	Other agreements
	Name	Location								
Lease-in	Office in Nangang Software Park	5F, No. 19-8, Sanchong Road, Nangang District, Taipei City	2021	Operating lease	Contract	Remittance	Note	6,179	Monthly payment	Full or partial sublease (sublet) or sale is prohibited

Note: There are no similar types of transactions to compare with the rent of the leased office. The transaction price is negotiated by both parties, and the payment period is on a monthly basis.

(5) Other important transactions: N/A.

3. Endorsements/guarantees provided: N/A.

4. Other matters with significant effects on finance and business: N/A.

II. Any private placement of securities in the most recent year and up to the publication of this annual report:

Item	First private placement in 2019 Issue date: June 11, 2019				
Type of securities in private placement	Ordinary shares				
Date of approval of the number at the shareholders' meeting	On April 23, 2019; the number shall not exceed 5,100,000 shares				
Basis for price setting and reasonableness	Based on the pricing principles decided by the extraordinary shareholders' meeting on April 23, 2019, the price set for this private placement was NT\$35.52, and the actual price was NT\$29, which was 81.64% of the price set.				
Method of selection of specific persons	This is limited to specific persons who meet the provisions of Article 43-6 of the Securities and Exchange Act, and must be strategic investors while meeting the subscriber's qualifications as stipulated in the Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 1010055995 dated January 8, 2013				
Reason for the necessity of private placement	To meet the Company's needs for strategic business development in the future and based on its timeliness and convenience of raising funds, issue costs, and equity stability.				
Date of completion of payment for the shares	May 15, 2019				
Information on subscribers	Company	Qualifications	Subscription quantity	Relationship with the Company	Participation in the Company's business
	Advantech Co., Ltd.	Article 43-6 of the Securities and Exchange Act	5,084,273 shares	None	As of the publication date of the annual report, it did not engage in the Company's operations
Actual subscription (or conversion) price	The actual subscription price was NT\$29 per share				
Difference between the actual subscription (or conversion) price and the price set	The actual subscription price was 81.64% of the price set				
The impact of the private placement on shareholders' equity (e.g. resulting in an increase in cumulative deficit)	In addition to reducing the costs of capital effectively and ensuring the efficiency of fundraising, the private placement project is expected to strengthen the Company's competitiveness and improve its operating efficiency with a positive effect on shareholders' equity				
Utilization of the funds raised through the private placement and the implementation progress of the utilization plan	The capital increase in cash through private placement aimed to repay bank borrowings and replenish the working capital, which was implemented in the second quarter of 2019 and announced as required				
Effect of the private placement	The funds raised at this time were used to repay bank borrowings and replenish the working capital. After the completion of the Company's utilization plan, in terms of financial structure, the debt ratio has dropped from 70.62% in the fourth quarter of 2018 to 55.15% in the second quarter of 2019. The ratio of long-term capital to property, plant and equipment increased from 1,665.69% in the fourth quarter of 2018 to 2,194.90% in the second quarter of 2019, which indicated that the Company's long-term capital was still sufficient to respond to any changes in property, plant and equipment. In terms of solvency, the current ratio and the quick ratio increased from 127.66% and 110.22% in the fourth quarter of 2018 to 133.13% and 112.44% in the second quarter of 2019, respectively. In summary, the effect of the private placement included the alleviation of the Company's financial risks, strengthening of its financial structure, improvement to both financial structure and solvency as compared to before the private placement; thus, the effect of this fundraising project has taken place as expected.				

- III. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and up to the Publication of This Annual Report: N/A.**
- IV. Other Important Supplementary Information: N/A.**
- V. Primary Listed (Foreign) Companies Shall Include a Description of Major Differences from Taiwan's Regulations on the Protection of Shareholders' Equity: N/A.**
- VI. Any Events that Occurred in the Most Recent Year and up to the Publication Date of This Annual Report which Significantly Affected Shareholders' Equity or the Price of Shares Pursuant to Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: N/A.**

Information Technology Total Services Co., Ltd.
Parent Company Only Financial Report and Independent Auditors'
Report
For the Years Ended December 31, 2021 and 2020
(Stock Code: 6697)

Company Address: 5F, No. 19-8, Sanchong Road, Nangang District,
Taipei City

Tel.: (02)2655-2525

Independent Auditor's Report

(2022) Cai-Shen-Bao-Zi No. 21003078

To Information Technology Total Services Co., Ltd.:

Audit opinion

We have reviewed the accompanying parent company only balance sheets of Information Technology Total Services Co., Ltd. (the "Company") for the years ended December 31, 2021 and 2020, and the relevant parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and for the years then ended, and its standalone financial performance and its standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers based on our audit results and the audit reports of other certified public accountants (CPAs) (refer to the section of "Other matters").

Basis of audit opinion

We conducted our audit in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Report section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of our audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Company for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the parent company only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements of the Company for the year ended December 31, 2021, are stated as follows

Service revenue – the correctness of recognition of the establishment of information systems

Description

Please refer to Note 4(25) of the parent company only financial statements for the accounting policies for the revenue recognition of the Company. For critical accounting estimates and assumptions, please refer to Note 5 of the parent company only financial statements.

The main business items of the Company are information software, information processing, and electronic information supply, and the sale of a variety of information equipment, as well as other products and services. Among them, the service revenue from the construction of information systems is recognized as revenue according to the percentage of completion method when the service is provided to each customer during the financial reporting period. The percentage of completion is determined on the basis of the cost incurred as of the balance sheet date, which is determined based on the total estimated cost of the service contract. Because the percentage of completion involves the judgment of the management, and the service revenue for 2020 has a material impact on the parent company only financial statements, we have listed the correctness of the recognition of the service revenue as a key audit matter.

Corresponding audit procedures

The main corresponding procedures we have implemented for said specific aspect of the key audit matter are as follows:

1. Understand the control process of the revenue recognition regarding information system construction services to evaluate the effectiveness of the internal control of the revenue recognition.
2. Randomly audit the service revenue from information system construction projects recognized throughout the year; check the prices of customer service contracts, the service items provided, and the payment conditions; obtain the project cost details; check the receipts for the costs invested; and verify the percentages of the costs invested, to confirm the correctness of the time point and amount of service revenue recognized based on the percentage of completion of each project.
3. Examine the completed contracts after the balance sheet date and examine the difference between the actual costs and the estimated costs, so as to evaluate the reasonableness of the calculation of the percentage of completion.

Assessment of impairment of accounts receivable

Description

Regarding the accounting policies for impairment of accounts receivable, please refer to Note 4(9) of the parent company only financial statements. For the description of the impairment of accounts receivable, please refer to Notes 6(3) and 12(2) of the parent company only financial statements. For critical accounting estimates and assumptions, please refer to Note 5 of the parent company only financial statements.

The Company regularly reviews the adequacy of the provision of loss allowance in accordance with its internal impairment assessment policies. Such impairment assessments are based on historical experience in credit loss from accounts receivable, forward-looking information, and objective evidence of impairment. As the balance of accounts receivable accounts for 32% of total assets, and the management must use judgment and estimation to determine the possibility of recovering accounts receivable and determine the amount of loss,

there is a high degree of uncertainty in estimation. Due to the material impact that said matter has on the parent company only financial statements, we have listed the impairment of accounts receivable as a key audit matter.

Corresponding audit procedures

The main corresponding procedures we have implemented for said specific aspect of the key audit matter are as follows:

1. Understand the management's policies and procedures for credit risk management and impairment assessment of accounts receivable.
2. Randomly audit and review the impairment assessment documents provided by the management, including forward-looking information, long aging of accounts receivable, and signs showing that customers are unable to make repayments on schedule.
3. Test the correctness of the aging report used to calculate the loss allowance for accounts receivable, and recalculate the amount of the loss allowance based on the report.
4. Perform a payment collection test after the balance sheet date to confirm the recoverability of the payment.

Other matters – other CPAs' audit

As stated in Note 6(5) of the parent company only financial statements, the financial statements of the Company's investees using the equity method included in the parent company only financial statements were not audited by us but by other CPAs. Therefore, in the opinion expressed by us regarding aforementioned parent company only financial statements, the amounts listed in the investees' financial statements and relevant information disclosed in Note 13 are based on the audit reports of other CPAs. The amount of investment in the aforementioned companies using the equity method as of December 31, 2021 and 2020, was NT\$32,521 thousand and NT\$35,121 thousand, respectively, accounting for 4% and 4% of the total standalone assets, respectively. For the years ended December 31, 2021 and 2020, the comprehensive income recognized for the aforementioned companies was NT\$341 thousand and NT\$5,365 thousand, respectively, accounting for 1% and 8% of the standalone comprehensive income, respectively.

Responsibilities of the management and governance bodies for the parent company only financial statements

The responsibilities of the management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain the necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of the Company to continue as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting, unless the management intends to liquidate the Company or cease operations or has no viable alternative but to liquidate or cease operations.

The governance bodies of the Company (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards of the Republic of China will always detect a material misstatement in the parent company only financial statements when it exists. Misstatement can arise from error or fraud. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the parent company only financial statements, they are considered material.

We have used our professional judgment and maintained professional doubt when performing the audit work in accordance with the generally accepted auditing standards in the Republic of China. We also performed the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within

the parent company only financial statements; design and execute appropriate countermeasures in response to said risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.

2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

The matters communicated between us and the governance bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

PricewaterhouseCoopers Taiwan

Ping-Chun Chih

CPA

Tsung-Hsi Lai

Former Securities and Futures Commission, Ministry of
Finance

Approval Document No.: (1999) Tai-Cai-Zheng-(VI) No.
16120

Securities and Futures Bureau, Financial Supervisory
Commission, Executive Yuan

Approval Document No.: Jin-Guan-Zheng-VI-Zi No.
0960038033

March 18, 2022

Information Technology Total Services Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 105,212	13	\$ 47,234	5
1140	Contract assets – current	6(15)	52,006	6	31,518	4
1150	Notes receivable, net	6(3) and (7)	434	-	19,038	2
1160	Note receivable – related parties, net	7	3,790	1	7,597	1
1170	Accounts receivable, net	6(3) and (7)	265,333	32	390,219	43
1180	Accounts receivable – related parties, net	7	59,824	7	70,164	8
1200	Other receivables		7,532	1	6,394	1
130X	Inventories	6(4)	7,564	1	40,337	4
1410	Prepayments		14,479	2	12,690	1
1476	Other financial assets – current	6(1) and 8	749	-	791	-
11XX	Total current assets		<u>516,923</u>	<u>63</u>	<u>625,982</u>	<u>69</u>
Non-current assets						
1517	Financial asset at fair value through other comprehensive income – non-current	6(2)	47	-	47	-
1550	Investment using equity method	6(5)	133,872	16	120,229	13
1600	Property, plant, and equipment	6(6)	6,141	1	6,374	1
1780	Intangible assets		611	-	1,278	-
1840	Deferred income tax assets	6(22)	1,585	-	1,398	-
1920	Refundable deposits		3,816	-	3,903	1
1930	Long-term notes and accounts receivable	6(7)	161,886	20	146,714	16
1990	Other non-current assets – others	6(1), (8), (10) and 8	970	-	593	-
15XX	Total non-current assets		<u>308,928</u>	<u>37</u>	<u>280,536</u>	<u>31</u>
1XXX	Total assets		<u>\$ 825,851</u>	<u>100</u>	<u>\$ 906,518</u>	<u>100</u>

(Continued on next page)

Information Technology Total Services Co., Ltd.
Parent Company Only Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2130	Contract liabilities – current	6(15)	\$ 17,032	2	\$ 13,830	2
2150	Notes payable		1,170	-	1,253	-
2170	Accounts payable		153,714	19	267,227	29
2180	Accounts payable – related parties	7	33,889	4	34,278	4
2200	Other payables	6(9)	50,624	6	44,549	5
2230	Income tax liabilities in the current period	6(22)	12,313	1	7,783	1
2399	Other current liabilities – others		4,301	1	2,479	-
21XX	Total current liabilities		<u>273,043</u>	<u>33</u>	<u>371,399</u>	<u>41</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	4,464	1	3,449	-
2645	Guarantee deposits received		650	-	650	-
25XX	Total non-current liabilities		<u>5,114</u>	<u>1</u>	<u>4,099</u>	<u>-</u>
2XXX	Total liabilities		<u>278,157</u>	<u>34</u>	<u>375,498</u>	<u>41</u>
Equity						
Share capital						
3110	Common stock	6(11)	273,234	33	273,234	30
Capital surplus						
3200	Capital surplus	6(12)	158,042	19	158,042	18
Retained earnings						
3310	Legal reserve	6(13)	41,087	5	34,527	4
3320	Special reserve		4,279	1	2,865	-
3350	Undistributed earnings		76,536	9	66,631	7
Other equity items						
3400	Other equity items	6(14)	(5,484)	(1)	(4,279)	-
3XXX	Total equity		<u>547,694</u>	<u>66</u>	<u>531,020</u>	<u>59</u>
Material contingent liabilities and unrecognized contractual commitments						
	Material events after the balance sheet date	9				
		11				
3X2X	Total liabilities and equity		<u>\$ 825,851</u>	<u>100</u>	<u>\$ 906,518</u>	<u>100</u>

The notes attached are part of the Parent Company Only Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(except for earnings per share which is in NT\$1)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(15) and 7	\$ 1,259,780	100	\$ 1,184,758	100
5000	Operating costs	6(4), (20), (21) and 7	(1,099,469)	(87)	(1,059,823)	(89)
5900	Gross profit		160,311	13	124,935	11
5920	Realized gain from sales		620	-	-	-
5950	Gross profit, net		160,931	13	124,935	11
	Operating expenses	6(20), (21) and 7				
6100	Selling expenses		(18,717)	(1)	(17,369)	(1)
6200	Administrative expenses		(65,386)	(5)	(56,123)	(5)
6300	R&D expenses		(8,832)	(1)	(6,525)	(1)
6450	Expected credit impairment losses		-	-	(848)	-
6000	Total operating expenses		(92,935)	(7)	(80,865)	(7)
6900	Operating profit		67,996	6	44,070	4
	Non-operating income and expenses					
7100	Interest revenue	6(16)	74	-	59	-
7010	Other revenue	6(17)	1,366	-	441	-
7020	Other gains and losses	6(18)	(686)	-	(920)	-
7050	Financial costs	6(19)	(179)	-	(777)	-
7070	Share of profit or loss on subsidiaries, associates, and joint ventures accounted for using the equity method	6(5)	17,124	1	30,968	2
7000	Total non-operating income and expenses		17,699	1	29,771	2
7900	Net income before tax		85,695	7	73,841	6
7950	Income tax expense	6(22)	(13,214)	(1)	(8,061)	(1)
8200	Current net income		\$ 72,481	6	\$ 65,780	5
	Other comprehensive income (net)					
	Items not reclassified to profit or loss					
8330	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for the using equity method – items not reclassified to profit or loss	6(5)	\$ 56	-	(\$ 230)	-
8349	Income tax related to items not reclassified	6(22)	(11)	-	46	-
	Items that subsequently may be reclassified to profit or loss					
8361	Exchange difference on translation of financial statements of foreign operations	6(14)	(1,205)	-	(1,413)	-
8300	Other comprehensive income (net)		(\$ 1,160)	-	(\$ 1,597)	-
8500	Total comprehensive income in the current period		\$ 71,321	6	\$ 64,183	5
	Earnings per share	6(23)				
9750	Basic earnings per share		\$ 2.65		\$ 2.41	
9850	Diluted earnings per share		\$ 2.63		\$ 2.39	

The notes attached are part of the Parent Company Only Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Notes	Common stock	Capital surplus – additional paid-in capital	Retained earnings			Exchange difference on translation of financial statements of foreign operations	Total
				Legal reserve	Special reserve	Undistributed earnings		
<u>2020</u>								
Balance on January 1, 2020		\$ 273,234	\$ 158,042	\$ 28,516	\$ 2,097	\$ 62,461	(\$ 2,866)	\$ 521,484
Current net income		-	-	-	-	65,780	-	65,780
Other comprehensive income in the current period	6(14)	-	-	-	-	(184)	(1,413)	(1,597)
Total comprehensive income in the current period		-	-	-	-	65,596	(1,413)	64,183
2019 earnings allocation and appropriation	6(13)							
Appropriation for legal reserve		-	-	6,011	-	(6,011)	-	-
Appropriation for special reserve		-	-	-	768	(768)	-	-
Distribution of cash dividends		-	-	-	-	(54,647)	-	(54,647)
Balance on December 31, 2020		\$ 273,234	\$ 158,042	\$ 34,527	\$ 2,865	\$ 66,631	(\$ 4,279)	\$ 531,020
<u>2021</u>								
Balance on January 1, 2021		\$ 273,234	\$ 158,042	\$ 34,527	\$ 2,865	\$ 66,631	(\$ 4,279)	\$ 531,020
Current net income		-	-	-	-	72,481	-	72,481
Other comprehensive income in the current period	6(14)	-	-	-	-	45	(1,205)	(1,160)
Total comprehensive income in the current period		-	-	-	-	72,526	(1,205)	71,321
2020 earnings allocation and appropriation	6(13)							
Appropriation for legal reserve		-	-	6,560	-	(6,560)	-	-
Appropriation for special reserve		-	-	-	1,414	(1,414)	-	-
Distribution of cash dividends		-	-	-	-	(54,647)	-	(54,647)
Balance on December 31, 2021		\$ 273,234	\$ 158,042	\$ 41,087	\$ 4,279	\$ 76,536	(\$ 5,484)	\$ 547,694

The notes attached are part of the Parent Company Only Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd.
Parent Company Only Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow of operating activities</u>			
Net income before tax in the current period		\$ 85,695	\$ 73,841
Adjustment items			
Income/Expenses items			
Depreciation expenses	6(6)	2,818	2,560
Amortization expenses		667	906
Expected credit impairment losses	12(2)	-	848
Share of profit on subsidiaries and associates accounted for using the equity method	6(5)	(17,124)	(30,968)
Loss from disposal of investment	6(18)	693	-
Realized gross margin		(620)	-
Interest expenses	6(19)	179	777
Interest revenue	6(16)	(74)	(59)
Dividend revenue	6(17)	(909)	-
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable, net		18,604	2,865
Notes receivable – related parties		3,807	(7,489)
Accounts receivable		124,886	(30,737)
Accounts receivable – related parties		10,340	848
Contract assets – current		(20,488)	1,657
Other receivables		(1,137)	2,543
Inventories		32,773	(4,352)
Prepayments		(1,789)	599
Net changes in liabilities related to operating activities			
Notes payable		(83)	1,253
Accounts payable		(113,513)	184,740
Accounts payable – related parties		(389)	11,869
Contract liabilities – current		3,202	(3,873)
Other payables		6,202	3,637
Other current liabilities – others		1,822	721
Cash inflow from operations		135,562	212,186
Interest received		74	59
Dividends received	6(5)	3,862	4,328
Interest paid		(179)	(774)
Income tax paid		(7,869)	(6,462)
Net cash inflow from operating activities		131,450	209,337

(Continued on next page)

Information Technology Total Services Co., Ltd.
Parent Company Only Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow of investing activities</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 19,997)	\$ -
Disposal of financial assets at fair value through profit or loss		19,304	-
Purchase of property, plant and equipment	6(24)	(2,712)	(3,097)
Proceeds from disposal of property, plant, and equipment		-	91
Decrease in other financial assets – current		42	289
Other non-current assets – others		(377)	(157)
Decrease (increase) in long-term notes and accounts receivable		(15,172)	17,386
Decrease in long-term notes and accounts receivable – related parties		-	6,422
Decrease in refundable deposits		87	11,621
Acquisition of investment under the equity method		-	(3,000)
Net cash inflow (outflow) from investing activities		<u>(18,825)</u>	<u>29,555</u>
<u>Cash flow of fund-raising activities</u>			
Repayment of long-term borrowings		-	(100,000)
Decrease in long-term notes payable		-	(74,939)
Increase in guarantee deposits received		-	137
Distribution of cash dividends	6(13)	(54,647)	(54,647)
Net cash outflow from financing activities		<u>(54,647)</u>	<u>(229,449)</u>
Increase in cash and cash equivalents in the current period		57,978	9,443
Balance of cash and cash equivalents, beginning	6(1)	<u>47,234</u>	<u>37,791</u>
Balance of cash and cash equivalents, ending	6(1)	<u>\$ 105,212</u>	<u>\$ 47,234</u>

The notes attached are part of the Parent Company Only Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2021 and 2020

Unit: NTD thousand
(Unless otherwise specified)

I. Company History

Information Technology Total Services Co., Ltd. (the “Company”) was incorporated in Republic of China. The main business items of the Company are information technology outsourcing (ITO), business process outsourcing (BPO), and innovative applications and services of the Internet of Things (IoT). TECO Electric & Machinery Co., Ltd. holds 41.97% of the Company’s equity, and TECO Electric & Machinery Co., Ltd. is the ultimate parent company of the Company.

II. Date and Procedures for Approval of the Financial Report

The parent company only financial report was released after being approved by the board of directors on March 18, 2022.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) The effect of adopting new or amended IFRSs endorsed by the Financial Supervisory Commission (FSC)

The table below summarizes the newly issued, revised, and amended IFRSs endorsed by the FSC, applicable to 2021:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021
Amendments to IFRS 16 “COVID-19-Related Rent Concessions After June 30, 2021”	April 1, 2021 (Note)

Note: The FSC allows early application from January 1, 2021.

The Company’s has assessed that the above standards and interpretations have no material impact on the Company’s financial position and financial performance.

(II) Effect of not adopting new or amended IFRSs endorsed by the FSC

The table below lists the new, revised, and amended standards and interpretations of the IFRSs, which apply to the reporting period beginning on January 1, 2022, as endorsed by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant, and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018–2020 Cycle	January 1, 2022

The Company's has assessed that the above standards and interpretations have no material impact on the Company's financial position and financial performance.

(III) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

The table below summarizes the newly issued, revised, and amended IFRSs issued by the IASB but not yet endorsed by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by the IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

The Company's has assessed that the above standards and interpretations have no material impact on the Company's financial position and financial performance.

IV. Summary of Significant Accounting Policies

The main accounting policies used in the preparation of this parent company only financial report are described below. Unless otherwise stated, said policies apply consistently throughout all reporting periods.

(I) Compliance Statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") as endorsed and issued into effect by the FSC.

(II) Basis of preparation

1. Except for the following important items, the parent company only financial statements have been prepared at historical cost:

Financial assets at fair value through other comprehensive income.

2. The preparation of financial statements in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") as endorsed and issued into effect by the FSC requires the use of some critical accounting estimates. In the process of applying the Company's accounting policies, the management also needed to exercise its judgment. For items requiring meticulous judgment or involving complexity, or involving critical assumptions and estimates in the parent company only financial statements, please refer to Note 5 for details.

