Stock Code: 8996

Kaori Heat Treatment Co., Ltd.

Annual Report

2021

(Disclaimer: This English-versioned annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.)

Available At: https://mops.twse.com.tw
https://kaori.com.tw/tw/

Printed on 05/10, 2022

1. Spokesperson and Deputy Spokesperson:

	Spokesperson	Deputy Spokesperson
Name	WANG HSIN WU	Jui-Chin Chuang
Title	Deputy General Manager	Manager
Tel	(03)452-7005	(03)452-7005
E-mail	leowang@kaori.com.tw	ritachuang@kaori.com.tw

2. Headquarters, Branches and Plants:

Headquarters: No. 5-2, Jilin N. Rd., Jhongli Industrial Park, Zhongli Dist., Taoyuan City
Tel: (03)452-7005
Zhongli Plant 1: No. 2, Jilin N. Rd., Jhongli Industrial Park, Zhongli Dist., Taoyuan City
Tel: (03)452-7005
Zhongli Plant 2: No. 11, Songjiang N. Rd., Jhongli Industrial Park, Zhongli Dist., Taoyuan City
Tel: (03)452-7005
Ziqiang Plant: No. 8-1, Ziqiang 4th Rd., Jhongli Industrial Park, Zhongli Dist., Taoyuan City
Tel: (03)452-0062
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Tel: (07)624-3132

3. Stock Transfer Agency:
Mega Securities Co., Ltd.
Address: 1F., No. 95, Sec. 2, Zhongxiao E. Rd.,Taipei City 100
Website: http://www.emega.com.tw
Tel: (02)3393-0898

4. Auditors :
Auditors: Chen Wenxiang, Liu Shulin
Agency: Deloitte Taiwan (aka Deloitte & Touche)
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110
TEl: (02)2725-9988
Website: http://www.deloitte.com.tw

5. Names of Overseas Securities Exchange Trading Floors and related information inquiry methods: None

6. Corporate Website:https://kaori.com.tw/tw/

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I. Letter to Shareholders

Dear Shareholders,

It has been more than two years since the COVID-19 pandemic broke out. Although countries around the world have gradually figured out how to coexist with the pandemic and the economy has recovered step by step, but factors such as the Russian-Ukrainian war and the inflation in global economy have also brought great challenges, bringing many ordeals in enterprise operation. We hope that the Company can maintain a steady growth momentum in the future, through sustainable cooperation and efforts from the professional management team and all staff

This year, KAORI is stepping into the 52nd anniversary. Compared with other countries in the world, the pandemic is relatively well controlled in our country; therefore, the Company has slowly recovered its growth and profits in 2021. I am so grateful to all shareholders for your care and support to the Company; meanwhile, I would like to thank all partners for the hard work and contribution during the past years. I hope that the Company can maintain steady growth and profits in the future. Now, I am going to report the Company's operating conditions last year, as well as its prospects for this year as follows:

1. Results of the implementation of the 2021 annual business plan:

(a) 2021 Individual financial reports　　Unit: NT$1000

Item	2021	2020	Increase/ Decrease amounts	Increase/ Decrease rate (%)
Operating revenue	2,087,001	1,994,993	92,008	4.61%
Net operating profit	185,372	159,569	25,803	16.17%
Net profit of the current period	149,156	112,524	36,632	32.55%
Total comprehensive income of the current period	115,129	275,674	(160,545)	(58.24%)
Basic earnings per share (NT dollar)	1.67	1.26	0.41	32.54%

2. 2021 consolidated financial reports　　Unit: NT $1000

Item	2021	2020	Increase/ Decrease amounts	Increase/ Decrease rate (%)
Operating revenue	2,231,273	2,076,359	154,914	7.46%
Net operating profit	230,355	170,279	60,076	35.28%
Net profit of the current period	149,156	112,524	36,632	32.55%
Total comprehensive income of the current period	115,129	275,674	(160,545)	(58.24%)
Basic earnings per share (NT dollar)	1.67	1.26	0.41	32.54%

2. Budget Implementation:

the Company did not unveil the financial forecast for 2021.As for the implementation of individual budgets in 2021, the operating revenue reached 93.77% of the budget amount of NT 2,225,663 thousand dollars; the net operating profit reached 104.22% of the budget objective; the net profit of the current period reached 96.08% of the budget objective. The achievement rate of the budget objective in 2021 failed to meet the target due to factors such as the impact caused by the pandemic, the lack of containers and the clogged ports in the global supply chain, etc.

