Kaori Heat Treatment 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
Kaori Heat Treatment Co., Ltd.

Opinion

We have audited the accompanying financial statements of Kaori Heat Treatment Co., Ltd. (the "Company"), 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Revenue is derived from the export of thermal products, mainly through overseas warehouse. Revenue is recognized mainly based on the inventory reports and contracts provided by the warehouse.

In 2021, the sales revenue from the overseas warehouse was $416,541 thousand, 20% of total revenue; therefore, we considered the occurrence of revenue derived from the overseas warehouse as a key audit matter.

The key audit procedures that we performed in respect of sales derived from specific products included the following:

1. We tested and obtained an understanding of the appropriateness of the design and implementation of internal control system that is related to revenue recognition.

2. We selected samples from inventory details of overseas warehouse, and verified the inventory book amount to the warehouse inventory amount, along with the field observation results.

3. We sampled the 2021 sales from overseas warehouse, and verified related vouchers to test 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the 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 the entities or business activities within the Company 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 Wen-Hsiang Chen and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 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.

KAORI HEAT TREATMENT CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 26)	$ 455,205	14	$ 448,950	13
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	41,676	1	44,262	1
Notes receivable (Notes 10 and 26)	16,167	1	13,499	-
Trade receivables (Notes 10 and 26)	282,081	8	337,780	10
Trade receivables from related parties (Notes 26 and 27)	14,276	-	14,931	1
Other receivables (Notes 10 and 26)	10,943	-	84	-
Inventories (Note 11)	530,145	16	558,781	16
Other current assets	63,077	2	24,702	1
Total current assets	1,413,570	42	1,442,989	42
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	88,432	3	124,846	4
Financial assets at amortized cost - noncurrent (Note 9)	35,816	1	-	-
Investments accounted for using equity method (Note 12)	216,108	6	267,547	8
Property, plant and equipment (Notes 13 and 28)	1,565,526	46	1,564,467	45
Right-of-use assets (Note 14)	6,085	-	3,661	-
Investment properties (Notes 15 and 28)	24,424	1	25,523	1
Deferred tax assets (Note 23)	14,463	-	18,081	-
Other non-current assets	24,410	1	11,398	-
Net defined benefit assets - non-current (Notes 4 and 19)	461	-	-	-
Total non-current assets	1,975,725	58	2,015,523	58
TOTAL	$ 3,389,295	100	$ 3,458,512	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16 and 26)	$ 620,000	18	$ 470,000	14
Short-term notes payable (Notes 16 and 26)	-	-	119,960	3
Notes payable (Note 26)	959	-	124,874	4
Trade payables (Note 26)	183,578	6	36,897	1
Other payables (Notes 17 and 26)	148,802	5	127,995	4
Current tax liabilities (Notes 4 and 23)	13,143	-	27,998	1
Lease liabilities - current (Note 14)	2,715	-	2,086	-
Current portion of long-term borrowings (Notes 16 and 26)	78,125	2	50,786	1
Other current liabilities	46,853	1	20,052	-
Total current liabilities	1,094,175	32	980,648	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 26 and 28)	393,827	12	500,702	14
Provisions - non-current (Note 18)	1,248	-	3,000	-
Deferred income tax liabilities (Note 23)	11,564	-	27,321	1
Lease liabilities - non-current (Note 14)	3,398	-	1,597	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	23,337	1
Guarantee deposits received	244	-	244	-
Total non-current liabilities	410,281	12	556,201	16
Total liabilities	1,504,456	44	1,536,849	44
EQUITY (Note 20)				
Share capital				
Ordinary shares	893,841	27	893,841	26
Capital surplus	593,414	18	593,414	17
Retained earnings				
Legal reserve	175,303	5	158,653	4
Special reserve	-	-	63,254	2
Unappropriated earnings	209,856	6	166,581	5
Total retained earnings	385,159	11	388,488	11
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	9,896	-	40,538	2
Exchange differences on translating the financial statements of foreign operations	2,529	-	5,382	-
Total other equity	12,425	-	45,920	2
Total equity	1,884,839	56	1,921,663	56
TOTAL	$ 3,389,295	100	$ 3,458,512	100

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

KAORI HEAT TREATMENT 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**	**%**
REVENUE (Notes 4, 21 and 27)	$ 2,087,001	100	$ 1,994,993	100
COST OF GOODS SOLD (Notes 11, 22 and 27)	1,570,171	75	1,502,059	75
GROSS PROFIT	516,830	25	492,934	25
UNREALIZED GAIN ON ASSOCIATES/AND JOINT VENTURES	(2,549)	-	(3,882)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES/AND JOINT VENTURES	3,882	-	3,922	-
REALIZED GROSS PROFIT	518,163	25	492,974	25
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	99,568	5	90,556	5
General and administrative expenses	165,519	8	165,131	8
Research and development expenses	68,481	3	77,051	4
Expected credit loss (reversal)	(777)	-	667	-
Total operating expenses	332,791	16	333,405	17
PROFIT FROM OPERATIONS	185,372	9	159,569	8
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	520	-	1,368	-
Other income	4,983	-	10,259	-
Other gains and losses	(33,749)	(2)	(23,049)	(1)
Finance costs	(10,330)	-	(8,706)	-
Share of profit of subsidiaries	36,564	2	10,984	1
Total non-operating income and expenses	(2,012)	-	(9,144)	-
PROFIT BEFORE INCOME TAX	183,360	9	150,425	8
INCOME TAX EXPENSE (Notes 4 and 23)	34,204	2	37,901	2
NET PROFIT FOR THE YEAR	149,156	7	112,524	6

(Continued)

KAORI HEAT TREATMENT 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 (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (665)	-	$ (5,723)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(36,414)	(2)	189,355	9
Income tax related to items that will not be reclassified subsequently to profit or loss	5,905	1	(25,065)	(1)
	(31,174)	(1)	158,567	8
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(2,853)	-	4,583	-
Other comprehensive income (loss) for the year, net of income tax	(34,027)	(1)	163,150	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 115,129	6	$ 275,674	14
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 1.67		$ 1.26	
Diluted	$ 1.67		$ 1.26	

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

KAORI HEAT TREATMENT CO., LTD.