(III) Foreign currency exchange

The currency of the main economic environment in which the Company operates (i.e. functional currency) is measured by the Company. The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollars.

1. Foreign currency transactions and balances

- (1) Each foreign currency transaction is translated into the functional currency at the spot exchange rate on the transaction date or the measurement date, and the exchange difference arising from the translation of the transaction is recognized in current profit or loss.
- (2) The balance of foreign currency monetary assets and liabilities is adjusted according to the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in current profit or loss.
- (3) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through profit and loss, and is adjusted based on the spot exchange rate at the balance sheet date. The translation difference arising from the adjustment is recognized in current profit and loss. For measurement at fair value through other comprehensive income, it is adjusted based on the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in other comprehensive income. If it is not measured by fair value, it is measured at the historical exchange rate at the initial transaction date.
- (4) All exchange gains and losses are presented in the "Other gains and losses" of the income statement.

2. Translation of foreign operations

For all entities of the Company and associates whose functional currencies are different from the presentation currency, their business results and financial position shall be translated into the presentation currency using the following method:

- (1) The assets and liabilities presented at each balance sheet are translated at the closing exchange rate at the balance sheet date;
- (2) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period (if the average exchange rate is not a reasonable approximation of the cumulative effect of the exchange rate on such transaction days, in this case, the income and expense items are translated at the exchange rate on the transaction day); and
- (3) All exchange differences arising from translation are recognized in other comprehensive income.

(IV) Criteria for classification of current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) Assets expected to be realized in the ordinary course of business, or intended to be sold or consumed.
- (2) Assets held primarily for the purpose of trading.
- (3) Assets expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

The Company classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Liabilities expected to be settled in the ordinary course of business.
 - (2) Liabilities held primarily for the purpose of trading.
 - (3) Liabilities expected to be settled within 12 months after the balance sheet date.
 - (4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the conditions above as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits in alignment with the above definition that are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

1. This refers to financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Group adopts trade date accounting for financial assets at fair value through profit or loss for regular-way transactions.
3. Upon initial recognition, the Group measures relevant transaction costs at fair value and recognizes them in profit or loss, while subsequently measuring them at fair value and recognizing gain or loss thereon in profit or loss.
4. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

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

1. The Company may, upon initial recognition, make an irrevocable choice to recognize the fair value changes of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
 - (1) The financial asset is held under an operating model for the purpose of collecting contractual cash flows and selling.
 - (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Company adopts trade date accounting for financial assets at fair value through other comprehensive income in compliance with transaction practices.
3. The Company measures said assets at fair value plus transaction costs upon initial recognition, which are subsequently measured at fair value:
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not be subsequently reclassified to profit or loss and

shall be transferred to retained earnings instead. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

- (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and impairment losses, interest revenue, and foreign currency exchange gains and losses before derecognition are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(VIII) Accounts and notes receivable

1. This refers to accounts and notes that have been unconditionally received in exchange for the right to the amount of consideration for the delivery of goods or services as agreed upon in the contract.
2. The non-interest-bearing short-term accounts and notes receivable are barely affected by discounting, so the Company measures them based on the original invoice amount.

(IX) Impairment of financial assets

The Company, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking information) based on the debt instrument investments at fair value through other comprehensive income, financial assets at amortized cost, and accounts receivable or contract assets that contain significant financial components, lease receivables, loan commitments, and financial guarantee contracts. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable or contract assets that do not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(X) Derecognition of Financial Assets

When the Company's contractual right to receive cash flows from financial assets has expired, said financial assets will be derecognized.

(XI) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost is determined using the weighted average method. When cost and net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale and relevant variable sale expenses.

(XII) The equity method is adopted for investment in the subsidiaries and associates.

1. A subsidiary refers to an entity under the control of the Company (including structured entities). When the Company is exposed to variable returns from the participation in the entity or is entitled to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity.
2. Unrealized gains and losses between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
3. The Company recognizes the share of profit or loss on subsidiaries after acquisition in current

profit or loss, and recognizes the share of other comprehensive income on subsidiaries after acquisition as other comprehensive income. If the Company's share of loss on a subsidiary that is recognized equals or exceeds its equity in the subsidiary, the Company continues to recognize the loss based on its shareholding percentage.

4. Associates refer to all entities that the Company has a significant influence on without control. Generally, the Company holds at least 20% of their voting shares directly or indirectly. The Company adopts the equity method to treat the investment in associates, which is recognized at cost of acquisition.
5. The Company recognizes the share of profit or loss on associates after acquisition in current profit or loss, and recognizes the share of other comprehensive income on associates after acquisition as other comprehensive income. If the Company's share of losses on an associate equals or exceeds its equity in the associate (including any other unsecured receivables), the Company will not recognize further losses unless the Company has incurred legal obligations or constructive obligations to said associate, or made payments on behalf of said associate.
6. When equity changes which are not related to profit or loss and other comprehensive income occur to an associate, and said changes do not affect the shareholding percentage of the associate, the Company recognizes all equity changes in "capital surplus" based on the shareholding percentage.
7. Unrealized gains or losses arising from transactions between the Company and associates have been eliminated based on the proportion of its equity of the associates; unless evidence shows that the assets transferred have been impaired, the unrealized losses are also eliminated. The accounting policies of the associates have been adjusted as necessary and are consistent with the policies adopted by the Company.
8. Where the Company disposes of an associate and if it loses significant influence on the associate, for all amounts previously recognized in other comprehensive income related to the associate, the accounting treatment is on the same basis as if the Company directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, and when the significant influence on the associate is lost, the gains or losses will be reclassified from equity to profit or loss. If the Company still has significant influence on the associate, only the amount previously recognized in other comprehensive income is transferred out in the manner above on a pro-rata basis.
9. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit or loss and other comprehensive income in the parent company only financial statements shall be the same as those attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. The owners' equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent company in the financial statements prepared on a consolidated basis.

(XIII) Property, plant, and equipment

1. Property, plant, and equipment are accounted for on the basis of acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset only when the future economic benefits related to an item are likely to flow into the Company and the cost of the item can be reliably measured. The carrying amount of the part replaced shall be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.

3. The subsequent measurement of property, plant, and equipment is based on a cost model. Except for land that is not depreciated, other assets are depreciated on a straight-line basis based on the estimated useful lives. If the components of property, plant, and equipment are significant, they shall be separately depreciated.
4. The Company conducts at least one annual review at the end of each year to assess the estimated useful lives, residual value, and depreciation methods. If the expected residual value and useful lives are different from the previous estimates, or the expected consumption pattern of future economic benefits contained in an asset has changed significantly, the Group shall adjust it in accordance with the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding changes in accounting estimates from the date the changes occur. The useful life of each asset is as follows:

Machinery and equipment	2–12 years
Office equipment	1–5 years
Leasehold improvements	1–10 years

(XIV) Lessee’s lease transactions – right-of-use assets/lease liabilities

1. Leased assets are recognized in right-of-use assets and lease liabilities on the date they are available for use by the Company. When a lease contract is a short-term lease or lease of a low-value asset, the lease payment is recognized as an expense during the lease term using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the commencement date of a lease at the discounted interest rate of the Company’s incremental borrowings. The lease payments include:

Fixed payments, less any rental incentives that can be collected;

Subsequently, the interest approach is adopted to measure said payments at amortized cost, and interest expenses are recognized during the lease term. When changes occur in the lease term or lease payment not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be adjusted in the remeasurement.
3. The right-of-use asset is recognized at cost at the commencement date of a lease, and the cost includes:
 - (1) The original measured amount of the lease liability;
 - (2) Any lease payments paid on or before the commencement date;
 - (3) Any original direct costs incurred; and

Subsequently, the measurement is based on the cost model, and the depreciation expense is recognized when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.

(XV) Intangible assets – computer software

Computer software is recognized at acquisition cost and amortized on a straight-line basis over an estimated useful life of one to five years.

(XVI) Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal

or its value in use, whichever is higher. When there is no impairment or reduced impairment in an asset recognized in prior years, the impairment loss shall be reversed, but the increased portion of the carrying amount of the asset due to the reversal of the impairment loss shall not exceed the carrying amount of the asset less depreciation or amortization without impairment loss recognized.

(XVII) Borrowings

This refers to the long-term and short-term borrowings from banks. The Company measures borrowings at fair value less transaction costs at the time of initial recognition. Any difference between the price less transaction costs and the redemption value is subsequently measured at amortized cost during the borrowing period using the effective interest method.

(XVIII) Accounts and notes payable

Accounts and notes payable are obligations to pay for goods or services obtained from suppliers in the ordinary course of business. They are measured at fair value at the time of initial recognition, and subsequently measured at amortized cost using the effective interest method. However, as the non-interest-bearing short-term accounts payable are barely affected by discounting, they will subsequently be measured using the original invoice amount.

(XIX) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the obligations specified in a contract are fulfilled, cancelled, or expired.

(XX) Offsetting of financial assets and liabilities

Financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured using the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

2. Pension

(1) Defined contribution plan

Regarding the defined contribution plan, the amount of the pension fund that shall be contributed is recognized as current pension cost on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

A. The net obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by employees in the current or past service period, using the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and period consistent with those of the defined benefit plan at the balance sheet date.

- B. The remeasurement generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
 - C. The relevant expenses of the service cost in prior periods are immediately recognized in profit and loss.
3. Post-employment benefits
- Post-employment benefits are benefits provided when an employee's employment is terminated before the normal retirement date or when the employee decides to accept the benefits offered by the Company in exchange for termination of employment. The Company recognizes expenses when it is no longer able to withdraw the offer of post-employment benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.
4. Employee compensation and directors' remuneration
- Employee compensation and directors' remuneration are recognized as expenses and liabilities when there are legal or constructive obligations and the amount can be reasonably estimated. If there is a difference between the amount actually distributed as resolved and the estimated amount, it shall be treated as a change in accounting estimates. In addition, if employee compensation is paid in stocks, the number of shares is calculated based on the closing price on the day before the board of directors' resolution.

(XXII) Income Tax

1. Income tax expenses include the current and deferred income taxes. Except for income tax related to items included in other comprehensive income or directly included in equity recognized in comprehensive income or in equity directly, income tax is recognized in profit or loss.
2. The Company calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.
3. Deferred income tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of the asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (tax losses) is not affected at the time of the transaction, then the liabilities will not be recognized. For temporary differences caused by the investment in a subsidiary or an associate, if the Company can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each

balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(XXIII) Share capital

Ordinary shares are classified as equity, and the incremental cost directly attributable to the issue of new shares is listed in equity as a deduction, net of tax, from the proceeds.

(XXIV) Dividend allocation

Dividends are recognized in the Company's financial statements in the period in which they are approved to be distributed as resolved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be allocated and reclassified to ordinary shares on the record date of the issue of new shares.

(XXV) Recognition of revenue

1. Sales revenue

The Company sells various products related to information equipment. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the buyer has discretion over the distribution channels and price of products sold, and the Company has no outstanding performance obligations that may affect the buyer's acceptance of the products.

2. Service revenue

(1) The Company provides information software, data processing, electronic information supply, and other relevant services. When the result of a transaction for the provision of services can be reliably estimated, it shall be recognized in revenue according to the percentage of completion method. The percentage of completion is estimated based on the proportion of the cost incurred to the estimated total transaction cost and the value of the service transferred to a customer as of the balance sheet date (and as for the value of the contract performance completed to the customer so far, the amount, for which receipts can be issued, is recognized in revenue based on practical expediency). When the result of the transaction cannot be estimated reliably, revenue is recognized within the range where the cost recognized is likely to be recovered. Where a customer makes a payment according to the contract price in line with the agreed payment schedule, when the service provided by the Company exceeds the customer's payable, it is recognized as a contract asset, and if the customer pays more than the service provided by the Company, it is recognized as a contract liability.

The Company also provides sales services for information software and its license maintenance. Because it is still part of the information service, it is recognized in service revenue when the control is transferred to a customer.

(2) The Company's estimates of revenue, cost, and percentage of completion are revised as circumstances change. Any increase or decrease in the estimated revenue or cost due to changes in estimates will be reflected in profit or loss during the period in which the circumstances resulting in the correction become known to the management.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

During the preparation of the parent company only financial statements, the management has exercised its judgments to adopt the accounting policies to be used, and made accounting estimates and assumptions based on reasonable expectations of future events with reference to the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumptions made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical

experience and other factors. Such assumptions and estimates have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Please refer to the description of the uncertainties of critical accounting judgments, assumptions, and estimates below:

(I) Critical judgments in the application of accounting policies

N/A.

(II) Critical accounting estimates and assumptions

1. Recognition of revenue

The service revenue is the revenue recognized according to the percentage of completion method, which is calculated according to the degree of service provided during the service contract period, and the relevant service costs are recognized as expenses during the period in which they are incurred. The degree of service provided is calculated by referring to the cost incurred by each service contract as of the end of the financial reporting period as a percentage of the estimated total cost of the service contract. The estimated total cost of service contracts is assessed by the management as per the nature of different cases, estimated manpower requirements, and contract duration and based on the Company's subjective judgment. The actual results may differ from the estimates, so there may be significant changes.

2. Assessment of impairment of accounts receivable

The Company must adopt historical experience to assess the possibility of future cash flow recovery. When there is objective evidence showing signs of impairment, the amount of the impairment loss is measured based on the differences between the present value of the asset's carrying amount and the estimated future cash flows at the original effective discount interest rate of the financial asset. If the actual cash flow in the future is less than estimated, significant impairment losses may occur. After considering all reasonable and corroborative information (including forward-looking ones), if the credit risk has not increased significantly since the initial recognition, the loss allowance is measured based on the 12-month expected credit loss. In the case of a significant increase in the credit risk since the initial recognition, the loss allowance is measured based on the lifetime expected credit loss; for accounts receivable that do not contain a significant financial component, the loss allowance is measured based on the lifetime expected credit loss. The assessment of the allowance is based on a reasonable expectation of future events according to the situation at the balance sheet date, but the actual results may differ from the estimates, so there may be significant changes.

On December 31, 2021, the Company's accounts receivable and allowance for bad debts were \$267,321 and \$1,988, respectively.

VI. Description of Significant Accounting Titles

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	\$ 190	\$ 175
Checking deposit and demand deposit	105,674	47,412
Time deposit	819	783
	<u>106,683</u>	<u>48,370</u>
Less: Recognized in "1476 Other financial assets – current"	(749)	(791)
Less: Recognized in "1990 Other non-current assets – others"	(722)	(345)
Total	<u>\$ 105,212</u>	<u>\$ 47,234</u>

1. The financial institutions the Company deals with have high credit ratings. The Company also deals with multiple financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.
2. As of December 31, 2021 and 2020, the Company provided restricted cash and cash equivalents as performance bond, amounting to \$1,471 and \$1,136, respectively (recognized in “1476 Other financial assets – current” and “1990 Other non-current assets – others”). Please refer to Note 8 for details.

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

Item	December 31, 2021	December 31, 2020
Non-current items:		
Financial assets mandatorily at fair value through other comprehensive income		
Unlisted stocks	\$ 47	\$ 47
Total	\$ 47	\$ 47

1. The Company has elected to classify unlisted stocks with stable dividends as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of December 31, 2021 and 2020, were both \$47.
2. Financial assets at fair value through other comprehensive income recognized in profit or loss and comprehensive income in 2021 and 2020 were both in the amount of \$0.
3. As of December 31, 2021 and 2020, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company’s financial assets at fair value through other comprehensive income was both in the amount of \$47.
4. For information on the credit risk of financial assets at fair value through other comprehensive income, please refer to Note 12(2).

(III) Notes and Accounts Receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 434	\$ 19,038
	December 31, 2021	December 31, 2020
Accounts receivable	\$ 267,321	\$ 392,207
Less: Allowance loss	(1,988)	(1,988)
	\$ 265,333	\$ 390,219

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 264,796	\$ 384,363
Within 30 days	2,644	22,736
31–90 days	189	4,075
91–180 days	6	71
Over 180 days	120	-
	\$ 267,755	\$ 411,245

The aging analysis stated above is based on the number of overdue days.

2. The balances of accounts receivable and notes receivable as of December 31, 2021 and 2020 were all generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2020, was \$383,373.
3. As of December 31, 2021 and 2020, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's notes receivable was in the amount of \$434 and \$19,038, respectively; the maximum amount of the exposure to the credit risk arising from the Company's accounts receivable was in the amount of \$265,333 and \$390,219, respectively
4. The Company did not pledge notes and accounts receivable as collateral.
5. Please refer to Note 12(2) for detailed information on the credit risk of accounts and notes receivable.

(IV) Inventories

		December 31, 2021		
		Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory		\$ 3,668	\$ -	\$ 3,668
Software and hardware costs and consumables for projects		6,480	(2,584)	3,896
		\$ 10,148	(\$ 2,584)	\$ 7,564
		December 31, 2020		
		Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory		\$ 20,790	\$ -	\$ 20,790
Software and hardware costs and consumables for projects		22,131	(2,584)	19,547
		\$ 42,921	(\$ 2,584)	\$ 40,337

The cost of inventories and consumables sold by the Company in 2021 and 2020 were \$284,505 and \$309,614, respectively.

(V) Investment using equity method

	December 31, 2021	December 31, 2020
Information Technology Total Service (BVI) Co., Ltd.	\$ 66,676	\$ 62,242
Tension Envelope Taiwan Corporation	32,521	35,121
Universal Mail Service Ltd.	16,085	10,873
Unison Service Corporation	14,964	8,993
An-Hui Information Technology Co., Ltd.	3,626	3,000
	\$ 133,872	\$ 120,229

1. Subsidiary

- (1) For information on the Company's subsidiaries, please refer to Note 4(3) of the Company's 2021 consolidated financial statements.

- (2) The Company holds more than 50% of the voting shares of Information Technology Total Service (BVI), Unison Service Corporation, and Universal Mail Service Ltd., which have been included as the entities in the Company’s 2021 consolidated financial report.

2. Associates

- (1) The Company holds 50% of the voting rights of Tension Envelope Taiwan Corporation (hereinafter referred to as “Tension Envelope”). However, the Company does not have substantive control over Tension Envelope. Tension Envelope’s operating decisions and personnel appointments by its board of directors are guided by another parent company that holds 50% of its voting rights, so the Company’s investment in Tension Envelope is handled using the equity method.
- (2) The Company’s investment in the investee Tension Envelope using the equity method was based on the evaluation of the financial statements audited and certified by other CPAs appointed by the company. Tension Envelope issued cash dividends of \$2,953 and \$4,328 in 2021 and 2020, respectively.
- (3) On June 20, 2020, the Company decided to invest in An-Hui Information Technology Co., Ltd. (hereinafter referred to as “An-Hui Information”) in the amount of \$3,000, holding 15% of the company’s voting shares and obtaining a seat on the board. With significant influence on the company, the Company adopts the equity method for investment in An-Hui Information.
- (4) The basic information of the Company’s associates is as follows:

Company name	Principal place of business	Shareholding percentage		Relationship	Measurement method
		December 31, 2021	December 31, 2020		
Tension Envelope Taiwan Corporation	Taiwan	50%	50%	The Company’s supplier	Equity method
An-Hui Information Technology Co., Ltd.	Taiwan	15%	15%	Strategic collaboration	Equity method

- (5) The carrying amounts of the Company’s associates that are individually immaterial and their share of operating results are aggregated below:

As of December 31, 2021 and 2020, the carrying amounts of the Company’s associates that are individually immaterial were \$36,147 and \$38,121, respectively.

	2021	2020
Current net income from continuing operations	\$ 922	\$ 5,549
Other comprehensive income (net of tax)	45	(184)
Total comprehensive income in the current period	\$ 967	\$ 5,365

(VI) Property, plant, and equipment

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
January 1, 2021				
Costs	\$ 6,503	\$ 6,064	\$ 1,648	\$ 14,215
Accumulated depreciation and impairment	(4,368)	(3,107)	(366)	(7,841)
	<u>\$ 2,135</u>	<u>\$ 2,957</u>	<u>\$ 1,282</u>	<u>\$ 6,374</u>
<u>2021</u>				
January 1	\$ 2,135	\$ 2,957	\$ 1,282	\$ 6,374
Additions	992	1,192	401	2,585
Depreciation expenses	(1,157)	(1,395)	(266)	(2,818)
December 31	<u>\$ 1,970</u>	<u>\$ 2,754</u>	<u>\$ 1,417</u>	<u>\$ 6,141</u>
December 31, 2021				
Costs	\$ 7,495	\$ 7,256	\$ 2,049	\$ 16,800
Accumulated depreciation and impairment	(5,525)	(4,502)	(632)	(10,659)
	<u>\$ 1,970</u>	<u>\$ 2,754</u>	<u>\$ 1,417</u>	<u>\$ 6,141</u>
January 1, 2020				
Costs	\$ 6,211	\$ 4,576	\$ 1,259	\$ 12,046
Accumulated depreciation and impairment	(3,245)	(2,011)	(139)	(5,395)
	<u>\$ 2,966</u>	<u>\$ 2,565</u>	<u>\$ 1,120</u>	<u>\$ 6,651</u>
<u>2020</u>				
January 1	\$ 2,966	\$ 2,565	\$ 1,120	\$ 6,651
Additions	292	1,693	389	2,374
Disposal	-	(91)	-	(91)
Depreciation expenses	(1,123)	(1,210)	(227)	(2,560)
December 31	<u>\$ 2,135</u>	<u>\$ 2,957</u>	<u>\$ 1,282</u>	<u>\$ 6,374</u>
December 31, 2020				
Costs	\$ 6,503	\$ 6,064	\$ 1,648	\$ 14,215
Accumulated depreciation and impairment	(4,368)	(3,107)	(366)	(7,841)
	<u>\$ 2,135</u>	<u>\$ 2,957</u>	<u>\$ 1,282</u>	<u>\$ 6,374</u>

As of December 31, 2021 and 2020, the Company did not pledge property, plant and equipment as collateral.

(VII) Long-term notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term accounts receivable	\$ 166,206	\$ 149,476
Less: Unrealized interest revenue	(4,320)	(2,762)
Total	<u>\$ 161,886</u>	<u>\$ 146,714</u>

1. The expected recovery is as follows:

	December 31, 2021	December 31, 2020
Within 2–5 years	\$ 166,206	\$ 149,476

2. The amounts of notes and payments due within one year as of December 31, 2021 and 2020 were \$11,698 and \$117,782, respectively, which have all been reclassified to “1150 Notes receivable” and “1170 Accounts receivable.”

