

Chia Chang Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chia Chang Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are independent of the Corporation 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. 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the 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 of the Corporation's financial statements for the year ended December 31, 2021 are described as follows:

Occurrence of Recognized of Sales Revenue

The sales revenue of the Corporation in 2021 was higher than that in 2020, and the sales revenue from certain sales to customers in the current year saw a significant increase from that in the previous year. Since the amount and proportion of sales revenue are significant, we have deemed the occurrence of recognized sales revenue from those certain customers as a key audit matter of the financial statements for the year ended December 31, 2021. Refer to Notes 4 and 17 to the financial statements for the accounting policies on revenue recognition.

The audit procedures we have performed in respect of the above key audit matter included understanding, assessing and testing of the effectiveness of the design and implementation of the internal control related to the sales revenue. We selected sample transactions of those sales to certain customers to verify the occurrence of sales revenue. We selected sample balances of accounts receivable from those certain customers and performed confirmation procedures, and verified the collection after the reporting period. We conducted alternative audit procedures to those who failed to respond to confirmation request immediately and validated the relevant transaction documents to verify the occurrence of sales revenue.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisor, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 audits resulting in this independent auditors' report are Yao-Lin Huang and Suei-Chin Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2022

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

CHIA CHANG CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 314,483	3	\$ 148,709	2
Notes and accounts receivable, net (Notes 4, 7 and 17)	623,967	7	465,250	5
Current tax assets (Notes 4 and 19)	8,272	-	9,250	-
Inventories (Notes 4 and 8)	161,689	2	80,818	1
Prepayments	35,634	-	19,525	-
Other financial assets - current (Notes 4 and 6)	60,000	1	60,000	1
Other current assets (Notes 4 and 23)	29,914	-	17,670	-
Total current assets	<u>1,233,959</u>	<u>13</u>	<u>801,222</u>	<u>9</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	8,696	-	6,775	-
Investments accounted for using the equity method (Notes 4 and 10)	7,589,321	81	7,250,966	84
Property, plant and equipment (Notes 4, 11 and 24)	490,901	5	491,811	6
Investment properties (Notes 4, 12 and 24)	54,768	1	55,545	1
Deferred tax assets (Notes 4 and 19)	2,365	-	3,953	-
Other non-current assets (Note 4)	7,177	-	7,138	-
Total non-current assets	<u>8,153,228</u>	<u>87</u>	<u>7,816,188</u>	<u>91</u>
TOTAL	<u>\$ 9,387,187</u>	<u>100</u>	<u>\$ 8,617,410</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 24)	\$ 470,000	5	\$ 458,000	5
Notes payable (Note 14)	190,503	2	100,278	1
Accounts payable (Notes 14 and 23)	290,181	3	206,286	2
Other payables	171,324	2	126,907	2
Current tax liabilities (Notes 4 and 19)	60,989	1	-	-
Other current liabilities (Note 23)	35,561	-	37,358	1
Total current liabilities	<u>1,218,558</u>	<u>13</u>	<u>928,829</u>	<u>11</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	200,322	2	200,308	2
Guarantee deposits	830	-	600	-
Total non-current liabilities	<u>201,152</u>	<u>2</u>	<u>200,908</u>	<u>2</u>
Total liabilities	<u>1,419,710</u>	<u>15</u>	<u>1,129,737</u>	<u>13</u>
EQUITY (Notes 4 and 16)				
Ordinary shares	1,423,676	15	1,423,676	16
Capital surplus	2,820,768	30	2,820,599	33
Retained earnings				
Legal reserve	799,339	8	731,633	9
Special reserve	524,565	6	588,402	7
Unappropriated earnings	2,996,941	32	2,447,928	28
Total retained earnings	4,320,845	46	3,767,963	44
Other equity	(597,812)	(6)	(524,565)	(6)
Total equity	<u>7,967,477</u>	<u>85</u>	<u>7,487,673</u>	<u>87</u>
TOTAL	<u>\$ 9,387,187</u>	<u>100</u>	<u>\$ 8,617,410</u>	<u>100</u>

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

CHIA CHANG CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
SALES REVENUE (Notes 4, 17 and 23)	\$ 1,779,283	100	\$ 1,380,641	100
COST OF GOODS SOLD (Notes 4, 8, 18 and 23)	<u>1,447,109</u>	<u>82</u>	<u>1,130,693</u>	<u>82</u>
GROSS PROFIT	<u>332,174</u>	<u>18</u>	<u>249,948</u>	<u>18</u>
OPERATING EXPENSES (Notes 4 and 18)				
Selling and marketing expenses	36,112	2	33,176	2
General and administrative expenses	176,858	10	165,361	12
Research and development expenses	<u>41,268</u>	<u>2</u>	<u>52,392</u>	<u>4</u>
Total operating expenses	<u>254,238</u>	<u>14</u>	<u>250,929</u>	<u>18</u>
PROFIT (LOSS) FROM OPERATIONS	<u>77,936</u>	<u>4</u>	<u>(981)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Notes 5 and 10)	998,939	56	735,300	53
Interest income	2,290	-	2,139	-
Finance costs	(4,240)	-	(3,329)	-
Other gains and losses (Notes 18, 23 and 26)	<u>(7,323)</u>	<u>-</u>	<u>23,991</u>	<u>2</u>
Total non-operating income and expenses	<u>989,666</u>	<u>56</u>	<u>758,101</u>	<u>55</u>
PROFIT BEFORE INCOME TAX	1,067,602	60	757,120	55
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(158,801)</u>	<u>(9)</u>	<u>(80,057)</u>	<u>(6)</u>
NET PROFIT FOR THE YEAR	<u>908,801</u>	<u>51</u>	<u>677,063</u>	<u>49</u>

(Continued)

CHIA CHANG CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 1,921	-	\$ (3,568)	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(15,618)	(1)	16,741	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(59,550)</u>	<u>(3)</u>	<u>50,664</u>	<u>4</u>
Other comprehensive income (loss)	<u>(73,247)</u>	<u>(4)</u>	<u>63,837</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 835,554</u>	<u>47</u>	<u>\$ 740,900</u>	<u>54</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 6.38</u>		<u>\$ 4.76</u>	
Diluted	<u>\$ 6.31</u>		<u>\$ 4.73</u>	

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

(Concluded)

CHIA CHANG CO., LTD.

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

	<u>Capital Stock - Common Stock</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>			<u>Exchange Differences on Translating the Financial Statements of Foreign Operations</u>	<u>Other Equity</u>		<u>Total</u>	<u>Total Equity</u>
	<u>Share (In Thousands)</u>	<u>Amount</u>		<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>		<u>Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income</u>			
BALANCE AT JANUARY 1, 2020	142,368	\$ 1,423,676	\$ 2,820,599	\$ 666,638	\$ 394,555	\$ 2,385,626	\$ 3,446,819	\$ (648,459)	\$ 60,057	\$ (588,402)	\$ 7,102,692
Appropriation of 2019 earnings											
Legal reserve	-	-	-	64,995	-	(64,995)	-	-	-	-	-
Special reserve	-	-	-	-	193,847	(193,847)	-	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(355,919)	(355,919)	-	-	-	(355,919)
Total appropriation of 2019 earnings	-	-	-	64,995	193,847	(614,761)	(355,919)	-	-	-	(355,919)
Net profit for the year ended December 31, 2020	-	-	-	-	-	677,063	677,063	-	-	-	677,063
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	-	50,664	13,173	63,837	63,837
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	677,063	677,063	50,664	13,173	63,837	740,900
BALANCE AT DECEMBER 31, 2020	142,368	1,423,676	2,820,599	731,633	588,402	2,447,928	3,767,963	(597,795)	73,230	(524,565)	7,487,673
Appropriation of 2020 earnings											
Legal reserve	-	-	-	67,706	-	(67,706)	-	-	-	-	-
Special reserve	-	-	-	-	(63,837)	63,837	-	-	-	-	-
Cash dividends distributed	-	-	-	-	-	(355,919)	(355,919)	-	-	-	(355,919)
Total appropriation of 2020 earnings	-	-	-	67,706	(63,837)	(359,788)	(355,919)	-	-	-	(355,919)
Changes in percentage of ownership interests in subsidiaries	-	-	169	-	-	-	-	-	-	-	169
Net profit for the year ended December 31, 2021	-	-	-	-	-	908,801	908,801	-	-	-	908,801
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	(59,550)	(13,697)	(73,247)	(73,247)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	908,801	908,801	(59,550)	(13,697)	(73,247)	835,554
BALANCE AT DECEMBER 31, 2021	142,368	\$ 1,423,676	\$ 2,820,768	\$ 799,339	\$ 524,565	\$ 2,996,941	\$ 4,320,845	\$ (657,345)	\$ 59,533	\$ (597,812)	\$ 7,967,477