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

				Retained Earnings			Others		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2020	89,384	$ 893,841	$ 631,849	$ 142,839	$ 60,733	$ 158,749	$ (64,053)	$ 799	$ 1,824,757
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,814	-	(15,814)	-	-	-
Special reserve	-	-	-	-	2,521	(2,521)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(140,333)	-	-	(140,333)
Other changes in capital surplus									
Cash distribution from additional paid-in capital	-	-	(38,435)	-	-	-	-	-	(38,435)
Net profit for the year ended December 31, 2020	-	-	-	-	-	112,524	-	-	112,524
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(4,578)	163,145	4,583	163,150
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	107,946	163,145	4,583	275,674
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	58,554	(58,554)	-	-
BALANCE AT DECEMBER 31, 2020	89,384	893,841	593,414	158,653	63,254	166,581	40,538	5,382	1,921,663
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,650	-	(16,650)	-	-	-
Special reserve	-	-	-	-	(63,254)	63,254	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(151,953)	-	-	(151,953)
Net profit for the year ended December 31, 2021	-	-	-	-	-	149,156	-	-	149,156
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(532)	(30,642)	(2,853)	(34,027)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	148,624	(30,642)	(2,853)	115,129
BALANCE AT DECEMBER 31, 2021	89,384	$ 893,841	$ 593,414	$ 175,303	$ -	$ 209,856	$ 9,896	$ 2,529	$ 1,884,839

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

KAORI HEAT TREATMENT 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	$ 183,360	$ 150,425
Adjustments for:		
Depreciation expense	102,101	103,854
Amortization expense	4,161	4,874
Expected credit loss (reversal)	(777)	667
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(1,000)	(5,042)
Finance costs	10,330	8,706
Interest income	(520)	(1,368)
Share of gain of subsidiaries	(36,564)	(10,984)
(Gain) loss on disposal of property, plant and equipment	(76)	708
Write-down of inventories	3,734	9,360
Unrealized gain on the transactions with subsidiaries	2,549	3,882
Realized gain on the transactions with subsidiaries	(3,882)	(3,922)
Gain on lease modification	(7)	-
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	2,486	(27,454)
Notes receivable	(2,681)	313
Trade receivables	56,489	(87,849)
Trade receivables from related parties	655	(5,245)
Other receivables	(10,859)	45
Inventories	24,902	(56,963)
Other current assets	(38,375)	(2,374)
Net defined benefit assets	(461)	-
Notes payable	(123,915)	20,283
Trade payables	146,681	7,664
Trade payables to related parties	-	(96)
Other payables	21,014	(24,498)
Provisions	(1,752)	-
Other current liabilities	26,801	1,112
Defined benefit liabilities - non-current	(24,002)	3,306
Cash generated from operations	340,392	89,404
Interest paid	(10,220)	(8,613)
Income tax paid	(55,293)	(38,246)
Net cash generated from operating activities	274,879	42,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(32,949)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	173,021
Acquisition of financial assets at amortized cost	(35,816)	-

(Continued)

KAORI HEAT TREATMENT CO., LTD.

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

	2021	2020
Payments for property, plant and equipment	$ (97,863)	$ (581,727)
Proceeds from disposal of property, plant and equipment	420	2,150
Dividends received from subsidiaries	86,483	-
Increase in other non-current assets	(18,616)	(2,892)
Interest received	520	1,368
Net cash used in investing activities	(64,872)	(441,029)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	150,000	140,000
(Decrease) increase in short-term notes payable	(120,277)	99,756
Proceeds from long-term borrowings	-	446,700
Repayments of long-term borrowings	(79,536)	(111,075)
Repayment of the principal portion of lease liabilities	(3,086)	(3,809)
Dividends paid to owners of the Company	(151,953)	(178,768)
Net cash (used in) generated from financing activities	(204,852)	392,804
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,100	2,094
NET INCREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	6,255	(3,586)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	448,950	452,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 455,205	$ 448,950

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

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

1. ORGANIZATION AND OPERATIONS

Kaori Heat Treatment Co., Ltd. (the “Company” or “Kaori”) was incorporated in the Republic of China (ROC) in October 1970.

The Company specializes in producing mechanical hardware, processing of fabricated metals, heat exchange products, as well as the manufacturing and developing of thermal products. Factories are established in Zhongli, Kaohsiung, etc.

Kaori’s shares have been listed on the Taiwan Stock Exchange since December 2013.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 25, 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 Company’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.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 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.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The 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 that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) 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:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising 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.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process 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. 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 specific identification of cost on the balance sheet date.

f. Investments in subsidiaries

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

Subsidiary is an entity that is controlled by the Company.

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

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

When the Company'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 Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company'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 Company 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 Company 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.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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 Company.

g. 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.

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

Freehold land is not depreciated.

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.

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

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.

i. Impairment of property, plant and equipment, right-of-use asset, and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual 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 asset or cash-generating unit 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 or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. 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, note and trade receivables at amortized cost, 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.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of 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.

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, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company 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 a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss 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 Company 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’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 Company’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.

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. Heat exchangers and fuel cell products are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers 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. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company’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.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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 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 Company 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 Company 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 for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investments in a subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company'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 Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in 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

	December 31	
	2021	**2020**
Cash on hand	$ 515	$ 466
Checking accounts and demand deposits	426,867	362,994
Cash equivalents (investments with original maturities less than 3 months)		
Repurchase agreements collateralized by bonds	27,823	85,490
	$ 455,205	$ 448,950

The market rate intervals of repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2021	**2020**
Repurchase agreements collateralized by bonds	0.28%	0.42%

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	**2020**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 41,676	$ 44,262

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 88,432	$ 124,846

	December 31	
	2021	2020
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 723	$ 573
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd	2,300	10,000
Foreign investments		
Listed shares		
Ordinary shares - Bloom Energy	85,409	114,273
	$ 88,432	$ 124,846

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 Company's strategy of holding these investments for long-term purposes.

In 2020, the Company purchased Bloom Energy shares for $22,949 thousand and Semisils Applied Materials Corp., Ltd shares in the amount of $10,000 thousand. These investments were for medium to long-term strategic purposes and therefore designated to the fair value measurement through other comprehensive income.

The Company adjusted the investments to diversify risk in 2020, and sold Bloom Energy shares in the amount of $173,021 thousand in fair value measurement. Other equity interest non-current financial assets at fair value through unrealized profit or loss in the amount of $58,554 thousand transfers to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
Non-current		
Domestic investments		
Restricted deposits	$ 35,816	$ -

According to "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds", the Company has submitted an investment proposal and was approved by National Taxation Bureau, Ministry of Finance. Based on the regulation, the deposits are restricted only to approved investment project, and should not be used for other purposes.

10. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31 2021	December 31 2020
Notes receivable		
Notes receivable - operating	$ 16,248	$ 13,567
Less: Allowance for impairment loss	(81)	(68)
	$ 16,167	$ 13,499
Trade receivables		
At amortized cost		
Gross carrying amount	$ 285,047	$ 341,536
Less: Allowance for impairment loss	(2,966)	(3,756)
	$ 282,081	$ 337,780
Other receivables		
Other receivable	$ 10,943	$ 84
Less: Allowance for impairment loss	-	-
	$ 10,943	$ 84

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables 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 well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Company uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

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

The following table details the loss allowance of notes receivable and trade receivables based on the Company's provision matrix.

December 31, 2021

Thermal products department

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 93,499	$ 27,734	$ -	$ -	$ -	$ 121,233
Loss allowance (Lifetime ECL)	(936)	(555)	-	-	-	(1,491)
Amortized cost	$ 92,563	$ 27,179	$ -	$ -	$ -	$ 119,742

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other departments

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 163,328	$ 15,842	$ 11	$ -	$ -	$ 881	$ 180,062
Loss allowance (Lifetime ECL)	(229)	(444)	(2)	-	-	(881)	(1,556)
Amortized cost	$ 163,099	$ 15,398	$ 9	$ -	$ -	$ -	$ 178,506

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

December 31, 2020

Thermal products department

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 138,538	$ 49,754	$ -	$ -	$ -	$ 188,292
Loss allowance (Lifetime ECL)	(1,385)	(998)	-	-	-	(2,383)
Amortized cost	$ 137,153	$ 48,756	$ -	$ -	$ -	$ 185,909

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other departments

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 158,443	$ 7,485	$ -	$ -	$ -	$ 883	$ 166,811
Loss allowance (Lifetime ECL)	(213)	(345)	-	-	-	(883)	(1,441)
Amortized cost	$ 158,230	$ 7,140	$ -	$ -	$ -	$ -	$ 165,370

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

The movements of the loss allowance of notes receivables, trade receivables and other receivables were as follows:

	2021	2020
Balance at January 1	$ 3,824	$ 3,157
Add: Net remeasurement of loss allowance	-	667
Less: Impairment losses reversed	(777)	-
Balance at December 31	$ 3,047	$ 3,824

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	$ 62,100	$ 70,292
Work in process	253,080	233,272
Raw materials	138,772	152,443
Supplies	7,307	6,530
Merchandise	484	798
Spare parts	8,941	10,487
Inventory in transit	59,461	84,959
	$ 530,145	$ 558,781

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was $1,570,171 thousand and $1,502,059 thousand, respectively. The cost of goods sold for 2021 and 2020 included inventory write-downs of $3,734 thousand and $9,360 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	$ 216,108	$ 267,547

Investments in subsidiaries

	December 31	
	2021	2020
KAORI INTERNATIONAL	$ 216,108	$ 267,547

The proportion of the Company’s ownership was as follows:

	December 31	
	2021	2020
Kaori International	100%	100%

The detail information of the subsidiary is disclosed in Note 32.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income; this investment was calculated based on financial statements which have been audited in 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2021	$ 704,179	$ 692,243	$ 284,881	$ 137,977	$ 2,530	$ 123,943	$ 45,241	$ 1,990,994
Additions	-	2,374	4,204	6,078	286	29,546	55,375	97,863
Disposals	-	-	(25,114)	(4,401)	(1,571)	(22,757)	-	(53,843)
Reclassifications	-	10,348	-	13,656	-	3,327	(27,331)	-
Transfer from prepaid equipment	-	-	174	-	-	1,269	-	1,443
Balance at December 31, 2021	$ 704,179	$ 704,965	$ 264,145	$ 153,310	$ 1,245	$ 135,328	$ 73,285	$ 2,036,457
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 141,692	$ 137,725	$ 76,225	$ 1,829	$ 69,056	$ -	$ 426,527
Depreciation expense	-	27,072	30,655	12,883	234	27,059	-	97,903
Disposals	-	-	(25,114)	(4,401)	(1,571)	(22,413)	-	(53,499)
Balance at December 31, 2021	$ -	$ 168,764	$ 143,266	$ 84,707	$ 492	$ 73,702	$ -	$ 470,931
Carrying amount at December 31, 2021	$ 704,179	$ 536,201	$ 120,879	$ 68,603	$ 753	$ 61,626	$ 73,285	$ 1,565,526
Cost								
Balance at January 1, 2020	$ 207,726	$ 681,867	$ 327,492	$ 138,071	$ 3,937	$ 139,162	$ 486	$ 1,498,741
Additions	496,453	9,401	13,579	-	114	16,414	45,766	581,727
Disposals	-	-	(57,040)	(94)	(1,570)	(31,990)	-	(90,694)
Reclassifications	-	975	-	-	-	36	(1,011)	-
Transfer from prepaid equipment	-	-	850	-	49	321	-	1,220
Balance at December 31, 2020	$ 704,179	$ 692,243	$ 284,881	$ 137,977	$ 2,530	$ 123,943	$ 45,241	$ 1,990,994
Accumulated depreciation and impairment								
Balance at January 1, 2020	$ -	$ 115,605	$ 158,758	$ 64,402	$ 2,830	$ 73,819	$ -	$ 415,414
Depreciation expense	-	26,087	33,405	11,917	569	26,971	-	98,949
Disposals	-	-	(54,438)	(94)	(1,570)	(31,734)	-	(87,836)
Balance at December 31, 2020	$ -	$ 141,692	$ 137,725	$ 76,225	$ 1,829	$ 69,056	$ -	$ 426,527
Carrying amount at December 31, 2020	$ 704,179	$ 550,551	$ 147,156	$ 61,752	$ 701	$ 54,887	$ 45,241	$ 1,564,467

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

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2021 and 2020, the Company assessed the property, plant and equipment listed above and found no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Land	$ 511	$ -
Transportation equipment	5,574	3,661
	$ 6,085	$ 3,661

	For the Year Ended December 31	
	2021	2020
Depreciation charge for right-of-use assets		
Land	$ 90	$ -
Transportation equipment	3,009	3,806
	$ 3,099	$ 3,806

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	$ 2,715	$ 2,086
Non-current	$ 3,398	$ 1,597

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Transportation equipment	1.25%	1.25%
Buildings	1.25%	-

c. Material leasing-in activities and terms

The Company leases certain transportation equipment and land with lease terms of 3-5 years. Those arrangements do not contain renewal or purchase options.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	$ 827	$ 896
Total cash outflow for leases	$ (3,980)	$ (4,705)