(VIII) Other non-current assets – others

	December 31, 2021	December 31, 2020
Restricted time deposit	\$ 722	\$ 345
Net defined benefit assets	248	248
Total	\$ 970	\$ 593

(IX) Other payables

	December 31, 2021	December 31, 2020
Salary payable	\$ 34,916	\$ 29,943
Employee bonuses and directors’ and supervisors’ remuneration payable	9,680	8,269
Labor and health insurance premium and pension payable	3,612	4,050
Other expenses payable	2,416	2,287
Total	\$ 50,624	\$ 44,549

(X) Pension

1. (1) Before the settlement of the Labor Retirement Reserve Fund (the old fund) on February 3, 2017, the Company established the defined benefit pension regulations in accordance with the provisions of the Labor Standards Act, which were applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005, and to the formal employees who still chose the old fund mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units granted and the average monthly salary of the last 6 months prior to retirement. The Company contributes 2% of the total salary every month to the pension fund and deposits it in the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan.

- (2) Amounts recognized in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Net defined benefit assets (recognized in “1990 Other non-current assets – others”)	\$ 248	\$ 248

There was no change in the net defined benefit assets in 2021 and 2020.

2. (1) Since July 1, 2005, the Company has established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with Taiwanese nationality. For the pension plan under the Labor Pension Act chosen by

employees, the Company makes monthly contributions to employees' individual pension accounts at 6% of the monthly salaries. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum.

- (2) The cost of pensions recognized based on the methods above for 2021 and 2020 were \$8,155 and \$8,096, respectively.

(XI) Share capital

1. As of December 31, 2021, the Company's registered capital was \$400,000, divided into 40,000 thousand shares, and the paid-in capital was \$273,234, with a par value of \$10 per share. The payment for the issued shares of the Company has been received.

The adjustment to the number of the Company's ordinary shares outstanding at the beginning and end of the period is as follows: (Unit: Thousand shares)

	2021		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or December 31)	5,084	22,239	27,323

	2020		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or December 31)	5,084	22,239	27,323

2. On April 23, 2019, the Company's shareholders' meeting approved a proposal to increase capital in cash by private placement. The record date of the private placement was May 15, 2019. The purpose of the capital increase in cash was to repay bank loans and replenish working capital. In this private placement, the total number of shares was 5,084 thousand, and the subscription price per share was \$29. Through this capital increase, \$147,444 has been raised, and the registration of the change has been completed. The rights and obligations of the common stock in the privately placement are the same as other common stocks issued, except that there are restrictions on the transfer under the Securities and Exchange Act, and it shall only be listed on Taipei Exchange for trading after a public offering upon maturity of three years after the delivery date.

(XII) Capital surplus

According to the provisions of the Company Act, the capital surplus including the income derived from issuing shares at a premium and from endowments, in addition to being used to compensate the deficit, shall be used to issue new shares or cash in proportion to the shareholders' original shares when the Company has no accumulated losses. The Company shall not use the capital surplus to compensate the capital losses, unless the surplus reserve is insufficient to compensate such losses.

(XIII) Retained earnings

1. According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, aside from paying all taxes, the Company shall first compensate the accumulated losses, and then appropriate 10% of the balance for legal reserve. If there are still earnings, the

shareholders' meeting shall resolve to retain or distribute them.

2. The legal reserve shall not be used except for compensation for the Company's losses and the issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of the issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.
 (2) Upon the first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed. If the aforementioned assets are investment property, it shall be reversed at the time of disposal or reclassification in the case of land, while for property other than the land, it shall be reversed phase by phase during the period of use.
4. On July 30, 2021, and June 12, 2020, the Company's shareholders' meeting passed the earnings distribution proposal for the year 2020 and 2019 as follows:

	2020		2019	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 6,560		\$ 6,011	
Special reserve	1,414		768	
Cash dividends	54,647	\$ 2.0	54,647	\$ 2.0
Total	\$ 62,621		\$ 61,426	

5. On March 18, 2022, the board of directors proposed to distribute a dividend of \$2 per ordinary share from the earnings for 2021, and the total dividend was \$54,647.

(XIV) Other equity items

	2021	2020
January 1	(\$ 4,279)	(\$ 2,886)
Foreign currency exchange difference	(1,205)	(1,413)
December 31	(\$ 5,484)	(\$ 4,299)

(XV) Operating revenue

	2021	2020
Revenue from customer contracts		
Service revenue	\$ 1,141,801	\$ 973,540
Sales revenue	117,979	211,218
Total	\$ 1,259,780	\$ 1,184,758

1. Details of revenue from customer contracts

The Company's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be broken down into the following main product lines:

2021	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 808,850	\$ 450,930	\$ 1,259,780
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 365,813	\$ 40,803	\$ 406,616
Revenue recognized gradually over time	443,037	410,127	853,164
	<u>\$ 808,850</u>	<u>\$ 450,930</u>	<u>\$ 1,259,780</u>
2020	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 738,817	\$ 445,941	\$ 1,184,758
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 391,421	\$ 110,650	\$ 502,071
Revenue recognized gradually over time	347,396	335,291	682,687
	<u>\$ 738,817</u>	<u>\$ 445,941</u>	<u>\$ 1,184,758</u>

2. Contract assets and contract liabilities

Contract assets and contract liabilities related to revenue from customer contracts recognized by the Company are as follows:

(1) Contract assets:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets:			
Contract assets – information system consultancy contracts	<u>\$ 52,006</u>	<u>\$ 31,518</u>	<u>\$ 33,175</u>
Contract liabilities:			
Contract liabilities – advance receipts	<u>\$ 17,032</u>	<u>\$ 13,830</u>	<u>\$ 17,703</u>

(2) Contract liabilities at beginning of period recognized in revenue in current period:

	2021	2020
Contract liabilities – advance receipts	<u>\$ 11,779</u>	<u>\$ 14,272</u>

(3) Unfulfilled long-term consultancy contract

As of December 31, 2021 and 2020, the contract prices allocated to the unfulfilled (or not yet fully fulfilled) portions of the long-term consultancy contracts signed by the Company

and its customers were \$84,211 and \$42,232, respectively. The management expects that the transaction prices allocated to the unfulfilled contractual obligations as of December 31, 2021 and 2020, that will be recognized in revenue for the years 2022 and 2021 are \$84,211 and \$42,232, respectively. The aforementioned amounts do not include the amount of consideration for restricted changes.

In addition to the above-mentioned contracts, all other information system consultancy contracts of the Company are contracts that are shorter than one year or are billed based on actual service hours. According to IFRS 15, there is no need to disclose the transaction prices allocated to the unfulfilled contractual obligations of these contracts.

3. The notes and accounts receivable with payment periods exceeding one year are recognized in “1930 Long-term notes and accounts receivable.”

(XVI) Interest revenue

	2021	2020
Interest on cash in banks	\$ 69	\$ 53
Other interest revenue	5	6
Total	<u>\$ 74</u>	<u>\$ 59</u>

(XVII) Other revenue

	2021	2020
Dividend revenue	\$ 909	\$ -
Rental revenue	449	441
Non-operating income	8	-
Total	<u>\$ 1,366</u>	<u>\$ 441</u>

(XVIII) Other gains and losses

	2021	2020
Loss from disposal of investment	(\$ 693)	\$ -
Net gains (losses) on foreign exchange	7	(920)
Total	<u>(\$ 686)</u>	<u>(\$ 920)</u>

The Company’s acquisition of financial assets at fair value through profit or loss not only aims to earn the price difference of fair value but to receive cash dividends of stocks. Therefore, the loss on disposal of investment should be considered together with dividend revenue.

(XIX) Financial costs

	2021	2020
Interest expenses – bank borrowings	<u>\$ 179</u>	<u>\$ 777</u>

(XX) Additional information on the nature of expenses

	2021	2020
Outsourcing and hardware and software costs	\$ 698,299	\$ 722,853
Employee benefit expenses	200,262	189,933
Materials consumed	168,256	108,224
Total	<u>\$ 1,066,817</u>	<u>\$ 1,021,010</u>

(XXI) Employee benefit expenses

	2021	2020
Salary expenses	\$ 169,884	\$ 160,384
Expenses for labor and health insurance	14,738	13,636
Pension expenses	8,155	8,096
Other employment expenses	7,485	7,817
	<u>\$ 200,262</u>	<u>\$ 189,933</u>

1. According to the Company's Articles of Incorporation, after deducting accumulated losses from the Company's profit for the year, if there are earnings, the Company shall appropriate 1–10% of the balance for employee compensation and no more than 5% for the remuneration of directors.
2. The Company's estimated amounts of employee compensation for 2021 and 2020 were \$6,820 and \$5,874, respectively; the estimated amounts for directors' remuneration were \$4,860 and \$4,195, respectively, and the foregoing amounts were accounted for under salary expenses.

According to the profit situation in 2021, said estimates were made at 1–10% and no greater than 5%, respectively. The actual amounts to be distributed resolved by the board of directors were \$6,820 and \$4,860, of which employee compensation was paid in cash.

The amounts of employee compensation and directors' remuneration for the year 2020 as resolved by the board of directors' remuneration were \$5,874 and \$4,195, respectively, which were consistent with the amounts recognized in the financial statements for 2020. The employee compensation for 2020 was paid in cash.

Information on employee compensation and directors' remuneration approved by the board of directors of the Company is available on the Market Observation Post System.

(XXII) Income Tax

1. Income tax expense
 - (1) Components of income tax expense:

	2021	2020
Current income tax:		
Income tax generated from current income	\$ 12,295	\$ 6,083
Additional tax levied on undistributed earnings	149	-
Income tax overestimates for prior years	(47)	(599)
Total current income tax	<u>12,397</u>	<u>5,484</u>
Deferred income tax:		
Initial generation and reversal of temporary differences	817	2,577
Total deferred income tax	<u>817</u>	<u>2,577</u>
Income tax expense	<u>\$ 13,214</u>	<u>\$ 8,061</u>

(2) The amount of income tax related to other comprehensive income:

	2021	2020
Remeasurement of defined benefit plan – investment using equity method	\$ 11	(\$ 46)

2. Reconciliation between income tax expense and accounting profit

	2021	2020
Income tax calculated based on net profit before tax at the statutory tax rate	\$ 17,139	\$ 14,768
Income exempt from taxation according to tax law	(4,027)	(6,108)
Income tax overestimates for prior years	(47)	(599)
Additional tax levied on undistributed earnings	149	-
Income tax expense	\$ 13,214	\$ 8,061

3. The amount of each deferred income tax asset or liability arising from temporary differences is as follows:

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets:				
Allowance for inventory valuation losses	\$ 516	\$ -	\$ -	\$ 516
Compensation for unused annual leave	147	-	-	147
Interest revenue on long-term receivables	554	311	-	865
Unrealized gains between associates	181	(124)	-	57
Subtotal	<u>1,398</u>	<u>187</u>	<u>-</u>	<u>1,585</u>
– Deferred income tax liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(3,324)	(1,004)	-	(4,328)
Remeasurement of defined benefit plan – investment using equity method	(76)	-	(11)	(87)
Subtotal	<u>(3,449)</u>	<u>(1,004)</u>	<u>(11)</u>	<u>(4,464)</u>
Total	<u>(\$ 2,051)</u>	<u>(\$ 817)</u>	<u>(\$ 11)</u>	<u>(\$ 2,879)</u>

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
– Deferred income tax assets:				
Allowance for inventory valuation losses	\$ 516	\$ -	\$ -	\$ 516
Compensation for unused annual leave	147	-	-	147
Interest revenue on long-term receivables	892	(338)	-	554
Unrealized gains between associates	181	-	-	181
Subtotal	<u>1,736</u>	<u>(338)</u>	<u>-</u>	<u>1,398</u>

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
– Deferred income tax liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(1,085)	(2,239)	-	(3,324)
Remeasurement of defined benefit plan – investment using equity method	(122)		46	(76)
Subtotal	<u>(1,256)</u>	<u>(2,239)</u>	<u>46</u>	<u>(3,449)</u>
Total	<u>\$ 480</u>	<u>(\$ 2,577)</u>	<u>\$ 46</u>	<u>(\$ 2,051)</u>

4. The Company's profit-seeking enterprise income tax returns filed up to 2019 have been approved by the tax authority.

(XXIII) Earnings per share

	2021		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 72,481	27,323	\$ 2.65
<u>Diluted earnings per share</u>			
Employee compensation	-	210	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	<u>\$ 72,481</u>	<u>27,533</u>	<u>\$ 2.63</u>

		2020	
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
Basic earnings per share			
Current net income attributable to ordinary shareholders of the parent company	\$ 65,780	27,323	\$ 2.41
Diluted earnings per share			
Employee compensation	-	190	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 65,780	27,513	\$ 2.39

(XXIV) Additional information on cash flows

Investing activities with only partial cash payment:

	2021	2020
Purchase of property, plant and equipment	\$ 2,585	\$ 2,374
Add: Payables for equipment, beginning of period	445	1,168
Less: Payables for equipment, end of period	(318)	(445)
Cash paid in the current period	\$ 2,712	\$ 3,097

(XXV) Changes in liabilities from financing activities

	January 1, 2021	Changes in financing cash flows	No effect on changes in cash flows	December 31, 2021
Guarantee deposits received	\$ 650	\$ -	\$ -	\$ 650
Dividend payable	-	(54,647)	54,647	-
Total liabilities from financing activities	\$ 650	(\$ 54,647)	\$ 54,647	\$ 650

	January 1, 2020	Changes in financing cash flows	No effect on changes in cash flows	December 31, 2020
Long-term borrowings	\$ 100,000	(\$ 100,000)	\$ -	\$ -
Long-term notes payable	74,939	(74,939)	-	-
Guarantee deposits received	513	137	-	650
Dividend payable	-	(54,647)	54,647	-
Total liabilities from financing activities	\$ 175,452	(\$ 229,449)	\$ 54,647	\$ 650

VII. Related Party Transactions

(I) Names of related parties and relationships

<u>Name of the related party</u>	<u>Relationship with the Company</u>
TECO Electric & Machinery Co., Ltd.	Parent company of the Company
Information Technology Total Services (BVI) Co., Ltd. (ITTS BVI)	Subsidiary of the Company
Unison Service Corporation (Unison)	Subsidiary of the Company
Universal Mail Service Ltd. (Universal)	Subsidiary of the Company
Information Technology (WUXI) Co., Ltd. (Information Technology WUXI)	Sub-subsidiary of the Company
Information Technology Total Service (Xiamen) (Information Technology Xiamen)	Sub-subsidiary of the Company
Tension Envelope Taiwan Corporation (Tension Envelope)	Associate of the Company
An-Hui Information Technology Co., Ltd.	Associate of the Company
TECO Electric & Machinery Sdn., Bhd.	Other related parties
TECO Industry (Malaysia) Sdn., Bhd.	Other related parties
TECO Middle East Electrical and Machinery Co., Ltd.	Other related parties
TECO (Vietnam) Electronic & Machinery Co., Ltd.	Other related parties
Nidec Corporation	Other related parties
Taiwan Pelican Express Co., Ltd. (Taiwan Pelican Express)	Other related parties
An-Shin Food Services Co., Ltd. (An-Shin Food)	Other related parties
A-Ok Technical Service Co., Ltd.	Other related parties
Hubbell-Taian Co., Ltd.	Other related parties
E-Joy Electronics International Co., Ltd.	Other related parties
TECO Tour Travel Service Co., Ltd.	Other related parties
Yatec Engineering Corporation	Other related parties
Taian-Ecobar Technology Co., Ltd.	Other related parties
TECO Technology Foundation	Other related parties
TECO International Investment Co., Ltd.	Other related parties
TECO Smart Technologies Co., Ltd. (TECO Smart)	Other related parties
TECO Electro Devices Co., Ltd.	Other related parties
TECO Technology (Vietnam) Co., Ltd.	Other related parties
TECO Image Systems Co., Ltd.	Other related parties
Tong-An Investment Co., Ltd.	Other related parties
Tong-An Assets Management & Development Co., Ltd.	Other related parties
Zimtech Co., Ltd.	Other related parties
Tung Pei Industrial Co., Ltd. (Tung Pei Industrial)	Other related parties
Tecom Co., Ltd.	Other related parties
Tecnos International Consultant Co., Ltd. (Tecnos International)	Other related parties
TECO-Westinghouse Motor Company	Other related parties
Fujio Food System Taiwan Co., Ltd.	Other related parties
Jie Zheng Property Service & Management Co., Ltd.	Other related parties
Creative Sensor Technology Co., Ltd.	Other related parties
Technical Information International Co. Ltd.	Other related parties
ABC Cooking Studio Taiwan Co., Ltd.	Other related parties
TECO Electric & Machinery (Pte) Ltd. Singapore	Other related parties
Royal Co., Ltd.	Other related parties

Name of the related party	Relationship with the Company
Royal Host Taiwan Co., Ltd.	Other related parties
TECO Australia Pty. Ltd.	Other related parties
Lien Chang Electronic Enterprise Co., Ltd.	Other related parties
Advantech Co., Ltd. (Advantech)	Other related parties
Century Development Corporation	Other related parties
Century Biotech Development Corporation	Other related parties
Eurasia Food Service Co., Ltd.	Other related parties
Shang-Wei Kao	Key management personnel

(II) Significant transactions with related parties

1. Operating revenue

	2021	2020
Sale of goods:		
Parent company	\$ 12,288	\$ 8,731
Other related parties		
– TECO Smart	8,775	14,288
– An-Shin Food	-	8,319
– An-Hui Information Technology Co., Ltd.	4,427	1,528
– Others	1,596	3,520
	2021	2020
Sale of services:		
Parent company	151,847	136,211
Other related parties		
– Taiwan Pelican Express	36,991	40,486
– TECO Smart	20,421	406
– An-Shin Food	6,469	13,521
– Tung Pei Industrial	6,394	16,142
– Others	36,447	40,998
Sub-subsidiary		
– Information Technology WUXI	7,963	13,278
Total	\$ 293,618	\$ 297,428

- (1) There are no significant differences in the transaction prices and payment terms of sales revenue in the transactions with non-associates, and the payment period is 60 to 90 days.
- (2) Service transactions include software business contracts, including enterprise resource planning and logistics outsourcing systems. Most of them are individual projects. Therefore, the contract price is determined by negotiation between both parties. The payment period is usually 30 to 120 days, and there are no significant differences in transactions with non-associates.

2. Purchase

	2021	2020
Purchase of materials:		
Tension Envelope	\$ 3,990	\$ 6,670
Advantech	3,267	5,645
Purchase of services:		
Parent company	5,337	622
Other related parties		
– Tecnos International	835	10,382
– Others	10,391	2,992
Subsidiary		
– Unison	100,240	99,941
– Universal	43,436	41,928
Total	<u>\$ 167,496</u>	<u>\$ 168,180</u>

- (1) The purchase price and payment periods with the associates are determined in accordance with the agreement between both parties.
- (2) The purchase of services from the parent company is mainly purchases for the establishment of systems, and there are no similar types of transactions to compare. The payment period is about 30 to 60 days.
- (3) The price and conditions of the purchase of services with other related parties are roughly the same as those with general suppliers, and the payment period is about 30 to 60 days.
- (4) The purchases of services from subsidiaries are related to labor support, packaging and printing, telecommunications costs, and freight, etc., required for operations. There are no similar types of transactions to compare. The price is determined by mutual agreement. The payment period is open account with net 90 days.

3. Receivables from related parties

	December 31, 2021	December 31, 2020
Notes receivable:		
Tung Pei Industrial	\$ 3,790	\$ 7,581
Other related parties	-	16
Subtotal	<u>\$ 3,790</u>	<u>\$ 7,597</u>
Accounts receivable:		
Parent company	\$ 29,639	\$ 26,184
Other related parties		
– TECO Smart	7,668	10,891
– Taiwan Pelican Express	6,526	5,708
– An-Shin Food	2,432	4,951
– Tung Pei Industrial	-	3,381
– Others	6,035	6,139
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sub-subsidiary		
– Information Technology WUXI	7,524	12,910
Subtotal	<u>59,824</u>	<u>70,164</u>
Less: Allowance for bad debts	-	-
Subtotal	<u>\$ 59,824</u>	<u>\$ 70,164</u>
Total	<u>\$ 63,614</u>	<u>\$ 77,761</u>

- (1) Receivables from related parties mainly come from the provision of relevant services, including information software, data processing, and electronic information supply.
- (2) The amounts of notes and payments due within one year as of December 31, 2021 and 2020, were \$3,790 and \$3,060, respectively, which have all been reclassified to “1160 Notes receivable – related parties” and “1180 Accounts receivable – related parties.”

4. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Parent company	\$ 4,502	\$ 1,031
Other related parties		
– Tecnos International	18	1,884
– Others	2,951	5,752
Subsidiary		
– Unison	23,136	17,481
– Universal	1,170	6,206
Associates		
– Tension Envelope	2,112	1,924
Total	<u>\$ 33,889</u>	<u>\$ 34,278</u>

5. Lease transaction – lessee

- (1) The Company has leased buildings from the parent company. The lease terms are 2020 and 2021, with monthly payments.
- (2) Rental expenses

	<u>2021</u>	<u>2020</u>
Parent company	\$ 6,466	\$ 6,466

(III) Information on remuneration to key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 20,698	\$ 21,316
Benefits after severance/retirement	674	758
Total	<u>\$ 21,372</u>	<u>\$ 22,074</u>

VIII. Pledged Assets

The details of the assets pledged by the Company as collateral are as follows:

Assets	<u>Carrying amount</u>		Purpose of collateral
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Other financial assets – current	\$ 749	\$ 791	Business performance bond
Other non-current assets – others	722	345	“
	<u>\$ 1,471</u>	<u>\$ 1,136</u>	

IX. Material contingent liabilities and unrecognized contractual commitments

(I) Contingencies

N/A.

(II) Commitments

For the operating lease agreements, please refer to Note 7(2)5.

X. Major Disaster Loss

N/A.

XI. Material events after the balance sheet date

N/A.

XII. Others

(I) Capital management

The Company's capital management objectives are to ensure that the Company can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders. Therefore, the Company's capital management aims to ensure that it has the necessary financial resources and operating plans to maintain or adjust the capital structure to respond to the operating capital, capital expenditures, research and development expenses, debt repayment, and dividend payments required in the following year.

(II) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments selected	\$ 47	\$ 47
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 105,212	\$ 47,234
Notes receivable	4,224	26,635
Accounts receivable	325,157	460,383
Other receivables	7,532	6,394
Refundable deposits	3,816	3,903
Other financial assets	1,471	1,136
Long-term notes and accounts receivable	161,886	146,714
	<u>\$ 609,345</u>	<u>\$ 692,446</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Notes payable	\$ 1,170	\$ 1,253
Accounts payable	187,603	301,505
Other accounts payable	50,624	44,549
Guarantee deposits received	650	650
	<u>\$ 240,047</u>	<u>\$ 347,957</u>

2. Risk management policy

- (1) The daily operations of the Company are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The overall risk management policy of the Company focuses on unpredictable events in the financial market and seeks to reduce the potential adverse effects on the Company's financial position and financial performance.
- (2) Risk management is carried out by the Company's finance department in accordance with the policy approved by the board of directors. The Company's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Company's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment using remaining liquidity.