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

CHIA CHANG CO., LTD.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,067,602	\$ 757,120
Adjustments for:		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(998,939)	(735,300)
Depreciation expense	22,273	19,503
Amortization expense	19,802	34,758
Unrealized gain on foreign exchange	(4,693)	(5,976)
Finance costs	4,240	3,329
Interest income	(2,290)	(2,139)
Gain on disposal and retirement of property, plant and equipment	(118)	(7,133)
Impairment losses recognized on non-financial assets	46	1,747
Changes in operating assets and liabilities		
Notes receivable	(514)	(15)
Accounts receivable	(152,449)	122,527
Inventories	(80,917)	2,172
Prepayments	(16,109)	6,207
Other current assets	(31,282)	(21,590)
Notes payable	90,225	(14,136)
Accounts payable	82,834	37,221
Other payables	44,406	(9,712)
Other current liabilities	<u>(1,797)</u>	<u>(34,985)</u>
Cash generated from operations	42,320	153,598
Income tax paid	(95,232)	(73,847)
Interest received	<u>2,558</u>	<u>2,529</u>
Net cash generated from (used in) operating activities	<u>(50,354)</u>	<u>82,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	635,585	328,756
Acquisitions of investments accounted for using the equity method	(50,000)	-
Acquisitions of property, plant and equipment	(18,718)	(178,563)
Increase in other non-current assets	(2,939)	(2,470)
Proceeds from disposal of property, plant and equipment	118	7,188
Decrease in other financial assets	<u>-</u>	<u>164,400</u>
Net cash generated from investing activities	<u>564,046</u>	<u>319,311</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends distributed	(355,919)	(355,919)
Increase in short-term borrowings	12,000	93,000
Interest paid	(4,229)	(3,106)
Increase in guarantee deposits	<u>230</u>	<u>-</u>
Net cash used in financing activities	<u>(347,918)</u>	<u>(266,025)</u>

(Continued)

CHIA CHANG CO., LTD.

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

	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 165,774	\$ 135,566
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>148,709</u>	<u>13,143</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 314,483</u>	<u>\$ 148,709</u>

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

(Concluded)

HCHIA CHANG CO., LTD.

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

1. GENERAL INFORMATION

Chia Chang Co., Ltd. (the “Corporation”) was incorporated in September 1985, and engages mainly in manufacturing, processing and trading of various precision machinery, related mechanical mold components, mechanical steel mold accessories and computer peripheral equipment.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since June 2011.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 22, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
“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 will be 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” will be 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” will be 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 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 financial statements were authorized for issue, the Corporation has assessed that the application of above standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - 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 for deferred taxes that 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 financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 an 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 an asset or liability.

When preparing these financial statements, the Corporation used the equity method to account for its investments 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 financial statements to be the same with the amounts attributable to the owners of the Corporation in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, and
- Liabilities for which the Corporation does not have 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 Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, 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 period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and 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. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

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

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (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 Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business 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 Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investments in associates

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

The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation'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 within the carrying amount of the investment and is not amortized. Any excess of the Corporation'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.

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records 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 and joint ventures accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional 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 had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate, the Corporation discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The 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.

i. Investment properties

Investment properties are properties held to earn rental 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 and accumulated impairment loss. 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.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. 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.

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

k. Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment and intangible assets, excluding goodwill, 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The 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 is subsequently reversed, the carrying amount of the corresponding asset, 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 had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from 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 FVTPL 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 categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investment in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

i) The financial assets are 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other financial assets-current, other receivables and refundable deposits, are measured at amortized cost, which equals the 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 asset, 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 asset that is not credit impaired on purchase or origination but has 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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation'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 Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Corporation 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 a financial instrument has not increased significantly since initial recognition, the Corporation 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 default occurring as the weights. Lifetime ECLs represent 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 represent 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 Corporation considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 150 days past due unless the Corporation 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 Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset 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. 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 which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

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.

m. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of metal stamped products. Sales of metal stamped products are recognized as revenue according to the terms of the sale agreed with the customer, such as when the goods have been delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

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

1) The Corporation 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.

2) The Corporation as lessee

The Corporation 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.

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. 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 on unappropriated earnings is provided for 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, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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 and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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 such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period 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 period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

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 and deferred taxes 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 Corporation's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities 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 Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Checking accounts and demand deposits	\$ 84,733	\$ 148,708
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	229,744	-
Cash on hand	<u>6</u>	<u>1</u>
	<u>\$ 314,483</u>	<u>\$ 148,709</u>

As of December 31, 2021 and 2020, time deposits with original maturities of more than 3 months were both \$60,000 thousand, which were classified as other financial assets - current. As of December 31, 2021 and 2020, the interest rates of the time deposits with original maturities of more than 3 months were 0.76% and 0.76%-1.01%, respectively.

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>	\$ 578	\$ 64
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	623,389	465,186
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>623,389</u>	<u>465,186</u>
	<u>\$ 623,967</u>	<u>\$ 465,250</u>

The average credit period of sales of goods was 60-180 days. No interest was charged on accounts receivable.

In order to mitigate credit risk, the management of the Corporation has delegated qualified personnel in accordance with the segregation of duties principle to be 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 Corporation reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation 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 accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Corporation's historical credit loss experience does 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 Corporation's different customer base.

The Corporation writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Corporation 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 receivable and accounts receivable based on the Corporation's provision matrix.