The Company’s lease of a building qualifies as short-term lease. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2021	2020
Completed investment properties	$ 24,424	$ 25,523

	Completed Investment Properties
Cost	
Balance at January 1, 2021	$ 30,895
Balance at December 31, 2021	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 5,372
Depreciation expense	1,099
Balance at December 31, 2021	$ 6,471
Carrying amount at December 31, 2021	$ 24,424
Cost	
Balance at January 1, 2020	$ 30,895
Balance at December 31, 2020	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 4,273
Depreciation expense	1,099
Balance at December 31, 2020	$ 5,372
Carrying amount at January 1, 2020	$ 26,622
Carrying amount at December 31, 2020	$ 25,523

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 28.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 and 2020 was as follows:

	December 31	
	2021	2020
Year 1	$ 720	$ 720
Year 2	720	720
Year 3	720	720
Year 4	-	720
Year 5	-	-
Year 6 onwards	-	-
	$ 2,160	$ 2,880

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Company's investment properties as of December 31, 2021 and 2020 was $132,052 thousand and $148,562 thousand, respectively. The fair value valuation had been performed by the management of the Company using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings		
Letters of credit	$ 620,000	$ 470,000

The interest rates on letters of credit were 0.28%-0.85% and 0.70%-0.79% per annum as of December 31, 2021 and 2020.

b. Short-term bills payable

	December 31	
	2021	2020
Bank acceptances	$ -	$ 119,960

Outstanding short-term bills payable were as follows:

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
Bank acceptances				
The Shanghai Commercial Savings Bank	$ 50,000	$ (12)	$ 49,988	0.87%
International Bills Finance Corporation	70,000	(28)	69,972	0.87%
	$ 120,000	$ (40)	$ 119,960	

c. Long-term borrowings

	December 31 2021	December 31 2020
Unsecured borrowings		
Bank loans	$ 471,952	$ 551,488
Less: Current portion	(78,125)	(50,786)
Long-term borrowings	$ 393,827	$ 500,702

The borrowings of the Company were as follows:

	December 31 2021	December 31 2020
Loans from O-Bank		
Medium-term secured loans, loan period February 2015 to February 2022; monthly interest rate as of December 31, 2021 is 0.8932%, the installment since February 1, 2018 is $11,500 thousand every 6-month term.	$ 8,000	$ 31,000
Medium-term secured loans with loan period from January 2016 to August 2022; monthly interest rate as of December 31, 2021 is 0.9461%, the installment since August 1, 2017 is $9,100 thousand every 6-month term.	18,100	36,300
Medium-term secured loans with loan period from June 2022 to June 2026; monthly interest rate as of December 31, 2021 is 0.9197%, the installment since June 1, 2022 is $6,389 thousand every 6-month term.	57,500	57,500
Medium-term secured loans with loan period from June 2022 to June 2026; monthly interest rate as of December 31, 2021 is 0.9197%, the installment since June 1, 2022 is $6,067 thousand every 6-month term.	54,600	54,600
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2021 is 0.9197%, the installment since June 1, 2022 is $1,011 thousand every 6-month term.	9,100	9,100

(Continued)

	December 31	
	2021	2020
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2021 is 0.9197%, the installment since June 1, 2022 is $1,278 thousand every 6-month term.	$ 11,500	$ 11,500
Loans from Shanghai Commercial & Savings Bank		
Long-term secured loans with loan period from July 2015 to April 2025; monthly interest rate as of December 31, 2021 is 0.97%, the installment since July 15, 2016 is $2,084 thousand every 3-month term.	29,152	37,488
Loans from Taipei Fubon Bank		
Medium-term secured loans with loan period from November 2020 to November 2023; monthly interest rate as of September 30, 2021 is 0.8877%, the installment since December 23, 2021 is $1,250 thousand every 1-month term. As of the 3rd quarter in 2021, the Company paid off the loan in advance.	-	30,000
Loans from Mega International Commercial Bank		
Medium-term secured loans with loan period from September 2020 to September 2025; monthly interest rate as of December 31, 2021 is 1.1051%, the installment since September 7, 2022 is $3,000 thousand every 3-month term. The Company will pay $84,000 thousand for the last term.	120,000	120,000
Medium-term secured loans with loan period from September 2020 to September 2025; monthly interest rate as of December 31, 2021 is 1.1051%, the installment since September 7, 2022 is $4,100 thousand every 3-month term. The Company will pay $114,800 thousand for the last term.	164,000	164,000
	471,952	551,488
Less: Current portion	(78,125)	(50,786)
	$ 393,827	$ 500,702

(Concluded)

The loans were secured by property, plant and equipment; see Note 28.

17. OTHER LIABILITIES

	December 31	
	2021	2020
Other payables		
Payables for salaries and bonus	$ 92,151	$ 78,834
Payables for bonus to employees and directors	10,877	8,924
Payables for goods	24,948	9,079
Payables for processing fees	2,410	15,000
Others	18,416	16,158
	$ 148,802	$ 127,995

18. PROVISIONS

	December 31	
	2021	2020
Non-current		
Provisions	$ 1,248	$ 3,000

	Total
Balance at January 1, 2021	$ 3,000
Additional provisions recognized	(1,752)
Balance at December 31, 2021	$ 1,248
Balance at January 1, 2020	$ 3,000
Additional provisions recognized	-
Balance at December 31, 2020	$ 3,000

For more information regarding provisions; see Note 29.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% 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 Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	$ 78,944	$ 84,373
Fair value of plan assets	(79,405)	(61,036)
Net defined benefit (assets) liabilities	$ (461)	$ 23,337

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	$ 85,161	$ (70,853)	$ 14,308
Service cost			
Current service cost	838	-	838
Past service cost and loss (gain) on settlements	6,615	-	6,615
Net interest expense (income)	638	(785)	(147)
Recognized in profit or loss	8,091	(785)	7,306
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5,129	5,129
Actuarial (gain) loss - change in financial adjustments	2,343	-	2,343
Actuarial (gain) loss - experience adjustments	(1,749)	-	(1,749)
Recognized in other comprehensive income	594	5,129	5,723
Benefits paid	(9,473)	9,473	-
Contributions from the employer	-	(4,000)	(4,000)
Balance at December 31, 2020	84,373	(61,036)	23,337
Service cost			
Current service cost	855	-	855
Net interest expense (income)	422	(313)	109
Recognized in profit or loss	1,277	(313)	964
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(367)	(367)
Actuarial (gain) loss - changes in demographic assumptions	1,838	-	1,838
Actuarial (gain) loss - change in financial adjustments	(1,043)	-	(1,043)
Actuarial (gain) loss - experience adjustments	237	-	237
Recognized in other comprehensive income	1,032	(367)	665
Contributions from the employer	-	(25,427)	(25,427)
Benefits paid	(7,738)	7,738	-
Balance at December 31, 2021	$ 78,944	$ (79,405)	$ (461)