3. Nature and level of material financial risks

(1) Market risk

Interest rate risk

- A. The Company operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company. Exchange rate risk arises from future business transactions and assets and liabilities recognized.
- B. The Company's business involves a number of non-functional currencies. Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currencies (thousand)	Exchange rate	Book amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 361	27.68	\$ 9,992
CNY:NTD	1,772	4.34	7,690
AUD:NTD	11	20.08	221
<u>Non-monetary items (Note)</u>			
USD:NTD	2,409	27.68	66,676

Note: Investment under equity method

	December 31, 2020		
	Foreign currencies (thousand)	Exchange rate	Book amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 308	28.48	\$ 8,772
CNY:NTD	1,674	4.38	7,332
AUD:NTD	25	21.95	549
<u>Non-monetary items (Note)</u>			
USD:NTD	2,207	28.48	62,855

Note: Investment under equity method

- C. Exchange rate fluctuations have a significant influence on the Company's monetary items. The aggregate amounts of all exchange gains (losses) (including realized and unrealized) recognized for 2021 and 2020 were NT\$7 and NT\$(920).
- D. The Company's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

		2021		
		Sensitivity analysis		
		Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 100	\$ -
	CNY:NTD	1%	77	-
	AUD:NTD	1%	2	-
		2020		
		Sensitivity analysis		
		Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 88	\$ -
	CNY:NTD	1%	73	-
	AUD:NTD	1%	5	-

Price risk

- A. The Company's equity instruments exposed to price risk are financial assets held at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Company has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Company.
- B. The Company mainly invests in equity instruments issued by domestic and foreign companies, and the prices of these equity instruments are affected by the uncertainty of the future values of said instruments. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the other comprehensive income would have increased or decreased by both \$0 for 2021 and 2020 because of the gains or losses on the equity instrument investment at fair value through other comprehensive income.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial loss suffered by the Company arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle accounts receivable in accordance with the payment terms, and the contractual cash flow of debt instrument investment classified as measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit and loss.
- B. The Company has established credit risk management from the Company's

perspective. For banks and financial institutions with whom it deals, only those with an independent credit rating of at least good can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Company must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.

- C. The Group in accordance with the credit risk management procedures, deems contract payments that are overdue for more than 181 days according to the agreed payment terms or show signs that the debt cannot be repaid to be in default.
- D. The Company adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:

When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.

- E. The indicators used by the Company to determine investment in debt instruments as credit impairment are as follows:
- (A) The issuer has encountered major financial difficulties, or has an increased possibility of going into bankruptcy or other financial restructuring;
- (B) The active market for the financial asset disappears due to the issuer's financial difficulties;
- (C) The issuer's delay or non-payment of interest or principal;
- (D) Unfavorable changes in national or regional economic conditions leading to the issuer's breach of contract.
- F. The Company groups customers' accounts receivable according to the characteristics of trade credit risk, and adopts a simplified approach to estimate expected credit losses based on the loss rate method.
- G. After the recourse procedures, the Company provides loss allowance and recognizes overdue receivables for the amount of the financial asset that cannot be reasonably expected to be recovered. However, the Company will continue to carry out the legal recourse procedures to preserve the creditor's rights. The Company's claims for which loss allowance has been provided with recourse activities still underway was \$0 on both December 31, 2021 and 2020.
- H. The Company has included forward-looking considerations for the future and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for accounts receivable. The loss rate method as of December 31, 2021 and 2020, is as follows:

	Not past due	Within 30 days	31-90 days	Over 90 days	Individual assessment	Total
<u>December 31,</u>						
<u>2021</u>						
Expected loss rate	0%~1%	0%~1%	0%~4%	0%~30%	100%	
Total carrying amount	\$ 488,153	\$ 4,745	\$ 230	\$ 7	\$ 120	\$ 493,255
Allowance loss	\$ 1,851	\$ 13	\$ 3	\$ 1	\$ 120	\$ 1,988

	Not past due	Within 30 days	31–90 days	Over 90 days	Individual assessment	Total
December 31, 2020						
Expected loss rate	0%~1%	0%~1%	0%~4%	0%~30%	100%	
Total carrying amount	\$ 604,156	\$ 26,513	\$ 4,172	\$ 879	\$ -	\$ 635,720
Allowance loss	\$ 1,653	\$ 110	\$ 52	\$ 173	\$ -	\$ 1,988

- I. The table of the changes in the Company's simplified loss allowance for accounts receivable is as follows:

	2021		2020	
	Accounts receivable		Accounts receivable	
January 1	\$	1,988	\$	1,140
Impairment loss recognized		-		848
December 31	\$	1,988	\$	1,988

(3) Liquidity risk

- A. The cash flow forecast is executed by each operating entity in the Company and is compiled by the Company's finance department. The Company's finance department monitors the forecast of the Company's liquidity requirements to ensure that it has sufficient funds to meet operational needs, and maintains sufficient available credit limits at all times so that the Company does not violate the relevant borrowing limits or terms. The forecast considers the Company's debt financing plan, compliance with debt terms, compliance with the financial ratio targets of the internal balance sheet, and the requirements of external regulatory laws.
- B. As of December 31, 2021 and 2020, the Company's available credit limit was \$700,023 and \$660,112, respectively.
- C. The following table shows the Company's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

December 31, 2021	Less than 3 months	Within 3 months – 1 year	Within 1–5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Notes payable	\$ 1,170	\$ -	\$ -	\$ -	\$ 1,170
Accounts payable	155,991	31,612	-	-	187,603
Other payables	50,624	-	-	-	50,624
Guarantee deposits received	650	-	-	-	650

December 31, 2020	Less than 3 months	Within 3 months – 1 year	Within 1–5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Notes payable	\$ 1,253	\$ -	\$ -	\$ -	\$ 1,253
Accounts payable	243,948	57,557	-	-	301,505
Other payables	44,549	-	-	-	44,549
Guarantee deposits received	650	-	-	-	650

(III) Fair value information

- The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs, other than quoted market prices within Level 1 that are observable, either directly or indirectly, for assets or liabilities.

Level 3: Unobservable inputs for assets or liabilities. The Company's equity instrument investments without active markets belong to this level.

- Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, and other payables are reasonable approximations of the fair values.

- Financial and non-financial instruments measured at fair value are classified by the Company based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

- The Company's classification is based on the nature of assets and liabilities. The relevant information is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Fair value on a recurring basis				
<hr/>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 47	\$ 47

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Fair value on a recurring basis				
<u>Financial assets (equity securities) at fair value through other comprehensive income</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 47</u>

- (2) The methods and assumptions used by the Company to measure fair value are as follows:
- A. The Company does not use market quoted prices as fair value inputs (i.e. Level 1).
 - B. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the parent company only balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).
 - C. When evaluating non-standard and less complex financial instruments, such as debt instruments, interest rate swap contracts, foreign exchange swap contracts, and options, all without active markets, the Company adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually information observable in the market.
 - D. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Company. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value valuation model management policies and relevant control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the parent company only balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted according to current market conditions.
 - E. The Company incorporates credit risk valuation adjustments into the calculation of the fair value of financial instruments and non-financial instruments to reflect a counterparty's credit risk and the credit quality of the Company.

4. There were no transfers between Level 1 and Level 2 fair value in 2021 and 2020.

5. The table below shows the changes in Level 3 fair value in 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1 (or December 31)	<u>\$ 47</u>	<u>\$ 47</u>

6. In the Company's valuation process for fair value classified as Level 3, the investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, conducting back-testing, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.
7. The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	Fair value on December 31, 2021	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stock	\$ 47	Discounted cash flow method	Long-term income growth rate	1.70%	The higher the long-term income growth rate, the higher the fair value.
	Fair value on December 31, 2020	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stock	\$ 47	Discounted cash flow method	Long-term income growth rate	1.70%	The higher the long-term income growth rate, the higher the fair value.

8. The Company has selected the valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters. For financial assets and financial liabilities classified as Level 3, if the valuation parameters change, the effect on the current profit and loss or other comprehensive income is as follows:

	Input	change	December 31, 2021				
			Recognized in profit or loss		Recognized in other comprehensive income		
			Favorable change	Unfavorable change	Favorable change	Unfavorable change	
Financial assets	Equity instruments	Discounts for lack of market liquidity	±1%	\$ -	\$ -	\$ -	\$ -

	Input	change	December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instruments	Discounts for lack of market liquidity	±1%	\$ -	\$ -	\$ -	\$ -

(IV) Other matters

The spread of the COVID-19 pandemic and the impact of various anti-pandemic measures launched by the government have not had any material impact on the Company's operations after assessment, and the operating revenue did not decrease in 2021 as a result. Based on the assessment, there is no doubt about the Company's ability to continue as a going concern, its assets were not impaired, and the financing risk did not increase. The Company's pandemic response management is in compliance with the relevant pandemic alert measures launched by the Central Epidemic Command Center and the relevant anti-pandemic regulations under the Communicable Disease Control Act.

XIII. Additional Disclosures

(I) Information related to material transactions

1. Funds lent to others: N/A.
2. Endorsements/guarantees provided to others: N/A.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 1.
4. Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: N/A.
9. Trading in derivative instruments: N/A.
10. Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Table 3.

(II) Information related to reinvested enterprises

Information on names and locations of investees (excluding investees in China): Please refer to Table 4.

(III) Information on Investment in China

1. Basic information: Please refer to Table 5.

2. Significant transactions with investees in China, either directly or indirectly, through a business in a third region: N/A.

(IV) Information on major shareholders

Information on major shareholders: Please refer to Table 6.

XIV. Segment Information

Not applicable.

Information Technology Total Services Co., Ltd.
Statement of Cash
December 31, 2021

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Petty Cash		\$ 190	
Checking deposit and demand deposit		99,993	
Foreign currency deposit	US\$182 thousand @ 27.68	5,029	
Total		<u>\$ 105,212</u>	

Information Technology Total Services Co., Ltd.
Statement of Accounts Receivable
December 31, 2021

Unit: NTD thousand

<u>Customer</u>	<u>Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Company 1			\$ 70,348	
Company 2			44,680	
Company 3			34,296	
Company 4			19,659	
Company 5			16,361	
Others			81,977	Note
			<u>267,321</u>	
Less: Allowance loss			(1,988)	
			<u>\$ 265,333</u>	

Note: The balance of each customer did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Changes in Long-term Equity Investment Using the Equity Method
January 1, 2021, to December 31, 2021

Unit: NTD thousand

Name	Opening Balance		Increase in the current period (Note 1)		Decrease in the current period (Note 2)		Closing Balance		Market price or net worth	Guarantee or
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Net value	Pledge
Information Technology Total Services (BVI) Co., Ltd.	1,541	\$ 62,242	-	\$ 4,434	-	-	1,541	\$ 66,676	\$ 66,676	N/A
Tension Envelope Taiwan Corporation	2,500	35,121	-	353	-	(2,953)	2,500	32,521	32,521	“
Universal Mail Service Ltd.	1,300	10,873	-	5,212	-	-	1,300	16,085	16,392	“
Unison Service Corporation	1,700	8,993	-	5,971	-	-	1,700	14,964	15,044	“
An-Hui Information Technology Co., Ltd.	300	3,000	-	626	-	-	300	3,626	3,626	
		<u>\$ 120,229</u>		<u>\$ 16,596</u>		<u>(\$ 2,953)</u>		<u>\$ 133,872</u>	<u>\$ 134,259</u>	

Note 1: New investments, investment gains or losses recognized using the equity method, shares of other comprehensive income on associates and joint ventures, and foreign currency exchange adjustments, etc.

Note 2: Based on receipt of cash dividends distributed by the investees.

Information Technology Total Services Co., Ltd.
Statements of Changes in Fixed Assets
January 1, 2021, to December 31, 2021

Unit: NTD thousand

Item	Opening Balance	Increase in the current period	Decrease in the current period	Reclassification in the current period	Closing Balance	Restricted or Not
Costs						
Machinery and equipment	\$ 6,503	\$ 992	\$ -	\$ -	\$ 7,495	N/A
Office equipment	6,064	1,192	-	-	7,256	“
Leasehold improvements	1,648	401	-	-	2,049	“
	<u>\$ 14,215</u>	<u>\$ 2,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,800</u>	
Accumulated Depreciation						
Machinery and equipment	(\$ 4,368)	(\$ 1,157)	\$ -	\$ -	(\$ 5,525)	
Office equipment	(3,107)	(1,395)	-	-	(4,502)	
Leasehold improvements	(366)	(266)	-	-	(632)	
	<u>(\$ 7,841)</u>	<u>(\$ 2,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 10,659)</u>	
Carrying amount	<u>\$ 6,374</u>				<u>\$ 6,141</u>	

Information Technology Total Services Co., Ltd.
Long-term Notes and Accounts Receivable
December 31, 2021

Unit: NTD thousand

<u>Customer</u>	<u>Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Company 2			\$ 160,278	
Company F			5,928	
			<u>166,206</u>	
Less: Unrealized interest revenue			(4,320)	
			<u>\$ 161,886</u>	

Note: The balance of each customer did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Accounts Payable
December 31, 2021

Unit: NTD thousand

<u>Client</u>	<u>Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Company A			\$ 49,927	
Company B			15,670	
Company C			7,573	
Company D			6,160	
Company E			4,720	
Others			69,664	Note
Total			<u>\$ 153,714</u>	

Note: The balance of each customer did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Operating Income
January 1, 2021, to December 31, 2021

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Sales revenue		\$ 117,979	Note
Service revenue	Corporate electronic services, enterprise resource planning (ERP) and integration, etc.	1,141,801	“
Total		<u>\$ 1,259,780</u>	

Note: Because of the variety and complexity of the products sold and the services provided by the Company, they are classified in this category.

Information Technology Total Services Co., Ltd.
Statement of Operating Costs
January 1, 2021, to December 31, 2021

Unit: NTD thousand

Item	Summary	Amount	Notes
Merchandise inventory, beginning of period		\$ 20,790	
Add: Purchase in current period (net)		98,404	
Inventory, end of period		(3,668)	
Cost of sales for the current period		115,526	
Service costs		983,943	Note
Operating costs		<u>\$ 1,099,469</u>	

Note: The costs of software and hardware and consumables used in projects under inventories are the necessary costs during the provision of services, so the annual consumption is presented in “materials consumed” and “outsourcing costs” under service costs.

Information Technology Total Services Co., Ltd.
Statement of Service Costs
January 1, 2021, to December 31, 2021

Unit: NTD thousand

Item	Summary	Amount	Notes
Outsourcing costs		\$ 582,773	
Salary expenses		117,700	
Materials consumed		168,256	
Data processing expenses		54,264	
Other costs		60,950	Note
Total		<u>\$ 983,943</u>	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Selling Expenses
January 1, 2021, to December 31, 2021

Unit: NTD thousand

Item	Summary	Amount	Notes
Salary expenses		\$ 11,656	
Rental expenses		\$ 1,005	
Insurance premium		1,004	
Other expenses		5,052	Note
Total		<u>\$ 18,717</u>	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Administrative and General Affairs Expenses
January 1, 2021, to December 31, 2021

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Salary expenses		\$ 34,175	
Rent expenses		6,771	
Labor service fees		2,433	
Other expenses		<u>22,007</u>	Note
Total		<u>\$ 65,386</u>	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Research and Development Expenses
January 1, 2021, to December 31, 2021

Unit: NTD thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Salary expenses		\$ 6,354	
Insurance premium		746	
Amortizations		667	
Other expenses		1,065	
Total		<u>\$ 8,832</u>	

Note: The amount of each item did not exceed 5% of the amount of this account

Information Technology Total Services Co., Ltd.
Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses of the Year by Function
January 1, 2021, to December 31, 2021

Unit: NTD thousand

By nature	2021			2020		
	As operating costs	As operating expenses	Total	As operating costs	As operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 113,845	\$ 50,704	\$ 164,549	\$ 108,595	\$ 47,143	\$ 155,738
Expenses for labor and health insurance	10,365	4,373	14,738	9,588	4,048	13,636
Pension expenses	5,864	2,291	8,155	5,808	2,288	8,096
Remuneration to directors	3,855	1,480	5,335	4,178	468	4,646
Other employee benefit expenses	3,801	3,684	7,485	3,910	3,907	7,817
Depreciation expenses	1,348	1,470	2,818	1,529	1,031	2,560
Amortization expenses	-	667	667	-	906	906

Notes:

1. The number of employees for this year and the previous year was 194 and 192, respectively, of which the number of directors who did not serve as employees concurrently was 9 and 8, respectively.
2. (1) The average employee benefit expense in the current year is \$1,054 thousand.
2. (1) The average employee benefit expense in the previous year was \$1,007 thousand.
2. (2) The average salary expense in the current year is \$889 thousand.
2. (1) The average salary expense in the previous year was \$846 thousand.
2. (3) The adjustment to the average employee salary expense is 5%.
2. (4) The supervisor's remuneration for this year and the previous year is \$0. (The Company does not engage supervisors)

Information Technology Total Services Co., Ltd.
Statement of Employee Benefits, Depreciation, Depletion, and Amortization Expenses of the Year by Function (Continued)
January 1, 2021, to December 31, 2021

Unit: NTD thousand

(5) The Company's salary and remuneration policy.

A. The principle of director's remuneration

The Company's remuneration paid to directors is stipulated in the Company's Articles of Incorporation. The board of directors is authorized to determine the remuneration by considering their level of participation in and the value of their contributions to the Company's operations while taking into account the general standards adopted in the industry, which shall subsequently be reviewed and approved by the Remuneration Committee. During the term of office of directors, the Company may purchase liability insurance for the potential liabilities for indemnity within the scope of their performance of duty. If the Company makes a profit in its annual final accounts, it shall allocate it in accordance with Article 28 of the Company's Articles of Incorporation.

B. Salary and remuneration of managers

The remuneration of the Company's managers includes salary, bonuses, performance bonus, and employee compensation. The remuneration is determined based on their education and experience and in reference to the general salary level in the industry, while the duties and responsibilities of their job positions at the Company, target achievement, contribution, and the Company's operating results for the year are evaluated, so as to provide reasonable remuneration, which shall subsequently be reviewed and approved by the Remuneration Committee.

C. Salary and remuneration of employees

The remuneration of the Company's employees includes salary, bonuses, and employee compensation. The remuneration is determined based on their education and experience and in reference to the general salary level in the industry, while the duties and responsibilities of their job positions at the Company, annual evaluation results, target achievement, contribution, and the Company's operating results for the year are evaluated, so as to provide reasonable remuneration.

Note: The bonuses, performance bonus, and earnings distribution in the remuneration structure are based on the Company's annual operating performance and in reference to the general levels adopted in the industry and based on the changes in the overall business environment to provide reasonable remuneration.

Information Technology Total Services Co., Ltd. and Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2021

Table 2

Unit: NTD thousand
(Unless otherwise specified)

Company	Name of Counterparty	Relationship	Transaction Status		Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable		As a Percentage of Total Notes/Accounts Receivable (Payable)	Notes (Note 2)
			Purchase (Sale)	Amount	As a Percentage of Total Purchases (Sales)	Credit period	Unit Price	Credit period		
Information Technology Total Services Co., Ltd.	TECO Electric & Machinery Co., Ltd.	Investor that measures the Company using the equity method	Sales and service revenue	\$ (162,533)	12.90%	Sales revenue: Open account with net 60–90 days. Service	Normal	Note 2	\$ 29,639	8.94%
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Investee that the Company measures using the equity method	Service costs	100,240	9.12%	Open account with net 60–90 days	Normal	Note 3	(23,136)	12.26%

Note 1: This is the percentage of the net amount of operating income divided by cost.

Note 2: The transaction conditions and prices are handled in accordance with the conditions agreed upon by both parties, and the payment conditions are the same as those for general customers.

Note 3: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2021

Table 2

Unit: NTD thousand
(Unless otherwise specified)

Company	Name of Counterparty	Relationship	Transaction Status		Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable		As a Percentage of Total Notes/Accounts Receivable (Payable)	Notes (Note 2)
			Purchase (Sale)	Amount	As a Percentage of Total Purchases (Sales)	Credit period	Unit Price	Credit period		
Information Technology Total Services Co., Ltd.	TECO Electric & Machinery Co., Ltd.	Investor that measures the Company using the equity method	Sales and service revenue	\$ (162,533)	12.90%	Sales revenue: Open account with net 60–90 days. Service	Normal	Note 2	\$ 29,639	8.94%
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Investee that the Company measures using the equity method	Service costs	100,240	9.12%	Open account with net 60–90 days	Normal	Note 3	(23,136)	12.26%

Note 1: This is the percentage of the net amount of operating income divided by cost.

Note 2: The transaction conditions and prices are handled in accordance with the conditions agreed upon by both parties, and the payment conditions are the same as those for general customers.

Note 3: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts
For the Year Ended December 31, 2021

Table 3

Unit: NTD thousand
(Unless otherwise specified)

No. (Note 1)	Name of Transaction Party	Counterparty	Relationship with Company (Note 2)	Transaction Status			Percentage in total consolidated revenue or assets (Note 3)
				Account	Amount	Transaction Conditions	
0	Information Technology Total Services Co., Ltd.	Unison Service Corporation	Parent to subsidiary	Service costs	\$ 100,240	Note 4	7.56%
0	Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Parent to subsidiary	Service costs	43,436	Note 4	3.28%

Note 1: The information on transactions between the parent company and its subsidiaries shall be indicated in the No. column as follows:

(1) The parent company is coded "0."

(2) The subsidiaries are coded sequentially beginning from "1" for each individual company.

Note 2: There are three types of relationships with the company, simply enter the code (if it is the same transaction between parent and subsidiary or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction with a subsidiary, the subsidiary does not need to disclose said transaction again; if the subsidiary has disclosed the transaction with one of the parent company's subsidiaries, the other subsidiary need not

(1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Between subsidiaries.

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

Note 4: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Information on Names and Locations of Investees (Excluding Investees in China)
For the Year Ended December 31, 2021

Table 4

Unit: NTD thousand
(Unless otherwise specified)

Name of investor	Name of Investee (Notes 1 and 2)	Address	Principal business	Original investment cost		Holdings at End of Period			Current Profit or Loss on Investee	Investment Gains or Losses Recognized for Current Period	Notes
				End of the Current Period	End of Last Year	Number of shares	Percentage	Carrying amount			
Information Technology Total Services Co., Ltd.	Tension Envelope Taiwan Corporation	Taiwan	Envelope production and	\$ 25,000	\$ 25,000	2,500	50.00%	\$ 32,521	\$ 915	\$ 296	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Taiwan	Postal information integration and bill printing	13,000	13,000	1,300	100.00%	16,085	5,518	5,212	Note 1
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Taiwan	Customer relationship management services and consulting services for customer service	17,000	17,000	1,700	100.00%	14,964	5,004	5,971	Note 1
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	48,424	48,424	1,541	100.00%	66,676	5,019	5,019	Notes 1, 2, and 3
Information Technology Total Services Co., Ltd.	An-Hui Information Technology Co., Ltd.	Taiwan	Manufacture of computers and peripherals, retail, and other consulting	3,000	3,000	300	15.00%	<u>3,626</u>	4,127	<u>626</u>	Notes 1 and 4
								<u>133,872</u>		<u>17,124</u>	

Note 1: Investee recognized under the equity method.