December 31, 2021

	<u>Not Past Due</u>	<u>Past Due</u>				<u>Total</u>
		<u>Less than 90 Days</u>	<u>91 to 120 Days</u>	<u>121 to 150 Days</u>	<u>Over 150 Days</u>	
Expected credit loss rate	-	5%	20%	50%	0%-100%	
Gross carrying amount	\$ 623,967	\$ -	\$ -	\$ -	\$ -	\$ 623,967
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 623,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,967</u>

December 31, 2020

	Not Past Due	Past Due			Total	
		Less than 90 Days	91 to 120 Days	121 to 150 Days		Over 150 Days
Expected credit loss rate	-	5%	20%	50%	0%-100%	
Gross carrying amount	\$ 465,021	\$ -	\$ -	\$ -	\$ 229	\$ 465,250
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 465,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229</u>	<u>\$ 465,250</u>

8. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 56,228	\$ 21,266
Work in progress	49,080	49,415
Raw materials	<u>56,381</u>	<u>10,137</u>
	<u>\$ 161,689</u>	<u>\$ 80,818</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	\$ 1,447,063	\$ 1,128,946
Inventory write-downs	<u>46</u>	<u>1,747</u>
	<u>\$ 1,447,109</u>	<u>\$ 1,130,693</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Unlisted ordinary shares	<u>\$ 8,696</u>	<u>\$ 6,775</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2021	2020
Investments in subsidiaries	\$ 7,539,712	\$ 7,250,966
Investments in associates	<u>49,609</u>	<u>-</u>
	<u>\$ 7,589,321</u>	<u>\$ 7,250,966</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	2021	2020
CHIA CORPORATION	\$ 6,405,548	\$ 6,117,170
GOLDSKY ENTERPRISE LIMITED	716,559	803,465
Chia Development Co., Ltd.	<u>417,605</u>	<u>330,331</u>
	<u>\$ 7,539,712</u>	<u>\$ 7,250,966</u>

Name of Subsidiary	<u>% of Ownership and Voting Rights</u>	
	<u>December 31</u>	
	2021	2020
CHIA CORPORATION	100.00%	100.00%
GOLDSKY ENTERPRISE LIMITED	100.00%	100.00%
Chia Development Co., Ltd.	100.00%	100.00%

As of December 31, 2021 and 2020, the share of the profits or losses and the share of the other comprehensive income or loss of subsidiaries accounted for using equity method were recognized based on the audited financial statements of each subsidiary for the same period.

b. Investments in associates

	<u>December 31</u>	
	2021	2020
Associates that are not individually material	<u>\$ 49,609</u>	<u>\$ -</u>

	<u>For the Year Ended December 31</u>	
	2021	2020
The Corporation's share of:		
Net loss	\$ (560)	\$ -
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ (560)</u>	<u>\$ -</u>

The Corporation is able to exercise significant influence over Top Taiwan VIII Venture Capital Co., Ltd ("Top Taiwan") even if it holds less than 20% of the voting rights. This is because the Corporation is a director of the Company and able to exercise significant influence over Top Taiwan's policies and operations. The investment is accounted for by using equity method.

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the associates' audited financial statements for the same period except Zen Material Technology Inc. and Chia Chain Precious Hardware & Electronics (Suzhou) Co., Ltd. The Corporation considered that there would be no significant adjustments if such financial statements were audited.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate, the Corporation discontinues recognizing its share of further loss, if any. The amounts of unrecognized share of losses of the associates extracted from the relevant financial statements of the associates, both for the year and cumulatively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Unrecognized share of losses of the associates for the year	\$ <u>(4,475)</u>	\$ <u>(2,075)</u>
Accumulated unrecognized share of losses of the associates	\$ <u>(7,067)</u>	\$ <u>(2,592)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 185,000	\$ 155,081	\$ 296,110	\$ 36,374	\$ 672,565
Additions	141,047	700	35,816	1,000	178,563
Disposals	-	(88)	(18,761)	(173)	(19,022)
Reclassification	-	-	550	-	550
Balance at December 31, 2020	<u>\$ 326,047</u>	<u>\$ 155,693</u>	<u>\$ 313,715</u>	<u>\$ 37,201</u>	<u>\$ 832,656</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 55,916	\$ 251,431	\$ 33,739	\$ 341,086
Disposals	-	(88)	(18,706)	(173)	(18,967)
Depreciation expense	-	4,234	13,576	916	18,726
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 60,062</u>	<u>\$ 246,301</u>	<u>\$ 34,482</u>	<u>\$ 340,845</u>
Carrying amount at December 31, 2020	<u>\$ 326,047</u>	<u>\$ 95,631</u>	<u>\$ 67,414</u>	<u>\$ 2,719</u>	<u>\$ 491,811</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 326,047	\$ 155,693	\$ 313,715	\$ 37,201	\$ 832,656
Additions	-	975	13,963	3,780	18,718
Disposals	-	(631)	(1,953)	(3,970)	(6,554)
Reclassification	-	-	1,868	-	1,868
Balance at December 31, 2021	<u>\$ 326,047</u>	<u>\$ 156,037</u>	<u>\$ 327,593</u>	<u>\$ 37,011</u>	<u>\$ 846,688</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 60,062	\$ 246,301	\$ 34,482	\$ 340,845
Disposals	-	(631)	(1,953)	(3,970)	(6,554)
Depreciation expense	-	4,058	15,881	1,557	21,496
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 63,489</u>	<u>\$ 260,229</u>	<u>\$ 32,069</u>	<u>\$ 355,787</u>
Carrying amount at December 31, 2021	<u>\$ 326,047</u>	<u>\$ 92,548</u>	<u>\$ 67,364</u>	<u>\$ 4,942</u>	<u>\$ 490,901</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-45 years
Elevators	15-20 years
Others	5-8 years
Machinery and equipment	2-10 years
Office equipment	2-5 years
Miscellaneous equipment	2-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 24.

12. INVESTMENT PROPERTIES

Except for depreciation recognized during the year, the Corporation did not have significant addition, disposal, or impairment of investment properties for the years ended December 31, 2021 and 2020. Investment properties are depreciated on a straight-line basis over the estimated useful life of 45 years.

Management was unable to reliably measure the fair value of investment properties located at Dafeng St., Luzhu District, Taoyuan City 338028, Taiwan (ROC) because of the remote location. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Corporation determined that the fair value of the investment properties is not reliably measurable.

The investment properties of the Corporation were held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 24.

13. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings</u>		
Bank loans	\$ 190,000	\$ 190,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>280,000</u>	<u>268,000</u>
	<u>\$ 470,000</u>	<u>\$ 458,000</u>
Interest rates	0.86%	0.86%-0.88%

The secured borrowings were secured by the Corporation's land, buildings and investment properties. Refer to Note 24 for details.

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

Accounts payable are not bearing interest. The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Act, 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 Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, The Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

All the employees of the Corporation who are under the defined benefit plan have been converted to defined contribution plan in 2014. The Corporation no longer recognized cost of defined benefit since 2015.

For the years ended December 31, 2021 and 2020, the Corporation contributed \$66 thousand and \$64 thousand, respectively, to the retirement fund deposited in the Bank of Taiwan. The fair value of plan assets increased by \$91 thousand and \$196 thousand, respectively, because of the interest on the deposits.

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>142,368</u>	<u>142,368</u>
Shares issued	<u>\$ 1,423,676</u>	<u>\$ 1,423,676</u>

The issued ordinary shares, with a par value of NT\$10, carry one voting right per share and carry a right to dividends.

The authorized shares include 600 thousand shares reserved for the exercise of employee stock options.

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 (1)		
Issuance of ordinary shares	\$ 2,784,898	\$ 2,784,898
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	21,559	21,390
<u>May not be used for any purpose</u>		
Employee share options	<u>14,311</u>	<u>14,311</u>
	<u>\$ 2,820,768</u>	<u>\$ 2,820,599</u>

- 1) Such capital surplus may be used to offset a deficit; when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation 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 Corporation'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. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 18-(d).

The Corporation distributes dividends after taking into consideration its future capital needs and long-term financial plans. Where the Corporation made a profit in a fiscal year, the Corporation could propose cash dividends between 10% and 100% of distributable earnings. The shareholders may adjust the ratio of dividends to reflect the profit and the adequacy of capital.

