

Tongtai Machine & Tool Co., Ltd.

**Standalone Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Tongtai Machine & Tool Co., Ltd.

Opinion

We have audited the accompanying standalone financial statements of Tongtai Machine & Tool Co., Ltd. (the "Company"), which comprise the standalone balance sheets as of December 31, 2021 and 2020, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports issued by other independent auditors (refer to Other Matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2021 and 2020, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China.

Basis for Opinion

We conducted our audits of the standalone financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements 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 audits and the report of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in the Company's standalone financial statements for the year ended December 31, 2021 are as follows:

Revenue recognition

Specific machine types have different degree of customization based on the customer requirements, and is greatly affected by changes in market situation. As a result, we identified revenue recognition as one of the key audit matters.

Refer to Note 4 (m) to the standalone financial statements for the related accounting policies and disclosures on revenue recognition.

1. We performed the understanding and testing the design and implementation and operating effectiveness of internal control of the sales of specific machine types.
2. We performed test of details of recorded revenue against the supporting documents including contracts, reports on completion of installation, and acceptance receipts signed by customer.
3. We obtained details of sales returns and allowances in the current year to the report date and examined if there was any abnormal sales return and allowance for adjustment, and confirmed that recorded transactions were properly authorized.

Inventory valuation

Inventory is material to the Company. As of December 31, 2020, inventory amounted to NT\$2,701,006 thousand, representing 25% of the Company's total assets. In addition, inventory valuation involves critical accounting estimates. Therefore, we identified the inventory valuation as one of the key audit matters. Refer to Notes 4 (e), 5 (b) and 9 to the standalone financial statements for the related accounting policies and disclosures on inventory valuation.

The key audit procedures performed in respect of the above key audit matter included the following:

1. We participated in the physical count of inventory, and observed the physical condition of inventory and checked against the records for any identified obsolete and slow-moving inventory.
2. We obtained inventory aging report, tested the accuracy of inventory aging and evaluated compliance with the inventory accounting policies.
3. We obtained details of inventory valuation and confirmed that inventory items were stated at the lower of cost or net realizable value. We test-checked the cost and market value of inventory against the supporting documents.

Other Matter

Certain investments in subsidiaries accounted for using the equity method were included in the standalone financial statements as of December 31, 2021 and 2020 and for the years then ended based on financial statements audited by other independent auditors. The total of such investments amounted to NT\$357,009 thousand and NT\$414,776 thousand, representing 3% and 4% of the Company's total assets as of December 31, 2021 and 2020, respectively, and the total share of loss of subsidiaries and associates amounted to NT\$(144,681) thousand and NT\$(143,566) thousand, representing 72% and 31% of the Company's total profit (loss) before income tax for the years ended December 31, 2021 and 2020, respectively.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit of the Company. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Hsuan Hsu and Chao-Chun Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

Notice to Readers

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

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

TONGTAI MACHINE & TOOL CO., LTD

STANDALONE BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 607,094	6	\$ 820,591	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	26,963	-	20,015	-
Notes receivable, net (Notes 5 and 8)	133,664	1	53,622	-
Notes receivable - related parties (Notes 5, 8 and 31)	3,549	-	510	-
Accounts receivable, net (Notes 4, 5 and 8)	1,151,324	11	1,248,416	11
Accounts receivable - related parties (Notes 4, 5, 8 and 31)	331,815	3	312,497	3
Other receivables	9,061	-	105,714	1
Other receivables - related parties (Note 31)	514,034	5	617,594	6
Current tax assets (Notes 4 and 25)	323	-	-	-
Inventories (Notes 4, 5 and 9)	2,701,006	25	2,462,707	23
Other financial assets - current (Notes 12 and 32)	10,860	-	-	-
Other current assets (Note 8)	42,763	-	57,555	1
Total current assets	<u>5,532,456</u>	<u>51</u>	<u>5,699,221</u>	<u>53</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	194,531	2	146,203	1
Investments accounted for using the equity method (Notes 4 and 11)	2,381,480	22	2,287,626	21
Property, plant and equipment (Notes 4, 13 and 32)	1,241,595	12	1,349,942	12
Right-of-use assets (Notes 4 and 14)	469,672	5	484,270	5
Investment properties (Notes 4, 15 and 32)	383,811	4	374,340	3
Computer software (Notes 4 and 16)	35,272	-	48,330	-
Deferred tax assets (Notes 4 and 25)	361,490	3	383,416	4
Refundable deposits	5,659	-	4,852	-
Long-term notes and accounts receivable (Note 8)	37,020	-	4,097	-
Other financial assets - non-current (Notes 12 and 32)	92,212	1	53,156	1
Other non-current assets (Note 8)	18,058	-	17,374	-
Total non-current assets	<u>5,220,800</u>	<u>49</u>	<u>5,153,606</u>	<u>47</u>
TOTAL	<u>\$ 10,753,256</u>	<u>100</u>	<u>\$ 10,852,827</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
CURRENT LIABILITIES (Note 17)	\$ 1,191,080	11	\$ 1,306,240	12
Short-term bills payable (Note 17)	410,000	4	60,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,404	-	11,372	-
Contract liabilities - current (Notes 4, 23 and 31)	399,490	4	515,062	5
Notes payable (Note 18)	12	-	-	-
Accounts payable (Note 18)	677,331	6	654,962	6
Accounts payable - related parties (Notes 18 and 31)	127,624	1	130,829	1
Other payables (Notes 19 and 31)	209,141	2	212,441	2
Current tax liabilities (Notes 4 and 25)	-	-	11,916	-
Provisions - current (Notes 4 and 20)	21,045	-	18,161	-
Lease liabilities - current (Notes 4 and 14)	14,166	-	14,012	-
Current portion of long-term bank borrowings (Notes 17 and 32)	697,333	7	1,548,500	14
Other current liabilities	4,626	-	4,429	-
Total current liabilities	<u>3,754,252</u>	<u>35</u>	<u>4,487,924</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 17 and 32)	1,036,667	10	635,000	6
Deferred tax liabilities (Notes 4 and 25)	61,301	-	61,301	1
Lease liabilities - noncurrent (Notes 4 and 14)	469,240	4	479,567	4
Net defined benefit liabilities (Notes 4 and 21)	73,514	1	78,639	1
Guarantee deposits received	1,031	-	-	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	326,017	3	227,479	2
Total non-current liabilities	<u>1,967,770</u>	<u>18</u>	<u>1,481,986</u>	<u>14</u>
Total liabilities	<u>5,722,022</u>	<u>53</u>	<u>5,969,910</u>	<u>55</u>
EQUITY (Notes 22 and 27)				
Ordinary shares	2,548,265	24	2,548,265	23
Capital surplus	1,194,096	11	1,194,096	11
Retained earnings				
Legal reserve	731,144	7	731,144	7
Special reserve	89,749	1	89,749	1
Unappropriated earnings	474,550	4	350,103	3
Total retained earnings	<u>1,295,443</u>	<u>12</u>	<u>1,170,996</u>	<u>11</u>
Other equity	(6,570)	-	(30,440)	-
Total equity	<u>5,031,234</u>	<u>47</u>	<u>4,882,917</u>	<u>45</u>
TOTAL	<u>\$ 10,753,256</u>	<u>100</u>	<u>\$ 10,852,827</u>	<u>100</u>

The accompanying notes are an integral part of the standalone financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

TONGTAI MACHINE & TOOL CO., LTD.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 31)	\$ 4,223,271	100	\$ 3,470,253	100
OPERATING COSTS (Notes 9, 21, 24 and 31)	<u>3,348,985</u>	<u>79</u>	<u>3,200,266</u>	<u>92</u>
GROSS PROFIT	874,286	21	269,987	8
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(2,790)	-	(6,240)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>4,290</u>	<u>-</u>	<u>2,399</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>875,786</u>	<u>21</u>	<u>266,146</u>	<u>8</u>
OPERATING EXPENSES (Notes 8, 21, 24 and 31)				
Selling and marketing expenses	345,866	8	317,049	9
General and administrative expenses	216,004	5	187,116	5
Research and development expenses	100,966	3	133,314	4
Loss (reversal) of expected credit loss	(<u>6,657</u>)	<u>-</u>	<u>18,012</u>	<u>1</u>
Total operating expenses	<u>656,179</u>	<u>16</u>	<u>655,491</u>	<u>19</u>
PROFIT (LOSS) FROM OPERATIONS	<u>219,607</u>	<u>5</u>	(<u>389,345</u>)	(<u>11</u>)
NON-OPERATING INCOME AND EXPENSES (Notes 11, 24 and 31)				
Interest income	15,130	-	19,054	1
Other income	110,890	3	159,174	5
Other gains and losses	(69,219)	(1)	(8,114)	-
Finance costs	(45,729)	(1)	(55,720)	(2)
Share of profit of subsidiaries and associates	(<u>28,358</u>)	(<u>1</u>)	(<u>190,292</u>)	(<u>6</u>)
Total non-operating income and expenses	(<u>17,286</u>)	<u>-</u>	(<u>75,898</u>)	(<u>2</u>)
PROFIT (LOSS) BEFORE INCOME TAX	202,321	5	(465,243)	(13)
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 25)	<u>29,618</u>	<u>1</u>	(<u>118,467</u>)	(<u>3</u>)
NET PROFIT (LOSS) FOR THE YEAR	<u>172,703</u>	<u>4</u>	(<u>346,776</u>)	(<u>10</u>)

(Continued)

TONGTAI MACHINE & TOOL CO., LTD.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	\$ 1,450	-	(\$ 11,766)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	48,328	1	(17,072)	(1)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	(141)	-	(1,073)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(290)	-	2,353	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(20,784)	-	21,498	1
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	(9,788)	-	3,270	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>6,114</u>	<u>-</u>	(<u>4,954</u>)	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>24,889</u>	<u>1</u>	(<u>7,744</u>)	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 197,592</u>	<u>5</u>	(<u>\$ 354,520</u>)	(<u>10</u>)
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	\$ 0.68		(\$ 1.36)	
Diluted	0.68		(1.36)	

(Concluded)

The accompanying notes are an integral part of the standalone financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

TONGTAI MACHINE & TOOL CO., LTD.

**STANDALONE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	
BALANCE AT JANUARY 1, 2020	\$ 2,548,265	\$ 1,190,258	\$ 725,249	\$ 133,443	\$ 775,619	(\$ 137,912)	\$ 49,642	(\$ 88,270)	\$ 5,284,564
Appropriation of 2019 earnings (Note 22)									
Legal reserve	-	-	5,895	-	(5,895)	-	-	-	-
Cash dividends	-	-	-	-	(50,965)	-	-	-	(50,965)
Reversal of special reserve	-	-	-	(43,694)	43,694	-	-	-	-
	-	-	5,895	(43,694)	(13,166)	-	-	-	(50,965)
Net loss for the year ended December 31, 2020	-	-	-	-	(346,776)	-	-	-	(346,776)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(10,486)	19,814	(17,072)	2,742	(7,744)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(357,262)	19,814	(17,072)	2,742	(354,520)
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	3,838	-	-	-	-	-	-	3,838
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(55,088)	-	55,088	55,088	-
BALANCE AT DECEMBER 31, 2020	2,548,265	1,194,096	731,144	89,749	350,103	(118,098)	87,658	(30,440)	4,882,917
Net profit for the year ended December 31, 2021	-	-	-	-	172,703	-	-	-	172,703
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	1,019	(24,458)	48,328	23,870	24,889
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	173,722	(24,458)	48,328	23,870	197,592
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	-	-	-	(49,275)	-	-	-	(49,275)
BALANCE AT DECEMBER 31, 2021	\$ 2,548,265	\$ 1,194,096	\$ 731,144	\$ 89,749	\$ 474,550	(\$ 142,556)	\$ 135,986	(\$ 6,570)	\$ 5,031,234

The accompanying notes are an integral part of the standalone financial statements.