Note 2: The original currency of the original investment amount of Information Technology Total Service (BVI) Co., Ltd. was US\$1,541 thousand.

Note 3: As of the current period, Information Technology Total Service (BVI) Co., Ltd. has repatriated investment income of US\$800 thousand.

Note 4: Approved to be established on September 28, 2020.

Information Technology Total Services Co., Ltd. and Subsidiaries

Information on Investments in China – Basic Information

For the Year Ended December 31, 2021

Table 5

Unit: NTD thousand
(Unless otherwise specified)

Name of Investee in China	Principal business	Paid-in Capital	Investment Method (Note 1)	Accumulated Investment Remitted from Taiwan, Beginning of Period	Amount of Investment Remitted or Recovered in Current Period		Accumulated Investment Remitted from Taiwan, End of Period	Current Profit or Loss on Investee	Percentage of Ownership in Direct or Indirect Investment	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Notes
					Outward Remitted	Repatriated							
Information Technology (WUXI) Co., Ltd.	ERP establishment, system maintenance, and information equipment	\$ 10,167	(2)	\$10,167 (US\$300)	\$ -	\$ -	\$10,167 (US\$300)	2,119	100.00%	\$ 2,119	\$ 28,518	\$ -	
Information Technology Total Service (Xiamen)	Customer relationship management	4,421	(3)	-	-	-	-	(177)	100.00%	(177)	(330)	-	

Note 1: Investment methods are divided into the following three types, simply enter the code:

(1) Direct investment in China

(2) Indirect investment in China through a business in a third region (Information Technology Total Service (BVI) Co., Ltd.)

(3) Indirect investment through Information Technology (WUXI) Co., Ltd. in China

Note 2: Profit or loss is recognized in the financial statements audited by the accountants appointed by the parent company in Taiwan.

Note 3: The relevant figures in this table shall be presented in New Taiwan dollars.

Company name	Accumulated Outward Remittance for Investment in China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on
			Investment Amount Stipulated by Investment Commission, MOEA
Information Technology Total Services Co., Ltd.	\$10,167 (US\$300)	\$10,167 (US\$300)	\$ 328,616

Note 5: Relevant figures in this table shall be presented in New Taiwan dollars. For accounts of assets and liabilities: CNY is calculated at an exchange rate of CN¥1 to NT\$4.3440; USD is calculated at an exchange rate of US\$1 to NT\$27.6800. For the profit or loss account: CNY is calculated at an exchange rate of CN¥1 to NT\$4.3413; USD is calculated at an exchange rate of US\$1 to NT\$28.0088.

Note 6: According to the amendment to regulations made by the Investment Commission, Ministry of Economic Affairs, per Order Jing-Shen-Ji-Zi No. 09704604680 dated August 29, 2008, the limit on the cumulative amount of investment in China is the net value or 60% of the combined net value, whichever is higher.

Information Technology Total Services Co., Ltd. and Subsidiaries

Information on major shareholders

December 31, 2021

Table 6

Name of Major Shareholder	Shares	
	Number of Shares Held (Unit: Shares)	Shareholding percentage
TECO Electric & Machinery Co., Ltd.	11,467,248	41.97%
Advantech Co., Ltd.	5,084,273	18.61%
Tong-An Investment Co., Ltd.	1,841,250	6.74%

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Financial Report and Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020
(Stock Code: 6697)

Company Address: 5F, No. 19-8, Sanchong Road, Nangang District,
Taipei City

Tel.: (02)2655-2525

Information Technology Total Services Co., Ltd.

Declaration for Consolidated Financial Statement of Affiliated Companies

Considering that the companies to be included in the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included in the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2021 (from January 1, 2021, to December 31, 2021), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already been disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Company Name: Information Technology Total Services Co., Ltd.

Responsible Person: Shang-Wei Kao

March 18, 2022

Independent Auditor's Report

(2022) Cai-Shen-Bao-Zi No. 21003395

To Information Technology Total Services Co., Ltd.:

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Information Technology Total Services Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2021 and 2020, and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and for the years then ended, and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC), based on our audit results and the audit reports of other certified public accountants (CPAs) (refer to the section of “Other matters”).

Basis of audit opinion

We conducted our audit in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Report section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of our audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2021, are stated as follows:

Service revenue – the correctness of recognition of the establishment of information systems

Description

Please refer to Note 4(26) of the consolidated financial statements for the accounting policies for the revenue recognition of the Group. For critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

The main business items of the Group are information software, information processing, and electronic information supply, and the sale of a variety of information equipment, as well as other products and services. Among them, the service revenue from the construction of information systems is recognized as revenue according to the percentage of completion method when the service is provided to each customer during the financial reporting period. The percentage of completion is determined on the basis of the cost incurred as of the balance sheet date, which is determined based on the total estimated cost of the service contract. Because the percentage of completion involves the judgment of the management, and the service revenue for 2021 has a material impact on the consolidated financial statements, we have listed the recognition of the service revenue as a key audit matter.

Corresponding audit procedures

The main corresponding procedures we have implemented for said specific aspect of the key audit matter are as follows:

1. Understand the control process of the revenue recognition regarding information system construction services to evaluate the effectiveness of the internal control of the revenue recognition.
2. Randomly audit the service revenue from information system construction projects recognized throughout the year; check the prices of customer service contracts, the service items provided, and the payment conditions; obtain the project cost details; check the receipts for the costs invested; and verify the percentages of the costs invested, to confirm the correctness of the time point and amount of service revenue recognized based on the percentage of completion of each project.
3. Examine the completed contracts after the balance sheet date and examine the difference between the actual costs and the estimated costs, so as to evaluate the reasonableness of the calculation of the percentage of completion.

Assessment of impairment of accounts receivable

Description

Regarding the accounting policies for impairment of accounts receivable, please refer to Note 4(10) of the consolidated financial statements. For the description of the impairment of accounts receivable, please refer to Notes 6(3) and 12(2) of the consolidated financial statements. For critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

The Group regularly reviews the adequacy of the provision of loss allowance in accordance with the Company's internal impairment assessment policies. Such impairment assessments are based on historical experience in credit loss from accounts receivable, forward-looking information, and objective evidence of impairment. As the balance of accounts receivable accounts for 32% of total assets, and the management must use judgment and estimation to determine the possibility of recovering accounts receivable and determine the amount of loss, there is a high degree of uncertainty in estimation. Due to the material impact that said matter has on the consolidated financial statements, we have listed the impairment of accounts receivable as a key audit matter.

Corresponding audit procedures

The main corresponding procedures we have implemented for said specific aspect of the key audit matter are as follows:

1. Understand the management's policies and procedures for credit risk management and impairment assessment of accounts receivable.
2. Randomly audit and review the impairment assessment documents provided by the management, including forward-looking information, long aging of accounts receivable, and signs showing that customers are unable to make repayments on schedule.
3. Test the correctness of the aging report used to calculate the loss allowance for accounts receivable, and recalculate the amount of the loss allowance based on the report.
4. Perform a payment collection test after the balance sheet date to confirm the recoverability of the payment.

Other matters – other CPAs' audit

As stated in Note 6(5) of the consolidated financial statements, the financial statements of the Group's investees using the equity method included in the consolidated financial statements were not audited by us but by other CPAs. Therefore, in the opinion expressed by us regarding aforementioned consolidated financial statements, the amounts listed in the investees' financial statements and relevant information disclosed in Note 13 are based on the audit reports of other CPAs. The amount of investment in the aforementioned companies using the equity method as of December 31, 2021 and 2020, was NT\$32,521 thousand and NT\$35,121 thousand, respectively, accounting for 4% and 4% of the total consolidated assets, respectively. For the years ended December 31, 2021 and 2020, the comprehensive income recognized for the aforementioned companies was NT\$341 thousand and NT\$5,365 thousand, respectively, accounting for 1% and 8% of the consolidated comprehensive income, respectively.

Other matters – parent company only financial report

The Company has also prepared the parent company only financial statements for the years ended December 31, 2021 and 2020, for which we have issued an unqualified opinion, alongside the audit report as in the section of "Other matters."

Responsibilities of the management and governance bodies for the consolidated financial statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the regulations of the IFRS and IAS and the IFRIC and SIC interpretations endorsed by the FSC, and to maintain the necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group to continue as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting, unless the management intends to liquidate the Group or cease operations or has no viable alternative but to liquidate or cease operations.

The governance bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards of the Republic of China will always detect a material misstatement in the consolidated financial statements when it exists. Misstatement can arise from fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have used our professional judgment and maintained professional doubt when performing the audit work in accordance with the generally accepted auditing standards in the Republic of China. We also performed the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate countermeasures in response to said risks; and obtain sufficient and appropriate audit evidence to provide a

basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.

2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governance bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases in which we decided not to communicate specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

PricewaterhouseCoopers Taiwan

Ping-Chun Chih

CPA

Tsung-Hsi Lai

Former Securities and Futures Commission, Ministry of
Finance

Approval Document No.: (1999) Tai-Cai-Zheng-(VI) No.
16120

Securities and Futures Bureau, Financial Supervisory
Commission, Executive Yuan

Approval Document No.: Jin-Guan-Zheng-VI-Zi No.
0960038033

March 18, 2022

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

	Assets	Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 140,280	17	\$ 85,874	9
1140	Contract assets – current	6(16)	52,006	6	31,660	3
1150	Notes receivable, net	6(3)	434	-	19,038	2
1160	Note receivable – related parties, net	7	5,158	1	8,470	1
1170	Accounts receivable, net	6(3)	272,707	32	403,334	43
1180	Accounts receivable – related parties, net	7	61,955	7	68,906	7
1200	Other receivables		7,299	1	6,218	1
130X	Inventories	6(4)	8,513	1	40,927	4
1410	Prepayments		18,261	2	15,153	2
1470	Other current assets	6(1) and 8	998	-	967	-
11XX	Total current assets		<u>567,611</u>	<u>67</u>	<u>680,547</u>	<u>72</u>
Non-current assets						
1517	Financial asset at fair value through other comprehensive income – non-current	6(2)	29,324	3	30,170	3
1550	Investment using equity method	6(5)	36,147	4	38,121	4
1600	Property, plant, and equipment	6(6)	30,684	4	16,751	2
1755	Right-of-use assets	6(7) and 8	15,384	2	16,444	2
1780	Intangible assets		1,395	-	6,506	1
1840	Deferred income tax assets	6(23)	1,585	-	1,398	-
1920	Refundable deposits		5,067	1	6,498	1
1930	Long-term notes and accounts receivable	6(8)	161,886	19	146,714	15
1990	Other non-current assets – others	6(1) (9) and 8	970	-	593	-
15XX	Total non-current assets		<u>282,442</u>	<u>33</u>	<u>263,195</u>	<u>28</u>
1XXX	Total assets		<u>\$ 850,053</u>	<u>100</u>	<u>\$ 943,742</u>	<u>100</u>

(Continued on next page)

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2130	Contract liabilities – current	6(16)	\$ 17,276	2	\$ 17,021	2
2150	Notes payable		1,350	-	1,253	-
2170	Accounts payable		159,130	19	275,179	29
2180	Accounts payable – related parties	7	10,969	1	13,263	1
2200	Other payables	6(10)	75,700	9	73,744	8
2230	Income tax liabilities in the current period	6(23)	13,304	2	8,945	1
2280	Lease liabilities – current		5,353	1	7,203	1
2399	Other current liabilities – others		4,731	-	2,996	-
21XX	Total current liabilities		<u>287,813</u>	<u>34</u>	<u>399,604</u>	<u>42</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	4,464	1	3,449	1
2580	Lease liabilities – non-current		9,432	1	9,019	1
2645	Guarantee deposits received		650	-	650	-
25XX	Total non-current liabilities		<u>14,546</u>	<u>2</u>	<u>13,118</u>	<u>2</u>
2XXX	Total liabilities		<u>302,359</u>	<u>36</u>	<u>412,722</u>	<u>44</u>
Equity						
Equity attributable to owners of parent company						
	Share capital	6(12)				
3110	Common stock		273,234	32	273,234	29
	Capital surplus	6(13)				
3200	Capital surplus		158,042	19	158,042	17
	Retained earnings	6(14)				
3310	Legal reserve		41,087	5	34,527	4
3320	Special reserve		4,279	-	2,865	-
3350	Undistributed earnings		76,536	9	66,631	7
	Other equity items	6(15)				
3400	Other equity items		(5,484)	(1)	(4,279)	(1)
31XX	Total equity attributable to owners of parent company		<u>547,694</u>	<u>64</u>	<u>531,020</u>	<u>56</u>
3XXX	Total equity		<u>547,694</u>	<u>64</u>	<u>531,020</u>	<u>56</u>
	Material contingent liabilities and unrecognized contractual commitments	9				
	Material events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 850,053</u>	<u>100</u>	<u>\$ 943,742</u>	<u>100</u>

The notes attached are part of the Consolidated Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand
(except for earnings per share which is in NT\$1)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(16) and 7	\$ 1,325,626	100	\$ 1,230,637	100
5000	Operating costs	6(4), (11), (21), (22) and 7	(1,133,326)	(85)	(1,066,170)	(87)
5950	Gross profit, net		<u>192,300</u>	<u>15</u>	<u>164,467</u>	<u>13</u>
	Operating expenses	6(11), (21), (22) and 7				
6100	Selling expenses		(20,210)	(1)	(18,015)	(1)
6200	Administrative expenses		(81,997)	(6)	(73,226)	(6)
6300	R&D expenses		(8,832)	(1)	(6,525)	(1)
6450	Expected credit impairment losses	12(2)	-	-	(848)	-
6000	Total operating expenses		(111,039)	(8)	(98,614)	(8)
6900	Operating profit		<u>81,261</u>	<u>7</u>	<u>65,853</u>	<u>5</u>
	Non-operating income and expenses					
7100	Interest revenue	6(17)	267	-	220	-
7010	Other revenue	6(18)	5,558	-	6,812	1
7020	Other gains and losses	6(19)	(527)	-	(1,644)	-
7050	Financial costs	6(6) and (20)	(841)	-	(1,734)	-
7060	Share of profit or loss on associates and joint ventures accounted for using the equity method	6(5)	<u>922</u>	<u>-</u>	<u>5,549</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>5,379</u>	<u>-</u>	<u>9,203</u>	<u>1</u>
7900	Net income before tax		<u>86,640</u>	<u>7</u>	<u>75,056</u>	<u>6</u>
7950	Income tax expense	6(23)	(14,159)	(1)	(9,276)	(1)
8200	Current net income		<u>\$ 72,481</u>	<u>6</u>	<u>\$ 65,780</u>	<u>5</u>
	Other comprehensive income (net)					
	Items not reclassified to profit or loss					
8320	Share of other comprehensive income on associates and joint ventures accounted for using the equity method – items not reclassified to profit or loss	6(5)	\$ 56	-	(\$ 230)	-
8349	Income tax related to items not reclassified	6(23)	(11)	-	46	-
	Items that subsequently may be reclassified to profit or loss					
8361	Exchange difference on translation of financial statements of foreign operations	6(15)	(1,205)	-	(1,413)	-
8300	Other comprehensive income (net)		<u>(\$ 1,160)</u>	<u>-</u>	<u>(\$ 1,597)</u>	<u>-</u>
8500	Total comprehensive income in the current period		<u>\$ 71,321</u>	<u>6</u>	<u>\$ 64,183</u>	<u>5</u>
	Net profit attributable to:					
8610	Owners of parent company		<u>\$ 72,481</u>	<u>6</u>	<u>\$ 65,780</u>	<u>5</u>
	Total comprehensive income attributable to:					
8710	Owners of parent company		<u>\$ 71,321</u>	<u>6</u>	<u>\$ 64,183</u>	<u>5</u>
	Earnings per share	6(24)				
9750	Basic earnings per share		<u>\$ 2.65</u>		<u>\$ 2.41</u>	
9850	Diluted earnings per share		<u>\$ 2.63</u>		<u>\$ 2.39</u>	

The notes attached are part of the Consolidated Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Notes	Equity attributable to owners of parent company					Exchange difference on translation of financial statements of foreign operations	Total
		Common stock	Capital surplus – additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings		
<u>2020</u>								
Balance on January 1, 2020		\$ 273,234	\$ 158,042	\$ 28,516	\$ 2,097	\$ 62,461	(\$ 2,866)	\$ 521,484
Current net income		-	-	-	-	65,780	-	65,780
Other comprehensive income in the current period	6(15)	-	-	-	-	(184)	(1,413)	(1,597)
Total comprehensive income in the current period		-	-	-	-	65,596	(1,413)	64,183
2019 earnings allocation and appropriation								
Appropriation for legal reserve	6(14)	-	-	6,011	-	(6,011)	-	-
Appropriation for special reserve		-	-	-	768	(768)	-	-
Distribution of cash dividends		-	-	-	-	(54,647)	-	(54,647)
Balance on December 31, 2020		<u>\$ 273,234</u>	<u>\$ 158,042</u>	<u>\$ 34,527</u>	<u>\$ 2,865</u>	<u>\$ 66,631</u>	<u>(\$ 4,279)</u>	<u>\$ 531,020</u>
<u>2021</u>								
Balance on January 1, 2021		\$ 273,234	\$ 158,042	\$ 34,527	\$ 2,865	\$ 66,631	(\$ 4,279)	\$ 531,020
Current net income		-	-	-	-	72,481	-	72,481
Other comprehensive income in the current period	6(15)	-	-	-	-	45	(1,205)	(1,160)
Total comprehensive income in the current period		-	-	-	-	72,526	(1,205)	71,321
2020 earnings allocation and appropriation								
Appropriation for legal reserve	6(14)	-	-	6,560	-	(6,560)	-	-
Appropriation for special reserve		-	-	-	1,414	(1,414)	-	-
Distribution of cash dividends		-	-	-	-	(54,647)	-	(54,647)
Balance on December 31, 2021		<u>\$ 273,234</u>	<u>\$ 158,042</u>	<u>\$ 41,087</u>	<u>\$ 4,279</u>	<u>\$ 76,536</u>	<u>(\$ 5,484)</u>	<u>\$ 547,694</u>

The notes attached are part of the Consolidated Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash flow of operating activities</u>			
Net income before tax in the current period		\$ 86,640	\$ 75,056
Adjustment items			
Income/Expenses items			
Depreciation expenses	6(6) (7)	16,361	14,472
Amortization expenses		5,111	5,151
Expected credit impairment losses	12(2)	-	848
Share of profit on associates and joint ventures accounted for the using equity method	6(5)	(922)	(5,549)
Interest revenue	6(17)	(267)	(220)
Dividend revenue	6(18)	(3,889)	(1,587)
Interest expenses	6(20)	841	1,734
Losses from disposal of property, plant, and equipment	6(19)	-	25
Loss from disposal of investment	6(19)	693	-
Gain on lease modification	6(19)	(188)	-
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable, net		18,604	2,865
Note receivable – related parties, net		3,312	(8,362)
Accounts receivable		130,627	(37,622)
Accounts receivable – related parties, net		6,951	10,953
Contract assets – current		(20,346)	1,515
Other receivables		(1,081)	1,090
Other accounts receivable – related parties		-	1,238
Inventories		32,414	(4,372)
Prepayments		(3,362)	701
Other current assets – others		(72)	1,471
Net changes in liabilities related to operating activities			
Notes payable		97	1,253
Accounts payable		(116,049)	179,517
Accounts payable – related parties		(2,294)	3,246
Contract liabilities – current		255	(682)
Other payables		3,771	2,727
Other current liabilities – others		1,735	944
Cash inflow from operations		158,942	246,412
Interest received		267	220
Dividends received		6,842	5,915
Interest paid		(846)	(1,039)
Income tax paid		(8,979)	(6,678)
Net cash inflow from operating activities		156,226	244,830

(Continued on next page)

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

	<u>Notes</u>	<u>January 1 to December 31, 2021</u>	<u>January 1 to December 31, 2020</u>
<u>Cash flow of investing activities</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 19,997)	\$ -
Disposal of financial assets at fair value through profit or loss		19,304	-
Cash paid for purchase of property, plant, and equipment	6(25)	(21,187)	(3,765)
Proceeds from disposal of property, plant, and equipment		-	95
Cash paid for acquisition of intangible assets	6(25)	(1,746)	(3,846)
Decrease in other financial assets – current		41	289
Increase in other non-current assets – others		(377)	(157)
Decrease (increase) in long-term notes and accounts receivable		(15,172)	20,153
Decrease in long-term notes and accounts receivable – related parties		-	3,441
Acquisition of investment under equity method		-	(3,000)
Decrease in refundable deposits		1,431	11,249
Net cash inflow (outflow) from investing activities		<u>(37,703)</u>	<u>24,459</u>
<u>Cash flow of fund-raising activities</u>			
Decrease in short-term loans		-	(16,000)
Repayment of long-term borrowings		-	(100,000)
Decrease in long-term notes payable		-	(74,939)
Increase in guarantee deposits received		-	137
Repayment of lease principal	6(7)	(9,111)	(8,618)
Distribution of cash dividends	6(14)	(54,647)	(54,647)
Net cash outflow from financing activities		<u>(63,758)</u>	<u>(254,067)</u>
Exchange rate effect		(359)	178
Increase in cash and cash equivalents in the current period		54,406	15,400
Balance of cash and cash equivalents, beginning	6(1)	85,874	70,474
Balance of cash and cash equivalents, ending	6(1)	<u>\$ 140,280</u>	<u>\$ 85,874</u>

The notes attached are part of the Consolidated Financial Statements. Please refer to them together.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Unit: NTD thousand
(Unless otherwise specified)

I. Company History

Information Technology Total Services Co., Ltd. (the “Company”) was incorporated in December 1990. The main business items of the Company and its subsidiaries (collectively, the “Group”) are information technology outsourcing (ITO), business process outsourcing (BPO), and innovative applications and services of the Internet of Things (IoT). TECO Electric & Machinery Co., Ltd. holds 41.97% of the Company’s equity, and TECO Electric & Machinery Co., Ltd. is the ultimate parent company of the Group.