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 30, 2021 and June 15, 2020, respectively, as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 67,706	\$ 64,995
Special reserve (reversal)	\$ (63,837)	\$ 193,847
Cash dividends	\$ 355,919	\$ 355,919
Cash dividends per share (NT\$)	\$ 2.5	\$ 2.5

The appropriations of earnings for 2021, which were proposed by the Corporation's board of directors on March 22, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	\$ 90,881
Special reserve	\$ 73,247
Cash dividends	\$ 427,103
Cash dividends per share (NT\$)	\$ 3.0

The appropriations of earnings for 2021 are subject to the resolution in the shareholders' meeting to be held on June 22, 2022.

d. Special reserve

On the initial application of IFRSs, the Corporation appropriated to special reserve the amount of \$343,684 thousand which is the same amount as the cumulative translation adjustment, and transferred it to retained earnings.

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 588,402	\$ 394,555
Appropriations (reversal)		
Appropriations (reversal) other equity items	(63,837)	193,847
Balance at December 31	\$ 524,565	\$ 588,402

17. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,779,283	\$ 1,380,641

a. Contract information

The goods are sold at the fair value of the consideration received or receivable. The Corporation eliminates the estimated customer returns, discounts and other similar discounts from the amount of goods sold to determine the revenue from sale of goods.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable and accounts receivable (Note 7)	<u>\$ 623,967</u>	<u>\$ 465,250</u>	<u>\$ 581,832</u>

c. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2021	2020
Metal stamped server parts	\$ 865,048	\$ 553,861
Metal stamped display front frame parts	349,566	336,753
Metal stamped display back cover parts	152,667	176,448
Metal stamped syringe	122,161	69,288
Others	<u>289,841</u>	<u>244,291</u>
	<u>\$ 1,779,283</u>	<u>\$ 1,380,641</u>

18. INCOME BEFORE INCOME TAX

a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2021	2020
Net foreign exchange income (loss)	\$ (12,496)	\$ 12,150
Rental income	2,022	2,022
Gain on disposal and retirement of property, plant and equipment	118	7,133
Others	<u>3,033</u>	<u>2,686</u>
	<u>\$ (7,323)</u>	<u>\$ 23,991</u>

b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2021	2020
Property, plant and equipment	\$ 21,496	\$ 18,726
Other intangible assets	19,802	34,758
Investment properties	<u>777</u>	<u>777</u>
	<u>\$ 42,075</u>	<u>\$ 54,261</u>
 An analysis of depreciation by function		
Operating costs	\$ 16,581	\$ 14,633
Operating expenses	4,915	4,093
Non-operating expenses	<u>777</u>	<u>777</u>
	<u>\$ 22,273</u>	<u>\$ 19,503</u>
 An analysis of amortization by function		
Operating costs	\$ 18,770	\$ 33,533
Operating expenses	<u>1,032</u>	<u>1,225</u>
	<u>\$ 19,802</u>	<u>\$ 34,758</u>

c. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2021	2020
Payroll expense	\$ 295,866	\$ 274,065
Labor and health insurance expense	19,219	18,751
Post-employment benefits		
Defined contribution plans	8,186	8,554
Other employee benefits	<u>10,678</u>	<u>8,873</u>
Total employee benefits expense	<u>\$ 333,949</u>	<u>\$ 310,243</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 129,558	\$ 119,690
Operating expenses	<u>204,391</u>	<u>190,553</u>
	<u>\$ 333,949</u>	<u>\$ 310,243</u>

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees at rates of no less than 1% and no higher than 15%, and remuneration of directors and supervisors at rates of no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 22, 2022 and March 23, 2021, respectively, are as follows:

Accrual rates

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	3.11%	3.29%
Remuneration of directors and supervisors	1.34%	1.88%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	<u>\$ 34,694</u>	<u>\$ 26,251</u>
Remuneration of directors and supervisors	<u>\$ 15,000</u>	<u>\$ 15,000</u>

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 140,745	\$ 78,404
Income tax on unappropriated earnings	14,845	-
Adjustments for prior years	<u>1,609</u>	<u>627</u>
	<u>157,199</u>	<u>79,031</u>
Deferred tax		
In respect of the current year	<u>1,602</u>	<u>1,026</u>
Income tax expense recognized in profit or loss	<u>\$ 158,801</u>	<u>\$ 80,057</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Income before income tax	<u>\$ 1,067,602</u>	<u>\$ 757,120</u>
Income tax expense calculated at the statutory rate	\$ 213,520	\$ 151,424
Deferred tax effect of earnings of subsidiaries	(52,196)	(71,125)
Tax-exempt income	(24,266)	(6,395)
Nondeductible expenses in determining taxable income	5,289	5,526
Adjustments for prior years' tax	1,609	627
Income tax on unappropriated earnings	<u>14,845</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 158,801</u>	<u>\$ 80,057</u>

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2021	2020
Current tax assets		
Tax refund receivable	<u>\$ 8,272</u>	<u>\$ 9,250</u>
Current tax liabilities		
Income tax payable	<u>\$ 60,989</u>	<u>\$ -</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

Temporary differences	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Unrealized amortization expense	\$ 2,256	\$ (825)	\$ 1,431
Unrealized inventory write-down	807	9	816
Unrealized exchange loss	<u>890</u>	<u>(772)</u>	<u>118</u>
	<u>\$ 3,953</u>	<u>\$ (1,588)</u>	<u>\$ 2,365</u>
Temporary differences	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax liabilities			
Unappropriated earnings of subsidiaries	\$ (200,000)	\$ -	\$ (200,000)
Defined benefit obligations	<u>(308)</u>	<u>(14)</u>	<u>(322)</u>
	<u>\$ (200,308)</u>	<u>\$ (14)</u>	<u>\$ (200,322)</u>

For the year ended December 31, 2020

Temporary differences	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Unrealized amortization expense	\$ 2,253	\$ 3	\$ 2,256
Unrealized inventory write-down	458	349	807
Unrealized exchange loss	<u>2,256</u>	<u>(1,366)</u>	<u>890</u>
	<u>\$ 4,967</u>	<u>\$ (1,014)</u>	<u>\$ 3,953</u>

Temporary differences	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax liabilities			
Unappropriated earnings of subsidiaries	\$ (200,000)	\$ -	\$ (200,000)
Defined benefit obligations	<u>(296)</u>	<u>(12)</u>	<u>(308)</u>
	<u>\$ (200,296)</u>	<u>\$ (12)</u>	<u>\$ (200,308)</u>

d. Income tax assessments

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

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings per share	<u>\$ 6.38</u>	<u>\$ 4.76</u>
Diluted earnings per share	<u>\$ 6.31</u>	<u>\$ 4.73</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Income for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Earnings used in the computation of basic earnings per share	\$ 908,801	\$ 677,063
Effect of potentially dilutive ordinary shares		
Employee shares options	-	-
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 908,801</u>	<u>\$ 677,063</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	142,368	142,368
Effect of potentially dilutive ordinary shares:		
Employee share options	1,635	894
Compensation of employees	<u> -</u>	<u> -</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>144,003</u>	<u>143,262</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will 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 effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowing offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on an annual basis. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, or the number of new shares issued or repurchased.

22. FINANCIAL INSTRUMENTS

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

The disclosures of fair value are not required for financial instruments that are not measured at fair value but with carrying value approximating fair value such as cash and cash equivalents, notes and accounts receivable, other financial asset-current, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits.