3. Financial revenue and expenditure and profitability: Unit: NT $1000

Item		2021 Individual financial reports	2021 Consolidated financial reports
Cash Flow	Net cash inflow (outflow) from operating activities	274,879	295,299
	Net cash inflow (outflow) from investing activities	(64,872)	(131,518)
	Net cash inflow (outflow) from financing activities	(204,852)	(204,852)
Financial Structure (%)	Ratio of liabilities to assets (%)	44.39	44.76
	Ratio of long-term funds to real property, plants, and equipment (%)	146.60	141.16
Solvency (%)	Current ratio (%)	129.19	142.24
	Quick ratio (%)	75.10	85.17
Profitability (%)	Return on assets(%)	4.60	4.57
	Return on equity (%)	7.84	7.84
	Ratio of net profit before-tax to paid-in capital (%)	20.51	21.87
	Profit margin (%)	7.15	6.68
	Basic earnings per share (NT dollar)	1.67	1.67

4. Research and Development Status

When it comes to research and development, the Company kept on investing in the development of new products last year, devoting to the development of hydrogen storage materials, 2U3KW immersed dielectric liquid cooling standard tank, IGBT and vapor chamber for mobile devices, Hot Box development for electrolytic aquatic hydrogen and other relevant research. the Company got the patent of the variable voltage device of expandable module in 2021, as well as AS9100 aviation certification in March 2022. The heat exchanger also got the new model pressure vessel certification in PED and UL in 2021. The research and development results of heat exchangers include the development of B050/B110 module in response to natural refrigerant and environmental-friendly refrigerant, which can effectively reduce the filling amount of refrigerant, reducing the utility of greenhouse gases, improving the system COP and decreasing the carbon footprint. In the field of air drying, the Company is also a pioneer, lunching the A300 heat exchanger for high-power chilled air dryer globally, so that mass production can be started in the Q2 of 2022. This product can effectively improve the competitiveness of the heat exchanger product market.

This year, the Company will keep on investing in the research and development of energy-saving and green energy products, targeting the market demand. The heat exchanger business department will develop Double Wall Heat Exchanger D205/D206 products in the heat pump field in response to the demand of North American markets, and participate in the heat pump markets for commercial and industrial applications of large-sized products to create new business opportunities The Thermal Energy Department regards the cloud data center as the protagonist and keeps on putting forward solutions of liquid cooling system for the servers' heat cooling. As for hydrogen energy, the focus of R & D is the development of methanol reorganization hydrogen production and the second generation of waste organic solvent thermal cracking hydrogen production equipment. We anticipate that the development of new products can create more lucrative revenue and profits for the Company

5. Summary of 2022 annual business plan

(a) Management policy

(1) For implementing sustainable development, our company has the best policies such as enhancing the capability of manufacturing process and product design, actively developing new products or technologies in response to the demand for capacity of new

products, and keeping on investing in R & D.

(2) Develop corresponding products regarding the applications of special industries, grab the niche market, actively strive for the cooperation with large foreign equipment manufacturers and large agencies, and expand distribution points and sales market Spare no effort to increase the sales in the markets at home and abroad, enhance the market share, expand sales channels through alliances with dealers, actively improve online sales, and establish and enhance brand awareness.

(b) Expected sales quantity and its basis

The expected sales budget of the Company is based on the existing orders according to customer demand, as well as market analysis status and the plan reports of overall situation of operation, production, and sales.

We hope that the overall operation situation of the Company in 2022 will remain stable.

(c) Crucial production and marketing policies

1. Improve product quality, and continuously expand production base locations and manufacturing equipment.
2. Actively expand the markets at home and abroad, seek OEM opportunities from large international manufacturers, and keep on enhancing the production and marketing abilities of overseas subsidiaries.

6. the Company’s development strategy for the future

To achieve the goal of operation growth, the Company puts emphasis on making the capacity and efficiency of overall equipment meet the needs of future shipment growth. For the Company, the major key points in the future are mainly focusing on business expansion of heat exchanger products, liquid cooling module in servers, and hydrogen energy product. In response to the capacity demand in the future, the Company additionally built plants in Benjhou Industry Park, Kaohsiung in 2021, and began to furnish the new plant and R & D Laboratory at Ziqiang 4th Rd., Zhongli Dist. (Jhongli Industrial Park) in Q4 of the same year.