II. Date and Procedures for Approval of the Financial Report

The consolidated financial report was released after being approved by the board of directors on March 18, 2022.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) The effect of adopting new or amended IFRSs endorsed by the Financial Supervisory Commission (FSC)

The table below summarizes the newly issued, revised, and amended IFRSs endorsed by the FSC, applicable to 2021:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021
Amendments to IFRS 16 “COVID-19-Related Rent Concessions After June 30, 2021”	April 1, 2021 (Note)

Note: The FSC allows early application from January 1, 2021.

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

(II) Effect of not adopting new or amended IFRSs endorsed by the FSC

The table below lists the new, revised, and amended standards and interpretations of the IFRSs, which apply to the reporting period beginning on January 1, 2022, as endorsed by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018–2020 Cycle	January 1, 2022

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

(III) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

The table below summarizes the newly issued, revised, and amended IFRSs issued by the IASB but not yet endorsed by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by the IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

IV. Summary of Significant Accounting Policies

The main accounting policies used in the preparation of this consolidated financial report are described below. Unless otherwise stated, said policies apply consistently throughout all reporting periods.

(I) Compliance Statement

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) as endorsed and

issued into effect by the FSC.

(II) Basis of preparation

1. Except for the following important items, the consolidated financial statements have been prepared at historical cost:
 - (1) Financial assets at fair value through profit or loss.
 - (2) Financial assets at fair value through other comprehensive income.
2. The preparation of financial statements in compliance with the IFRSs requires the use of some critical accounting estimates. In the process of applying the Group's accounting policies, the management also needed to exercise its judgment. For items requiring meticulous judgment or involving complexity, or involving critical assumptions and estimates in the consolidated financial statements, please refer to Note 5 for details.

(III) Basis of consolidation

1. Principles for preparing consolidated financial statements
 - (1) The Group includes all subsidiaries as entities in the preparation of the consolidated financial statements. A subsidiary refers to an entity under the control of the Group. When the Group is exposed to variable returns from the participation in the entity or has rights to said variable returns, and has the ability to affect such returns through its power over the entity, the Group controls the entity. Subsidiaries are included in the consolidated financial statements from the day when the Group obtains control over them, and the consolidation is terminated on the day when the control is lost.
 - (2) Transactions, balances, and unrealized gains and losses between companies within the Group have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Group.
 - (3) The various components of profit or loss and other comprehensive income are attributable to the owners of the parent company and non-controlling interests; the total comprehensive income is also attributable to the owners of the parent company and non-controlling interests, even if the resulting loss of non-controlling interests occurs.
 - (4) If the change in the ownership of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, as a transaction with owners. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
 - (5) When the Group loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and used as the fair value of the financial

asset initially recognized or as the cost of the investment in an associate or joint venture initially recognized; the difference between the fair value and the carrying amount is recognized as the current profit or loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, so when the control over the subsidiary is lost, the gains or losses will be reclassified from equity in profit or loss.

2. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Nature of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Customer relationship management services and consulting services for customer service center establishment	100%	100%	
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Postal information integration and bill printing outsourcing service	100%	100%	
Information Technology Total Services Co., Ltd.	Information Technology Total Services (BVI) Co., Ltd.	Investment holding company	100%	100%	
Information Technology Total Services (BVI) Co., Ltd.	Information Technology (WUXI) Co., Ltd.	ERP establishment, system maintenance, and information equipment procurement	100%	100%	
Information Technology (WUXI) Co., Ltd.	Information Technology Total Service (Xiamen)	Customer relationship management service	100%	100%	

3. The subsidiaries not included in the consolidated financial statements: N/A.
4. Different adjustments and treatment methods of subsidiaries in the accounting period: N/A.
5. Major restrictions: Cash and short-term deposits of \$23,597 are deposited in China, subject to local foreign exchange controls. These foreign exchange controls restrict the repatriation of funds outside of China (except through the channel of normal dividends).
6. Subsidiaries with non-controlling interests that are material to the Group: N/A.

(IV) Foreign currency exchange

The items listed in the financial statements of each entity in the Group are measured in the currency of the main economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

1. Foreign currency transactions and balances

- (1) Each foreign currency transaction is translated into the functional currency at the spot exchange rate on the transaction date or the measurement date, and the exchange difference arising from the translation of the transaction is recognized in current profit or loss.
- (2) The balance of foreign currency monetary assets and liabilities is adjusted according to the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in current profit or loss.
- (3) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through profit and loss, and is adjusted based on the spot exchange rate at the balance sheet date. The translation difference arising from the adjustment is recognized in current profit and loss. For measurement at fair value through other comprehensive income, it is adjusted based on the spot exchange rate at the balance sheet date, and the translation difference arising from the adjustment is recognized in other comprehensive income. If it is not measured by fair value, it is measured at the historical exchange rate at the initial transaction date.
- (4) All exchange gains and losses are presented in the "Other gains and losses" of the income statement.

2. Translation of foreign operations

For all entities of the Group and associates whose functional currencies are different from the presentation currency, their business results and financial position shall be translated into the presentation currency using the following method:

- (1) The assets and liabilities presented at each balance sheet are translated at the closing

exchange rate at the balance sheet date;

- (2) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period; and
- (3) All exchange differences arising from translation are recognized in other comprehensive income.

(V) Criteria for classification of current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:
 - (1) Assets expected to be realized in the ordinary course of business, or intended to be sold or consumed.
 - (2) Assets held primarily for the purpose of trading.
 - (3) Assets expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Liabilities expected to be settled in the ordinary course of business.
 - (2) Liabilities held primarily for the purpose of trading.
 - (3) Liabilities expected to be settled within 12 months after the balance sheet date.
 - (4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

The Group classifies all liabilities that do not meet the conditions above as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits in alignment with the above definition that are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

1. This refers to financial assets that are not measured at amortized cost or at fair value through other comprehensive income.

2. The Group adopts trade date accounting for financial assets at fair value through profit or loss for regular-way transactions.
3. Upon initial recognition, the Group measures relevant transaction costs at fair value and recognizes them in profit or loss, while subsequently measuring them at fair value and recognizing gain or loss thereon in profit or loss.
4. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

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

1. The Group may, upon initial recognition, make an irrevocable choice to recognize the fair value changes of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
 - (1) The financial asset is held under an operating model for the purpose of collecting contractual cash flows and selling.
 - (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts trade date accounting for financial assets at fair value through other comprehensive income in compliance with transaction practices.
3. The Group measures said assets at fair value plus transaction costs upon initial recognition, which are subsequently measured at fair value:
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not be subsequently reclassified to profit or loss and shall be transferred to retained earnings instead. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.
 - (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and impairment losses, interest revenue, and foreign currency exchange gains and losses before derecognition are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(IX) Accounts and notes receivable

1. This refers to accounts and notes that have been unconditionally received in exchange for the right to the amount of consideration for the delivery of goods or services as agreed upon in the contract.
2. The non-interest-bearing short-term accounts and notes receivable are barely affected by discounting, so the Group measures them based on the original invoice amount.

(X) Impairment of financial assets

The Group, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking information) based on the debt instrument investments at fair value through other comprehensive income, financial assets at amortized cost, and accounts receivable or contract assets that contain significant financial components, lease receivables, loan commitments, and financial guarantee contracts. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable or contract assets that do not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(XI) Derecognition of Financial Assets

When the Group's contractual right to receive cash flows from financial assets has expired, said financial assets will be derecognized.

(XII) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost is determined using the weighted average method. When cost and net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale and relevant variable sale expenses.

(XIII) Investment using equity method

1. Associates refer to all entities that the Group has a significant influence on without control. Generally, the Group holds at least 20% of their voting shares directly or indirectly. The Group adopts the equity method to treat the investment in associates, which is recognized at cost of acquisition.
2. The Group recognizes the share of profit or loss on associates after acquisition in current profit or loss, and recognizes the share of other comprehensive income on associates after

acquisition as other comprehensive income. If the Group's share of losses on an associate equals or exceeds its equity in the associate (including any other unsecured receivables), the Group will not recognize further losses unless the Group has incurred legal obligations or constructive obligations to said associate, or made payments on behalf of said associate.

3. When equity changes which are not related to profit or loss and other comprehensive income occur to an associate, and said changes do not affect the shareholding percentage of the associate, the Group recognizes all equity changes in "capital surplus" based on the shareholding percentage.
4. Unrealized gains or losses arising from transactions between the Group and associates have been eliminated based on the proportion of its equity of the associates; unless evidence shows that the assets transferred have been impaired, the unrealized losses are also eliminated. The accounting policies of the associates have been adjusted as necessary and are consistent with the policies adopted by the Group.
5. Where the Group disposes of an associate and if it loses significant influence on the associate, for all amounts previously recognized in other comprehensive income related to the associate, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, and when the significant influence on the associate is lost, the gains or losses will be reclassified from equity to profit or loss. If the Group still has significant influence on the associate, only the amount previously recognized in other comprehensive income is transferred out in the manner above on a pro-rata basis.

(XIV) Property, plant, and equipment

1. Property, plant, and equipment are accounted for on the basis of acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset only when the future economic benefits related to an item are likely to flow into the Group and the cost of the item can be reliably measured. The carrying amount of the part replaced shall be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.
3. The subsequent measurement of property, plant, and equipment is based on a cost model. Except for land that is not depreciated, other assets are depreciated on a straight-line basis based on the estimated useful lives. If the components of property, plant, and equipment are significant, they shall be separately depreciated.
4. The Group conducts at least one annual review at the end of each year to assess the estimated useful lives, residual value, and depreciation methods. If the expected residual value and

useful lives are different from the previous estimates, or the expected consumption pattern of future economic benefits contained in an asset has changed significantly, the Group shall adjust it in accordance with the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding changes in accounting estimates from the date the changes occur. The useful life of each asset is as follows:

Machinery and equipment	2–12 years
Office equipment	1–5 years
Leasehold improvements	1–10 years
Other equipment	3–5 years

(XV) Lessee’s lease transactions – right-of-use assets/lease liabilities

1. Leased assets are recognized in right-of-use assets and lease liabilities on the date they are available for use by the Group. When a lease contract is a short-term lease or lease of a low-value asset, the lease payment is recognized as an expense during the lease term using the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the commencement date of a lease at the discounted interest rate of the Group’s incremental borrowings. The lease payments include:
Fixed payments, less any rental incentives that can be collected;
Subsequently, the interest approach is adopted to measure said payments at amortized cost, and interest expenses are recognized during the lease term. When changes occur in the lease term or lease payment not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be adjusted in the remeasurement.
3. The right-of-use asset is recognized at cost at the commencement date of a lease, and the cost includes:
 - (1) The original measured amount of the lease liability;
 - (2) Any lease payments paid on or before the commencement date;
 - (3) Any original direct costs incurred; and
Subsequently, the measurement is based on the cost model, and the depreciation expense is recognized when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.
4. For lease modifications with the scope of a lease reduced, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between said carrying amount and the remeasured amount of the lease liability is recognized in profit or loss.

(XVI) Intangible assets – computer software

Computer software is recognized at acquisition cost and amortized on a straight-line basis over an estimated useful life of one to five years.

(XVII) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. When there is no impairment or reduced impairment in an asset recognized in prior years, the impairment loss shall be reversed, but the increased portion of the carrying amount of the asset due to the reversal of the impairment loss shall not exceed the carrying amount of the asset less depreciation or amortization without impairment loss recognized.

(XVIII) Borrowings

This refers to the long-term and short-term borrowings from banks. The Group measures borrowings at fair value less transaction costs at the time of initial recognition. Any difference between the price less transaction costs and the redemption value is subsequently measured at amortized cost during the borrowing period using the effective interest method.

(XIX) Accounts and notes payable

Accounts and notes payable are obligations to pay for goods or services obtained from suppliers in the ordinary course of business. They are measured at fair value at the time of initial recognition, and subsequently measured at amortized cost using the effective interest method. However, as the non-interest-bearing short-term accounts payable are barely affected by discounting, they will subsequently be measured using the original invoice amount.

(XX) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in a contract are fulfilled, cancelled, or expired.

(XXI) Offsetting of financial assets and liabilities

Financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured using the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

2. Pension

(1) Defined contribution plan

Regarding the defined contribution plan, the amount of the pension fund that shall be contributed is recognized as current pension cost on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

- A. The net obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by employees in the current or past service period, using the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and period consistent with those of the defined benefit plan at the balance sheet date.
- B. The remeasurement generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
- C. The relevant expenses of the service cost in prior periods are immediately recognized in profit and loss.

3. Post-employment benefits

Post-employment benefits are benefits provided when an employee's employment is terminated before the normal retirement date or when the employee decides to accept the benefits offered by the Company in exchange for termination of employment. The Group recognizes expenses when it is no longer able to withdraw the offer of post-employment benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

4. Employee compensation and directors' remuneration

Employee compensation and directors' remuneration are recognized as expenses and liabilities when there are legal or constructive obligations and the amount can be reasonably

estimated. If there is a difference between the amount actually distributed as resolved and the estimated amount, it shall be treated as a change in accounting estimates. In addition, if employee compensation is paid in stocks, the number of shares is calculated based on the closing price on the day before the board of directors' resolution.

(XXIII) Income Tax

1. Income tax expenses include the current and deferred income taxes. Except for income tax related to items included in other comprehensive income or directly included in equity recognized in comprehensive income or in equity directly, income tax is recognized in profit or loss.
2. The Group calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.
3. Deferred income tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of the asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (tax losses) is not affected at the time of the transaction, then the liabilities will not be recognized. For temporary differences caused by the investment in a subsidiary or an associate, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(XXIV) Share capital

Ordinary shares are classified as equity, and the incremental cost directly attributable to the issue of new shares is listed in equity as a deduction, net of tax, from the proceeds.

(XXV) Dividend allocation

Dividends are recognized in the Company's financial statements in the period in which they are approved to be distributed as resolved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be allocated and reclassified to ordinary shares on the record date of the issue of new shares.

(XXVI) Recognition of revenue

1. Sales revenue

The Group sells various products related to information equipment. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the Group has no outstanding performance obligations that may affect the buyer's acceptance of the products.

2. Service revenue

(1) The Group provides information software, data processing, electronic information supply, and other relevant services. When the result of a transaction for the provision of services can be reliably estimated, it shall be recognized in revenue according to the percentage of completion method. The percentage of completion is estimated based on the proportion of the cost incurred to the estimated total transaction cost and the value of the service transferred to a customer as of the balance sheet date (and as for the value of the contract performance completed to the customer so far, the amount, for which receipts can be issued, is recognized in revenue based on practical expediency). When the result of the transaction cannot be estimated reliably, revenue is recognized within the range where the cost recognized is likely to be recovered. Where a customer makes a payment according to the contract price in line with the agreed payment schedule, when the service provided by the Group exceeds the customer's payable, it is recognized as a contract asset, and if the customer pays more than the service provided by the Group, it is recognized as a contract liability.

The Group also provides services for information software and its license maintenance. Because it is still part of the information service, it is recognized in service revenue after the performance obligations are fulfilled.

(2) The Group's estimates of revenue, cost, and percentage of completion are revised as circumstances change. Any increase or decrease in the estimated revenue or cost due

to changes in estimates will be reflected in profit or loss during the period in which the circumstances resulting in the correction become known to the management.

(XXVII) Operating segments

The Group's information on operating segments is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The board of directors has been identified as the Group's chief operating decision-maker.

V. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

During the preparation of the consolidated financial statements, the management has exercised its judgments to adopt the accounting policies to be used, and made accounting estimates and assumptions based on reasonable expectations of future events with reference to the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumptions made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical experience and other factors. Such assumptions and estimates have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Please refer to the description of the uncertainties of critical accounting judgments, assumptions, and estimates below:

(I) Critical judgments in the application of accounting policies

N/A.

(II) Critical accounting estimates and assumptions

1. Recognition of revenue

The service revenue is the revenue recognized according to the percentage of completion method, which is calculated according to the degree of service provided during the service contract period, and the relevant service costs are recognized as expenses during the period in which they are incurred. The degree of service provided is calculated by referring to the cost incurred by each service contract as of the end of the financial reporting period as a percentage of the estimated total cost of the service contract. The estimated total cost of service contracts is assessed by the management as per the nature of different cases, estimated manpower requirements, and contract duration and based on the Company's subjective judgment. The actual results may differ from the estimates, so there may be significant changes.

2. Assessment of impairment of accounts receivable

The Group must adopt historical experience to assess the possibility of future cash flow

recovery. When there is objective evidence showing signs of impairment, the amount of the impairment loss is measured based on the differences between the present value of the asset's carrying amount and the estimated future cash flows at the original effective discount interest rate of the financial asset. If the actual cash flow in the future is less than estimated, significant impairment losses may occur. After considering all reasonable and corroborative information (including forward-looking ones), if the credit risk has not increased significantly since the initial recognition, the loss allowance is measured based on the 12-month expected credit loss. In the case of a significant increase in the credit risk since the initial recognition, the loss allowance is measured based on the lifetime expected credit loss; for accounts receivable that do not contain a significant financial component, the loss allowance is measured based on the lifetime expected credit loss. The assessment of the allowance is based on a reasonable expectation of future events according to the situation at the balance sheet date, but the actual results may differ from the estimates, so there may be significant changes.

On December 31, 2021, the Group's accounts receivable and allowance for bad debts were \$274,695 and \$1,988, respectively.

VI. Description of Significant Accounting Titles

(I) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 263	\$ 233
Checking deposit and demand deposit	140,669	85,994
Time deposit	819	783
	<u>141,751</u>	<u>87,010</u>
Less: Recognized in "1470 Other current assets"	(749)	(791)
Less: Recognized in "1990 Other non-current assets – others"	(722)	(345)
Total	<u>\$ 140,280</u>	<u>\$ 85,874</u>

1. The financial institutions the Group deals with have high credit ratings. The Group also deals with multiple financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.
2. As of December 31, 2021 and 2020, the Group provided restricted cash and cash equivalents as performance bond, amounting to \$1,471 and \$1,136, respectively (recognized in "1470 Other current assets" and "1990 Other non-current assets – others"). Please refer Note 8 for details.

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

Item	December 31, 2021	December 31, 2020
Non-current items:		
Unlisted stocks	\$ 29,324	\$ 30,170

1. The Group has elected to classify unlisted stocks with stable dividends as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of December 31, 2021 and 2020, were \$29,324 and \$30,170, respectively.
2. The amount of financial assets at fair value through other comprehensive income recognized in dividend revenue under profit or loss in 2021 and 2020 was \$2,980 and \$1,587, respectively.
3. As of December 31, 2021 and 2020, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets at fair value through other comprehensive income was in the amount of \$29,324 and \$30,170, respectively.
4. For information on the price risk and the fair value of financial assets at fair value through other comprehensive income, please refer to Note 12(2) and (3).

(III) Notes and Accounts Receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 434	\$ 19,038
Accounts receivable	\$ 274,695	\$ 405,322
Less: Allowance loss	(1,988)	(1,988)
	\$ 272,707	\$ 403,334

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 265,262	\$ 397,043
Within 30 days	5,174	23,171
31–90 days	4,134	4,075
91–180 days	6	71
Over 180 days	553	-
	\$ 275,129	\$ 424,360

The aging analysis stated above is based on the number of overdue days.

2. The balances of accounts receivable and notes receivable as of December 31, 2021 and 2020, were all generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2020, was \$389,603.

3. As of December 31, 2021 and 2020, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's notes receivable was in the amount of \$434 and \$19,038, respectively; the maximum amount of the exposure to the credit risk arising from the Group's accounts receivable was in the amount of \$272,707 and \$403,334, respectively
4. Please refer to Note 12(2) for detailed information on the credit risk of accounts and notes receivable.

(IV) Inventories

		December 31, 2021		
		Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory		\$ 3,668	\$ -	\$ 3,668
Software and hardware costs and consumables for projects		7,610	(2,765)	4,845
		\$ 11,278	(\$ 2,765)	\$ 8,513
		December 31, 2020		
		Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory		\$ 20,790	\$ -	\$ 20,790
Software and hardware costs and consumables for projects		22,902	(2,765)	20,137
		\$ 43,692	(\$ 2,765)	\$ 40,927

The cost of inventories and consumables sold by the Group in 2021 and 2020 were \$290,040 and \$313,748, respectively.

(V) Investment using equity method

	December 31, 2021	December 31, 2020
Tension Envelope Taiwan Corporation	\$ 32,521	\$ 35,121
An-Hui Information Technology Co., Ltd.	3,626	3,000
	\$ 36,147	\$ 38,121

1. The Group holds 50% of the voting rights of Tension Envelope Taiwan Corporation (hereinafter referred to as "Tension Envelope"). However, the Group does not have substantive control over Tension Envelope. Tension Envelope's operating decisions and personnel appointments by its board of directors are guided by another parent company that holds 50% of its voting rights, so the Group's investment in Tension Envelope is handled using the equity method.

2. The Group's investment in the investee Tension Envelope using the equity method was based on the evaluation of the financial statements, which were prepared by the company at the same time and not reviewed by a CPA. Tension Envelope issued cash dividends of \$2,953 and \$4,328 in 2021 and 2020, respectively.
3. On June 20, 2020, the Group decided to invest in An-Hui Information Technology Co., Ltd. (hereinafter referred to as "An-Hui Information") in the amount of \$3,000, holding 15% of the company's voting shares and obtaining a seat on the board. With significant influence on the company, the Group adopts the equity method for investment in An-Hui Information.
4. Associates

(1) The basic information of the Group's associates is as follows:

Company name	Principal place of business	Shareholding percentage		Relationship	Measurement method
		December 31, 2021	December 31, 2020		
Tension Envelope Taiwan Corporation	Taiwan	50%	50%	The Company's supplier	Equity method
An-Hui Information Technology Co., Ltd.	Taiwan	15%	15%	Strategic collaboration	Equity method

(2) The carrying amounts of the Group's associates that are individually immaterial and their share of operating results are aggregated below:

As of December 31, 2021 and 2020, the carrying amounts of the Group's associates that are individually immaterial were \$36,147 and \$38,121, respectively.