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

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

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

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

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

	December 31	
	2021	**2020**
Discount rate(s)	0.625%	0.500%
Expected rate(s) of salary increase	2.000%	2.000%

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

	December 31	
	2021	**2020**
Discount rate(s)		
0.25% increase	$ (2,065)	$ (2,343)
0.25% decrease	$ 2,148	$ 2,438
Expected rate(s) of salary increase		
0.25% increase	$ 2,084	$ 2,363
0.25% decrease	$ (2,014)	$ (2,283)

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

	December 31	
	2021	**2020**
The expected contributions to the plan for the next year	$ 3,366	$ 3,333
The average duration of the defined benefit obligation	11.2 years	11.3 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	**2020**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	89,384	89,384
Shares issued	$ 893,841	$ 893,841

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	317,071	317,071
Overdue options	7,817	7,817
	$ 593,414	$ 593,414

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

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

The unappropriated earnings should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings and dividends per share for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2020	For Fiscal Year 2019	For Fiscal Year 2020	For Fiscal Year 2019
Legal reserve	$ 16,650	$ 15,814	$ -	$ -
Special reserve	(63,254)	2,521	-	-
Cash dividends	151,953	140,333	1.70	1.57

The cash dividends for 2020 and 2019 were approved in the board's meetings on March 19, 2021 and March 20, 2020, respectively. The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on August 25, 2021 and June 17, 2020, respectively.

Also, in the shareholders' meeting on June 17, 2020, the Company approved to distribute $38,485 thousand of capital surplus as cash dividends.

The appropriations and dividends per share for 2021 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 14,862	$ -
Cash dividends	134,076	1.50

The cash dividends mentioned above were approved in the board meeting on March 25, 2022, the appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held in June 2022.

21. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods	$ 2,043,703	$ 1,953,948
Revenue from the rendering of services	43,298	41,045
	$ 2,087,001	$ 1,994,993

	December 31	
	2021	2020
Contract liabilities		
Sales of goods	$ 32,057	$ 14,589
Contract liabilities	$ 32,057	$ 14,589

The contract liabilities were unearned sales revenue and accounted for as other current liabilities.

22. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations included the following:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	$ 173	$ 1,100
Financial assets at amortized cost	27	-
Others	320	268
	$ 520	$ 1,368

b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	$ 687	$ 687
Others	4,296	9,572
	$ 4,983	$ 10,259

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ 1,000	$ 5,042
Gain on lease modification	7	-
Net foreign exchange loss	(32,571)	(25,739)
Gain (loss) on disposal of property, plant and equipment	76	(708)
Others	(2,261)	(1,644)
	$ (33,749)	$ (23,049)

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	$ 10,263	$ 8,655
Interest on lease liabilities	67	51
	$ 10,330	$ 8,706

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	$ 97,903	$ 98,949
Right-of-use assets	3,099	3,806
Investment properties	1,099	1,099
Non-current assets	4,161	4,874
	$ 106,262	$ 108,728
An analysis of depreciation by function		
Operating costs	$ 63,225	$ 67,096
Operating expenses	37,777	35,659
Other gains and losses	1,099	1,099
	$ 102,101	$ 103,854

(Continued)

	For the Year Ended December 31	
	2021	2020
An analysis of amortization by function		
Operating costs	$ 909	$ 955
Operating expenses	3,252	3,919
	$ 4,161	$ 4,874

(Concluded)

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	$ 16,958	$ 16,984
Defined benefit plans (Note 19)	964	7,306
	17,922	24,290
Other employee benefits	437,567	422,747
Total employee benefits expense	$ 455,489	$ 447,037
An analysis of employee benefits expense by function		
Operating costs	$ 260,576	$ 256,026
Operating expenses	194,913	191,011
	$ 455,489	$ 447,037

g. Compensation of employees and remuneration of directors for 2021 and 2020

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which were approved by the Company’s board of directors on March 25, 2022 and March 19, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Compensation of employees	$ 4,079	$ -	$ 3,347	$ -
Remuneration of directors	6,708	-	5,577	-

If there is a change in the amounts after the actual 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 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 resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	**2020**
Current tax		
In respect of the current year	$ 42,049	$ 39,432
Adjustments for prior year	(1,611)	(3,089)
	40,438	36,343
Deferred tax		
In respect of the current period	(6,234)	1,558
Income tax expense recognized in profit or loss	$ 34,204	$ 37,901

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

	For the Year Ended December 31	
	2021	**2020**
Profit before tax from continuing operations	$ 183,360	$ 150,425
Income tax expense calculated at the statutory rate	$ 36,672	$ 30,085
Tax effect of adjusting items:		
Tax-exempt income	(42)	-
Additional gain in determining taxable income	-	10,703
Nondeductible expenses in determining taxable income	-	200
Others	(815)	2
Effects of different tax rates of entities operating in other jurisdictions	(1,611)	(3,089)
Income tax expense recognized in profit or loss	$ 34,204	$ 37,901

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ 5,772	$ (26,210)
Remeasurement of defined benefit plans	133	1,145
	$ 5,905	$ (25,065)

c. Current income tax assets and liabilities

	December 31	
	2021	2020
Current tax liabilities		
Income tax payable	$ 13,143	$ 27,998

d. 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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,237	$ 747	$ -	$ 8,984
Associates	971	(333)	-	638
Defined benefit obligation	4,781	(4,893)	133	21
Allowance for impairment loss	353	(25)	-	328
Unrealized loss on foreign differences	1,275	1,103	-	2,378
Provisions	2,464	(350)	-	2,114
	$ 18,081	$ (3,751)	$ 133	$ 14,463
Deferred tax liabilities				
Associates	$ 17,977	$ (9,985)	$ -	$ 7,992
Financial assets at FVTOCI	9,344	-	(5,772)	3,572
	$ 27,321	$ (9,985)	$ (5,772)	$ 11,564