(With Deloitte & Touche auditors' report dated March 17, 2022)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 202,321	(\$ 465,243)
Adjustments for:		
Depreciation expense	141,821	148,854
Amortization expense	28,399	32,737
Expected credit loss (reversal gain)	(6,657)	18,012
Net loss on fair value change of financial assets at fair value through profit or loss	2,690	6,308
Finance costs	45,729	55,720
Interest income	(15,130)	(19,054)
Dividend income	(3,102)	(9,432)
Share of loss (gain) of associates	28,358	190,292
Gain (loss) on disposal of property, plant and equipment	(912)	(34,763)
Gain on investment properties	-	(9,204)
Impairment loss recognized on nonfinancial assets	38,202	251,930
Unrealized gain	(1,500)	3,841
Recognition of provisions	50,613	61,964
Others	(3,784)	(3,784)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,385)	(13,875)
Notes receivable and long-term notes receivable	(112,369)	25,251
Notes receivable - related parties	(3,039)	945
Accounts receivable	103,153	293,610
Accounts receivable - related parties	(19,318)	4,465
Other receivables	30,638	(19,909)
Other receivables - related parties	(865)	1,493
Inventories	(282,997)	215,298
Other current assets	14,792	12,676
Financial liabilities held for trading	(16,221)	(9,333)
Contract liabilities	(115,572)	137,371
Notes payable	12	(33,803)
Notes payable - related parties	-	(38)
Accounts payable	22,369	23,454
Accounts payable - related parties	(3,205)	(23,304)
Other payables	(3,358)	(45,259)
Provisions	(47,729)	(70,054)
Other current liabilities	197	(21,660)
Net defined benefit liabilities	(<u>3,675</u>)	(<u>3,387</u>)
Cash generated from operations	\$ 67,476	\$ 702,119

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Interest received	\$ 14,999	\$ 16,582
Dividend received	3,102	9,432
Interest paid	(46,077)	(56,308)
Income taxes paid	(14,107)	(239)
Net cash generated from operating activities	<u>25,393</u>	<u>671,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	16,989	-
Acquisition of property, plant and equipment	(15,956)	(215,344)
Proceeds from disposal of property, plant and equipment	53,422	5,096
Decrease (increase) in refundable deposits	(807)	5,361
Decrease (increase) in other receivables - related parties	87,438	(221,347)
Acquisition of computer software	(1,559)	(5,964)
Acquisition of investment properties	(713)	(883)
Proceeds from disposal of financial assets at fair value through other comprehensive income	13,494	-
Decrease (increase) in other financial assets	(49,916)	156,796
Increase in other non-current assets	(14,939)	(5,946)
Dividends received from subsidiaries	<u>25,255</u>	<u>52,233</u>
Net cash generated from (used in) financing activities	<u>112,708</u>	<u>(229,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	228,880	568,217
Repayments of short-term borrowings	(344,040)	(768,773)
Increase in short-term bills payable	350,000	60,000
Proceeds from long-term bank borrowings	1,350,000	1,050,000
Repayments of long-term bank borrowings	(1,799,500)	(989,500)
Proceeds from guarantee deposits received	1,031	-
Repayment of principle of lease liabilities	(14,596)	(15,189)
Dividends paid	-	(50,965)
Acquisition of percentage of ownership interests in subsidiaries	(123,373)	-
Net cash used in financing activities	<u>(351,598)</u>	<u>(146,210)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(213,497)	295,378
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>820,591</u>	<u>525,213</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>\$ 607,094</u>	<u>\$ 820,591</u>
The accompanying notes are an integral part of the standalone financial statements. (With Deloitte & Touche auditors' report dated March 17, 2022)		(Concluded)

TONGTAI MACHINE & TOOL CO., LTD.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The standalone financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Company’s board of directors and authorized for issue on March 17, 2022.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company and its subsidiaries’ accounting policies:

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

The Company and its subsidiaries elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to the Summary of Significant Accounting are stated in Note 4.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the standalone financial statements were reported to the board of directors for issue, the Company is in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	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 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the standalone financial statements were approved by the Company's board of directors and authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit assets and liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its standalone financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same with the amounts attributable to the owner of the Company in its standalone financial statements, adjustments arising from the differences in accounting treatment between standalone basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the standalone financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets are realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are stated at the historical translated amount.

For the purpose of presenting standalone financial statements, the functional currencies of the entities associated with the Company (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the balance sheet date; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities recognized on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of balance sheet date. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consisting of raw materials, supplies, work-in-progress and finished goods are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at the moving-average cost, and the work-in-progress and finished goods are recorded at cost by the specific identification method.

f. Investments accounted for equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Any difference between the carrying amount of the investment and the fair value of consideration paid or received is directly recognized in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Company

2) Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the associate. The Company should record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to non-subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company will discontinue recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Investment in associate is tested for impairment by treating the entire carrying amount of the investment (including goodwill) as a single asset and then compare that carrying amount with the estimated recoverable amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

Gains and losses resulting from upstream, downstream and sidestream transactions between and among the Company and its associates are recognized in the standalone financial statements only to the extent of interests in the associate of entities that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for the land is not depreciated, other depreciation of property, plant and equipment is recognized using the straight-line method.

Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Computer Software

Computer software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

j. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right - of use assets, investment properties and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of

the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, refundable deposits and long-term notes and accounts receivable, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs

when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is

recognized in profit or loss.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, cross-currency swap contracts and swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provisions

Provisions are measured at the best estimate of the cash flows required to settle the present obligation at the end of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the Company's best estimate of the expenditure required to settle the obligations.

m. Revenue recognition

The Company identifies contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of machine. Revenue from domestic sales is recognized when the installation of machine or tool is completed. Revenue from export sales is recognized according to the trade conditions or the completion date of machine installation. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue from maintenance and rebuilding are recognized when services are provided.

n. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related

costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the year in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences, loss carryforwards and research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent

that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimations and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 1,247	\$ 663
Checking accounts and demand deposits	530,383	784,912
Cash equivalents		
Time deposits with original maturities of less than three months	<u>75,464</u>	<u>35,016</u>
	<u>\$ 607,094</u>	<u>\$ 820,591</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Swap contracts	\$ -	\$ 3,332
Non-derivative financial assets		
Mutual funds	<u>26,963</u>	<u>16,683</u>
	<u>\$ 26,963</u>	<u>\$ 20,015</u>
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial assets		
Cross-currency swap contracts	\$ 2,404	\$ 11,280
Foreign exchange forward contracts	<u>-</u>	<u>92</u>
	<u>\$ 2,404</u>	<u>\$ 11,372</u>

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid (%)	Range of Interest Rates Received
December 31, 2021			
USD2,000 / NTD56,300	2022.02	0.90	1M Libor+ 0.55
USD4,000 / NTD111,960	2022.05	0.93	1M Libor+ 0.55
December 31, 2020			
USD2,000 / NTD60,140	2021.02	0.92	1M Libor+ 0.48
USD2,000 / NTD60,000	2021.05	0.8	1M Libor+1
USD2,000 / NTD59,600	2021.05	0.8	1M Libor+ 0.95

- b. At the balance sheet date, outstanding swap contracts and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2020			
Swap contracts	NTD/CNY	2021.06	NTD80,119 / CNY19,500
Foreign exchange forward contracts	USD/NTD	2021.04	USD4,000 / NTD113,888

The Company entered into cross-currency swap contracts, swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the years ended December 31, 2021 and 2020, the Company recognized gain on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$1,111 thousand and NT\$8,345 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the years ended December 31, 2021 and 2020, the Company entered into mutual funds financial products and recognized gain (loss) in the amounts of (NT\$3,801) thousand and NT\$2,037 thousand.

8. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

	December 31	
	2021	2020
Notes receivable (operating)		
Gross carrying amount at amortized cost	\$ 135,292	\$ 58,457
Less: Unrealized interest revenue	<u>1,628</u>	<u>4,835</u>
	<u>\$ 133,664</u>	<u>\$ 53,622</u>
Notes receivable- related parties (operating)		
Gross carrying amount at amortized cost	<u>\$ 3,549</u>	<u>\$ 510</u>
Accounts receivable		
Gross carrying amount at amortized cost	\$ 1,289,053	\$ 1,397,301
Less: Allowance for impairment loss	<u>137,729</u>	<u>148,885</u>
	<u>\$ 1,151,324</u>	<u>\$ 1,248,416</u>
Accounts receivable - related parties		
Gross carrying amount at amortized cost	<u>\$ 331,815</u>	<u>\$ 312,497</u>
Long-term notes and accounts receivable (operating)		
Gross carrying amount at amortized cost	<u>\$ 37,020</u>	<u>\$ 4,097</u>
Overdue receivable (included in other noncurrent assets)		
Gross carrying amount at amortized cost	\$ 27,145	\$ 73,088
Less: Allowance for impairment loss	<u>27,145</u>	<u>73,088</u>
	<u>\$ -</u>	<u>\$ -</u>

The credit period of the Company's receivables depends on customer classification and product category. The Company makes prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk were significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix:

December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 545 Days	546 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	\$1,486,760	\$ 108,130	\$ 35,424	\$ 30,103	\$ 10,262	\$ 20,394	\$ 24,222	\$ 79,806	\$ 27,145	\$1,822,246
Loss allowance (Lifetime ECL)	(11,086)	(16,220)	(5,314)	(4,515)	(1,539)	(7,138)	(12,111)	(79,806)	(27,145)	(164,874)
Amortized cost	<u>\$1,475,674</u>	<u>\$ 91,910</u>	<u>\$ 30,110</u>	<u>\$ 25,588</u>	<u>\$ 8,723</u>	<u>\$ 13,256</u>	<u>\$ 12,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,657,372</u>

December 31, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 545 Days	546 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	\$1,386,053	\$ 119,435	\$ 51,020	\$ 36,343	\$ 28,280	\$ 31,938	\$ 45,632	\$ 69,326	\$ 73,088	\$ 73,088
Loss allowance (Lifetime ECL)	(10,304)	(17,915)	(7,653)	(5,451)	(4,242)	(11,178)	(22,816)	(69,326)	(73,088)	(73,088)
Amortized cost	<u>\$1,375,749</u>	<u>\$ 101,520</u>	<u>\$ 43,367</u>	<u>\$ 30,892</u>	<u>\$ 24,038</u>	<u>\$ 20,760</u>	<u>\$ 22,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of period	\$ 221,973	\$ 211,996
Recognition (reversed)	(6,657)	18,012
Written off	(50,442)	(8,035)
Balance, end of period	<u>\$ 164,874</u>	<u>\$ 221,973</u>

9. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 1,284,669	\$ 879,982
Supplies	147,768	144,422
Work-in-progress	716,524	686,550
Finished goods	<u>552,045</u>	<u>751,753</u>
	<u>\$ 2,701,006</u>	<u>\$ 2,462,707</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2021 and 2020 was NT\$3,348,985 thousand and NT\$3,200,266 thousand, respectively, which included write-downs of inventories and unallocated manufacturing overhead as follows.