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,696</u>	<u>\$ 8,696</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ _____-	\$ _____-	\$ <u>6,775</u>	\$ <u>6,775</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

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

For the year ended December 31, 2021

	Financial Assets at Fair Value Through Other Comprehensive Income
Balance at January 1, 2021	\$ 6,775
Recognized in other comprehensive income or loss	<u>1,921</u>
Balance at December 31, 2021	\$ <u>8,696</u>

For the year ended December 31, 2020

	Financial Assets at Fair Value Through Other Comprehensive Income
Balance at January 1, 2020	\$ 10,343
Recognized in other comprehensive income or loss	<u>(3,568)</u>
Balance at December 31, 2020	\$ <u>6,775</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

For the domestic non-listed stocks held by the Corporation and measured at fair value, such fair value is determined by referring to the observable market price or to the comparable company.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,006,554	\$ 681,949
Financial assets at fair value through other comprehensive income or loss	8,696	6,775
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,146,573	921,079

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other financial assets - current, other receivables (recognized as other current assets) and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, receipts under custody (recognized as other current liabilities) and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, accounts receivable, accounts payable and borrowings. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporation's treasury function reports quarterly to the Corporation's board of directors.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rate (see (b) below).

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

a) Foreign currency risk

The Corporation has foreign currency denominated sales and purchases, which expose the Corporation to foreign currency risk. Approximately 85% of sales and almost 48% of costs are denominated in currencies other than the functional currency of the Corporation.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities are set out in Note 26.

The Corporation is mainly exposed to the U.S. dollar.

The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the U.S. dollar. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the U.S. dollar. For a 1% weakening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss*	\$ 5,639	\$ 3,701

* The result was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollar that were not hedged at the end of the reporting period.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrow funds at fixed interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 289,744	\$ 139,439
Financial liabilities	470,000	458,000
Cash flow interest rate risk		
Financial assets	84,733	69,269

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$193 thousand and \$103 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes. The Corporation does not actively trade these investments.

The sensitivity analysis based on the exposure to equity price risks at the end of the reporting period: If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$87 thousand and \$68 thousand, respectively, as a result of the changes in financial assets at fair value through other comprehensive income.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to mitigate credit risk, the management of the Corporation has delegated qualified personnel in accordance with the segregation of duties principle to be 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 Corporation reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

Since the counterparty of current funds is a financial institution with a good credit rating, the Corporation does not expect any material credit risk.

The Corporation's concentration of credit risk of 63% and 72% of total accounts receivable as of December 31, 2021 and 2020, respectively, was attributable to the Corporation's three largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation'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.

	December 31	
	2021	2020
Unsecured bank loan facilities*		
Amount used	\$ 280,000	\$ 268,000
Amount unused	<u>670,000</u>	<u>682,000</u>
	<u>\$ 950,000</u>	<u>\$ 950,000</u>
Secured bank loan facilities*		
Amount used	\$ 190,000	\$ 190,000
Amount unused	<u>150,000</u>	<u>150,000</u>
	<u>\$ 340,000</u>	<u>\$ 340,000</u>

* Including the amount signed by the Corporation and its subsidiaries and the bank.

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years
Non-interest bearing	\$ 171,324	\$ 504,419	\$ -	\$ 830
Fixed interest rate borrowings	<u>470,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 641,567</u>	<u>\$ 504,419</u>	<u>\$ -</u>	<u>\$ 830</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years
Non-interest bearing	\$ 126,907	\$ 335,572	\$ -	\$ 600
Fixed interest rate borrowings	<u>458,232</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 585,139</u>	<u>\$ 335,572</u>	<u>\$ -</u>	<u>\$ 600</u>

23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Chia Chang Technology (Suzhou) Co., Ltd.	Subsidiary
Ningbo Chia Chang Electronics Hardware Co., Ltd.	Subsidiary
Quan Rui (Dong Guan) Industrial Co., Ltd.	Subsidiary
Chia Development Co., Ltd.	Subsidiary
CHIA CORPORATION	Subsidiary
GOLDSKY ENTERPRISE LIMITED	Subsidiary
Energy Magic Co., Ltd.	Subsidiary

b. Operating revenue

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
Sales revenue	Subsidiary	<u>\$ -</u>	<u>\$ 898</u>

Sales to related parties were made at prices similar to those of general transactions. The collection terms for related parties are 60-180 days from the end of the month. The collection terms for non-related parties are 150-180 days from the end of the month. Other requirements of trading are equivalent to the general non-related party transaction.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiary	\$ <u>33,943</u>	\$ <u>608</u>

The transaction terms for related parties are equivalent to the general non-related party.

d. Accounts payable

Line Item	Related Party Category	December 31	
		2021	2020
Accounts payable	Subsidiary	\$ <u>25,514</u>	\$ <u>320</u>

The outstanding accounts payable to related parties are unsecured.

e. Other transactions

Related Party Category	December 31	
	2021	2020
<u>Other receivables (recognized as other current assets)</u>		
GOLDSKY ENTERPRISE LIMITED	\$ <u>-</u>	\$ <u>12</u>
<u>Receipts under custody (recognized as other current liabilities)</u>		
GOLDSKY ENTERPRISE LIMITED	\$ <u>23,735</u>	\$ <u>29,008</u>

Related Party Category	For the Year Ended December 31	
	2021	2020
<u>Rental receipts</u>		
Subsidiary	\$ <u>96</u>	\$ <u>96</u>
<u>Other income</u>		
Subsidiary	\$ <u>708</u>	\$ <u>910</u>

f. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 76,131	\$ 65,394
Post-employment benefits	<u>940</u>	<u>944</u>
	\$ <u>77,071</u>	\$ <u>66,338</u>

24. PLEDGED AND MORTGAGED ASSETS

The following assets were provided to financial institution as collateral for bank borrowings, endorsements/guarantees and short-term bills payable:

	<u>December 31</u>	
	2021	2020
Property, plant and equipment		
Land	\$ 185,000	\$ 185,000
Buildings	92,548	95,631
Investment properties	<u>54,768</u>	<u>55,545</u>
	<u>\$ 332,316</u>	<u>\$ 336,176</u>

25. MATERIAL CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Corporation at the ceiling amounts of guarantees to subsidiaries were as follows:

Subsidiary	Line of Credit	Drawdown
GOLDSKY ENTERPRISE LIMITED	\$ 498,240 (US\$ 18,000)	\$ _____ -
CHIA CORPORATION	\$ 1,384,000 (US\$ 50,000)	\$ _____ -

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	US\$ 27,410	27.680 (USD:NTD)	\$ 758,701
RMB	RMB 1	4.3415 (RMB:NTD)	4
Non-monetary items			
Investment accounted by using equity method			
USD	US\$ 25,887	27.680 (USD:NTD)	716,559
RMB	RMB1,475,423	4.3415 (RMB:NTD)	6,405,548
<u>Financial liabilities</u>			
Monetary items			
USD	US\$ 7,037	27.680 (USD:NTD)	194,771

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	US\$ 17,260	28.480 (USD:NTD)	\$ 491,573
RMB	RMB 18,259	4.3648 (RMB:NTD)	79,700
Non-monetary items			
Investment accounted by using equity method			
USD	US\$ 28,212	28.480 (USD:NTD)	803,465
RMB	RMB1,401,478	4.3648 (RMB:NTD)	6,117,170
<u>Financial liabilities</u>			
Monetary items			
USD	US\$ 4,265	28.480 (USD:NTD)	121,471

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate (Functional Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Functional Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	28.009 (USD:NTD)	\$ (12,209)	29.516 (USD:NTD)	\$ 8,827
RMB	4.3415 (RMB:NTD)	(287)	4.2776 (RMB:NTD)	3,323
		<u>\$ (12,496)</u>		<u>\$ 12,150</u>