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,959	$ (722)	$ -	$ 8,237
Financial assets at FVTOCI	16,866	-	(16,866)	-
Associates	981	(10)	-	971
Defined benefit obligation	2,975	661	1,145	4,781
Allowance for impairment loss	405	(52)	-	353
Unrealized loss on foreign differences	509	766	-	1,275
Right-of-use assets	5	(5)	-	-
Provisions	2,464	-	-	2,464
	$ 33,164	$ 638	$ (15,721)	$ 18,081
Deferred tax liabilities				
Associates	$ 15,781	$ 2,196	$ -	$ 17,977
Financial assets at FVTOCI	-	-	9,344	9,344
	$ 15,781	$ 2,196	$ 9,344	$ 27,321

f. Income tax assessments

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

24. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	$ 1.67	$ 1.26
Diluted earnings per share	$ 1.67	$ 1.26

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

	For the Year Ended December 31	
	2021	**2020**
Profit for the year attributable to owners of the Company	$ 149,156	$ 112,524
Earnings used in the computation of diluted earnings per share	$ 149,156	$ 112,524

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2021	**2020**
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,384	89,384
Effect of potentially dilutive ordinary shares		
Compensation of employees	77	92
Weighted average number of ordinary shares used in the computation of diluted earnings per share	89,461	89,476

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

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 41,676	$ -	$ -	$ 41,676
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 723	$ 723
Domestic investments				
Unlisted shares	-	-	2,300	2,300
Foreign unlisted shares	85,409	-	-	85,409
	$ 85,409	$ -	$ 3,023	$ 88,432

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 44,262	$ -	$ -	$ 44,262
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 573	$ 573
Domestic investments				
Unlisted shares	-	-	10,000	10,000
Foreign unlisted shares	114,273	-	-	114,273
	$ 114,273	$ -	$ 10,573	$ 124,846

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

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

For the year ended December 31, 2021

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2021	$ 10,573
Recognized in other comprehensive income	(7,500)
Balance at December 31, 2021	$ 3,023

For the year ended December 31, 2020

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2020	$ 819
Purchase	10,000
Recognized in other comprehensive income	(246)
Balance at December 31, 2020	$ 10,573

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is be based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity's operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares securities is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target's own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target's value.

b. Categories of financial instruments

	December 31			
	2021		2020	
Financial assets				
FVTPL				
Mandatorily at FVTPL	$	41,676	$	44,262
Financial assets at amortized cost (1)		814,488		815,244
Financial assets at FVTOCI				
Equity instruments		88,432		124,846
Financial liabilities				
Amortized cost (2)		1,425,535		1,431,458

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes receivable, trade receivables, other receivables, notes payables, trade payables, other payables, borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are disclosed in Note 30.

Sensitivity analysis

The Company was mainly exposed to the USD and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact For the Year Ended December 31		EUR Impact For the Year Ended December 31	
	2021	**2020**	**2021**	**2020**
Profit or loss*	$ 3,765	$ 5,008	$ 648	$ 536

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company's bank deposits and borrowings are at floating interest rates.

The carrying amounts of the Company'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	$ 63,639	$ 85,490
Financial liabilities	$ 471,952	$ 671,448
Cash flow interest rate risk		
Financial assets	$ 426,529	$ 362,413
Financial liabilities	$ 620,000	$ 470,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by $484 thousand and $269 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company could be equal to the carrying amount of the recognized financial assets as stated in the balance sheets.

The Company's concentration of credit risk of 39% and 54% of total trade receivables as of December 31, 2021 and 2020, respectively, was attributable to the Company's largest customer.

3) Liquidity risk

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

As of December 31, 2021 and 2020, the Company had available unutilized overdraft and short-term bank loan facilities; see (b) below:

a) Liquidity and interest rate risk tables

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

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative liabilities					
Lease liabilities	$ 231	$ 462	$ 2,080	$ 3,430	$ -
Variable interest rate liabilities	335	100,545	520,703	-	-
Fixed interest rate liabilities	2,491	17,897	62,329	403,090	-
	$ 3,057	$ 118,904	$ 585,112	$ 406,520	$ -

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative liabilities					
Lease liabilities	$ 308	$ 777	$ 1,030	$ 1,610	$ -
Variable interest rate liabilities	282	120,559	350,276	-	-
Fixed interest rate liabilities	122,579	21,490	31,949	499,498	14,812
	$ 123,169	$ 142,826	$ 383,255	$ 501,108	$ 14,812

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 645,793	$ 625,722
Amount unused	864,207	864,278
	$ 1,510,000	$ 1,490,000
Secured bank overdraft facilities:		
Financial assets	$ 533,800	$ 559,000
Financial liabilities	41,200	16,000
	$ 575,000	$ 575,000

27. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Kaori Technology (Ningbo) Corporation	Subsidiaries

b. Sales of goods

	For the Year Ended December 31	
	2021	2020
Subsidiaries	$ 90,609	$ 68,704

In 2021 and 2020, the selling prices were not significantly different from those with third parties.

c. Purchase of goods

	For the Year Ended December 31	
	2021	2020
Subsidiaries	$ 6,384	$ -

The purchasing price is calculated at the cost to reflect the Company's pricing strategy and related party relationships.

d. Receivables from related parties (excluding loans to related parties)

	December 31	
	2021	2020
Subsidiaries	$ 14,276	$ 14,931

The outstanding accounts receivable from related parties are unsecured. The trade receivables from related parties in 2021 and 2020 did not have allowance for impairment loss.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	$ 55,585	$ 51,451
Post-employment benefits	2,199	2,129
	$ 57,784	$ 53,580

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	December 31	
	2021	2020
Land	$ 207,726	$ 207,726
Building equipment, net	516,270	542,811
	723,996	750,537
Investment properties, net	24,424	25,523
	$ 748,420	$ 776,060

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2021 and 2020 were as follows:

a. Customs guarantee and construction guarantee

   The guarantee issued by Hua Nan Commercial Bank, Ltd. Li-Chang Branch for the Company's customs duties was $5,000 thousand as of December 31, 2021. The guarantee issued by Mega International Commercial Bank Taoxing Branch for the oil and gas pipeline construction for CPC Corporation was $793 thousand and $722 thousand as of December 31, 2021 and 2020.

b. Minchali Copper Industry (hereinafter as "Minchali") accused the Company of having delivered heat intolerant materials and spare parts which caused deformation in the working beam furnace. Minchali filed a lawsuit for compensatory damages against the Company at the Taoyuan District Court on February 26, 2016, requesting a compensation amount of $9,321 thousand. On March 25, 2016, the Company recognized a guarantee amount of $9,321 thousand as contingent loss due to provisional execution, and filed an appeal to the Taiwan High Court. On May 15, 2018, the judgment by the court of the second instance stated that the compensation is to be revised to the amount of $4,619 thousand; the Company filed an appeal against the judgment of the second instance in June 2018. The judgment by the Taiwan High Court in November 2020 states that, aside from the guarantee from the provisional execution, all other judgments shall be sent back to the Taiwan High Court for review. As of the report date, the lawsuit continues to be in progress.