	For the Year Ended December 31	
	2021	2020
Inventory write-downs	<u>\$ 38,202</u>	<u>\$ 232,100</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2021	2020
Investment in equity instruments		
Domestic investments		
Listed shares	\$ 159,196	\$ 113,838
Unlisted shares	<u>35,335</u>	<u>32,365</u>
	<u>\$ 194,531</u>	<u>\$ 146,203</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2021	2020
Investments in subsidiaries	\$ 2,047,566	\$ 2,052,376
Investments in associates	<u>7,897</u>	<u>7,771</u>
	2,055,463	2,060,147
Add: Credit balance for investments accounted for using the equity method	<u>326,017</u>	<u>227,479</u>
	<u>\$ 2,381,480</u>	<u>\$ 2,287,626</u>

a. Investments in subsidiaries - unlisted companies

	<u>December 31</u>			
	2021		2020	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Union Top Industrial (Samoa) Limited (Union Top)	\$ 1,065,244	100	\$ 989,528	100
Honor Seiki Co., Ltd. (Honor Seiki)	562,948	54	530,328	54
Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI-SCEMM)	357,009	100	414,776	100
Quick-Tech Machinery Co., Ltd. (Quick-Tech)	13,378	99	(3,203)	52
Chin-Jig Technology Co., Ltd. (Chin-Jig)	44,040	70	52,034	70
Asia Pacific Elite Corp. (APEC)	142,234	100	94,715	99
Tongfong Auto Tech Co., Ltd. (Tongfong)	45,617	100	46,336	99
Tongan GmbH (Tongan)	(287,291)	100	(196,835)	100
Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	34,890	100	38,216	100
Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	27,093	60	29,851	60
Tong Tai Machinery Co., Ltd. (TTM)	20,531	100	26,378	100
Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	19,834	100	22,901	100
Tongtai Seiki Vietnam Co., Ltd. (TTVN)	20,118	100	16,509	100
Tong-Tai Seiki USA, Inc.	4,818	100	5,099	100
Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	9,288	52	9,261	52
Tongtai Europe B.V. (TTE)	(38,726)	100	(30,644)	100
Tongtai Mexico, S.A.DE C.V. (TTGMx)	<u>6,541</u>	100	<u>7,126</u>	100
	<u>\$ 2,047,566</u>		<u>\$ 2,052,376</u>	

In November 2021, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage of Quick-Tech. (Refer to Note 27)

In August 2021, the Company acquired a part of shares from non-controlling interest. (Refer to Note 27)

In 2020, the Company recognized impairment loss amounted of NT\$11,989 thousand of the subsidiary, Quick-Tech, due to the recoverable amount was lower than the carrying amount.

In March 2020, Honor Seiki purchased treasury shares which resulted in the changes in the Company's percentage of ownership interests in Honor Seiki. (Refer to Note 27)

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2021	2020
Associates that are not individually material		
Printin3d DigiTech Co., Ltd.	\$ 7,897	\$ 7,771
Cyber Laser Taiwan Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 7,897</u>	<u>\$ 7,771</u>
	For the Year Ended December 31	
	2021	2020
The Company's share of		
Net profit (loss) for the year	\$ 126	(\$ 2,885)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 126</u>	<u>(\$ 2,885)</u>

Related information of investees abovementioned please see Table 6 attached.

In 2020, the Company recognized impairment loss amounted of NT\$7,841 thousand of the associate, Cyber, due to the recoverable amount was lower than the carrying amount.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the associates' financial statements which have been audited for the same years.

12. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Current		
Pledged deposits and time deposits	<u>\$ 10,860</u>	<u>\$ -</u>
Non-current		
Pledged deposits and time deposits	<u>\$ 92,212</u>	<u>\$ 53,156</u>

Refer to Note 32 for information relating to other financial assets pledged as collateral.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2021

Cost							Construction in Progress and Equipment to be Inspected	Total
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment		
Balance at January 1, 2021	\$ 187,018	\$ 1,685,776	\$ 376,440	\$ 110,892	\$ 32,602	\$ 149,565	\$ -	\$ 2,542,293
Additions	-	9,513	4,872	601	-	1,729	-	16,715
Disposals	-	-	(13,650)	(486)	-	-	-	(14,136)
Reclassifications	-	(24,589)	4,919	-	-	-	-	(19,670)
Balance at December 31, 2021	<u>187,018</u>	<u>1,670,700</u>	<u>372,581</u>	<u>111,007</u>	<u>32,602</u>	<u>151,294</u>	<u>-</u>	<u>2,525,202</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	-	760,850	213,324	85,854	25,972	106,351	-	1,192,351
Depreciation	-	61,377	31,306	4,472	3,427	12,483	-	113,065
Disposals	-	-	(13,650)	(486)	-	-	-	(14,136)
Reclassifications	-	(6,096)	(1,572)	-	-	-	-	(7,673)
Balance at December 31, 2021	<u>-</u>	<u>816,131</u>	<u>229,403</u>	<u>89,840</u>	<u>29,399</u>	<u>118,834</u>	<u>-</u>	<u>1,283,607</u>
Carrying amount at December 31, 2021	<u>\$ 187,018</u>	<u>\$ 854,569</u>	<u>\$ 143,178</u>	<u>\$ 21,167</u>	<u>\$ 3,203</u>	<u>\$ 32,460</u>	<u>\$ -</u>	<u>\$ 1,241,595</u>

For the Year Ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 210,229	\$ 1,725,315	\$ 368,689	\$ 110,221	\$ 32,602	\$ 147,204	\$ 1,734	\$ 2,595,994
Additions	175,000	25,896	11,547	671	-	3,342	(1,734)	214,722
Disposals	(23,211)	(2,695)	(261)	-	-	-	-	(26,167)
Reclassifications	(175,000)	(62,740)	(3,535)	-	-	(981)	-	(242,256)
Balance at December 31, 2020	<u>187,018</u>	<u>1,685,776</u>	<u>376,440</u>	<u>110,892</u>	<u>32,602</u>	<u>149,565</u>	<u>-</u>	<u>2,542,293</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	-	719,425	184,920	81,007	21,958	92,345	-	1,099,655
Depreciation	-	67,216	29,078	4,847	4,014	14,006	-	119,161
Disposals	-	(2,358)	(261)	-	-	-	-	(2,619)
Reclassifications	-	(23,433)	(413)	-	-	-	-	(23,846)
Balance at December 31, 2020	<u>-</u>	<u>760,850</u>	<u>213,324</u>	<u>85,854</u>	<u>25,972</u>	<u>106,351</u>	<u>-</u>	<u>1,192,351</u>
Carrying amount at December 31, 2020	<u>\$ 187,018</u>	<u>\$ 924,926</u>	<u>\$ 163,116</u>	<u>\$ 25,038</u>	<u>\$ 6,630</u>	<u>\$ 43,214</u>	<u>\$ -</u>	<u>\$ 1,349,942</u>

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings

Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-10 years
Air conditioning system	2-35 years
Decoration	2-35 years
Machinery and equipment	2-10 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-10 years

Property, plant and equipment pledged by the Company as collateral for bank borrowings are described in Note 32.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

For the Year Ended December 31, 2021

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 512,662	\$ 1,063	\$ 8,900	\$ 522,625
Additions	-	-	4,423	4,423
Disposals	-	(1,063)	(5,069)	(6,132)
Balance at December 31, 2021	<u>512,662</u>	<u>-</u>	<u>8,254</u>	<u>520,916</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	31,297	937	6,121	38,355
Additions	16,157	126	2,738	19,021
Disposals	-	(1,063)	(5,069)	(6,132)
Balance at December 31, 2021	<u>47,454</u>	<u>-</u>	<u>3,790</u>	<u>51,244</u>
Carrying amount at December 31, 2021	<u>\$ 465,208</u>	<u>\$ -</u>	<u>\$ 4,464</u>	<u>\$ 469,672</u>

For the Year Ended December 31, 2020

	Land	Buildings	Transportation Equipment	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 491,941	\$ 1,063	\$ 8,900	\$ 501,904
Additions	<u>20,721</u>	<u>-</u>	<u>-</u>	<u>20,721</u>
Balance at December 31, 2020	<u>512,662</u>	<u>1,063</u>	<u>8,900</u>	<u>522,625</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	15,139	512	2,816	18,467
Additions	<u>16,158</u>	<u>425</u>	<u>3,305</u>	<u>19,888</u>
Balance at December 31, 2020	<u>31,297</u>	<u>937</u>	<u>6,121</u>	<u>38,355</u>
Carrying amount at December 31, 2020	<u>\$ 481,365</u>	<u>\$ 126</u>	<u>\$ 2,779</u>	<u>\$ 484,270</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Carrying amounts		
Current	<u>\$ 14,166</u>	<u>\$ 14,012</u>
Non-current	<u>\$ 469,240</u>	<u>\$ 479,567</u>

Range of discount rate for lease liabilities (%) was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	2.16~2.48	2.16~2.48
Buildings	-	1.42
Transportation equipment	0.69~1.42	1.05~1.42

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period

The Company and its subsidiaries did not enter into significant lease contracts for the years ended December 31, 2021 and 2020. Because of the market conditions severely affected by COVID-19 in 2020, the Company negotiated with the lessor, the management of Southern Taiwan Science Park, for rent concessions for land lease. The lessor agreed to provide unconditional 20% rent reduction from January 1, 2020 to December 31, 2020. The Company recognized in profit or loss the impact of rent concessions of NT\$1,535 thousand (presented in other income for the years ended December 31, 2020).

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 4,587</u>	<u>\$ 4,347</u>
Total cash outflow for leases	<u>(\$ 30,386)</u>	<u>(\$ 31,017)</u>

The Company leases certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company and its subsidiaries have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

For the Year ended December 31, 2021

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 269,465	\$ 192,384	\$ 461,849
Additions	-	713	713
Reclassification	-	<u>24,589</u>	<u>24,589</u>
Balance at December 31, 2021	<u>269,465</u>	<u>217,686</u>	<u>487,151</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	-	87,509	87,509
Depreciation	-	9,735	9,735
Reclassification	-	<u>6,096</u>	<u>6,096</u>
Balance at December 31, 2021	<u>-</u>	<u>103,340</u>	<u>103,340</u>
Carrying amount at December 31, 2021	<u>\$ 269,465</u>	<u>\$ 114,346</u>	<u>\$ 383,811</u>

For the Year Ended December 31, 2020

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 98,755	\$ 127,780	\$ 226,535
Additions	-	883	883
Reclassifications	175,000	63,721	238,721
Disposals	(<u>4,290</u>)	<u>-</u>	(<u>4,290</u>)
Balance at December 31, 2020	<u>269,465</u>	<u>192,384</u>	<u>461,849</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	-	54,271	54,271
Depreciation	-	9,805	9,805
Reclassifications	-	<u>23,433</u>	<u>23,433</u>
Balance at December 31, 2020	<u>-</u>	<u>87,509</u>	<u>87,509</u>
Carrying amount at December 31, 2020	<u>\$ 269,465</u>	<u>\$ 104,875</u>	<u>\$ 374,340</u>

The abovementioned investment properties were leased out for 1 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 was as follows:

	<u>December 31, 2021</u>
Year 1	\$ 14,387
Year 2	7,965
Year 3	5,520
Year 4	5,640
Year 5	5,760
Year 6 onwards	<u>43,680</u>
	<u>\$ 82,952</u>

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-60 years
Engineering system	2-10 years

The investment properties of the Company are located at Annan District in Tainan City, Hunei District in Kaohsiung City and Kaohsiung Science Park. The fair value of the investment properties was assessed by the management of the Company based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value for the years ended December 31, 2021 and 2020 are NT\$937,730 thousand and NT\$824,805 thousand, respectively.

All of the Company's investment properties are held under freehold interests. Investment properties pledged by the Company as collateral for bank borrowings are described in Note 32.