The Heat Exchanger Department will put its focus of promotion on the application and development of low-carbon and environment-friendly natural refrigerants such as CO2, R290, R32 and HFO. As the era of hydrogen energy is around the corner, electrolytic hydrogen production plants and hydrogen fuel cell vehicles require high-pressure nickel welded heat exchangers. In the future, we intend to plan and organize the research and development of relevant solder, aiming at promoting the development of clean energy in the aspects of low-carbon and zero-carbon transformation. In addition to the two types of mainstay--fuel cell and Plate Heat Exchanger, the Company will also lay its foundation in the future based on the core technology of hydrogen and heat energy, to combine with the existing metal processing skills, striding forward to the fields such as waste hydrogen purification equipment development of hydrogen furnace, 20U100kw immersed dielectric liquid cooling standard tank and 4U80kw cabinet water-cooling standard CDU product development, electric vehicle IGBT, and various heat dissipation, so as to create the next opportunity for large growth of KAORI.

7. The impact caused by external competitive environment, regulatory environment, and overall business environment

In response to global warming and energy depletion, all governments around the world spare no effort to focus on energy preservation and carbon reduction as well as maintaining the ecological environment. During recent years, seeking new energy has become one of the major policies among developed countries. Hydrogen energy and fuel cells have great development advantages. Countries around the world are actively formulating relevant policies to promote the development of fuel cell industry. The USA energy industry also benefits from the Investment Tax Credit (ITC). According to news reports, the Biden Administration in USA has made a suggestion to the Congress that this policy should be extended for another 10 years, to encourage taxpayers to build renewable energy power generation equipment, e.g. solar energy, fuel cell, and wind power generation equipment, which will be helpful for supporting the market situation of the energy industry. As for the prospects for the Company’s business operation in the three years to come, Bloom Energy has received a big order from Korean SK Group, which is bound to enhance the pull-in momentum for the parts and components of the Company's fuel cell mechanism. It is expected that the annual growth rate of fuel cell output value in 2022 will increase, compared with that in 2021

With the spirit of the "Promotion Coordination Meeting on Fuel Cell Research, Development and Application" from the Science and Technology Advisory Group of Executive Yuan since July 6, 2001, the "Taiwan Hydrogen and Fuel Cell Partnership (THFCP)" was officially established in July 2002 in order to promote the development of Taiwan's fuel cell industry; it combines the efforts from the industries, the governments, the academia, and the research societies, thanks to the support from the Environmental Protection Administration of the Executive Yuan and the Bureau of Energy of the Ministry of Economic Affairs. People regards it as an open alliance for promoting the applications of the fuel cell technology and industry in Taiwan. KAORI has joined the alliance for many years. Looking forward to the future, KAORI hopes to further promote international exchanges and cooperation for establishing a new life for Taiwan's fuel cell industry, in addition to continuing promoting the development of fuel cells

the Company is closely correlated with political and economic laws and regulations, policy trends, external environment, overall business surroundings, and business cycles. Currently, no major impact and influence have occurred yet. However, COVID-19 and the Russian-Ukrainian war have resulted in great uncertainty. The global economy is facing several risks and challenges, such as geopolitical tension, inflation, skyrocketing material prices and clogged ports. The growth momentum may be foreseen to slow down in the future. Whether these risk issues can be effectively controlled will have an intimate connection with the supply chain in the industry.

As for legal issues, the Company hires Lawyer Tian-Jen Hsieh, the former chairman of the Consumers' Foundation, as the legal adviser to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

Since its establishment, KAORI has relied on its most premium core technology, abundant experiences, and excellent management in response to the changes in external competitive environment. In the future, all partners of the Company will still hold to the business philosophy of "Innovation, Quality, Responsibility and Honor", endeavor to achieve every business objective of the Company and maintain stable growth of the Company, so that we will never let shareholders down.

Wish all shareholders

Good health and happiness.

Chairman HAN HSIEN SON

General Manager WU CHIH HSYONG

Accounting Supervisor WANG HSIN WU

II. Company Profile

1. Company Profile
(a) Date of Incorporation: Oct.11 1970
(b) Company History:

Year Milestones

Oct. 1970: the Company was established at No. 1, Ln. 211, Huacheng Rd., Xinzhuang City., Taipei County, with capital of NTD 2.6 million.

Mar. 1977: Pouring in reinvestments in the Kaohsiung area, to establish "Kaori Heat Treatment Co., Ltd."