	2021	2020
Current net income from continuing operations	\$ 922	\$ 5,549
Other comprehensive income (net of tax)	45	(184)
Total comprehensive income in the current period	\$ 967	\$ 5,365

(VI) Property, plant, and equipment

	Machinery and equipment	Office equipment	Leasehold improvements	Others	Total
January 1, 2021					
Costs	\$ 42,945	\$ 9,197	\$ 5,520	\$ 1,056	\$ 58,718
Accumulated depreciation and impairment	(32,307)	(5,417)	(3,433)	(810)	(41,967)
	<u>\$ 10,638</u>	<u>\$ 3,780</u>	<u>\$ 2,087</u>	<u>\$ 246</u>	<u>\$ 16,751</u>
January 1, 2021	\$ 10,638	\$ 3,780	\$ 2,087	\$ 246	\$ 16,751
Additions	13,856	1,198	6,026	43	21,123
Depreciation expenses	(3,930)	(1,671)	(1,460)	(125)	(7,186)
Net exchange difference	-	(2)	(1)	(1)	(4)
December 31, 2021	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>
December 31, 2021					
Costs	\$ 44,865	\$ 10,386	\$ 11,535	\$ 1,092	\$ 67,878
Accumulated depreciation and impairment	(24,301)	(7,081)	(4,883)	(929)	(37,194)
	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>
	Machinery and equipment	Office equipment	Leasehold improvements	Others	Total
January 1, 2020					
Costs	\$ 42,401	\$ 7,945	\$ 5,098	\$ 974	\$ 56,418
Accumulated depreciation and impairment	(27,955)	(4,554)	(2,638)	(660)	(35,807)
	<u>\$ 14,446</u>	<u>\$ 3,391</u>	<u>\$ 2,460</u>	<u>\$ 314</u>	<u>\$ 20,611</u>
January 1, 2020	\$ 14,446	\$ 3,391	\$ 2,460	\$ 314	\$ 20,611
Additions	402	2,012	389	63	2,866
Disposal	-	(120)	-	-	(120)
Depreciation expenses	(4,210)	(1,508)	(764)	(135)	(6,617)
Net exchange difference	-	5	2	4	11
December 31, 2020	<u>\$ 10,638</u>	<u>\$ 3,780</u>	<u>\$ 2,087</u>	<u>\$ 246</u>	<u>\$ 16,751</u>
December 31, 2020					
Costs	\$ 42,945	\$ 9,197	\$ 5,520	\$ 1,056	\$ 58,718
Accumulated depreciation and impairment	(32,307)	(5,417)	(3,433)	(810)	(41,967)
	<u>\$ 10,638</u>	<u>\$ 3,780</u>	<u>\$ 2,087</u>	<u>\$ 246</u>	<u>\$ 16,751</u>

The Group did not pledge property, plant, and equipment as collateral.

(VII) Lease transaction – lessee

1. The assets leased by the Group include buildings as well as machinery and equipment. The lease terms usually range from 2 to 5 years. The lease contracts are negotiated separately and contain various terms and conditions. Except that the leased asset cannot be used as collateral for loans, no other restrictions are imposed.
2. The information on the carrying amount of the right-of-use assets and the depreciation expenses recognized is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 13,555	\$ -
Machinery and equipment	1,829	16,444
	<u>\$ 15,384</u>	<u>\$ 16,444</u>

	<u>2021</u>	<u>2020</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	\$ 4,327	\$ 903
Machinery and equipment	4,848	6,952
	<u>\$ 9,175</u>	<u>\$ 7,855</u>

3. The additions of the Group's right-of-use assets in 2021 and 2020 were \$17,882 and \$0, respectively.
4. Information on the profit or loss items related to lease contracts is as follows:

	<u>2021</u>	<u>2020</u>
<u>Items that affect current profit or loss</u>		
Interest expenses on lease liabilities	\$ 595	\$ 703
Expenses of short-term lease contracts and leases of low-value assets	12,226	15,467
Gain on lease modification	188	-

5. The Group's total cash outflows from leases in 2021 and 2020 were \$21,932 and \$24,788, respectively.

(VIII) Long-term notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term accounts receivable	\$ 166,206	\$ 149,476
Less: Unrealized interest revenue	(4,320)	(2,762)
Total	<u>\$ 161,886</u>	<u>\$ 146,714</u>

1. The expected recovery is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Within 2–5 years	<u>\$ 166,206</u>	<u>\$ 149,476</u>

2. The amounts of notes and payments due within one year as of December 31, 2021 and 2020, were \$11,698 and \$117,782, respectively, which have all been reclassified to “1150 Notes receivable” and “1170 Accounts receivable.”

(IX) Other non-current assets – others

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted time deposit	\$ 722	\$ 345
Net defined benefit assets	248	248
Total	<u>\$ 970</u>	<u>\$ 593</u>

(X) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary payable	\$ 53,880	\$ 47,824
Employee compensation and directors’ and supervisors’ remuneration payable	9,725	8,269
Labor and health insurance premium and pension payable	6,310	7,999
Social insurance fund payable	1,687	2,158
Payables for equipment	381	2,191
Expenses payable – others	3,717	5,303
Total	<u>\$ 75,700</u>	<u>\$ 73,744</u>

(XI) Pension

1. Before the settlement of the Labor Retirement Reserve Fund (the old fund) on February 3, 2017, the Company established the defined benefit pension regulations in accordance with the provisions of the Labor Standards Act, which were applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005, and to the formal employees who still chose the old fund mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two

units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units granted and the average monthly salary of the last 6 months prior to retirement. The Company contributes 2% of the total salary every month to the pension fund and deposits it in the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan.

2. Since July 1, 2005, the Company and its domestic subsidiaries have established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with Taiwanese nationality. For the pension plan under the Labor Pension Act chosen by employees, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of the monthly salaries. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum.
3. Some subsidiaries of the Group make monthly contributions according to a certain percentage of the local employees' salaries in accordance with the pension system stipulated by the government of the People's Republic of China, and the contribution percentages ranged from 12% to 19% in both 2021 and 2020. The pension for each employee is managed by the government; thus, the Group does not have further obligations except for making monthly contributions.
4. The cost of pensions recognized based on the methods above for 2021 and 2020 were \$14,145 and NT\$12,139, respectively.

(XII) Share capital

1. As of December 31, 2021, the Company's registered capital was \$400,000, divided into 40,000 thousand shares, and the paid-in capital was \$273,234, with a par value of \$10 per share. The payment for the issued shares of the Company has been received.

The adjustment to the number of the Company's ordinary shares outstanding at the beginning and end of the period is as follows: (Unit: Thousand shares)

	2021		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or December 31)	5,084	22,239	27,323

	2020		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or December 31)	5,084	22,239	27,323

- On April 23, 2019, the Company's shareholders' meeting approved a proposal to increase capital in cash by private placement. The record date of the private placement was May 15, 2019. The purpose of the capital increase in cash was to repay bank loans and replenish working capital. In this private placement, the total number of shares was 5,084 thousand, and the subscription price per share was \$29. Through this capital increase, \$147,444 has been raised, and the registration of the change has been completed. The rights and obligations of the common stock in the privately placement are the same as other common stocks issued, except that there are restrictions on the transfer under the Securities and Exchange Act, and it shall only be listed on Taipei Exchange for trading after a public offering upon maturity of three years after the delivery date.

(XIII) Capital surplus

According to the provisions of the Company Act, the capital surplus including the income derived from issuing shares at a premium and from endowments, in addition to being used to compensate the deficit, shall be used to issue new shares or cash in proportion to the shareholders' original shares when the Company has no accumulated losses. The Company shall not use the capital surplus to compensate the capital losses, unless the surplus reserve is insufficient to compensate such losses.

(XIV) Retained earnings

- According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, aside from paying all taxes, the Company shall first compensate the accumulated losses, and then appropriate 10% of the balance for legal reserve. If there are still earnings, the shareholders' meeting shall resolve to retain or distribute them.
- The legal reserve shall not be used except for compensation for the Company's losses and the issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of the issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.
- (1) In accordance with the regulations, the Company shall set aside a special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

(2) Upon the first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed. If the aforementioned assets are investment property, it shall be reversed at the time of disposal or reclassification in the case of land, while for property other than the land, it shall be reversed phase by phase during the period of use.

4. On July 30, 2021, and June 12, 2020, the Company's shareholders' meeting passed the earnings distribution proposal for the year 2020 and 2019 as follows:

	2020		2019	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 6,560		\$ 6,011	
Special reserve	1,414		768	
Cash dividends	54,647	\$ 2.0	54,647	\$ 2.0
Total	<u>\$ 62,621</u>		<u>\$ 61,426</u>	

5. On March 18, 2022, the board of directors proposed to distribute a dividend of \$2 per ordinary share from the earnings for 2021, and the total dividend was \$54,647.

(XV) Other equity items

	2021	2020
January 1	(\$ 4,279)	(\$ 2,866)
Foreign currency exchange difference	(1,205)	(1,413)
December 31	<u>(\$ 5,484)</u>	<u>(\$ 4,279)</u>

(XVI) Operating revenue

	2021	2020
Revenue from customer contracts		
Service revenue	\$ 1,201,173	\$ 1,014,621
Sales revenue	124,453	216,016
Total	<u>\$ 1,325,626</u>	<u>\$ 1,230,637</u>

1. Details of revenue from customer contracts

The Group's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be broken down into the following main product lines:

2021	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 874,696	\$ 450,930	\$ 1,325,626
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 375,798	\$ 40,803	\$ 416,601
Revenue recognized gradually over time	498,898	410,127	909,025
	<u>\$ 874,696</u>	<u>\$ 450,930</u>	<u>\$ 1,325,626</u>
2020	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 784,695	\$ 445,942	\$ 1,230,637
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 399,913	\$ 110,651	\$ 510,564
Revenue recognized gradually over time	384,782	335,291	720,073
	<u>\$ 784,695</u>	<u>\$ 445,942</u>	<u>\$ 1,230,637</u>

2. Contract assets and contract liabilities

Contract assets and contract liabilities related to revenue from customer contracts recognized by the Group are as follows:

(1) Contract assets and liabilities:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets:			
Information systems Consulting agreements	\$ 52,006	\$ 31,660	\$ 33,175
Contract liabilities:			
Advance receipts	\$ 17,276	\$ 17,021	\$ 17,703

(2) Contract liabilities at beginning of period recognized in revenue in current period:

	2021	2020
Advance receipts	\$ 14,970	\$ 14,272

(3) Unfulfilled long-term consultancy contract

As of December 31, 2021 and 2020, the contract prices allocated to the unfulfilled (or not yet fully fulfilled) portions of the long-term consultancy contracts signed by the Group and its customers were \$84,211 and \$55,243, respectively. The management expects that the transaction prices allocated to the unfulfilled contractual obligations as of December 31, 2021 and 2020, that will be recognized in revenue for the years 2022 and 2021 are \$84,211 and \$55,243, respectively. The aforementioned amounts do not include the amount of consideration for restricted changes.

In addition to the above-mentioned contracts, all other information system consultancy contracts of the Group are contracts that are shorter than one year or are billed based on actual service hours. According to IFRS 15, there is no need to disclose the transaction prices allocated to the unfulfilled contractual obligations of these contracts.

3. The notes and accounts receivable with payment periods exceeding one year are recognized in “1930 Long-term notes and accounts receivable.”

(XVII) Interest revenue

	2021	2020
Interest on cash in banks	\$ 259	\$ 209
Other interest revenue	8	11
	<u>\$ 267</u>	<u>\$ 220</u>

(XVIII) Other revenue

	2021	2020
Dividend revenue	\$ 3,889	\$ 1,587
Rental revenue	449	441
Non-operating income	1,220	4,784
	<u>\$ 5,558</u>	<u>\$ 6,812</u>

(XIX) Other gains and losses

	2021	2020
Losses from disposal of property, plant, and equipment	\$ -	(\$ 25)
Loss from disposal of investment	(693)	-
Gain on lease modification	188	-
Gain (loss) on foreign exchange	7	(920)
Miscellaneous expenditures	(29)	(699)
	<u>(\$ 527)</u>	<u>(\$ 1,644)</u>

The Company’s acquisition of financial assets at fair value through profit or loss not only aims to earn the price difference of fair value but to receive cash dividends of stocks. Therefore, the loss on disposal of investment should be considered together with dividend revenue.

(XX) Financial costs

	2021	2020
Interest on leases	\$ 595	\$ 703
Bank borrowings	179	1,031
Other financial expenses	67	-
	<u>\$ 841</u>	<u>\$ 1,734</u>

(XXI) Additional information on the nature of expenses

	2021	2020
Outsourcing and hardware and software costs	\$ 559,732	\$ 585,206
Employee benefit expenses	311,304	295,441
Materials consumed	168,256	108,224
	<u>\$ 1,039,292</u>	<u>\$ 988,871</u>

(XXII) Employee benefit expenses

	2021	2020
Salary expenses	\$ 260,278	\$ 248,815
Expenses for labor and health insurance	24,438	21,783
Pension expenses	14,145	12,139
Other employment expenses	12,443	12,704
	<u>\$ 311,304</u>	<u>\$ 295,441</u>

1. According to the Company's Articles of Incorporation, after deducting accumulated losses from the Company's profit for the year, if there are earnings, the Company shall appropriate 1–10% of the balance for employee compensation and no more than 5% for the remuneration of directors.
2. The Company's estimated amounts of employee compensation for 2021 and 2020 were \$6,820 and \$5,874, respectively; the estimated amounts for directors' remuneration were \$4,860 and \$4,195, respectively, and the foregoing amounts were accounted for under salary expenses.

According to the profit situation as of the end of 2021, said estimates were made at 1–10% and no greater than 5%, respectively. The actual amounts to be distributed resolved by the board of directors were \$6,820 and \$4,860, respectively, of which employee compensation was paid in cash.

The amounts of employee compensation and directors' remuneration for the year 2020 as resolved by the board of directors' remuneration were \$5,874 and \$4,195, respectively, which were consistent with the amounts recognized in the financial statements for 2020. The employee compensation for 2020 was paid in cash.

Information on employee compensation and directors' remuneration approved by the board of directors of the Company is available on the Market Observation Post System.

(XXIII) Income Tax

1. Income tax expense

(1) Components of income tax expense:

	2021	2020
Current income tax:		
Income tax generated from current income	\$ 13,535	\$ 7,338
Additional tax levied on undistributed earnings	149	-
Income tax overestimates for prior years	(342)	(639)
Total current income tax	13,342	6,699
Deferred income tax:		
Initial generation and reversal of temporary differences	817	2,577
Total deferred income tax	817	2,577
Income tax expense	\$ 14,159	\$ 9,276

(2) The amount of income tax related to other comprehensive income:

	2021	2020
Remeasurement of defined benefit obligations – investment using equity method	\$ 11	\$ 46

2. Reconciliation between income tax expense and accounting profit

	2021	2020
Income tax calculated based on net profit before tax at the statutory tax rate (Note)	\$ 16,402	\$ 12,913
Effect of items that may not be recognized according to laws	(1,049)	(591)
Income tax overestimates for prior years	(342)	(639)
Additional tax levied on undistributed earnings	149	-
Use of tax loss carryforwards not recognized in prior years	(1,001)	(2,407)
Income tax expense	\$ 14,159	\$ 9,276

Note: The tax rate applicable is based on the tax rates applicable to income in relevant countries.

– Deferred income tax liabilities:				
Overpaid pension	(\$ 49)	\$ -	\$ -	(\$ 49)
Effect of foreign investment income	(1,085)	(2,239)	-	(3,324)
Remeasurement of defined benefit plan – investment using equity method	(122)	-	46	(76)
Subtotal	(1,256)	(2,239)	46	(3,449)
Total	\$ 480	(\$ 2,577)	\$ 46	(\$ 2,051)

4. The effective period of the Company’s unused tax loss carryforwards and the relevant amounts of unrecognized deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount approved	Balance to be credited	Amount of unrecognized deferred tax assets	Last valid year
2012	9,268,706	467,372	467,372	2022
2018	370,438	370,438	370,438	2023
2019	360,939	360,939	360,939	2024
2020	849,574	849,574	849,574	2025
December 31, 2020				
Year incurred	Amount filed/approved	Balance to be credited	Amount of unrecognized deferred tax assets	Last valid year
2012	9,268,706	5,470,936	5,470,936	2022
2016	788,981	788,981	788,981	2021
2018	370,438	370,438	370,438	2023
2019	360,939	360,939	360,939	2024

5. The Company’s profit-seeking enterprise income tax returns filed up to 2019 have been approved by the tax authority.

(XXIV) Earnings per share

	2021		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 72,481	27,323	\$ 2.65
<u>Diluted earnings per share</u>			
Employee compensation	-	210	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 72,481	27,533	\$ 2.63
		2020	
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 65,780	27,323	\$ 2.41
<u>Diluted earnings per share</u>			
Employee compensation	-	190	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 65,780	27,513	\$ 2.39

(XXV) Additional information on cash flows

Investing activities with only partial cash payment:

	2021	2020
Purchase of property, plant and equipment	\$ 21,123	\$ 2,866
Add: Payables for equipment, beginning of period	445	1,344
Less: Payables for equipment, end of period	(381)	(445)
Cash paid in the current period	\$ 21,187	\$ 3,765
	2021	2020
Acquisition of intangible assets	\$ -	\$ 1,316
Add: Payables, beginning of period	1,746	4,276
Less: Payables, end of period	-	(1,746)
Cash paid in the current period	\$ 1,746	\$ 3,846

(XXVI) Changes in liabilities from financing activities

	January 1, 2021	Changes in cash flows	No effect on changes in cash flows	December 31, 2021
Lease liabilities	\$ 16,222	(\$ 9,111)	\$ 7,674	\$ 14,785
Guarantee deposits received	650	-	-	650
Dividend payable	-	(54,647)	54,647	-
Total liabilities from financing activities	<u>\$ 16,872</u>	<u>(\$ 63,758)</u>	<u>\$ 62,321</u>	<u>\$ 15,435</u>

	January 1, 2020	Changes in cash flows	No effect on changes in cash flows	December 31, 2020
Short-term borrowings	\$ 16,000	(\$ 16,000)	\$ -	\$ -
Long-term borrowings	100,000	(100,000)	-	-
Long-term notes payable	74,939	(74,939)	-	-
Lease liabilities	24,137	(8,618)	703	16,222
Guarantee deposits received	513	137	-	650
Dividend payable	-	(54,647)	54,647	-
Total liabilities from financing activities	<u>\$ 215,589</u>	<u>(\$ 254,067)</u>	<u>\$ 55,350</u>	<u>\$ 16,872</u>

VII. Related Party Transactions(I) Names of related parties and relationships

Name of the related party	Relationship with the Group
TECO Electric & Machinery Co., Ltd.	Ultimate parent company
Tension Envelope Taiwan Corporation (Tension Envelope)	Associates
An-Hui Information Technology Co., Ltd. (An-Hui Information)	Associates
TECO Electric & Machinery Sdn., Bhd.	Other related parties
TECO Industry (Malaysia) Sdn., Bhd.	Other related parties
TECO Middle East Electrical and Machinery Co., Ltd.	Other related parties
TECO (Vietnam) Electronic & Machinery Co., Ltd. (Vietnam TECO)	Other related parties
Shanghai TECO Electric & Machinery Co., Ltd. (Shanghai TECO)	Other related parties
Nidec Corporation	Other related parties
Taian Technology (WUXI) Co., Ltd. (Taian Technology WUXI)	Other related parties
Taiwan Pelican Express Co., Ltd. (Taiwan Pelican Express)	Other related parties
An-Shin Food Services Co., Ltd. (An-Shin Food)	Other related parties
A-Ok Technical Service Co., Ltd.	Other related parties
E-Joy Electronics International Co., Ltd.	Other related parties
Teco Tour Travel Service Co., Ltd.	Other related parties
Yatec Engineering Corporation	Other related parties

Name of the related party	Relationship with the Group
Taian-Ecobar Technology Co., Ltd.	Other related parties
Hubbell-Taian Co., Ltd.	Other related parties
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Other related parties
Jiangxi TECO Electric & Machinery Co., Ltd.	Other related parties
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Other related parties
TECO Technology Foundation	Other related parties
TECO Technology (Vietnam) Co., Ltd.	Other related parties
TECO International Investment Co., Ltd.	Other related parties
TECO Smart Technologies Co., Ltd. (TECO Smart)	Other related parties
TECO Electro Devices Co., Ltd.	Other related parties
TECO Sun Energy Company Limited	Other related parties
TECO Image Systems Co., Ltd.	Other related parties
Tong-An Investment Co., Ltd.	Other related parties
Tong-An Assets Management & Development Co., Ltd.	Other related parties
Zimtech Co., Ltd.	Other related parties
Tung Pei Industrial Co., Ltd. (Tung Pei Industrial)	Other related parties
Tecom Co., Ltd.	Other related parties
Tecnos International Consultant Co., Ltd. (Tecnos International)	Other related parties
Qingdao TECO Precision Mechatronics Co., Ltd.	Other related parties
Nanchang TECO Electric & Machinery Co., Ltd.	Other related parties
TECO-Westinghouse Motor Company (TECO-Westinghouse)	Other related parties
Fujio Food System Taiwan Co., Ltd.	Other related parties
Jie Zheng Property Service & Management Co., Ltd.	Other related parties
WUXI TECO Electric & Machinery Co. Ltd. (WUXI TECO)	Other related parties
WUXI TECO Precision Industry Co., Ltd.	Other related parties
Wuxi TECO Electro Devices Co., Ltd.	Other related parties
Creative Sensor Technology Co., Ltd.	Other related parties
Technical Information International Co., Ltd. (Technical Information International)	Other related parties
Xiamen Moss Catering Management Co., Ltd.	Other related parties
ABC Cooking Studio Taiwan Co., Ltd.	Other related parties
TECO Electric & Machinery (Pte) Ltd. Singapore	Other related parties
Royal Co., Ltd.	Other related parties
Royal Host Taiwan Co., Ltd.	Other related parties
Century Development Corporation	Other related parties
Century Biotech Development Corporation	Other related parties
TECO Australia Pty. Ltd.	Other related parties
Advantech Co., Ltd. (Advantech)	Other related parties
Eurasia Food Service Co., Ltd.	Other related parties

(II) Significant transactions with related parties

1. Operating revenue

	2021	2020
Sale of goods:		
Parent company	\$ 12,288	\$ 8,731
Other related parties		
– TECO Smart	8,775	14,288
– An-Shin Food	-	8,319
– Others	12,189	9,822
Sale of services:		
Parent company	151,847	136,211
Other related parties		
– Taiwan Pelican Express	36,991	40,486
– TECO Smart	20,421	406
– WUXI TECO	14,194	13,410
– Others	72,881	94,334
Total	<u>\$ 329,586</u>	<u>\$ 326,007</u>

- (1) There are no significant differences in the transaction prices and payment terms of sales revenue in the transactions with non-associates, and the payment period is 60 to 90 days.
- (2) Service transactions include software business contracts, including enterprise resource planning and logistics outsourcing systems. Most of them are individual projects. Therefore, the contract price is determined by negotiation between both parties. The payment period is usually 30 to 120 days, and there are no significant differences in transactions with non-associates.