27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
- 4) Marketable securities acquired or 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 at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 9) Trading in derivative instruments: None
- b. Information of investees: Table 4
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
 - 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 year: None
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None
 - 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 year and the purposes: Table 2
 - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

CHIA CHANG 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. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	GOLDSKY ENTERPRISES LIMITED	Chia Chang Co., Ltd.	Other receivables	Yes	\$ 60,000	\$ 60,000	\$ -	-	Short-term financing	Not applicable	Operating capital	\$ -	-	-	\$ 143,299 (US\$ 5,177)	\$ 286,599 (US\$ 10,354)
2	CHIA CORPORATION	Chia Chang Co., Ltd.	Other receivables	Yes	600,000	600,000	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	1,281,107 (RMB 295,084)	2,562,219 (RMB 590,169)
		Nanjing Chia-Chan Precious Electronics Co., Ltd.	Other receivables	Yes	55,360 (US\$ 2,000)	55,360 (US\$ 2,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	1,281,107 (RMB 295,084)	2,562,219 (RMB 590,169)
		Chia Chang Technology (Chong Qing) Co., Ltd	Other receivables	Yes	193,760 (US\$ 7,000)	193,760 (US\$ 7,000)	21,708 (US\$ 5,000)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	1,281,107 (RMB 295,084)	2,562,219 (RMB 590,169)
3	Chia Chang Technology (Suzhou) Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd	Other receivables	Yes	260,490 (RMB 60,000)	260,490 (RMB 60,000)	86,830 (RMB 20,000)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	633,694 (RMB 145,962)	1,267,392 (RMB 291,925)
4	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd	Other receivables	Yes	86,830 (RMB 20,000)	86,830 (RMB 20,000)	65,123 (RMB 15,000)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	148,145 (RMB 34,123)	592,580 (RMB 136,492)
		Chia Chang Technology (Suzhou) Co., Ltd.	Other receivables	Yes	86,830 (RMB 20,000)	86,830 (RMB 20,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	148,145 (RMB 34,123)	592,580 (RMB 136,492)
5	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd	Other receivables	Yes	43,415 (RMB 10,000)	43,415 (RMB 10,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	61,905 (RMB 14,259)	247,630 (RMB 57,038)
		Chia Chang Technology (Suzhou) Co., Ltd.	Other receivables	Yes	43,415 (RMB 10,000)	43,415 (RMB 10,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	61,905 (RMB 14,259)	247,630 (RMB 57,038)

Note 1: The limit for lending to each borrower is as follows:

- For companies with transactions and short-term funding needs, the amount for lending to a company shall not exceed 2% of the net equity of the Corporation based on its latest financial statements. The total amount for lending shall not exceed 5% of the net equity of the Corporation based on its latest financial statements.
- For associates with short-term funding needs, in which the Corporation holds less than 100% of the voting shares of each associate, the amount for lending shall not exceed 10% of the net equity of the associate. For associates with short-term funding needs, in which the Corporation holds 100% of the voting shares of each associate, the amount for lending shall not exceed 20% of the net equity of the associate.

Note 2: The total amount for lending shall not exceed 40% of the net equity of the Corporation based on its latest financial statements.

CHIA CHANG CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Relationship										
0	Chia Chang Co., Ltd.	GOLDSKY ENTERPRISES LIMITED	Note 1	\$ 3,983,738	\$ 498,240 (US\$ 18,000)	\$ 498,240 (US\$ 18,000)	\$ -	\$ -	6.25%	\$ 3,983,738	Yes	No	No
		CHIA CORPORATION	Note 1	3,983,738	1,384,000 (US\$ 50,000)	1,384,000 (US\$ 50,000)	-	692,000 (US\$ 25,000)	17.37%		Yes	No	No
1	Chia Chang Technology (Suzhou) Co., Ltd.	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Note 1	3,983,738	86,830 (RMB 20,000)	86,830 (RMB 20,000)	-	-	1.09%	3,983,738	No	No	Yes
		Chia Chang Technology (Chong Qing) Co., Ltd	Note 1	3,983,738	260,490 (RMB 60,000)	260,490 (RMB 60,000)	-	-	3.27%		No	No	Yes
2	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Note 1	3,983,738	86,830 (RMB 20,000)	86,830 (RMB 20,000)	-	-	1.09%	3,983,738	No	No	Yes
		Chia Chang Technology (Chong Qing) Co., Ltd	Note 1	3,983,738	86,830 (RMB 20,000)	86,830 (RMB 20,000)	-	-	1.09%		No	No	Yes

Note 1: Subsidiary in which the Corporation directly or indirectly owns more than 50% of its voting shares.

Note 2: According to the Corporation's endorsement/guarantee operating procedures, the total amount of guarantee provided by the Corporation to any individual entity shall not exceed 2% of the Corporation's net equity based on its latest financial statements, except for the guarantee provided to any entity whose voting shares are 100% owned. The total balance of guarantee shall not exceed 50% of the Corporation's net equity based on its latest financial statements.

CHIA CHANG CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (Units in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chia Chang Co., Ltd.	<u>Ordinary share(s)</u> Chimei Motor Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non current	1,372	\$ 8,696	7.22	\$ 8,696	Notes 1 and 2
TARCOOLA TRADING LIMITED	<u>Mutual fund(s)</u> FSITC RMB Money Market Fund-RMB	None	Financial assets at fair value through profit or loss - current	1	45	-	45	Notes 1 and 2
Chia Development Co., Ltd.	<u>Ordinary share(s)</u> WK Technology Fund IX Ltd.	One of the Corporation's key management personnel is one of its supervisors	Financial assets at fair value through other comprehensive income - non current	7,690	155,386	7.69	155,386	Notes 1 and 2

Note 1: The unlisted stocks mentioned above are calculated using a valuation method at fair value, and the mutual fund is calculated at net value on December 31, 2021.

Note 2: The securities held at end of period have not been provided as collateral or pledged for loans.

TABLE 4

CHIA CHANG 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)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Chia Chang Co., Ltd.	CHIA CORPORATION	Samoa	Investment holdings	\$ 1,513,766	\$ 1,513,766	46,740	100.00	\$ 6,405,548	RMB 202,300	\$ 878,288	Subsidiary
	GOLDSKY ENTERPRISES LIMITED	Samoa	International trade	33,892	33,892	15	100.00	716,559	US\$ (24)	(681)	Subsidiary
	Chia Development Co., Ltd.	Taoyuan, Taiwan	New business development and investment	263,564	263,564	19,784	100.00	417,605	121,892	121,892	Subsidiary
	Zen Material Technology Inc.	Kaohsiung, Taiwan	Electronic components production	92,950	92,950	1,334	46.01	-	(1,336)	(55)	Associate
	Top Taiwan VIII Venture Capital Co., Ltd.	Taipei, Taiwan	Investment business	50,000	-	5,000	6.17	49,609	(6,326)	(505)	Associate
CHIA CORPORATION	TARCOOLA TRADING LIMITED	British Virgin Islands	Investment holdings	US\$ 30,589	US\$ 30,589	37,100	100.00	RMB 730,275	RMB 115,370	Not applicable	Subsidiary
	HUGE LINE INTERNATIONAL LIMITED	Samoa	Investment holdings	US\$ 11,400	US\$ 11,400	11,601	100.00	RMB 483,982	RMB 82,613	Not applicable	Subsidiary
	CHIAPEX HOLDING LIMITED	Samoa	Investment holdings	US\$ 4,911	US\$ 4,911	4,851	100.00	RMB 9,589	RMB 53	Not applicable	Subsidiary
	CHIA-RUI HOLDING LIMITED	Samoa	Investment holdings	US\$ 23,807	US\$ 23,807	23,659	100.00	RMB 53,633	RMB (165)	Not applicable	Subsidiary
Chia Development Co., Ltd	Energy Magic Co., Ltd.	Taoyuan, Taiwan	Electronic components production	15,496	15,496	1,500	50.00	6,064	(1,414)	Not applicable	Subsidiary
	Top Taiwan IX Venture Capital Co., Ltd.	Taipei, Taiwan	Investment business	100,000	100,000	10,000	12.50	253,199	882,490	Not applicable	Associate

Note: Information on investments in mainland China is referred to Table 5.