Apr. 1988: Expansing the scale of production; the Company was relocated to Jhongli Industrial Park.

Jul. 1989: Zhongli Plant acquired the certification from Japanese Industrial Standards (JIS).

Nov. 1989: Increased capital to be NTD 86,304,000.

Feb. 1990: Merge of Gaoli Heat Treatment Co., Ltd. And Kaori Precision Co., Ltd., becoming the Company's Kaohsiung plant and brazing plant.

Mar. 1990: Increased capital to be NTD 151,374,000.

Apr. 1994: Establishment of the Plate Heat Exchanger plant; independent development of the brazed Plate Heat Exchanger.

May 1994: Zhongli Plant acquired the certification after the assessment by McDonnell Douglas.

Jul. 1997: Capital increase by earnings and capital reserve (with paid-in capital of NTD 200 million after the capital increase);the flotation was launched after being approved by Securities and Futures Commission .

Aug. 1998: Cash capital increase by NTD 49 million, with paid-in capital to be NTD 249 million after capital increase.

Jun. 1999: Zhongli Plant acquired ISO 9002 Certification.

Jan. 2001: Brazed Plate Heat Exchanger acquired USA UL Pressure Vessel Certification .

Jun. 2001: Roller Heat Treatment in Yong'an Plant acquired ISO 9001:2000 Certification.

Oct. 2001: Completion of the Kaohsiung Main Plant in Benjhou Industrial Park.

Jul. 2002: Establishment of the subsidiary "Kaori Technology Co., Ltd. (Ningbo)".

Aug. 2002: Capital increase by earnings up to NTD 12,450 thousand, with paid-in capital to be NTD 261,450,000 after capital increase.

Jun. 2003: The Plate Heat Exchanger plant, the Zhongli heat treatment plant and the brazing plant acquired ISO 9001:2000 Certification.

Aug. 2003: Brazed Plate Heat Exchanger acquired EU PED Pressure Vessel Certification.

Aug. 2003: Capital increase by earnings up to NTD 28,550 thousand, with total capital to be NTD 290 million after capital increase.

May 2004: Establishment of Heat Energy Division , in response to circumstance change and the need for expanding the heat energy market .

Aug. 2004: Capital increase by earnings up to NTD 29,000 thousand , with paid-in capital to be NTD 319 million after capital increase.

Sep. 2004: Listed as an emerging stocks after approval.

Nov. 2004: Launching the HTU product byHeat Energy Division.

Mar. 2005: Kaohsiung Benjhou Plant (manufacture of brazed Plate Heat Exchangers) acquired ISO 9001:2000 Certification.

Jun. 2005: Filing an application for stocks listing in TPEx.

Aug. 2005: Capital increase by earnings up to NTD 28,710 thousand, with paid-in capital to be NTD 347,710,000 after capital increase.

Jan. 2006: Finishing the purchase and ownership transfer of the plants and land in Jhongli Industrial Park, for expanding the scale of production.

Feb. 2006: TPEx listing approved by Securities and Futures Bureau.

Jun. 2006: Beginning the flotation of stocks listed on TPEx.

Aug. 2006: Cash capital increase by NTD 42,290thousand, with paid-in capital to be NTD 390 million after capital increase.

Aug. 2007: Launching the first flotation of unsecured convertible bonds (NTD 150,000, thousand) domestically.

Sep. 2007: Cash capital increase by NTD 50,000 thousand, with paid-in capital to be NTD 440 million after capital increase.

Apr. 2008: Completing the reconstruction of the Second Plant in Jhongli Industrial Park .

Sep. 2008: Capital increase by earnings up to NTD 22,000 thousand , with paid-in capital to be NTD 462 million after capital increase.

Year Milestones

Oct. 2008: Beginning the development and research of key heat exchange system for fuel cells.

Aug.-Sep. 2009: Capital increase up to NTD 50,844,550 by first domestic issue of convertible bonds and capital increase by earnings up to NTD 46,200thousand, with paid-in capital to be NTD 559,044,550 after capital increase.

Oct. 2009: Capital increase up to NTD14,105,810 by first domestic issue of convertible bonds , with paid-in capital to be NTD 573,150,360 after capital increase.

Jan. 2010: Capital increase up to NTD 50,844,550 by first domestic issue of convertible bonds , with paid-in capital to be NTD 576,211,580 after capital increase.