2. Purchase

	2021	2020
Purchase of materials:		
Tension Envelope	\$ 3,990	\$ 6,670
Advantech	3,266	5,645
Purchase of services:		
Parent company	5,337	622
Other related parties		
– Tecnos International	4,373	13,455
– Technical Information International	4,071	3,104
– Taiwan Pelican Express	4,016	1,058
– TECO Smart	1,011	429
– Advantech	934	290
– Others	1,016	239
Total	<u>\$ 28,014</u>	<u>\$ 31,512</u>

- (1) No other transactions of the same types are available for comparison in terms of the purchase price and payment terms with associates, so such price and terms are decided in accordance with the contracts between both parties.
- (2) The purchase of services from the parent company is mainly personnel support for operational needs, and there are no similar types of transactions for comparison. The payment period is open account with net 30 to 60 days.
- (3) The purchase of services from other related parties is personnel support, consulting fees, and freight for operational needs. The price conditions are roughly the same as those with general suppliers. The payment period is open account with net 30 to 60 days.

3. Receivables from related parties

	December 31, 2021	December 31, 2020
Notes receivable:		
Other related parties		
– Tung Pei Industrial	\$ 3,790	\$ 7,581
– WUXI TECO	1,368	873
– Others	-	16
Subtotal	<u>5,158</u>	<u>8,470</u>
	December 31, 2021	December 31, 2020
Accounts receivable:		
Parent company	\$ 29,639	\$ 26,184
Other related parties		
– TECO Smart	7,668	10,891
– Taiwan Pelican Express	6,526	5,708
– WUXI TECO	4,304	4,371
– An-Shin Food	2,432	4,951
– Taian Technology WUXI	2,425	3,673
– Others	8,961	13,128
Subtotal	<u>61,955</u>	<u>68,906</u>
Total	<u>\$ 67,113</u>	<u>\$ 77,376</u>

- (1) Receivables from related parties mainly come from the provision of relevant services, including information software, data processing, and electronic information supply.
- (2) The amounts of notes and payments due within one year as of December 31, 2021 and 2020, were \$3,790 and \$3,060, respectively, which have all been reclassified to “1160 Notes receivable – related parties” and “1180 Accounts receivable – related parties.”

4. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Parent company	\$ 4,502	\$ 1,031
Other related parties		
– Advantech	1,580	3,101
– Technical Information International	870	3,021
– Tecnos International	855	2,811
– Taiwan Pelican Express	741	808
– Others	309	567
Associates		
– Tension Envelope	2,112	1,924
Total	<u>\$ 10,969</u>	<u>\$ 13,263</u>

5. Lease transaction – lessee

(1) The Group has leased buildings from the parent company. The lease terms are 2020 and 2021, with monthly payments.

(2) Rental expenses

	<u>2021</u>	<u>2020</u>
Parent company	\$ 6,742	\$ 6,742

(III) Information on remuneration to key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 25,756	\$ 25,112
Benefits after severance/retirement	1,046	834
Total	<u>\$ 26,802</u>	<u>\$ 25,946</u>

VIII. Pledged Assets

The details of the assets pledged by the Group as collateral are as follows:

Assets	Carrying amount		Purpose of collateral
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Other financial assets – current (recognized in “1470 Other current assets”)	\$ 749	\$ 791	Business performance bond
Other non-current financial assets – others (recognized in “1990 Other non-current assets – others”)	722	345	“
Leased assets (recognized in “1755 Right-of-use assets”)	740	1,728	Collateral for lease payable
Total	<u>\$ 2,211</u>	<u>\$ 2,864</u>	

IX. Material contingent liabilities and unrecognized contractual commitments

(I) Contingencies

N/A.

(II) Commitments

For the operating lease agreements, please refer to Note 7(2)5.

X. Major Disaster Loss

N/A.

XI. Material events after the balance sheet date

N/A.

XII. Others

(I) Capital management

The Group's capital management objectives are to ensure that the Group can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders. Therefore, the Group's capital management aims to ensure that it has the necessary financial resources and operating plans to maintain or adjust the capital structure to respond to the operating capital, capital expenditures, research and development expenses, debt repayment, and dividend payments required in the following year.

(II) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments selected	\$ 29,324	\$ 30,170
Financial assets measured at amortized cost		
Cash and cash equivalents	140,280	85,874
Notes receivable	5,592	27,508
Accounts receivable	334,662	472,240
Other receivables	7,299	6,218
Refundable deposits	5,067	6,498
Other financial assets	1,471	1,136
Long-term accounts receivable	161,886	146,714
	<u>\$ 685,581</u>	<u>\$ 776,358</u>

<u>Financial liabilities</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities measured at amortized cost		
Notes payable	\$ 1,350	\$ 1,253
Accounts payable	170,099	288,442
Other accounts payable	75,700	73,744
Guarantee deposits received	650	650
	<u>\$ 247,799</u>	<u>\$ 364,089</u>
Lease liabilities	<u>\$ 14,785</u>	<u>\$ 16,222</u>

2. Risk management policy

- (1) The daily operations of the Group are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The overall risk management policy of the Group focuses on unpredictable events in the financial market and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is carried out by the Group's finance department in accordance with the policy approved by the board of directors. The Group's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Group's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment using remaining liquidity.

3. Nature and level of material financial risks

- (1) Market risk

Interest rate risk

- A. The Group operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company and its subsidiaries. Exchange rate risk arises from future business transactions and assets and liabilities recognized.
- B. The Group's business involves a number of non-functional currencies. Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currencies (thousand)	Exchange rate	Book amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 361	27.68	\$ 9,992
AUD:NTD	11	20.08	221
<u>Non-monetary items</u>			
USD:NTD	1,058	27.68	29,277

	December 31, 2020		
	Foreign currencies (thousand)	Exchange rate	Book amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 308	28.48	\$ 8,772
AUD:NTD	25	21.95	549
<u>Non-monetary items</u>			
USD:NTD	1,058	28.48	30,132

- C. Exchange rate fluctuations have a significant influence on the Group's monetary items. The aggregate amounts of all exchange gains (losses) (including realized and unrealized) recognized for 2021 and 2020 were \$7 and \$(920).
- D. The Group's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

	2021		
	Sensitivity analysis		
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 100	\$ -
AUD:NTD	1%	2	-
	2020		
	Sensitivity analysis		
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 88	\$ -
AUD:NTD	1%	5	-

Price risk

- A. The Group's equity instruments exposed to price risk are financial assets held at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Group has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Group.
- B. The Group mainly invests in equity instruments issued by domestic and foreign companies, and the prices of these equity instruments are affected by the uncertainty of the future values of said instruments. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the other comprehensive income would have increased or decreased by \$293 and \$302 for 2021 and 2020, respectively, because of the gains or losses on the equity instrument investment at fair value through other comprehensive income.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle accounts receivable in accordance with the payment terms, and the contractual cash flow of debt instrument investment classified as measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit and loss.
- B. The Group has established credit risk management from the Group's perspective. For banks and financial institutions with whom it deals, only those with an independent credit rating of at least good can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.
- C. The Group, in accordance with the credit risk management procedures, deems contract payments that are overdue for more than 181 days according to the agreed payment terms or show signs that the debt cannot be repaid to be in default.
- D. The Company adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:

When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.

- E. The indicators used by the Group to determine investment in debt instruments as credit impairment are as follows:
- (A) The issuer has encountered major financial difficulties, or has an increased possibility of going into bankruptcy or other financial restructuring;
 - (B) The active market for the financial asset disappears due to the issuer's financial difficulties;
 - (C) The issuer's delay or non-payment of interest or principal;
 - (D) Unfavorable changes in national or regional economic conditions leading to the issuer's breach of contract.
- F. The Group groups customers' accounts receivable according to the characteristics of trade credit risk, and adopts a simplified approach to estimate expected credit losses based on the loss rate method.
- G. After the recourse procedures, the Group provides loss allowance and recognizes overdue receivables for the amount of the financial asset that cannot be reasonably expected to be recovered. However, the Group will continue to carry out the legal recourse procedures to preserve the creditor's rights. The Group's claims for which loss allowance has been provided with recourse activities still underway was \$0 on both December 31, 2021 and 2020.
- H. The Group has included forward-looking considerations for the future and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for notes receivable (including related parties), accounts receivable (including related parties), and long-term notes and accounts receivable (including related parties). The loss rate method as of December 31, 2021 and 2020, is as follows:

	Not past due	Within 30 days	31–90 days	Over 91 days	Individual assessment	Total
<u>December 31, 2021</u>						
Expected loss rate	0%~1%	0%~1%	0%~4%	0%~30%	100%	
Total carrying amount	\$ 491,466	\$ 7,926	\$ 4,176	\$ 440	\$ 120	\$ 504,128
Allowance loss	\$ 1,851	\$ 13	\$ 3	\$ 1	\$ 120	\$ 1,988

December 31, 2020	Not past due	Within 30 days	31–90 days	Over 91 days	Individual assessment	Total
Expected loss rate	0%~1%	0%~1%	0%~4%	0%~30%	100%	
Total carrying amount	\$ 614,779	\$ 27,402	\$ 5,141	\$ 1,128	\$ -	\$ 648,450
Allowance loss	\$ 1,653	\$ 110	\$ 52	\$ 173	\$ -	\$ 1,988

- I. The table of the changes in the Group's simplified loss allowance for accounts receivable is as follows:

		2021	2020
		Accounts receivable	Accounts receivable
January 1		\$ 1,988	\$ 1,140
Impairment loss recognized	loss	-	848
December 31		\$ 1,988	\$ 1,988

(3) Liquidity risk

- A. The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operational needs, and maintains sufficient available credit limits at all times so that the Group does not violate the relevant borrowing limits or terms. The forecast considers the Group's debt financing plan, compliance with debt terms, compliance with the financial ratio targets of the internal balance sheet, and the requirements of external regulatory laws.
- B. As of December 31, 2021 and 2020, the Group's available credit limit was \$725,023 and \$669,112, respectively.
- C. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

December 31, 2021	Within 1 year	Within 1–5 years	Over 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 1,350	\$ -	\$ -	\$ 1,350
Accounts payable	170,099	-	-	170,099
Other payables	75,700	-	-	75,700
Lease liabilities	5,816	10,141	-	15,957
Guarantee deposits received	650	-	-	650

December 31, 2020	Within 1 year	Within 1–5 years	Over 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 1,253	\$ -	\$ -	\$ 1,253
Accounts payable	288,442	-	-	288,442
Other payables	73,744	-	-	73,744
Lease liabilities	7,877	9,601	-	17,478
Guarantee deposits received	650	-	-	650

(III) Fair value information

1. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the stocks listed on an exchange or over-the-counter market, invested in by the Group, belongs to this level.

Level 2: Inputs, other than quoted market prices within Level 1 that are observable, either directly or indirectly, for assets or liabilities.

Level 3: Unobservable inputs for assets or liabilities. The Group's equity instrument investments without active markets belong to this level.

2. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, and other payables are reasonable approximations of the fair values.

3. Financial and non-financial instruments measured at fair value are classified by the Group based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

- (1) The Group's classification is based on the nature of assets and liabilities. The relevant information is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Fair value on a recurring basis				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 29,324	\$ 29,324
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Fair value on a recurring basis				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 30,170	\$ 30,170

- (2) The methods and assumptions used by the Group to measure fair value are as follows:
- A. The Group does not use market quoted prices as fair value inputs (i.e. Level 1).
 - B. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Group refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the consolidated balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).
 - C. When evaluating non-standard and less complex financial instruments, such as debt instruments, interest rate swap contracts, foreign exchange swap contracts, and options, all without active markets, the Group adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually information observable in the market.
 - D. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional

parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and relevant control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted according to current market conditions.

E. The Group incorporates credit risk valuation adjustments into the calculation of the fair value of financial instruments and non-financial instruments to reflect a counterparty's credit risk and the credit quality of the Group.

4. There were no transfers between Level 1 and Level 2 fair value in 2021 and 2020.

5. The table below shows the changes in Level 3 fair value in 2021 and 2020:

	2021	2020
	Equity instruments	Equity instruments
January 1	\$ 30,170	\$ 31,757
Exchange rate effect	(846)	(1,587)
December 31	\$ 29,324	\$ 30,170

6. In the Group's valuation process for fair value classified as Level 3, the investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, conducting back-testing, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.

7. The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	Fair value on December 31, 2021	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stock	\$ 29,324	Comparable public company approach	Market multiples	23.45%	The higher the multiple, the higher the fair value. The higher the discount, the lower the fair value. Relationship
			Liquidity discount	35.00%	
	Fair value on	Valuation	Significant	Interval	Relationship

	December 31, 2020	technique	unobservable input	(weighted average)	between input and fair value
Non-derivative equity instruments:					
	\$ 30,170	Comparable public company approach	Market multiples	4.59%	The higher the multiple, the higher the fair value. The higher the discount, the lower the fair value.
Unlisted stock			Liquidity discount	35.00%	

8. The Group has selected the valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters. For financial assets and financial liabilities classified as Level 3, if the valuation parameters change, the effect on the current profit and loss or other comprehensive income is as follows:

		December 31, 2021					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets							
Equity instruments	Discounts and market multiples for lack of market liquidity	±1%	\$ -	\$ -	\$ 293	(\$ 293)	
		December 31, 2020					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets							
Equity instruments	Discounts and market multiples for lack of market liquidity	±1%	\$ -	\$ -	\$ 302	(\$ 302)	

(IV) Other matters

The spread of the COVID-19 pandemic and the impact of various anti-pandemic measures launched by the government have not had any material impact on the Group's operations after assessment, and the operating revenue did not decrease in 2021 as a result. Based on the assessment, there is no doubt about the Group's ability to continue as a going concern, its assets

were not impaired, and the financing risk did not increase. The Group's pandemic response management is in compliance with the relevant pandemic alert measures launched by the Central Epidemic Command Center and the relevant anti-pandemic regulations under the Communicable Disease Control Act.

XIII. Additional Disclosures

(I) Information related to material transactions

1. Funds lent to others: N/A.
2. Endorsements/guarantees provided to others: N/A.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 1.
4. Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: N/A.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: N/A.
9. Trading in derivative instruments: N/A.
10. Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Table 3.

(II) Information related to reinvested enterprises

Information on names and locations of investees (excluding investees in China): Please refer to Table 4.

(III) Information on Investment in China

1. Basic information: Please refer to Table 5.
2. Significant transactions with investees in China, either directly or indirectly, through a business in a third region: N/A.

(IV) Information on major shareholders

Information on major shareholders: Please refer to Table 6.

XIV. Segment information

(I) General information

The management of the Group has identified the segments to be reported based on the information to be reported used by the board of directors in making decisions. The Group's board of directors adopts the overall financial information and financial ratios of the Group as indicators for performance evaluation. Therefore, the Group has been identified as a single segment to be reported.

(II) Measurement of segment information

The accounting policies for the business segment of the Group are the same as the summary of significant accounting policies described in Note 4. The chief operating decision-maker of the Group evaluates the performance of the business segment based on the business segment's revenue achievement rate and net operating income achievement rate.

(III) Information on profit or loss, assets and liabilities of the segment and reconciliation information

As the Group's information on profit or loss, assets and liabilities of the segment is consistent with that in the main financial report, and it is a single segment to be reported, no reconciliation is required.

Information Technology Total Services Co., Ltd. and Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2021

Table 2

Unit: NTD thousand
(Unless otherwise specified)

Company	Name of Counterparty	Relationship	Transaction Status		Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable		As a Percentage of Total Notes/Accounts Receivable (Payable)	Notes (Note 2)
			Purchase (Sale)	Amount	As a Percentage of Total Purchases (Sales)	Credit period	Unit Price	Credit period		
Information Technology Total Services Co., Ltd.	TECO Electric & Machinery Co., Ltd.	Investor that measures the Company using the equity method	Sales and service revenue	\$ (162,533)	12.90%	Sales revenue: Open account with net 60–90 days. Service	Normal	Note 2	\$ 29,639	8.94%
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Investee that the Company measures using the equity method	Service costs	100,240	9.12%	Open account with net 60–90 days	Normal	Note 3	(23,136)	12.26%

Note 1: This is the percentage of the net amount of operating income divided by cost.

Note 2: The transaction conditions and prices are handled in accordance with the conditions agreed upon by both parties, and the payment conditions are the same as those for general customers.

Note 3: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2021

Table 2

Unit: NTD thousand
(Unless otherwise specified)

Company	Name of Counterparty	Relationship	Transaction Status		Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable		As a Percentage of Total Notes/Accounts Receivable (Payable)	Notes (Note 2)
			Purchase (Sale)	Amount	As a Percentage of Total Purchases (Sales)	Credit period	Unit Price	Credit period		
Information Technology Total Services Co., Ltd.	TECO Electric & Machinery Co., Ltd.	Investor that measures the Company using the	Sales and service revenue	\$ (162,533)	12.90%	Sales revenue: Open account with net 60–90 days. Service	Normal	Note 2	\$ 29,639	8.94%
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Investee that the Company measures using the equity method	Service costs	100,240	9.12%	Open account with net 60–90 days	Normal	Note 3	(23,136)	12.26%

Note 1: This is the percentage of the net amount of operating income divided by cost.

Note 2: The transaction conditions and prices are handled in accordance with the conditions agreed upon by both parties, and the payment conditions are the same as those for general customers.

Note 3: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts
For the Year Ended December 31, 2021

Table 3

Unit: NTD thousand
(Unless otherwise specified)

No. (Note 1)	Name of Transaction Party	Counterparty	Relationship with Company (Note 2)	Transaction Status			Percentage in total consolidated revenue or assets (Note 3)
				Account	Amount	Transaction Conditions	
0	Information Technology Total Services Co., Ltd.	Unison Service Corporation	Parent to subsidiary	Service costs	\$ 100,240	Note 4	7.56%
0	Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Parent to subsidiary	Service costs	43,436	Note 4	3.28%

Note 1: The information on transactions between the parent company and its subsidiaries shall be indicated in the No. column as follows:

(1) The parent company is coded "0."

(2) The subsidiaries are coded sequentially beginning from "1" for each individual company.

Note 2: There are three types of relationships with the company, simply enter the code (if it is the same transaction between parent and subsidiary or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction with a subsidiary, the subsidiary does not need to disclose said transaction again; if the subsidiary has disclosed the transaction with one of the parent company's subsidiaries, the other subsidiary need not

(1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Between subsidiaries.

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

Note 4: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd. and Subsidiaries
Information on Names and Locations of Investees (Excluding Investees in China)
For the Year Ended December 31, 2021

Table 4

Unit: NTD thousand
(Unless otherwise specified)

Name of investor	Name of Investee (Notes 1 and 2)	Address	Principal business	Original investment cost		Holdings at End of Period			Current Profit or Loss on Investee	Investment Gains or Losses Recognized for		Notes
				End of the Current Period	End of Last Year	Number of shares	Percentage	Carrying amount		Current Period		
Information Technology Total Services Co., Ltd.	Tension Envelope Taiwan Corporation	Taiwan	Envelope production and	\$ 25,000	\$ 25,000	2,500	50.00%	\$ 32,521	\$ 915	\$ 296	Note 1	
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Taiwan	Postal information integration and bill printing	13,000	13,000	1,300	100.00%	16,085	5,518	5,212	Note 1	
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Taiwan	Customer relationship management services and consulting services for customer service	17,000	17,000	1,700	100.00%	14,964	5,004	5,971	Note 1	
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	48,424	48,424	1,541	100.00%	66,676	5,019	5,019	Notes 1, 2, and 3	
Information Technology Total Services Co., Ltd.	An-Hui Information Technology Co., Ltd.	Taiwan	Manufacture of computers and peripherals, retail, and other consulting	3,000	3,000	300	15.00%	<u>3,626</u>	4,127	<u>626</u>	Notes 1 and 4	
								<u>133,872</u>		<u>17,124</u>		

Note 1: Investee recognized under the equity method.

Note 2: The original currency of the original investment amount of Information Technology Total Service (BVI) Co., Ltd. was US\$1,541 thousand.

Note 3: As of the current period, Information Technology Total Service (BVI) Co., Ltd. has repatriated investment income of US\$800 thousand.

Note 4: Approved to be established on September 28, 2020.

Information Technology Total Services Co., Ltd. and Subsidiaries

Information on Investments in China – Basic Information

For the Year Ended December 31, 2021

Table 5

Unit: NTD thousand
(Unless otherwise specified)

Name of Investee in China	Principal business	Paid-in Capital	Investment Method (Note 1)	Accumulated Investment Remitted from Taiwan, Beginning of Period	Amount of Investment Remitted or Recovered in Current Period		Accumulated Investment Remitted from Taiwan, End of Period	Current Profit or Loss on Investee	Percentage of Ownership in Direct or Indirect Investment	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Notes
					Outward Remitted	Repatriated							
Information Technology (WUXI) Co., Ltd.	ERP establishment, system maintenance, and information equipment	\$ 10,167	(2)	\$10,167 (US\$300)	\$ -	\$ -	\$10,167 (US\$300)	2,119	100.00%	\$ 2,119	\$ 28,518	\$ -	
Information Technology Total Service (Xiamen)	Customer relationship management	4,421	(3)	-	-	-	-	(177)	100.00%	(177)	(330)	-	

Note 1: Investment methods are divided into the following three types, simply enter the code:

(1) Direct investment in China

(2) Indirect investment in China through a business in a third region (Information Technology Total Service (BVI) Co., Ltd.)

(3) Indirect investment through Information Technology (WUXI) Co., Ltd. in China

Note 2: Profit or loss is recognized in the financial statements audited by the accountants appointed by the parent company in Taiwan.

Note 3: The relevant figures in this table shall be presented in New Taiwan dollars.

Company name	Accumulated Outward Remittance for Investment in China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on
			Investment Amount Stipulated by Investment Commission, MOEA
Information Technology Total Services Co., Ltd.	\$10,167 (US\$300)	\$10,167 (US\$300)	\$ 328,616

Note 5: Relevant figures in this table shall be presented in New Taiwan dollars. For accounts of assets and liabilities: CNY is calculated at an exchange rate of CN¥1 to NT\$4.3440; USD is calculated at an exchange rate of US\$1 to NT\$27.6800. For the profit or loss account: CNY is calculated at an exchange rate of CN¥1 to NT\$4.3413; USD is calculated at an exchange rate of US\$1 to NT\$28.0088.

Note 6: According to the amendment to regulations made by the Investment Commission, Ministry of Economic Affairs, per Order Jing-Shen-Ji-Zi No. 09704604680 dated August 29, 2008, the limit on the cumulative amount of investment in China is the net value or 60% of the combined net value, whichever is higher.

Information Technology Total Services Co., Ltd. and Subsidiaries

Information on major shareholders

December 31, 2021

Table 6

Name of Major Shareholder	Shares	
	Number of Shares Held (Unit: Shares)	Shareholding percentage
TECO Electric & Machinery Co., Ltd.	11,467,248	41.97%
Advantech Co., Ltd.	5,084,273	18.61%
Tong-An Investment Co., Ltd.	1,841,250	6.74%



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