CHIA CHANG 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	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outward	Inward						
Chia Chang Technology (Suzhou) Co., Ltd.	Production and sale of IT and optronics metal stamped components	\$ 1,247,482 (RMB 287,339)	Indirect investment in TARCOOLA TRADING LIMITED through CHIA CORPORATION, with the former investing operating funds	\$ 834,248 (US\$ 30,139)	\$ -	\$ -	\$ 834,248 (US\$ 30,139)	\$ 480,218 (RMB 110,611)	100.00%	\$ 480,218 (RMB 110,611)	\$ 3,168,487 (RMB 729,814)	\$ 734,070 (RMB 169,082)
Ningbo Chia Chang Electronics Hardware Co., Ltd.	Production and sale of IT and optronics metal stamped components	298,634 (RMB 68,786)	Indirect investment in HUGE LINE INTERNATIONAL LIMITED through CHIA CORPORATION, with the former investing operating funds	177,152 (US\$ 6,400)	-	-	177,152 (US\$ 6,400)	272,994 (RMB 62,880)	100.00%	272,994 (RMB 62,880)	1,481,454 (RMB 341,231)	896,502 (RMB 206,496)
Quan Rui (Dong Guan) Industrial Co., Ltd.	Production and sale of IT and optronics metal stamped components	330,427 (RMB 76,109)	Indirect investment in CHIA-RUI HOLDING LIMITED through CHIA CORPORATION, with the former investing operating funds	145,320 (US\$ 5,250)	-	-	145,320 (US\$ 5,250)	(373) (RMB -86)	100.00%	(373) (RMB -86)	217,995 (RMB 50,212)	55,962 (RMB 12,890)
Nanjing Chia-Chan Precious Electronics Co., Ltd.	Production and sale of IT and optronics metal stamped components	308,138 (RMB 70,975)	Indirect investment in HUGE LINE INTERNATIONAL LIMITED through CHIA CORPORATION, with the former investing operating funds	-	-	-	-	85,688 (RMB 19,737)	100.00%	85,688 (RMB 19,737)	619,081 (RMB 142,596)	83,227 (RMB 19,170)
Chia Chang Technology (Chong Qing) Co., Ltd.	Production and sale of IT and optronics metal stamped components	130,245 (RMB 30,000)	Through Chia Chang Technology (Suzhou) Co., Ltd. invest operating funds	-	-	-	-	10,359 (RMB 2,386)	100.00%	10,359 (RMB 2,386)	64,732 (RMB 14,910)	-
Chia Chain Precious Hardware & Electronics (Suzhou) Co., Ltd.	Production and sale of IT and optronics metal stamped components	152,803 (RMB 35,196)	Indirect investment in CHIAPEX HOLDING LIMITED through CHIA CORPORATION, with the former investing operating funds	135,936 (US\$ 4,911)	-	-	135,936 (US\$ 4,911)	(11,818) (RMB -2,722)	49.00%	-	-	310,565 (RMB 71,534)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 1,292,656 (US\$ 46,700)	\$ 3,658,881 (US\$ 132,185)	\$ 4,780,486 (Note 2)

Note 1: Except Chia Chain Precious Hardware & Electronics (Suzhou) Co., Ltd., the share of profit or loss and other comprehensive income of the investments were based on the associates' audited financial statements for the same period.

Note 2: The investment limit is 60% of the Corporation's net equity.

TABLE 6**CHIA CHANG CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yung Hsiang Investment CO., LTD.	13,438,441	9.43
Hsin Ho Investment CO., LTD.	11,785,492	8.27

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

CHIA CHANG CO., LTD.

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CHIA CHANG CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Abstract	Amount
Bank deposits		
Foreign currency time deposits	US\$8,300 thousand, translated at the exchange rate of 27.680	\$ 229,744
Foreign currency demand deposits	US\$1,878 thousand, translated at the exchange rate of 27.680 and RMB1 thousand, translated at the exchange rate of 4.3415	51,978
Demand deposits		32,566
Check deposits		189
Cash on hand		<u>6</u>
		<u>\$ 314,483</u>

CHIA CHANG CO., LTD.

STATEMENT OF NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Customer	Amount
Notes receivable	Others (Note)	\$ <u>578</u>
Accounts receivable	Company A	185,570
	Company B	131,240
	Company C	74,935
	Company D	49,555
	Company E	37,020
	Company F	32,204
	Others (Note)	<u>112,865</u>
		<u>623,389</u>
		<u>\$ 623,967</u>

Note: The balance of each customer does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Book Value	Net Realizable Value
Finished goods	\$ 56,228	\$ 76,310
Work in process	49,080	77,716
Raw materials	<u>56,381</u>	<u>58,137</u>
	<u>\$ 161,689</u>	<u>\$ 212,163</u>

Note 1: The inventories are insured for \$50,000 thousand.

Note 2: Please refer to Note 4-(e) for the method of determining the net realizable value of inventories.

CHIA CHANG CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Name	January 1, 2021		Increase During the Year		Decrease During the Year		December 31, 2021		Collateral	Note
	Number of Shares	Fair Value	Shares	Amount	Shares	Amount	Number of Shares	Fair Value		
Chimei Motor Electronics Co., Ltd.	1,372	\$ 6,775	-	\$ 1,921	-	\$ -	1,372	\$ 8,696	None	Ordinary shares (Note)

Note: Increase during the year is recognized gain on valuation.

CHIA CHANG CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2021			Increase During the Year (Note 1)		Decrease During the Year (Note 2)		Balance, December 31, 2021			Market Price or Net Asset Value (Note 3)		Collateral
	Shares (Thousand)	Ownership	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Ownership	Amount	Unit Price	Amount	
CHIA CORPORATION	46,740	100.00%	\$ 6,117,170	-	\$ 878,288	-	\$ 589,910	46,740	100.00%	\$ 6,405,548	\$ 137.05	\$ 6,405,548	None
GOLDSKY ENTERPRISES LIMITED	15	100.00%	803,465	-	3,578	-	90,484	15	100.00%	716,559	47,770.60	716,559	None
Chia Development Co., Ltd.	19,784	100.00%	330,331	-	106,274	-	19,000	19,784	100.00%	417,605	21.11	417,605	None
Zen Material Technology Inc.	3,148	48.86%	-	-	-	1,814	-	1,334	46.01%	-	-	-	None
Top Taiwan VIII Venture Capital Co., Ltd.	-	-	-	5,000	50,000	-	391	5,000	6.17%	49,609	-	49,609	None
			<u>\$ 7,250,966</u>		<u>\$ 1,038,140</u>		<u>\$ 699,785</u>			<u>\$ 7,589,321</u>		<u>\$ 7,589,321</u>	

Note 1: It includes the acquisition of investments under the equity method, profit on investments accounted for using the equity method, share of other comprehensive gains and losses, and foreign currency translation adjustments.

Note 2: It includes loss on investments accounted for using the equity method, foreign currency translation adjustments, capital reduction for offsetting accumulated deficits, adjustments to additional paid-in capital due to change in shareholding percentage and cash dividends.