c. In 1986, the Company purchased land and a factory. The boundaries had not yet been verified at the time, which caused the Company to misoccupy the industrial district. The Ministry of Economic Affairs (hereinafter as "the MOEA") filed a lawsuit against the Company at the Taoyuan District Court for offenses of embezzlement under the criminal code and tort under the civil code. During the first quarter of 2017, the court had announced the Company innocent and dismissed the lawsuit. During the third quarter of 2018, the MOEA filed another lawsuit at the Taoyuan District Court for unjust enrichment against the Company to return the previously occupied land and to pay the total amount of $20,655 thousand. The court judgment was for the Company to pay the MOEA $689 thousand plus interest beginning from July 31, 2018, to the settlement date; starting July 24, 2015, until the land is fully returned, the Company should pay $5 thousand each month. The Company disagreed with the judgment, and appealed to the Taiwan High Court on June 10, 2020. Management of the Company estimated the probable loss to be under $3,000 thousand, and has proposed to recognize provision in the amount of $3,000 thousand. The case was settled in the Taiwan High Court on August 10, 2021. The judgment after negotiation was compensation of $1,695 thousand to the MOEA and $57 thousand of court costs, a total amount of $1,752 thousand, along with a monthly payment of $11 thousand until the land is fully returned.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company'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 foreign currencies and respective functional currencies were as follows:

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,112	27.68 (USD:NTD)	$ 390,620
EUR	2,072	31.32 (EUR:NTD)	64,895
Financial liabilities			
Monetary items			
USD	511	27.68 (USD:NTD)	14,144
EUR	2	31.32 (EUR:NTD)	63

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 18,206	28.48 (USD:NTD)	$ 518,507
EUR	1,532	35.02 (EUR:NTD)	53,651
Financial liabilities			
Monetary items			
USD	622	28.48 (USD:NTD)	17,715
EUR	2	35.02 (EUR:NTD)	70

For the years ended December 31, 2021 and 2020, net foreign exchange loss was $32,571 thousand and $25,739 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

31. OTHER EVENTS

The impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan has not caused significant disruption in the Company's operation profitability and financial risk.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint venture). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (None)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 2)

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, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 3)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 4)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

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 (None).

TABLE 1

KAORI HEAT TREATMENT CO., LTD.

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
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 85,409	-	$ 85,409	
	ACTi Corporation	〃	〃	157,482	723	0.44	723	
	Semisils Applied Materials Corp., Ltd	〃	〃	500,000	2,300	0.53	2,300	
					$ 88,432		$ 88,432	
	Mutual funds							
	Nomura Fallen Angel High Yield Bond Fund.	〃	Financial assets at fair value through profit or loss - current	100,000	$ 28,054	-	$ 28,054	
	Taishin Short Duration Emerging High Yield Bond Fund	〃	〃	47,193	13,622	-	13,622	
					$ 41,676		$ 41,676	

TABLE 2

KAORI HEAT TREATMENT CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 216,108	$ 36,564	$ 36,564	
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	217,866	36,638	36,638	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No. 8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	217,289	36,251	36,251	

KAORI HEAT TREATMENT CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (In Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$ -	$ -	$ 171,641 (US$ 5,100) (Note 2)	100	$ 36,251 (Note 1)	$ 217,289	$ 86,483 (US$ 1,534 and RMB 10,000)

Note: 1. The investment profit is recognized according to the audited financial reports for the year ended December 31, 2021.
2. The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd then indirectly invested (US$5,000 thousand to Kaori Technology (Ningbo).

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 171,641 (US$ 5,100)	$ 171,641 (US$ 5,100)	$ 1,130,903 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

TABLE 4

KAORI HEAT TREATMENT CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 90,609	4	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties transactions	$ 14,276	5	$ 2,549
		Purchase	6,384	-	〃	90 days upon arrival	Purchase price has no significant difference to non-related parties transactions	-	-	-

KAORI HEAT TREATMENT CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item	Amount
Cash	
Cash on hand	$ 515
Cash in banks	
Foreign-currency deposits (Note)	232,983
Checking accounts and demand deposits	193,546
Time deposits	338
Cash equivalents	27,823
	$ 455,205

Note: Exchange rates: US$1=NT$27.68; EUR1=NT$31.32.

STATEMENT 2

KAORI HEAT TREATMENT CO., LTD.

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

Item	Explanation	Amount
Third parties		
A Company	For goods	$ 1,711
B Company	〃	1,573
C Company	〃	1,341
D Company	〃	1,053
E Company	〃	1,001
F Company	〃	922
Others (Note)	〃	8,647
Less: Allowance for doubtful accounts		(81)
		$ 16,167

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

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

Item	Explanation	Amount
Third parties		
Bloom Energy	For goods	$ 115,643
ITHO Images	〃	27,252
Others (Note)	〃	142,152
		285,047
Less: Allowance for doubtful accounts		(2,966)
		$ 282,081

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

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

Item	Cost	Market Value (Note)
Raw materials	$ 154,800	$ 138,772
Supplies and spare parts	11,041	7,307
Work in process	263,965	253,080
Finished goods	70,048	62,100
Merchandise	3,329	484
Goods in transit	59,461	59,461
Spare parts	12,421	8,941
	575,065	$ 530,145
Less: Allowance for loss	(44,920)	
	$ 530,145	

Note: The market value is based on net realizable value.

KAORI HEAT TREATMENT CO., LTD.

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

	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Net Asset Value		Valuation	Pledge or
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Amount	Method	Security
Kaori International (Note)	5,100,000	$ 267,547	-	$ -	-	$ (51,439)	5,100,000	100	$ 216,108	$ -	$ 216,108	Equity method	None

Note: The company does not have market price.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Ending Balance
Cost				
Land	$ -	$ 601	$ -	$ 601
Transportation equipment	9,347	6,004	(7,546)	7,805
	9,347	6,605	(7,546)	8,406
Accumulated depreciation				
Land	-	90	-	90
Transportation equipment	5,686	3,009	(6,464)	2,231
	5,686	3,099	(6,464)	2,321
Net balance	$ 3,661	$ 3,506	$ (1,082)	$ 6,085

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Shares)

Bank	Ending Balance	Contract Period	Interest Rate %	Financing Amount	Pledge or Security	Note
Line of credit						
Cathay United Bank	$ 100,000	2021/11/1-2022/2/7	0.85	100,000	-	Line of credit
Fubon Bank	170,000	2021/9/1-2022/9/1	0.7411-0.7413	180,000	-	〃
Export-Import Bank of the Republic of China	350,000	2021/5/10-2022/5/14	0.2836-0.8122	350,000	-	〃
	$ 620,000					

KAORI HEAT TREATMENT CO., LTD.