16. COMPUTER SOFTWARE

The computer software is amortized on a straight-line basis over 3 to 10 years, the movements were as follows,

	Cost	Accumulated amortization	Carrying amount
Balance at January 1, 2020	\$ 139,265	(\$ 81,551)	\$ 57,714
Additions	5,964	-	5,964
Amortization expenses	-	(15,348)	(15,348)
Balance at December 31, 2020	145,229	(96,899)	48,330
Additions	1,559	-	1,559
Amortization expenses	-	(14,617)	(14,617)
Balance at December 31, 2021	<u>\$ 146,788</u>	<u>(\$ 111,516)</u>	<u>\$ 35,272</u>

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Bank loans	<u>\$ 1,191,080</u>	<u>\$ 1,306,240</u>
Annual interest rate (%)	0.65~0.98	0.63~1.15

b. Short-term bills payable

December 31, 2021

Secured Institute	Par Value	Discount Amount	Carrying Amount	Annual interest rate (%)
Mega Bills Finance Corporation	\$ 100,000	\$ -	\$ 100,000	0.93
Dah Chung Bills Finance Corporation	60,000	-	60,000	0.93
China Bills Finance Corporation	100,000	-	100,000	0.92
International Bills Finance Corporation	50,000	-	50,000	0.93
Taching Bill Finance Ltd.	<u>100,000</u>	-	<u>100,000</u>	0.90
	<u>\$ 410,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>	

December 31, 2020

<u>Secured Institute</u>	<u>Par Value</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Annual interest rate (%)</u>
International Bills Finance Corporation	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	0.93

c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank loans		
Due on various dates through September 2024, interest at 0.52%-1.02% p.a., respectively	\$ 585,000	\$ 935,000
Mortgage loans		
Due on various dates through July 2025, interest at 1.05%-1.15% p.a. and 1.05%-1.38% p.a., respectively	<u>1,149,000</u>	<u>1,248,500</u>
	1,734,000	2,183,500
Less: Current portion	<u>697,333</u>	<u>1,548,500</u>
	<u>\$ 1,036,667</u>	<u>\$ 635,000</u>

The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until October 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The consolidated financial statements for the years ended December 31, 2021 and 2020 breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

18. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company's notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company has financial risk management policies to ensure that all payables are paid within the agreed credit terms.

19. OTHER PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Salaries and incentive bonus	\$ 105,970	\$ 99,077
Commission and service fee	41,289	74,744
Employee compensation and remuneration of directors	17,826	3,894
Purchases of equipment	1,060	774
Others	<u>42,996</u>	<u>33,952</u>
	<u>\$ 209,141</u>	<u>\$ 212,441</u>

20. PROVISIONS

	<u>December 31</u>	
<u>Current</u>	<u>2021</u>	<u>2020</u>
Warranties	<u>\$ 21,045</u>	<u>\$ 18,161</u>

Movements of the warranties were as follows,

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 18,161	\$ 26,251
Recognition	50,613	61,964
Written off	(<u>47,729</u>)	(<u>70,054</u>)
Balance at December 31	<u>\$ 21,045</u>	<u>\$ 18,161</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan in the Republic of China. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 245,890	\$ 264,155
Fair value of plan assets	(<u>172,376</u>)	(<u>185,516</u>)
Net defined benefit liabilities	<u>\$ 73,514</u>	<u>\$ 78,639</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 264,055</u>	(<u>\$ 193,795</u>)	<u>\$ 70,260</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	1,673	-	1,673
Interest expense (income)	<u>2,112</u>	(<u>1,575</u>)	<u>537</u>
Recognized in profit or loss	<u>3,785</u>	(<u>1,575</u>)	<u>2,210</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	(\$ 6,478)	(\$ 6,478)
Actuarial loss - changes in demographic assumptions	1,927	-	1,927
Actuarial loss - changes in financial assumptions	9,633	-	9,633
Actuarial loss - experience adjustments	<u>6,684</u>	<u>-</u>	<u>6,684</u>
Recognized in other comprehensive income	<u>18,244</u>	(<u>6,478</u>)	<u>11,766</u>
Contributions from the employer	-	(5,597)	(5,597)
Benefits paid	(<u>21,929</u>)	<u>21,929</u>	<u>-</u>
	(<u>21,929</u>)	<u>16,332</u>	(<u>5,597</u>)
Balance at December 31, 2020	<u>264,155</u>	(<u>185,516</u>)	<u>78,639</u>
Service cost			
Current service cost	1,328	-	1,328
Interest expense (income)	<u>924</u>	(<u>659</u>)	<u>265</u>
Recognized in profit or loss	<u>2,252</u>	(<u>659</u>)	<u>1,593</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,731)	(2,731)
Actuarial loss - changes in demographic assumptions	9,204	-	9,204
Actuarial loss - changes in financial assumptions	(7,908)	-	(7,908)
Actuarial loss - experience adjustments	(<u>15</u>)	<u>-</u>	(<u>15</u>)
Recognized in other comprehensive income	<u>1,281</u>	(<u>2,731</u>)	(<u>1,450</u>)
Contributions from the employer	-	(5,268)	(5,268)
Benefits paid	(<u>21,798</u>)	<u>21,798</u>	<u>-</u>
	(<u>21,798</u>)	<u>16,530</u>	(<u>5,268</u>)
Balance at December 31, 2021	<u>\$ 245,890</u>	(<u>\$ 172,376</u>)	<u>\$ 73,514</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For the Year Ended December 31	
	2021	2020
Operating costs	\$ 1,217	\$ 1,685
Selling expenses	266	362
General and administrative expenses	<u>110</u>	<u>163</u>
	<u>\$ 1,593</u>	<u>\$ 2,210</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate (%)	0.75	0.35
Expected rate of salary increase (%)	2.25	2.25
Turnover rate (%)	1~30	1~30
Voluntary retirement rate (%)	5~100	5~100

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate		
0.25% increase	(<u>\$ 5,033</u>)	(<u>\$ 5,444</u>)
0.25% decrease	<u>\$ 5,203</u>	<u>\$ 5,633</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 4,972</u>	<u>\$ 5,361</u>
0.25% decrease	(<u>\$ 4,835</u>)	(<u>\$ 5,209</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 5,268</u>	<u>\$ 5,597</u>
The average duration of the defined benefit obligation	11 years	11 years

22. EQUITY

a. Ordinary Shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>
Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.		

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593
Interest compensation	5,577	5,577
Expired employee stock warrants	<u>1,234</u>	<u>1,234</u>
	<u>1,190,258</u>	<u>1,190,258</u>
May be used to offset a deficit only		
Changes in percentage of ownership interests in subsidiaries	<u>3,838</u>	<u>3,838</u>
	<u>\$ 1,194,096</u>	<u>\$ 1,194,096</u>

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.

- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In August 2021, the shareholder's meeting of the Company approved to recover the net loss in 2020 from the undistributed earnings in the previous year, and distributed no earnings

The appropriation of earnings for 2019 had been approved in the shareholder's meeting in June 2020. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2019	
	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 5,895	
Reversed of special reserve	(43,694)	
Cash dividends	<u>50,965</u>	<u>\$ 0.2</u>
	<u>\$ 13,166</u>	

The appropriations of earnings for 2020 had been proposed in the Board of Directors' meetings in March 2022. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2021	
	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 12,445	
Cash dividends	<u>50,965</u>	<u>\$ 0.2</u>
	<u>\$ 63,410</u>	

The proposal is subject to the resolution in the shareholders' meeting to be held in June 2022.

d. Special reserve

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. The Company reversed special reserve to retained earnings of NT\$89,749 thousand.

e. Other equity

- 1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	(\$ 118,098)	(\$ 137,912)
Recognized for the year		
Exchange differences on translating foreign operations	(20,784)	21,498
Share of exchange difference of subsidiaries accounted for using the equity method	(9,788)	3,270
Income tax	<u>6,114</u>	(<u>4,954</u>)
Balance at December 31	<u>(\$ 142,556)</u>	<u>(\$ 118,098)</u>

2) Unrealized gain and loss on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 87,658	\$ 49,642
Recognized for the year		
Unrealized gain and loss - equity instruments	48,328	(17,072)
Disposal of investments in equity instruments	<u>-</u>	<u>55,088</u>
Balance at December 31	<u>\$ 135,986</u>	<u>\$ 87,658</u>

23. OPERATING REVENUE

a. Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable, long-term notes and accounts receivables	<u>\$ 1,657,372</u>	<u>\$ 1,619,142</u>	<u>\$ 1,961,425</u>
Contract liabilities			
Sales of goods	<u>\$ 399,490</u>	<u>\$ 515,062</u>	<u>\$ 377,691</u>

b. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2021	2020
Revenue from sale of goods	\$ 3,853,877	\$ 3,026,870
Revenue from maintenance and rebuilding services	<u>369,394</u>	<u>443,383</u>
	<u>\$ 4,223,271</u>	<u>\$ 3,470,253</u>

25. PROFIT (LOSS) BEFORE INCOME TAX

The following items were included in profit (loss) before income tax:

a. Other income

	<u>For the Year Ended December 31</u>	
	2021	2020
Reversed of expenses payable	\$ 37,332	\$ -
Government subsidy income	34,515	111,830
Rental income	23,724	23,905
Dividend income	3,102	9,432
Others	<u>12,217</u>	<u>14,007</u>
	<u>\$ 110,890</u>	<u>\$ 159,174</u>

Government subsidy income was mainly from the subsidy due to the COVID-19.

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange gain (loss)	(\$ 55,775)	\$ 15,068
Compensation expense	(578)	(29,498)
Impairment loss (Note 11)	-	(19,830)
Depreciation expense	(10,994)	(11,044)
Loss on financial instruments at fair value through profit or loss	(2,690)	(6,308)
Gain on disposal of property, plant and equipment	912	43,967
Others	(<u>94</u>)	(<u>469</u>)
	<u>(\$ 69,219)</u>	<u>(\$ 8,114)</u>

The components of net foreign exchange loss were as follows:

	For the Year Ended December 31	
	2021	2020
Foreign exchange gain	\$ 35,544	\$ 76,522
Foreign exchange loss	(<u>91,319</u>)	(<u>61,454</u>)
Net foreign exchange gain (loss)	<u>(\$ 55,775)</u>	<u>\$ 15,068</u>

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 33,358	\$ 43,642
Interest on lease liabilities	11,203	11,481
Interest on short-term bills	<u>1,168</u>	<u>597</u>
	<u>\$ 45,729</u>	<u>\$ 55,720</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Depreciation and amortization expenses		
Property, plant and equipment	\$ 113,065	\$ 119,161
Right-of-use assets	19,021	19,888
Investment properties	<u>9,735</u>	<u>9,805</u>
	<u>\$ 141,821</u>	<u>\$ 148,854</u>
An analysis of depreciation by function		
Operating costs	\$ 73,795	\$ 75,761
Operating expenses	57,032	62,049
Non-operating expenses	<u>10,994</u>	<u>11,044</u>
	<u>\$ 141,821</u>	<u>\$ 148,854</u>
Amortization expenses		
Computer software	\$ 14,617	\$ 15,348
Others	<u>13,782</u>	<u>17,389</u>
	<u>\$ 28,399</u>	<u>\$ 32,737</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
An analysis of amortization by function		
Operating costs	\$ 19,086	\$ 23,311
Operating expenses	<u>9,313</u>	<u>9,426</u>
	<u>\$ 28,399</u>	<u>\$ 32,737</u>

(Concluded)

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses of investment properties that generated rental income	<u>\$ 16,965</u>	<u>\$ 10,642</u>

f. Employee benefits

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits		
Salaries	\$ 445,447	\$ 420,016
Insurance	49,283	48,747
Others	<u>28,477</u>	<u>27,968</u>
	<u>523,207</u>	<u>496,731</u>
Post-employment benefits		
Defined contribution plans	21,731	22,991
Defined benefit plans (Note 21)	<u>1,593</u>	<u>2,210</u>
	<u>23,324</u>	<u>25,201</u>
	<u>\$ 546,531</u>	<u>\$ 521,932</u>
Analysis of employee benefits by function		
Operating costs	\$ 393,423	\$ 401,448
Operating expenses	<u>153,108</u>	<u>120,484</u>
	<u>\$ 546,531</u>	<u>\$ 521,932</u>

g. Employees' compensation and remuneration of directors and supervisors

To be in compliance with the Company Act, the Company distributed employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors and supervisors for the year ended December 31, 2021 were as follows:

	For the Year Ended December 31, 2021
Employees' compensation	\$ 14,348
Remuneration of directors	3,478

Because of the net operating loss for the year ended December 31, 2020, employees' compensation and remuneration of directors were not accrued.