Feb. 2010: Capital increase by 50,000thousand, with paid-in capital to be NTD 626,211,580 after capital increase.

Apr. 2010: Capital increase up to NTD 9,112,150 by second domestic issue of convertible bonds, with paid-in capital to be NTD 635,323,730 after capital increase.

Jul. 2010: Capital increase up to NTD 30,334,450 by second domestic issue of convertible bonds , with paid-in capital to be NTD 665,658,180 after capital increase.

Jul. 2010: Completion of the new fuel cell plant in Jhongli Industrial Park.

Dec. 2011: Completion of the new fuel cell plant in Benjhou Industrial Park.

Sep. 2012: Capital increase by earnings NTD 33,282,900, with paid-in capital at NTD 698,941,080 after capital increase.

Aug. 2013: The third domestic issue of unsecured convertible bonds (NTD 100,000,000).

Aug. 2013: Capital increase by earnings up to NTD 34,947,050, with paid-in capital to be NTD 733,888,130 after capital increase.

Sep. 2013: Cash capital increase by NTD 40,000,000, with paid-in capital to be NTD 773,888,130 after capital increase.

Oct. 2013: Filing an application for changing OTC stocks to be listed stocks.

Dec. 2013: Public listing approved by TWSE.

Feb. 2014: Listed and traded in TWSE.

Aug. 2014: Capital increase by earnings up to NTD 38,694,410, with paid-in capital to be NTD 812,582,540 after capital increase.

May 2015: Holding a new product release of CO_2 air-source heat pump in Beijing.

Sep. 2015: Capital increase by earnings up to NTD 81,258,260, with paid-in capital o be NTD 893,840,800 after capital increase.

Oct. 2015: Developing a residential fuel cell power system. the only one system that uses natural gas as fuel in Taiwan.

Feb. 2017: Opening of the global operation headquarters office building in the main plant in Jhongli Industrial Park .

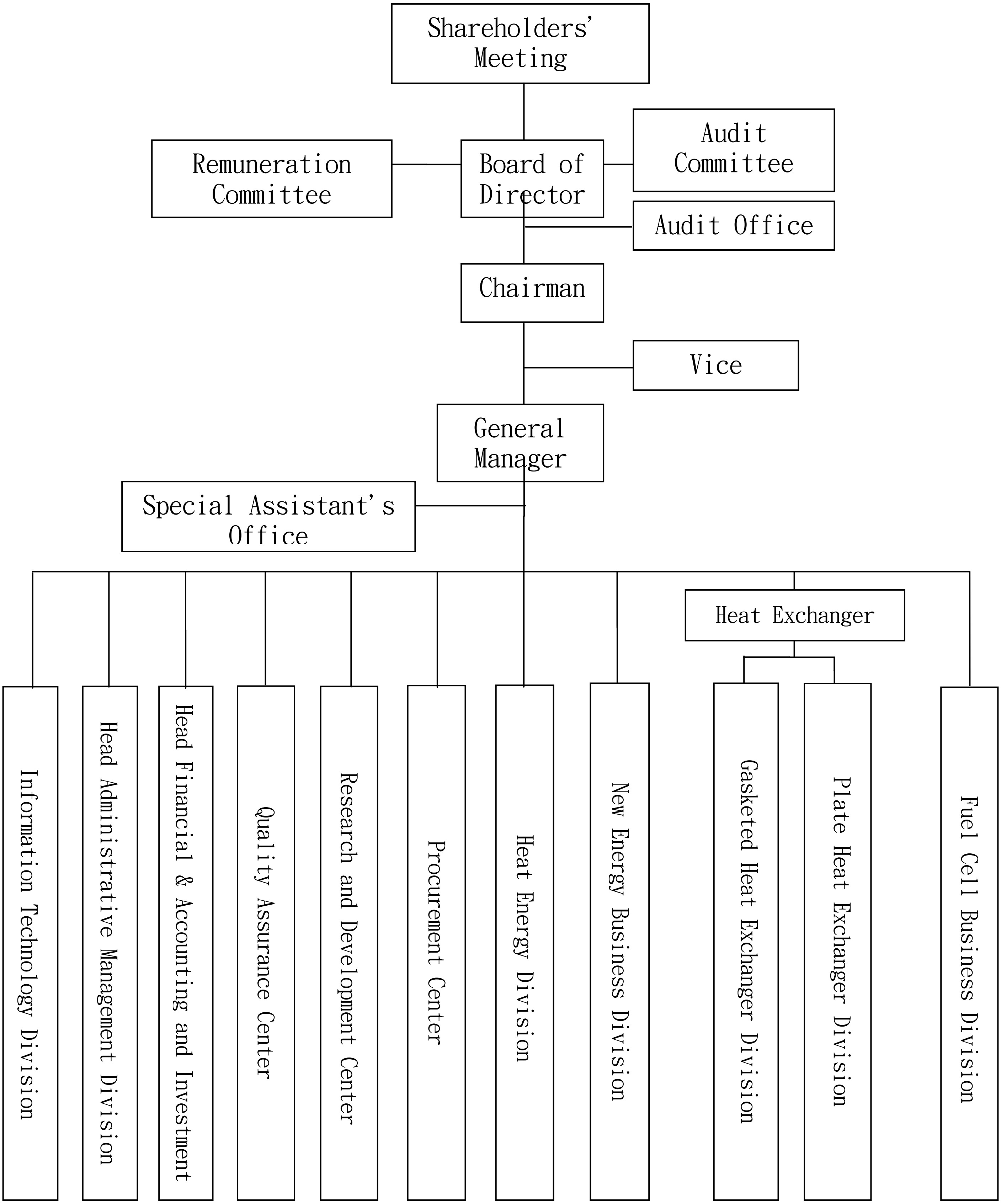
Mar. 2019: Product launch of liquid-cooled server cooling systems at the Zhongli main plant.