Note 3: Except Zen Material Technology Inc., the share of profit or loss and other comprehensive income of the investments were based on the associates' audited financial statements for the same period.

CHIA CHANG CO., LTD.

STATEMENT OF CHANGES IN INVESTMENT PROPERTIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2021		Increase During the Year		Decrease During the Year		Balance, December 31, 2021		Note
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value	
Land	\$ 42,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,016	\$ -	Note 1
Buildings	<u>38,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,392</u>	<u>-</u>	Notes 1 and 2
	<u>\$ 80,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,408</u>	<u>\$ -</u>	

Note 1: The investment properties pledged as collateral for bank borrowings are referred to Note 24.

Note 2: Investment properties are depreciated on a straight-line basis over their useful life of 45 years.

CHIA CHANG CO., LTD.

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF INVESTMENT
PROPERTIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Balance, January 1, 2021	Increase During the Year	Decrease During the Year	Balance, December 31, 2021	Note
Buildings	<u>\$ 24,863</u>	<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 25,640</u>	

CHIA CHANG CO., LTD.**STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Types of Borrowing and Creditors	Borrowing Period	Annual Rate of Interest	Ending Balance	Credit Line (Note)	Collateral
Revolving loan					
First Commercial Bank	2022.1.7	0.86%	\$ 190,000	\$ 190,000	Yes
First Commercial Bank	2022.1.7	0.86%	200,000	410,000	No
E.SUN Commercial Bank	2022.1.20	0.86%	<u>80,000</u>	300,000	No
Total short-term borrowings			<u>\$ 470,000</u>		

Note: The Corporation's short-term borrowings financing amount.

CHIA CHANG CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Manufacturer	Amount
Unrelated parties	
Lonfon Enterprises Co., Ltd.	\$ 36,951
Wei Yu Precision Co., Ltd.	30,020
Sharp River Fastener Industrial Co.	13,403
Others (Note)	<u>110,129</u>
	<u>\$ 190,503</u>

Note: The balance of each manufacturer does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Manufacturer	Amount
Related parties	
Chia Chang Technology (Suzhou) Co., Ltd.	\$ 25,514
Unrelated parties	
Ingrasys Technology Inc.	150,332
Others (Note)	<u>114,335</u>
	<u>264,667</u>
	<u>\$ 290,181</u>

Note: The balance of each manufacturer does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Unrelated parties	
Payable for salaries or bonuses	\$ 82,836
Payable for compensation of employees	34,694
Payable for remuneration of directors and supervisors	15,000
Others (Note)	<u>38,794</u>
	<u>\$ 171,324</u>

Note: The balance of each item does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

**STATEMENT OF SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Quantity (Pcs)	Amount
Metal stamped server parts	2,859,071	\$ 865,048
Metal stamped display front frame parts	9,419,645	349,566
Metal stamped display back cover parts	6,923,453	152,667
Metal stamped syringe	27,890,160	122,161
Others (Note)	6,288,148	<u>289,841</u>
		<u>\$ 1,779,283</u>

Note: The balance of each item in others does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

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

Item	Amount
Raw materials	
Balance, January 1, 2021	\$ 32,739
Add: Raw materials purchased	739,597
Less: Raw materials, end of year	(58,823)
Sales of raw materials	(10,911)
Transfer to other accounts	(5,237)
Raw materials consumed	697,365
Add: Direct labor cost	76,395
Manufacturing expenses	244,451
Manufacturing costs	1,018,211
Add: Work in process, beginning of year	29,090
Purchases of work in process	298,838
Less: Work in process, end of year	(49,921)
Sales of work in process	(3,122)
Transfer to other accounts	(747)
Costs of finished goods	1,292,349
Add: Finished goods, beginning of year	23,027
Purchases of finished goods	167,554
Other accounts transfer in	7,130
Less: Finished goods, end of year	(57,030)
Cost of sales of finished goods	1,433,030
Cost of sales of raw materials	10,911
Cost of sales of work in process	3,122
Allowance for inventory valuation loss	46
	<u>\$ 1,447,109</u>

Note: Each inventory item at the beginning and end of each year in the above table is listed at original cost.

CHIA CHANG CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing	General and Administrative Expense	Research and Development Expenses	Total
Payroll	\$ 20,243	\$ 140,070	\$ 25,496	\$ 185,809
Others (Note)	<u>15,869</u>	<u>36,788</u>	<u>15,772</u>	<u>68,429</u>
Total	<u>\$ 36,112</u>	<u>\$ 176,858</u>	<u>\$ 41,268</u>	<u>\$ 254,238</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

CHIA CHANG CO., LTD.

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

	2021				2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total
Employee benefits expense								
Salary	\$ 110,057	\$ 173,059	\$ -	\$ 283,116	\$ 101,463	\$ 159,882	\$ -	\$ 261,345
Board directors' compensation	-	12,750	-	12,750	-	12,720	-	12,720
Labor and health insurance	9,133	10,086	-	19,219	8,944	9,807	-	18,751
Pension	3,342	4,844	-	8,186	3,506	5,048	-	8,554
Others	7,026	3,652	-	10,678	5,777	3,096	-	8,873
	<u>\$ 129,558</u>	<u>\$ 204,391</u>	<u>\$ -</u>	<u>\$ 333,949</u>	<u>\$ 119,690</u>	<u>\$ 190,553</u>	<u>\$ -</u>	<u>\$ 310,243</u>
Depreciation	\$ 16,581	\$ 4,915	\$ 777	\$ 22,273	\$ 14,633	\$ 4,093	\$ 777	\$ 19,503
Amortization	\$ 18,770	\$ 1,032	\$ -	\$ 19,802	\$ 33,533	\$ 1,225	\$ -	\$ 34,758

Note 1: As of December 31, 2021 and 2020, the Corporation had 284 and 307 employees, respectively. Both non-employee directors were 4.

Note 2: The average employee benefit expense in 2021 was \$1,147 thousand ("Total employee benefit expense in the previous year - total remuneration for directors" ÷ "Number of employees in the current year - number of non-employee directors").
The average employee benefit expense in 2020 was \$982 thousand ("Total employee benefit expense in the previous year - total remuneration for directors" ÷ "Number of employees in the previous year - number of non-employee directors").

Note 3: The average employee salary expense in 2021 was \$1,011 thousand. ("Total salary expense in the current year" ÷ "Number of employees in the current year - number of non-employee directors").
The average employee salary expense in 2020 was \$863 thousand. ("Total salary expense in the previous year" ÷ "Number of employees in the current year - number of non-employee directors").

Note 4: The change in adjustment to the average employee salary expense is a decrease by approximately 17.15% ("Average employee salary expense in the current year - average employee salary expense in the previous year" ÷ "Average employee salary expense in the previous year").

Note 5: The compensation of supervisors were both \$3,240 thousand in 2021 and 2020.

Note 6: When all directors and supervisors perform their duties in the Corporation, their compensation is authorized by the board of directors to negotiate on the basis of their participation in the Corporation's operations and the value of their contributions, which is not exceeding the highest salary scale stipulated in the Corporation's salary assessment regulations. If the Corporation made a profit in a fiscal year, the Corporation contributed 1%-15% of the profit as compensation of employees, and less than 5% of the profit as remuneration of directors and supervisors. However, if the Corporation has accumulated deficits, the profit when generated shall be first reserved for offsetting accumulated deficits. Compensation of employees in stock or cash shall be paid to employees including employees of subordinate companies that meet certain conditions, and authorized by the board of directors.