The employees' compensation and remuneration of directors and supervisors (all in cash) for the year ended December 31, 2019 which have been approved by the Company's board of directors in March 2020 were NT\$3,894 thousand and NT\$944 thousand, respectively. There was no difference between the actual amounts and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019, respectively.

If there is a change in the proposed amounts after the annual standalone financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Adjustments for prior years	\$ <u>1,868</u>	(\$ <u>1,577</u>)
Deferred tax		
In respect of the current year	43,954	(108,536)
Adjustments for prior years	(<u>16,204</u>)	(<u>8,354</u>)
	<u>27,750</u>	(<u>116,890</u>)
	<u>\$ 29,618</u>	(<u>\$ 118,467</u>)

The reconciliation of accounting profit and income tax expense (benefit) was as follows:

	For the Year Ended December 31	
	2021	2020
Profit (loss) before income tax	\$ <u>202,321</u>	(\$ <u>465,243</u>)
Income tax expense calculated at the statutory rate (loss carryforwards benefit)	\$ 40,464	(\$ 93,049)
Non-deductible expenses in determining taxable income	3,490	(15,487)
Adjustments for prior years	(<u>14,336</u>)	(<u>9,931</u>)
	<u>\$ 29,618</u>	(<u>\$ 118,467</u>)

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 consolidated financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current period		
Translation of foreign operations	\$ 6,114	(\$ 4,954)
Remeasurement on defined benefit plans	(<u>290</u>)	<u>2,353</u>
	<u>\$ 5,824</u>	<u>(\$ 2,601)</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	<u>\$ 323</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 11,916</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Exchange Differences
<u>Deferred tax assets</u>				
Temporary differences				
Write-downs of inventory	\$ 139,740	(\$ 22,789)	\$ -	\$ 116,951
Allowance for bad debts	41,010	(11,680)	-	29,330
Share of loss of foreign subsidiaries	72,101	12,835	-	84,936
Exchange difference on translating foreign operations	29,525	-	6,114	35,639
Deduction of development cost	12,147	(4,039)	-	8,108
Defined benefit plan	15,727	(735)	(290)	14,702
Time difference of revenue recognition	27,982	(18,993)	-	8,989
Loss carryforwards	37,439	13,065	-	50,504
Others	<u>7,745</u>	<u>4,586</u>	<u>-</u>	<u>12,331</u>
	<u>\$ 383,416</u>	<u>(\$ 27,750)</u>	<u>\$ 5,824</u>	<u>\$ 361,490</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 61,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

For the Year Ended December 31, 2020

	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehen- sive Income</u>	<u>Exchange Differences</u>
<u>Deferred tax assets</u>				
Temporary differences				
Write-downs of inventory	\$ 93,320	\$ 46,420	\$ -	\$ 139,740
Allowance for bad debts	38,052	2,958	-	41,010
Share of loss of foreign subsidiaries	38,800	33,301	-	72,101
Exchange difference on translating foreign operations	34,479	-	(4,954)	29,525
Deduction of development cost	4,306	7,841	-	12,147
Defined benefit plan	14,051	(677)	2,353	15,727
Time difference of revenue recognition	16,160	11,822	-	27,982
Loss carryforwards	-	37,439	-	37,439
Others	<u>29,959</u>	<u>(22,214)</u>	<u>-</u>	<u>7,745</u>
	<u>\$ 269,127</u>	<u>\$ 116,890</u>	<u>(\$ 2,601)</u>	<u>\$ 383,416</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	<u>\$ 61,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

e. Information about unused investment credits and Loss carryforwards

As of December 31, 2021, investment credits comprised of the following:

<u>Laws and Statutes</u>	<u>Tax Credit Source</u>	<u>Remaining Creditable Amount</u>	<u>Expiry Year</u>
Statute for Upgrading Industries	Research and development expenditure	<u>\$ 8,108</u>	2022

As of December 31, 2021, loss carryforwards comprised of the following:

<u>Unused Amount</u>	<u>Expiry Year</u>
<u>\$ 252,520</u>	2030

f. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

27. EARNINGS (LOSS) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net profit (loss) for the year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Net profit (loss) for the year	<u>\$ 172,703</u>	<u>(\$ 346,776)</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares in computation of basic earnings per share	254,827	254,827
Effect of potentially dilutive potential ordinary shares:		
Employees' compensation	<u>827</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>255,654</u>	<u>254,827</u>

The dilutive loss per share for the year ended December 31, 2020 was the same as the basic loss per share because the operating result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. INVESTMENT IN SUBSIDIARIES-WITHOUT IMPACT OF CONTROLLING

In March, 2020, the subsidiary Honor Seiki acquired its outstanding common shares and accounted for as treasury shares and the Company's percentage of ownership of Honor Seiki increased from 51% to 54%. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and increased capital surplus by NT\$3,838 thousand.

In November 2021, the Company acquired 1,200,000 shares of Quick-tech from non-controlling interests at a total price of NT\$240 thousand. In addition, the Company subscribed for additional new shares of Quick-Tech in cash by NT\$117,286 thousand at a percentage different from its existing ownership percentage, resulting in an increase in the percentage of ownership of Quick-Tech from 52% to 99%. In August, 2021, the Company acquired 1,000 shares, 220 shares, 170,000 shares, 1,584 shares and 1,000 shares of Tongfong, APEC, Quick-Tech, Honor Seiki, Tong-Yeh and Chin-Jig, respectively from the related party, Dong Ying Investment Co., Ltd., with a total price NT\$6,087 thousand. The above transactions were accounted for as equity transaction since the Company did not cease to have control over the subsidiaries and reduced the retained earnings by NT\$49,275 thousand.

28. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	For the Year Ended December 31	
	2021	2020
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 16,715	\$ 214,722
Decrease (increase) of payable for equipment	(286)	149
Increase (decrease) of prepayment for equipment	(473)	473
Cash paid	<u>\$ 15,956</u>	<u>\$ 215,344</u>
Proceeds from disposal of property, plant and equipment	\$ 772	\$ 57,746
Decrease (increase) of other receivables	<u>52,650</u>	(<u>52,650</u>)
Cash received	<u>\$ 53,422</u>	<u>\$ 5,096</u>
Proceeds from disposal of investment properties	\$ -	\$ 13,494
Decrease (increase) of other receivables	<u>13,494</u>	(<u>13,494</u>)
Cash received	<u>\$ 13,494</u>	<u>\$ -</u>

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that, as a whole, it will be able to continue as going concerns; the Company uses operating capital effectively and optimize debt and equity balance. The overall strategy of the Company has not significantly changed over in 2021.

The key management personnel of the Company reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 17).

30. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss - current				
Mutual funds	\$ 26,963	\$ -	\$ -	\$ 26,963
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 159,196	\$ -	\$ -	\$ 159,196
Domestic unlisted shares	-	-	35,335	35,335
	<u>\$ 159,196</u>	<u>\$ -</u>	<u>\$ 35,335</u>	<u>\$ 194,531</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 2,404	\$ -	\$ 2,404
December 31, 2020				
Financial assets at fair value through profit or loss - current				
Swap contracts	\$ -	\$ 3,332	\$ -	\$ 3,332
Mutual funds	16,683	-	-	16,683
	<u>\$ 16,683</u>	<u>\$ 3,332</u>	<u>\$ -</u>	<u>\$ 20,015</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 113,838	\$ -	\$ -	\$ 113,838
Domestic unlisted shares	-	-	32,365	32,365
	<u>\$ 113,838</u>	<u>\$ -</u>	<u>\$ 32,365</u>	<u>\$ 146,203</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 11,280	\$ -	\$ 11,280
Foreign exchange forward contracts	-	92	-	92
	<u>\$ -</u>	<u>\$ 11,372</u>	<u>\$ -</u>	<u>\$ 11,372</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial assets

Financial assets	<u>Equity Instruments - Financial Assets at FVTOCI</u>	
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 32,365	\$ 58,692
Disposals	-	(16,989)
Transfer out from Level 3	-	(7,170)
Change in fair value recognized in other comprehensive income	2,970	(2,168)
Balance at December 31	<u>\$ 35,335</u>	<u>\$ 32,365</u>

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments used the quoted price of bank as the basis of the fair values.

- 4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement.

If there are no market price for reference, fair values were estimated by assessment approach. For unlisted shares, fair values were determined based on the net worth of companies.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 26,963	\$ 20,015
Financial assets at amortized cost (1)	2,896,292	3,221,049
Financial assets at FVTOCI		
Equity instruments	194,531	146,203
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	2,404	11,372
Financial liabilities at amortized cost (2)	4,350,219	4,547,972

1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.

2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and guarantee deposit received.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company is exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 34.

The Company is mainly exposed to the USD and CNY. The following table details the Company's sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	USD Impact		CNY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Pre-tax profit or loss (Note)	(\$ 8,746)	(\$ 8,163)	(\$ 42,760)	(\$ 48,556)

Note: These were mainly attributable to the exposure of the USD and CNY (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 37,020	\$ 4,097
Financial liabilities	483,406	893,579
Cash flow interest rate risk		
Financial liabilities	2,670,080	1,740,380

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit and loss would have been lower/higher by NT\$26,701 thousand and higher/ lower NT\$17,404 thousand for the years ended December 31, 2021 and 2020, respectively.

c) Other price risk

The Company is exposed to equity price risk through their investments in mutual funds, and domestic listed shares.

If domestic listed shares equity prices and mutual funds had been 1% higher/lower, the other comprehensive income (loss) for the years ended December 31, 2021 and 2020 would have been higher/lower by NT\$1,592 thousand and NT\$1,138 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively; the pre-tax loss for the years ended December 31, 2021 and 2020 would have been lower/higher by NT\$270 thousand and NT\$167 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company's concentration of credit risk in receivables (including notes and accounts receivable, long-term notes receivable, overdue receivables and other receivables) by customer was as follows:

Customer	December 31	
	2021	2020
Company A	\$ 443,605	\$ 678,599
Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	399,147	408,897
Company B	<u>256,588</u>	<u>253,074</u>
	<u>\$ 1,099,340</u>	<u>\$ 1,340,570</u>

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

December 31, 2021

	Less than 1 Year	1-5 Years	5+ Years	Total
Non-interest bearing liabilities	\$1,014,108	\$ 1,031	\$ -	\$1,015,139
Interest bearing liabilities	2,316,019	1,062,266	-	3,378,285
Finance lease liabilities	25,102	93,826	577,478	696,406
Financial guarantee liabilities	<u>1,447,701</u>	<u>-</u>	<u>-</u>	<u>1,447,701</u>
	<u>\$4,802,930</u>	<u>\$1,157,123</u>	<u>\$ 577,478</u>	<u>\$6,537,531</u>

Further information for maturity analysis of lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 25,102</u>	<u>\$ 93,826</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$234,353</u>

December 31, 2020

	1 Year	1-5 Years	5+ Years	Total
Non-interest bearing liabilities	\$ 998,232	\$ -	\$ -	\$ 998,232
Interest bearing liabilities	2,940,186	660,975	-	3,601,161
Finance lease liabilities	25,193	92,148	600,353	717,694
Financial guarantee liabilities	<u>1,762,792</u>	<u>-</u>	<u>-</u>	<u>1,762,792</u>
	<u>\$5,726,403</u>	<u>\$ 753,123</u>	<u>\$ 600,353</u>	<u>\$7,079,879</u>

Further information for maturity analysis of lease liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 25,193</u>	<u>\$ 92,148</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$114,375</u>	<u>\$257,228</u>