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

Item	Explanation	Amount
Third parties		
A Company	Payment for goods	$ 14,613
B Company	〃	9,566
C Company	〃	9,220
D Company	〃	8,455
E Company	〃	7,736
Others (Note)	〃	133,988
		$ 183,578

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

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

Item	Lease Term	Discount Rate	Ending Balance
Land	2021.4-2026.3	1.25%	$ 514
Transportation equipment	2020.3-2024.10	1.25%	5,599
			$ 6,113

KAORI HEAT TREATMENT CO., LTD.

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

Item	Description	Amount
Thermal products		$ 919,975
Heat exchange products		1,156,884
Processed fabricated metal		10,142
		$ 2,087,001

KAORI HEAT TREATMENT CO., LTD.

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

Item	Amount
Raw materials	
Beginning raw materials	$ 169,551
Add: Raw materials purchased	929,697
Returned raw materials	5
Transferred from other accounts	55
Less: Ending materials	(154,800)
Transferred to research expense	(1,144)
Transferred to supplies expense	(704)
Loss from disposal	(268)
Raw materials used	942,392
Beginning supplies	9,021
Add: Supplies purchased	38,920
Transferred from other accounts	23
Returned raw materials	475
Less: Ending supplies	(11,041)
Transferred to research expense	(830)
Transferred to supplies expense	(30,126)
Transferred to other accounts	(21)
Supplies used	6,421
Direct labor	168,541
Operating expense	459,400
Manufacturing cost	1,576,754
Add: Work in progress	241,370
Transferred from other accounts	11,591
Less: Loss from disposal	(205)
Ending work in process	(263,965)
Transferred to supplies expense	(1,257)
Transferred to other accounts	(1,694)
Merchandise and processing cost	1,562,594
Add: Beginning merchandise, products and work in transit	167,155
Purchases	14,493
Merchandise and returned products	214
Transferred from other accounts	732
Less: Transferred to expenses	(16,437)
Transferred to research expense	(176)
Transferred to supplies expense	(381)
Loss from disposal	(73)
Ending merchandise, products and work in transit	(132,838)
Cost of goods sold	1,595,283
Add: Loss on disposal of inventory	546
Inventory write-downs and loss for market price	3,734
Less: Revenue from sales of scrap	(29,392)
Total cost of goods sold	$ 1,570,171

STATEMENT 12

KAORI HEAT TREATMENT CO., LTD.

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

Item	Amount
Salary and bonus	$ 55,883
Depreciation	63,225
Expenditures	50,115
Utilities expense	37,024
Processing expense	153,483
Supplies expense	31,748
Insurance expense	25,881
Others (Note)	42,041
	$ 459,400

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT 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 Administration	Research and Development
Salary (including overtime pay and bonus)	$ 48,656	$ 90,819	$ 36,082
Depreciation	594	32,759	4,424
Transportation expense	25,976	27	229
Consumables expense	-	-	4,551
Expenditures	33	307	7,351
Others	24,309	41,607	15,844
	$ 99,568	$ 165,519	$ 68,481

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

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

	2021			2020		
Item	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Salaries	$ 224,424	$ 168,759	$ 393,183	$ 217,541	$ 163,192	$ 380,733
Insurance	24,597	11,975	36,572	23,648	11,522	35,170
Pension	10,872	7,050	17,922	14,137	10,153	24,290
Remuneration of directors	-	6,798	6,798	-	5,577	5,577
Other employee benefit	683	331	1,014	700	567	1,267
	$ 260,576	$ 194,913	$ 455,489	$ 256,026	$ 191,011	$ 447,037
Depreciation expense	$ 63,225	$ 37,777	$ 101,002	$ 67,096	$ 35,659	$ 102,755
Amortization expense	$ 909	$ 3,252	$ 4,161	$ 955	$ 3,919	$ 4,874

Note 1: As of December 31, 2021 and 2020, the number of employees were 491 and 499 people with 5 and 5 directors not included in the employees, respectively.

Note 2: Information should be disclosed:

a. The average of employee benefit is $923 in the current year.
The average of employee benefit is $894 in the previous year.

b. The average of salaries is $809 in the current year.
The average of salaries is $771 in the previous year.

c. Change in the average salary adjustment is 4.96%.

Note 3: The Company did not have the supervisors for the year ended December 31, 2021 and 2020. Therefore, the Company did not have the corresponding remuneration of supervisors.

Note 4: The Company and its subsidiaries set the salary scales according to the relative contribution of the employees’ positions, in line with the company’s operation and development strategy; their personal performance, future development potential and the Company’s operation status are the basis for salary adjustment and bonus payment; to encourage the employees to make positive efforts and excellent performance and to achieve the "internal fairness" and "individual fairness" pursuant to the salary policy, and to encourage employees to deliver great performance at work, the Company allocates a certain proportion of profit-making earnings for employee dividends and shares the earnings results with colleagues, considers the benchmark enterprises of the industry, regularly checks the rationality of various salary and welfare systems by the “remuneration committee”, maintains the Company’s high level employee welfare, attracts outstanding talents to join and stay for a long time.

Note 5: The remuneration of directors is determined based on the Company’s Articles of Incorporation. Fair remuneration is provided by considering the operation results and contributions towards company performance. President and vice presidents remuneration payment policy is based on the Company’s Salary Management Rules and salary levels for the job position in the industry market, the scope of authority of the job position inside the Company and the degree of contribution toward operation targets. The procedure for setting remuneration follows evaluation and review procedures under the Company’s Director and Manager Performance Evaluation Rules. In addition, the Company’s overall operational performance, future industry risks and development trends, individual performance achievement rates and contribution towards company performance are also considered in order to provide a fair compensation. The fairness of related performance evaluations and remuneration are reviewed by the salary and compensation committee and the board of directors. The remuneration system is discussed at appropriate time based on the actual operating conditions and with respect to related laws to achieve a balance between sustainable company operation and risk control.