31. TRANSACTIONS WITH RELATED PARTIES

Except for the information discloses in other notes, details of transactions between the Company and other related parties were as follows:

- a. The name of the related parties and their relationships with the Company

Related Party Name	Relationship
Tongfong	Subsidiary
APEC	Subsidiary
Quick-Tech	Subsidiary
Honor Seiki	Subsidiary
Tong-Yeh	Subsidiary
Chin-Jig	Subsidiary
Suzhou Tongyu	Subsidiary
TTJP	Subsidiary
TTM	Subsidiary
TTVN	Subsidiary
TTS	Subsidiary
TMM	Subsidiary
SKTD Co., Ltd.	Subsidiary
PCI	Subsidiary
Anger Machining GmbH (Anger)	Subsidiary
HPC Produktions GmbH	Subsidiary
TTE	Subsidiary
Union Top	Subsidiary
Tongan	Subsidiary
Mbi-group Beteiligung GmbH	Subsidiary
TTGroup France (TTGF)	Subsidiary
Contrel Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.	Other related parties (was liquidated in August 2020)
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
PT. Tong-Tai Seikindo Utama	Substantial related party

- b. Sales of goods

Account Item	Related Party Type	For the Year Ended December 31	
		2021	2020
Revenues from sales	Subsidiaries		
	Suzhou Tongyu	\$ 622,420	\$ 462,011
	Others	447,020	321,798
	Other related parties	<u>4,436</u>	<u>5,009</u>
		<u>\$ 1,073,876</u>	<u>\$ 788,818</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

Related Party Type	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 205,939	\$ 213,779
Other related parties	<u>161,539</u>	<u>154,205</u>
	<u>\$ 367,478</u>	<u>\$ 367,984</u>

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties (not including loans to related parties)

Account Item	Related Party Type	December 31	
		2021	2020
Notes receivables - related parties	Subsidiaries	\$ 3,549	\$ 507
	Other related parties	<u>-</u>	<u>3</u>
		<u>\$ 3,549</u>	<u>\$ 510</u>
Accounts receivable-related parties	Subsidiaries	\$ 266,367	\$ 275,056
	Suzhou Tongyu	62,706	34,535
	Others	<u>2,742</u>	<u>2,906</u>
	Other related parties	<u>\$ 331,815</u>	<u>\$ 312,497</u>
Other receivables - related parties		\$ 11,696	\$ 10,556
	Subsidiaries	<u>976</u>	<u>18,238</u>
	Other related parties	<u>\$ 12,672</u>	<u>\$ 28,794</u>

e. Payables to related parties

Account Item	Related Party Type	December 31	
		2021	2020
Accounts payable - related parties	Subsidiaries	\$ 62,842	\$ 66,331
	Other related parties	<u>64,782</u>	<u>64,498</u>
		<u>\$ 127,624</u>	<u>\$ 130,829</u>
Other payables - related parties	Subsidiaries	\$ 24,785	\$ 29,265
	Other related parties	<u>844</u>	<u>949</u>
		<u>\$ 25,629</u>	<u>\$ 30,214</u>

f. Contract liabilities

Account Item	December 31	
	2021	2020
Subsidiaries	<u>\$ 1,374</u>	<u>\$ 3,243</u>

g. Loans to related parties

Account Item	December 31	
	2021	2020
Other receivables - related parties		
Subsidiaries		
Anger	\$ 247,428	\$ 210,120
Suzhou Tongyu	130,320	131,310
Union Top	-	77,485
TTE	63,664	65,504
Others	<u>59,950</u>	<u>104,381</u>
	<u>\$ 501,362</u>	<u>\$ 588,800</u>

Account Item	For the Year Ended December 31	
	2021	2020
Interest income		
Subsidiaries	<u>\$ 5,896</u>	<u>\$ 9,104</u>

The Company provided short-term loans to its subsidiaries, with the interest rate calculated based on the average rate of the Company's bank loans from ordinary financial institutions.

h. Endorsements and guarantees

Related Party Type	For the Year Ended December 31	
	2021	2020
Amount endorsed		
Subsidiaries		
Anger	\$ 488,905	\$ 661,878
Union Top	427,102	496,406
APEC	235,000	245,000
Quick-Tech	190,360	201,960
Others	<u>106,334</u>	<u>157,548</u>
	<u>\$ 1,447,701</u>	<u>\$ 1,762,792</u>
Amount utilized		
Subsidiaries		
Anger	\$ 401,013	\$ 580,457
Union Top	361,778	196,227
APEC	60,000	153,120
Quick-Tech	20,634	84,983
Others	<u>58,811</u>	<u>95,622</u>
	<u>\$ 902,236</u>	<u>\$ 1,110,409</u>

i. Other transactions with related parties

Related Party Type	For the Year Ended December 31	
	2021	2020
1) After-sales service expenses (recognized as selling and marketing expenses)		
Subsidiaries		
Suzhou Tongyu	\$ 29,292	\$ 24,579
TTJP	18,383	22,211
TTGF	16,601	16,529
Others	12,052	1,851
Other related parties	<u>780</u>	<u>81</u>
	<u>\$ 77,108</u>	<u>\$ 65,251</u>
2) Commission expense (recognized as selling and marketing expenses)		
Subsidiaries		
Suzhou Tongyu	\$ 8,255	\$ 3,150
TTVN	-	2,957
Others	1,967	4,882
Other related parties	<u>281</u>	<u>1,330</u>
	<u>\$ 10,503</u>	<u>\$ 12,319</u>
3) Rental income		
Subsidiaries		
Quick-Tech	\$ 1,679	\$ 3,357
Others	5,129	5,109
Other related parties		
Shiang Jen	5,160	5,040
Others	<u>6</u>	<u>6</u>
	<u>\$ 11,974</u>	<u>\$ 13,512</u>

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

j. Property, plant and equipment transactions

Acquisition of property, plant and equipment

The Company acquired the property, plant and equipment from subsidiary Quick-Tech with the purchase price amounted of NT\$200,000 thousand. The transaction price and terms were determined by negotiation between both parties.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 14,056	\$ 15,693
Post-employment benefits	<u>238</u>	<u>402</u>
	<u>\$ 14,294</u>	<u>\$ 16,095</u>

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company's assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee were as follows:

	December 31	
	2021	2020
Property, plant and equipment	\$ 1,003,302	\$ 1,062,252
Investment properties	186,637	175,530
Other financial assets (including current and non-current portion)	<u>103,072</u>	<u>53,156</u>
	<u>\$ 1,293,011</u>	<u>\$ 1,290,938</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2021 were as follows:

- a. Unused letters of credit in the amount of NT\$9,338 thousand.
- b. For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT\$11,446 thousand.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets			
CNY	\$ 332,459	4.344 (CNY: NTD)	\$ 1,444,202
USD	17,743	27.68 (USD: NTD)	491,126
EUR	10,159	31.32 (EUR: NTD)	318,180
Non-monetary foreign currency assets			
Investment accounted for using the equity method			
USD	174	27.68 (USD: NTD)	4,818
EUR	990	31.32 (EUR: NTD)	30,992
MRY	6,952	6.355 (MRY: NTD)	44,178
JPY	82,470	0.2405 (JPY: NTD)	19,834
Monetary foreign currency liabilities			
USD	7,211	27.68 (USD: NTD)	199,600
CNY	4,344	4.344 (CNY: NTD)	18,870

(Continued)

December 31, 2020	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
CNY	372,548	4.377	(CNY: NTD)	1,630,643
USD	23,515	28.48	(USD: NTD)	669,720
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	179	28.48	(USD: NTD)	5,099
EUR	5,348	35.02	(EUR: NTD)	187,297
MRY	6,993	6.7895	(MRY: NTD)	47,477
JPY	82,884	0.2763	(JPY: NTD)	22,901
Monetary foreign currency liabilities				
USD	\$ 13,962	28.48	(USD: NTD)	\$ 397,633
CNY	2,767	4.377	(CNY: NTD)	12,110
				(Concluded)

The total foreign exchange net gain (loss) amounted to (NT\$55,775) thousand and NT\$15,068 thousand for the years ended December 31, 2021 and 2020, respectively. It is impractical to disclose the net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

35. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
- 1) Financial provided: Please see Table 1 attached;
 - 2) Endorsement/guarantee provided: Please see Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
 - 9) Information about the derivative financial instruments transaction: Please see Note 7;

- b. Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 6 attached;
- c. Information on investment in Mainland China
 - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 4 attached;
 - c) The amount of property transactions and the amount of the resultant gains or losses: None;
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: Please see Table 8 attached.

36. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

TABLE 1

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machinery Co., Ltd.	Other receivables - related party	Yes	\$ 71,338	\$ 34,600	\$ 33,216	1-1.7	Note 1	\$ -	Acquiring Building	\$ -		\$ -	\$ 503,123	\$ 1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	451,980	328,860	247,428	1-1.7	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd.	Other receivables - related party	Yes	10,864	4,810	4,810	1-1.7	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Other receivables - related party	Yes	212,925	-	-	1.19-1.7	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	130,594	63,664	63,664	1-1.7	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	263,040	130,320	130,320	1-1.7	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	120,000	60,000	-	1-1.5	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Other receivables - related party	Yes	30,000	-	-	-	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligungs GmbH	Other receivables - related party	Yes	45,122	25,056	21,924	1-1.15	Note 1	-	Operating capital	-		-	503,123	1,006,247	Note 2
1	Union Top	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	19,225	-	-	-	Note 1	-	Operating capital	-		-	107,945	215,889	Note 2
1	Union Top	TongTai Europe B.V.	Other receivables - related party	Yes	13,805	13,392	6,366	1.2	Note 1	-	Operating capital	-		-	107,945	215,889	Note 2
1	Union Top	Anger Machining GmbH	Other receivables - related party	Yes	88,746	85,629	85,629	1.5	Note 1	-	Operating capital	-		-	107,945	215,889	Note 2
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	6,874	6,264	4,864	1.18-1.5	Note 1	-	Operating capital	-		-	35,701	71,402	Note 2

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement /Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Company owns directly or indirectly over 50% ownership of the investee company	\$ 1,509,370	\$ 28,535	\$ 27,680	\$ -	\$ -	0.55	\$ 2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	30,933	-	-	-	-	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	494,838	427,102	361,778	-	8.49	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligung GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	68,740	52,994	40,351	-	1.05	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	649,593	488,905	401,013	-	9.72	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	245,000	235,000	60,000	-	4.67	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	17,185	15,660	15,660	-	0.31	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	10,000	10,000	2,800	-	0.20	2,515,617	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	The Company owns directly or indirectly over 50% ownership of the investee company	1,509,370	201,780	190,360	20,634	-	3.78	2,515,617	Y	-	-	

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

1. For Tongtai Machine & Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

2. For Tongtai Machine & Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.
- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2021				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Tongtai Machine & Tool Co., Ltd.	Common stock Control Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income – non-current	6,849,178	\$ 149,312		\$ 149,312	
	SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income – non-current	1,520,000	16,667		16,667	
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non-current	280,000	9,884		9,884	
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non-current	295,371	12,521		12,521	
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	229,729	6,147		6,147	
					<u>\$ 194,531</u>		<u>\$ 194,531</u>	
	Mutual funds Cathay Asia-Pacific Income Balanced Fund	-	Financial assets at fair value through profit or loss - current	2,105,263	<u>\$ 26,963</u>		<u>\$ 26,963</u>	

TONGTAI MACHINE & TOOL 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
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Purchase/Sale Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	Sales	(\$ 622,420)	(6)	Comparable with ones of non-related party transactions	\$ -	-	\$ 266,367	8	
	Asia Pacific Elite Corp.	Subsidiary	Sales	(210,182)	(2)	Comparable with ones of non-related party transactions	-	-	12,065	-	
	Quick-Tech Machinery Co., Ltd.	Subsidiary	Sales	(153,982)	(2)	Comparable with ones of non-related party transactions	-	-	19,280	1	
	Tongfong Auto Tech Co., Ltd.	Subsidiary	Purchases	137,100	2	Comparable with ones of non-related party transactions	-	-	(54,252)	(3)	
	SHIANG JEN CO., LTD.	Other related parties	Purchases	106,444	1	Comparable with ones of non-related party transactions	-	-	(46,692)	(3)	

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd. Anger Machining GmbH	Subsidiary Subsidiary	\$ 399,146 (Note 1)	2.3	\$ -	-	\$ 168,226	\$ -
			254,006 (Note 2)	0.96	-	-	227,383	-

Note 1: Including accounts receivable amounted of NT\$266,367 thousand and other receivable amounted of NT\$132,779 thousand. Other receivable was excluded in the calculation turnover rate.

Note 1: Including accounts receivable amounted of NT\$1,490 thousand and other receivable amounted of NT\$252,516 thousand. Other receivable was excluded in the calculation turnover rate.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	\$ 14,005	\$ 13,974	1,500,000	100.00	\$ 45,617	\$ 14,250	\$ 14,243	
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,240	409,238	14,515,634	100.00	142,234	46,565	47,517	
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	197,989	80,582	11,896,891	100.00	13,378	(98,206)	(51,401)	
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	106,721	100,731	22,108,109	54.00	562,948	63,967	34,689	
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	14,521	14,476	1,054,482	60.00	27,093	(2,899)	(1,741)	
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,990	27,971	2,800,000	70.00	44,040	(10,884)	(7,618)	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	19,834	(106)	(106)	
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	20,531	(2,653)	(2,653)	
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co., Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	20,118	2,266	2,266	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	9,288	1,216	632	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	34,890	(897)	(897)	
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	4,818	(139)	(139)	
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico, S.A. DE C.V.	Mexico	Sales and maintenance of machine tools	10,155	10,155	65,999	100.00	6,541	(190)	(190)	
Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	France	Sales, manufacturing and maintenance of machine tools	182,200	182,200	1,000,000	100.00	357,009	(14,764)	(14,764)	
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	(38,726)	(14,718)	(14,718)	
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	1,065,244	84,118	84,118	
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	(287,291)	(117,722)	(117,722)	
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	-	-	-	
Tongtai Machine & Tool Co., Ltd.	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	7,897	316	126	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	
Chin-Jig Technology Co., Ltd.	Time Trade Internation Limited	Samoa	General investment	32,771	32,771	-	100.00	25,782	(6,261)	(6,261)	
PCI-SCEMM	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	494	(1,184)	(1,184)	
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	611,202	-	100.00	(227,190)	(119,067)	(117,339)	
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales of mold and equipment	1,215	1,215	-	100.00	61,321	4,612	4,612	
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	\$ 595,855	\$ 595,855	-	100.00	(\$ 242,039)	(\$ 123,885)	(\$ 123,885)	
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	1,680	5,592	5,592	
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,638	440	440	
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	23,203	23,203	780	99.00	14,435	(290)	(287)	

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 1)	Remittance of Funds (Note 1)		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 66,653	Investments through a holding company registered in a third region	\$ 66,653	\$	\$	\$ 66,653	(\$ 4,896)	100.00	(\$ 4,896)	\$ 94,207	\$ -	
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	692,000	Investments through a holding company registered in a third region	692,000			692,000	95,418	100.00	95,418	1,231,614	53,223	
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	5,536	Investments through a holding company registered in a third region	5,536			5,536	(281)	100.00	(281)	9,362	8,972	
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	69,200	Investments through a holding company registered in a third region	38,059			38,059	-	55.00	-	-	-	
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	15,224	Investments through a holding company registered in a third region	15,224			15,224	(6,261)	70.00	(4,383)	15,123	47,997	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company	\$ 802,248	\$ 802,248	\$ 3,018,740
Chin-Jig Technology Co., Ltd.	15,224	15,224	37,749

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2021.

Note 2: The basis for recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

TABLE 8

TONGTAI MACHINE & TOOL CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of The Major Shareholder	Shares	
	Number of Shares Owned (shares)	Percentage of Ownership (%)
San Shin Investment Co., Ltd.	20,776,889	8.15

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

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STATEMENT 1**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Item</u>	<u>Amount</u>
Cash on hand	<u>\$ 1,247</u>
Bank deposits in New Taiwan dollar	
Checking accounts	93
Demand deposits	<u>356,058</u>
	<u>356,151</u>
Foreign currency deposits (Note)	
USD 3,955 thousand	109,452
CNY 6,235 thousand	27,085
EUR 461 thousand	14,425
JPY 53,374 thousand	12,837
GBP 280 thousand	<u>10,433</u>
	<u>174,232</u>
	<u>530,383</u>
Cash equivalents	
E.SUN Bank - CNY time deposit amounted of CNY 6,000 thousand with annual interest rate 2.85% and maturity date at 2022.01.21	26,064
E.SUN Bank - CNY time deposit amounted of CNY 5,000 thousand with annual interest rate 2.6% and maturity date at 2022.01.18	21,720
E.SUN Bank - USD time deposit amounted of USD 1,000 thousand with annual interest rate 0.22% and maturity date at 2022.01.26	<u>27,680</u>
	<u>75,464</u>
	<u>\$ 607,094</u>

Note: US\$1=NT\$27.68, CNY1=NT\$4.344, JPY1=NT\$0.2405, EUR 1=NT\$31.32 and GBP 1= NT\$37.30.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF NOTES RECEIVABLES AND LONG-TERM NOTES RECEIVABLES
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Customer Name	Amount
Notes receivable	
Non-Related Parties	
Company C	\$ 58,590
Company D	8,365
Company E	8,171
Others (Note)	<u>60,166</u>
	135,292
Less: Unrealized interest revenue	<u>1,628</u>
	<u>\$ 133,664</u>
Related Parties	
Asia Pacific Elite Corp.	\$ 1,957
Tong-Yeh Precision Co., Ltd.	1,548
Quick-Tech Machinery Co., Ltd.	<u>44</u>
	<u>\$ 3,549</u>
Long-term notes receivable	
Company C	\$ 35,398
Others (Note)	<u>1,622</u>
	<u>\$ 37,020</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF ACCOUNTS RECEIVABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Customer Name	Amount	Note
Non-Related Parties		
Company A	\$ 442,999	Sale of goods
Company B	256,587	Sale of goods
Company F	82,788	Sale of goods
Others (Note)	<u>506,679</u>	
	1,289,053	
Less: Allowance for impairment loss	<u>137,729</u>	
	<u>\$ 1,151,324</u>	
Related Parties		
Suzhou Tongyu Machine Tool Co., Ltd.	\$ 266,367	Sale of goods and maintenance services
Others (Note)	<u>65,448</u>	
	<u>\$ 331,815</u>	

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Non-Related Parties	
Tax refund receivable	\$ 6,042
Others (Note)	<u>3,019</u>
	<u>\$ 9,061</u>
Related Parties	
Receivable from financing provided to others	\$ 501,362
Others (Note)	<u>12,672</u>
	<u>\$ 514,034</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF INVENTORIES
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Value (Note 1)	Net Realizable Value (Note 2)
Raw materials	\$ 1,284,669	\$ 1,327,988
Supplies	147,768	150,446
Work-in-progress	716,524	1,069,556
Finished goods	552,045	715,289
	<u>\$ 2,701,006</u>	<u>\$ 3,263,279</u>

Note 1: Net carrying value with a deduction of allowance for loss on inventory value decline of inventories amounted of NT\$584,757 thousand.

Note 2: Refer to Note 4 for information of net realizable value.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Marketable Securities	Balance, January 1, 2021		Additions		Decrease		Balance, December 31, 2021		Collateral	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value (Note 1)		
Domestic listed shares										
Control Technology Co., Ltd.	6,849,178	\$ 103,422	-	\$ 45,890	-	\$ -	6,849,178	\$ 149,312	None	
World Known MFG (Cayman) Limited	280,000	10,416	-	-	-	(532)	280,000	9,884	None	
Domestic unlisted shares										
Shiang Jen Co., Ltd	1,520,000	16,003	-	664	-	-	1,520,000	16,667	None	
USYNC INC.	295,371	10,382	-	2,139	-	-	295,371	12,521	None	
WORLD KNOWN MFG. CO., LTD.	229,729	5,980	-	167	-	-	229,729	6,147	None	
		<u>\$ 146,203</u>		<u>\$ 48,860</u>		<u>(\$ 532)</u>		<u>\$ 194,531</u>		

Note 1: Fair values are measured on the basis of the closing price on the balance sheet date or measured using the valuation techniques in Note 30.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2021		Additions		Decrease		Balance, December 31, 2021			Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Owners hip	Amount	Unit Price	Total Amount	
Investments in subsidiaries												
Tongfong Auto Tech Co., Ltd.	1,499,000	\$ 46,336	1,000	\$ -	-	(\$ 719)	1,500,000	100	\$ 45,617	\$ 30.41	\$ 45,617	None
Asia Pacific Elite Corp.	14,515,414	112,001	220	47,519	-	-	14,515,634	99.83	159,520	10.07	146,120	None
Quick-Tech Machinery Co., Ltd.	6,238,800	8,786	5,658,091	16,581	-	-	11,896,891	99.14	25,367	1.82	21,607	None
Honor Seiki Co., Ltd.	18,253,424	530,328	3,854,685	32,620	-	-	22,108,109	54.47	562,948	30.51	674,611	None
Tong-Yeh Precision Co., Ltd.	1,052,898	29,851	1,584	-	-	(2,758)	1,054,482	60.09	27,093	25.69	27,093	None
Chin-Jig Technology Co., Ltd.	2,799,000	52,034	1,000	-	-	(7,994)	2,800,000	70	44,040	15.73	44,040	None
Tongtai Machine & Tool Japan Co., Ltd.	889	22,901	-	-	-	(3,067)	889	100	19,834	22,310.46	19,834	None
Tong Tai Machinery Co., Ltd.	999,998	26,378	-	-	-	(5,847)	999,998	100	20,531	20.53	20,531	None
Tongtai Seiki Vietnam Co., Ltd.	631,080	16,509	-	3,609	-	-	631,080	100	20,118	31.88	20,118	None
Tongtai Machine Tool (SEA) Sdn. Bhd.	520,000	9,261	-	27	-	-	520,000	52	9,288	17.86	9,288	None
Tongtai Machine Tool (MFG) Sdn. Bhd.	8,500,000	38,216	-	-	-	(3,326)	8,500,000	100	34,890	4.10	34,890	None
Tong-Tai Seiki USA, Inc.	100	5,099	-	-	-	(281)	100	100	4,818	48,180	4,818	None
Tongtai Mexico, S.A. DE C. V.	65,999	7,126	-	-	-	(585)	65,999	100	6,541	99.11	6,541	None
Process Conception Ingenierie-Societe de Construction D' equipments, De Mecanisations Et De Machines	1,000,000	414,776	-	-	-	(57,767)	1,000,000	100	357,009	357.01	357,009	None
Tongtai Europe B.V.	9,000	(30,644)	-	-	-	(8,082)	9,000	100	(38,726)	(3,914.00)	(35,226)	None
Union Top Industrial (Samoa) Limited	16,465,400	989,528	-	75,716	-	-	16,465,400	100	1,065,244	65.56	1,079,446	None
Tongan GmbH	35,000	(196,835)	-	-	-	(90,456)	35,000	100	(287,291)	(8,208.31)	(287,291)	None
		2,081,651		179,953		(180,882)			2,076,841		2,189,046	None
Accumulated impairment												
Asia Pacific Elite Corp.		(17,286)		-		-			(17,286)		-	
Quick-Tech Machinery Co., Ltd.		(11,989)		-		-			(11,989)		-	
Add: Credit balance for investments accounted for using the equity method		227,479		98,538		-			326,017		-	
		2,279,855		278,491		(180,882)			2,373,583		2,189,046	
Investments in associates												
Cyber Laser Taiwan Co., Ltd.	2,000,000	7,841	-	-	-	-	2,000,000	33	7,841	5.5	7,841	None
Printin3d DigiTech Co., Ltd.	1,000,000	7,771	-	126	-	-	1,000,000	40	7,897	4.7	7,897	None
		15,612		126		-			15,738		15,738	
Accumulated impairment- Cyber Laser Taiwan Co., Ltd.		(7,841)		-		-			(7,841)		-	
		7,771		126		126			7,897		15,738	
		\$ 2,287,626		\$ 278,617		(\$ 180,882)			\$ 2,381,480		\$ 2,204,784	

Note: Except for increase or decrease in investment, the change in the current year was mainly from the elimination of unrealized profit or loss from downstream transactions, gain and loss from investment, adjustments in equity from investments and dividends received.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF OTHER FINANCIAL ASSETS
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Interest Rates (%)	Period	Amount	Note
Current				
HSBC - Time deposits	2.3	2021.12.03~2022.03.03	\$ 6,516	Note 1
HSBC - Time deposits	2.2	2021.07.19~2022.01.19	<u>4,344</u>	Note 1
			<u>\$ 10,860</u>	
Noncurrent				
Bank of Taiwan - Time deposit	0.755	2021.07.01~2022.07.01	\$ 4,000	Note 2
Bank of Taiwan - Time deposit	0.755	2021.07.02~2022.07.02	4,068	Note 2
CTBC Bank - Time deposit	0.12	2021.12.22~2022.03.22	22,144	Note 3
CTBC Bank - Time deposit	0.05	2021.12.28~2022.03.28	45,000	Note 3
E.SUN Bank - Time deposit	0.04	2021.12.24~2022.03.24	<u>17,000</u>	Note 3
			<u>\$ 92,212</u>	

Note 1: Deposit due to bank guarantee for subsidiary, Anger.

Note 2: Deposit due to lease of land.

Note 3: Deposit due to loan for subsidiary, Anger.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral	Note
Unsecured loans						
First Commercial Bank	2021.10.26~2022.03.30	0.95	\$ 200,000	\$ 500,000	None	-
Shanghai Commercial & Savings Bank	2021.12.03~2022.01.07	0.90	20,000	200,000	None	-
Taishin International Bank	2021.12.24~2022.01.24	0.98	150,000	250,000	None	-
Bank of Taiwan	2021.10.08~2022.03.15	0.90	300,000	300,000	None	-
Mega Bank	2021.10.20~2022.04.23	0.90	130,000	188,400	None	Loan Commitment: NT\$50,000 thousand and US\$5,000 thousand
Cathay Bank	2021.12.24~2022.01.22	0.89	80,000	80,000	None	-
Mizuho Bank	2021.09.17~2022.03.17	0.90	60,000	300,000	None	-
DBS Bank	2021.08.26~2022.05.09	0.65	166,080	276,800	None	Loan Commitment: US\$10,000 thousand
Yuanta Commercial Bank	2021.12.03~2022.01.07	0.95	85,000	200,000	None	-
			<u>\$ 1,191,080</u>			

TONGTAI MACHINE & TOOL CO., LTD**STATEMENT OF CONTRACT LIABILITIES - CURRENT
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

<u>Customer Name</u>	<u>Amount</u>
Company G	\$ 39,393
Company H	30,312
Company I	29,325
Company J	28,949
Company K	28,512
Others (Note)	<u>242,999</u>
	<u>\$ 399,490</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Non-related Parties	
ING CHYUAN INDUSTRIAL CO., LTD.	\$ 39,093
MITSUBISHI ELECTRIC TAIWAN CO., LTD. TAICHUNG BRANCH	37,553
THK TAIWAN CO., LTD. TAINAN OFFICE	35,659
Others (Note)	<u>565,026</u>
	<u>\$ 677,331</u>
Related Parties	
Tongfong Auto Tech Co., Ltd.	\$ 54,252
Shiang Jen Co., Ltd.	46,692
San Shin Co., Ltd.	18,090
Others (Note)	<u>8,590</u>
	<u>\$ 127,624</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2021			Collateral	Note
			Current	Over 1 Year	Total		
Unsecured Loans							
Export-Import Bank of the Republic of China	Repayable in June and October 2022	0.52	\$ 350,000	\$ -	\$ 350,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2021 to September 2024	1.02	55,000	-	55,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2019 to September 2022	1.02	60,000	120,000	180,000	None	
			<u>465,000</u>	<u>120,000</u>	<u>585,000</u>		
Mortgage loans							
Bank of Taiwan	Repayable semiannually through December 2021 to June 2024	1.08	100,000	550,000	650,000	Note	
O-Bank	Repayable semiannually through April 2020 to October 2023	1.15	99,000	-	99,000	Note	
Chang Hwa Bank	Repayable quarterly through October 2022 to July 2025	1.05	33,333	366,667	400,000	Note	
			<u>232,333</u>	<u>916,667</u>	<u>1,149,000</u>		
			<u>\$ 697,333</u>	<u>\$ 1,036,667</u>	<u>\$ 1,734,000</u>		

Note: Refer to Note 32 for further information.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Object	Period	Discount Rates (%)	Amount
Land	Note	2007.06~ 2039.06	2.16~2.48	\$ 478,922
Transportation Equipment	Lease of company cars	2019.03~ 2024.12	0.69~1.42	<u>4,484</u>
Less: Current portion				<u>14,166</u>
Lease liabilities-noncurrent				<u>\$ 469,240</u>

Note: Refer to Note 14 for lease content.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF OPERATING REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Quantities (Number)	Amount
Total Operating Revenues		
Revenue from sale of goods		
Machining Center	441	\$ 1,298,477
PCB Processing Machine	461	1,330,399
CNC Lathe	346	900,968
Others (Note)	44	<u>327,051</u>
		3,856,895
Revenue from maintenance service		<u>369,844</u>
		4,226,739
Sales return and allowance		
Sales allowance		(3,018)
Maintenance return and allowance		(<u>450</u>)
		<u>\$ 4,223,271</u>

Note: The amount of each item included in others does not exceed 10% of the account balance.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 879,982
Raw material purchased	2,363,892
Raw materials, end of year	(1,284,669)
Transfer in from work-in-progress	76,588
Sale of raw materials	(74,981)
Others	(7,904)
Raw materials used	<u>1,952,908</u>
Supplies, beginning of year	144,422
Supplies purchased	341,783
Supplies, end of year	(147,768)
Transfer in from work-in-progress	190,948
Sale of supplies	(18,220)
Others	<u>511,165</u>
Supplies used	<u>248,608</u>
Direct labor	<u>344,227</u>
Manufacturing expenses	3,056,908
Manufacturing cost	686,550
Work in progress, beginning of year	(716,524)
Work in progress, end of year	19,652
Transfer in from finished goods	(190,948)
Transfer out to raw materials	(76,588)
Transfer out to supplies	(149,360)
Transfer out to expense	2,629,690
Total manufacturing cost	751,753
Finished goods, beginning of year	4,028
Transfer out to finished goods	3,379
Finished goods, end of year	(552,045)
Transfer out to work-in-progress	(19,652)
Transfer out to fixed assets	(9,875)
Total production cost	2,807,278
Sale of raw materials and supplies	<u>93,201</u>
Cost of goods sold	2,900,479
Warranties cost	50,613
Maintenance and repair cost	157,469
Others	<u>240,424</u>
Operating costs	<u>\$ 3,348,985</u>

Note: The inventories were stated as net carrying value with a deduction of allowance for loss on inventory value decline of inventories.

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Reversal of Expected Credit Loss	Total
Payroll expense (including pension and remuneration of director)	\$ 57,604	\$ 72,232	\$ -	\$ -	\$ 129,836
After sales service expense	86,333	-	-	-	86,333
Commission expense	26,270	-	-	-	26,270
Import/export expense	36,394	-	-	-	36,394
Sundry purchases expense	31,706	2,095	-	-	33,801
Entertainment expense	16,911	941	-	-	17,852
Depreciation expense	12,621	44,411	-	-	57,032
Repairs and maintenance expense	185	7,256	-	-	7,441
Reversal of expected credit loss	-	-	-	(6,657)	(6,657)
Others	<u>77,842</u>	<u>89,069</u>	<u>100,966</u>	<u>-</u>	<u>267,877</u>
	<u>\$ 345,866</u>	<u>\$ 216,004</u>	<u>\$ 100,966</u>	<u>(\$ 6,657)</u>	<u>\$ 656,179</u>

TONGTAI MACHINE & TOOL CO., LTD

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2021				For the Year Ended December 31, 2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	\$ 320,793	\$ 122,994	\$ -	\$ 443,787	\$ 326,355	\$ 92,086	\$ -	\$ 418,441
Labor and health insurance	38,322	10,961	-	49,283	38,022	10,725	-	48,747
Post-employment benefits	18,142	5,182	-	23,324	19,689	5,512	-	25,201
Remuneration of directors	-	1,660	-	1,660	-	1,575	-	1,575
Others	<u>16,166</u>	<u>12,311</u>	<u>-</u>	<u>28,477</u>	<u>17,382</u>	<u>10,586</u>	<u>-</u>	<u>27,968</u>
	<u>\$ 393,423</u>	<u>\$ 153,108</u>	<u>\$ -</u>	<u>\$ 546,531</u>	<u>\$ 401,448</u>	<u>\$ 120,484</u>	<u>\$ -</u>	<u>\$ 521,932</u>
Depreciation	\$ 73,795	\$ 57,032	\$ 10,994	\$ 141,821	\$ 75,761	\$ 62,049	\$ 11,044	\$ 148,854
Amortization	19,086	9,313	-	28,399	23,311	9,426	-	32,737

Note 1: As of December 31, 2021 and 2020, the Company had 715 and 771 employees, respectively, which included 11 and 10 non-employee directors, respectively.

Note 2: Average employee benefits for the years ended December 31, 2021 and 2020 were NT\$774 thousand and NT\$ 684 thousand, respectively.

Note 3: Average salaries for the years ended December 31, 2021 and 2020 were NT\$630 thousand and NT\$550 thousand, respectively.

Note 4: Changes of adjustments of average salaries was 15%.

Note 5: The Company has established an Audit Committee to replace supervisors.

Note 6: The Company's remuneration policies are as follows:

The remuneration of independent directors of the Company is set at NT\$420 thousand per person per year and the Compensation Committee may adjust it at its discretion according to the value of its participation in and contribution to the Company's operations.

The Articles of Incorporation of the Company stipulated the Company to distribute remuneration of directors at the rates no higher than 5% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of directors' remuneration, the Compensation Committee will then make a distribution proposal based on the individual director's participation in the Company's operations and contribution value.

The salary of the Company's managers is determined and regularly evaluated by the Compensation Committee based on Taiwan's human resources market, industry categories of the same nature, and the value of the managers' participation in and contribution to the Company's operations. The remuneration of managers is based on the provisions of the Company's Articles of Incorporation. If there is profit in any given fiscal year, it shall allocate at the rates no less than 1% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of employee compensation, the

Compensation Committee will then formulate a distribution proposal based on the manager's personal and departmental performance achievement rate and the degree of important contribution to the Company, and the distribution will be distributed after the board of directors' resolutions.

The Articles of Incorporation of the Company stipulated the Company to distribute employees' compensation at the rates no less than 1% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. After the board of directors resolved the amount of employee compensation, bonuses will be issued based on the results of the employees' annual performance appraisal.