Feb. 2020: Acquiring the land and the factory of Ziqiang plant in Jhongli Industrial Park.

III. Corporate Governance Report

1. Organization System:

(a) Organizational Structure:



2. Major business Functions: April 2022

Departments and Divisions	Responsibilities
Special Assistant's Office (with the head office)	1. To manage the compilation, records, implementation and follow-ups for the Company's overall project planning and strategies. 2. To manage legal affairs, lawsuits and patent rights. 3. Public relations.
Audit Office	1. To enact and revise internal audit systems. 2. To inspect and evaluate internal control systems, and provide timely advice, to follow up on improvements.
Head Administrative Management Division	1. Responsible for the management of human resources, general affairs, and industrial safety of the Company and its subsidiaries. 2. Assisting in equipment maintenance for other divisions. 3. Assisting in engineering construction for other divisions.
Head Financial & Accounting and Investment Division	1. Responsible for financial, accounting and tax affairs for the Company and its subsidiaries. 2. Responsible for budgeting, stock operations, financial planning and investment planning for the Company and its subsidiaries.
Research and Development Center	R&D of technology development and new technologies for new products. Feasibility verification of and commercialization planning for R&D results.
Quality Assurance Center	To conduct internal audits on quality assurance systems, comply with external audits, and manage document control. management Yo plan and implement various certification processes
New Energy Business Division	Responsible for the design, development, production and marketing of fuel cell power generation systems driven by methanol and natural gas.
Full Cell Business Division	Responsible for the manufacturing and processing of fuel cell components and the development of metal products, the R&D of production technology, the manufacturing and processing of related products.
Heat Exchanger Department	Responsible for the production and sales of welded and gasketed Plate Heat Exchangers, as well as plate stamping, vacuum furnace OEM and R&D.
Heat Energy Division	Responsible for market R&D, manufacturing and sales of liquid-cooled cooling system products for servers.
Procurement Center	Responsible for procurement operations and import/export.
Information Technology Division	Planning, maintenance, control and promotion of computerized operations in the Company and its subsidiaries.

2. Information about Directors, Supervisors, General Manager, Associate General Manager, and the managers of each department/division and branch:

(a) Directors and Supervisors

April 18th, 2022

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Current Shareholding by His/Her Spouse and Minor Children		Shareholding in the Names of Others		Major Experiences (Education Background)	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remark(s) (Note)
							Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares			Title	Name	Relationship	
Chairman	Republic of China	HAN HSIEN SON	Male 80-89	2020/06/17	3	1997/06/22	1,220,276	1.37%	1,260,276	1.41%	51,975	0.06%	0	0.00%	Bundesinstitut für Berufsbildung (Germany) Founder of Taiwan Society for Metal Heat Treatment	Director of Kaori International Co., Ltd., Kaori Development Co., Ltd., Kaori Technology Co., Ltd. (Ningbo).	Vice Chairman	HAN HSIEN FU	Brothers	
Vice Chairman	Republic of China	HAN HSIEN FU	Male 80-89	2020/06/17	3	1997/06/22	1,488,388	1.67%	1,508,388	1.69%	489,702	0.55%	0	0.00%	Department of Mechanical Engineering, Tatung University General Manager of Kaori since June 2000	Chairman of Kaori Technology Co., Ltd. (Ningbo)	Chairman Associate General Manager	HAN HSIEN SON Han Wen Teng	Brothers Father and son	
Director	Republic of China	WU CHIH HSYONG	Male 60-69	2020/06/17	3	2020/06/17	188,000	0.21%	208,000	0.23%	0	0.00%	0	0.00%	Ph.D., Materials Science Engineering, University of Illinois Urbana-Champaign General Manager of Business Department of Tai-Saw Technology Co., Ltd. Senior Deputy General Manager of Motech Industries Inc.	Director of Tai-Saw Technology Co., Ltd.	None	None	None	None
Director	Republic of China	WANG HSIN WU	Male 50-59	2020/06/17	3	2011/06/28	300,356	0.34%	300,356	0.34%	0	0.00%	0	0.00%	Institute of Financial Management, National Central University Deputy General Manager of Kaori since January 2006	Deputy General Manager of the Company and Director of Kaori Technology Co., Ltd. (Ningbo)	None	None	None	None
Director	Republic of China	CHEN CHUN LIANG	Male 50-59	2020/06/17	3	2020/06/17	569,382	0.64%	569,382	0.64%	484,498	0.54%	0	0.00%	Master's degree of Department of Economics, National Taiwan University Department of Public Finance, National Taipei University	Deputy General Manager of LPI Precision Inc., Independent Director of Gigastorage Corporation	None	None	None	None
Director	Republic of China	HUANG HUNG HSING	Male 40-49	2020/06/17		2020/06/17	27,165	0.03%	216,165	0.24%	0	0.00%	0	0.00%	Institute of Technology Management, National Tsing Hua University	Investment Manager of International Bills Finance Corporation				
Independent Director	Republic of China	CHEN FAN SHIONG	Male 80-89	2020/06/17	3	2004/06/25	0	0.00%	0	0.00%	117,134	0.13%	0	0.00%	Mechanical and Materials Engineering Division, Department of Mechanical Engineering, Tatung Institute of Technology Former Professor at Department of Materials, Tatung Institute of Technology	Emeritus Professor of Department of Materials Science, Tatung University	None	None	None	None
Independent Director	Republic of China	HONG HSIANG WEN	Male 60-69	2020/06/17	3	2014/06/20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Business Administration, National Taiwan University Manager of Kwanghua Securities Investment & Trust Co., Ltd., Associate General Manager of Investment Division in Taiwan Life Insurance Co., Ltd., Associate General Manager of Proprietary Trading Division in KGI Securities, Deputy General Manager of Proprietary Trading Division in Capital Securities Corp., Consultant of Chung-Hua Institution for Economic Research.	Consultant of Limeijia Investment	None	None	None	None
Independent Director	Republic of China	WU CHUN YING	Male 40-49	2020/06/17	3	2020/06/17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Juris Doctor., Tulane University Investment Partner of MiiCs & Partners Consultant, Wispro Law Offices of International Commerce and Technology Consulting Corporation	Director of Business Development in Yuan Tsun Plastic Co. Ltd.	None	None	None	None

Note: If the positions of Chairman, and General Manager or the person of equivalent position (manager of the highest level) of the Company are served by the same person, or they are spouses or relatives within first-degree of their clans, please specify the information about the reasons , reasonableness, necessity thereof, and the measures adopted thereto (such as increasing the number of independent director seats, and more than half of all directors should not concurrently serve as employees or managers) : None.

Note: Major shareholders of corporate shareholders: not included.

2. Information about General Manager, Deputy General Manager, Associate General Manager, and the managers of each department/division and branch:

April 18th, 2022; Unit: Number of Shares

Title	Nationality	Name	Gender	Date Elected	Shareholding		Current Shareholding by His/Her Spouse and Children		Shareholding in the Names of Others		Major Experiences (Education Background)	Concurrent Positions in the Company and Its Subsidiaries	Manager who is his/her spouse or a second-degree relative of his/her clan			Remark(s) (Note 1)
					Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares			Title	Name	Relationship	
General Manager	Republic of China	WU CHIH HSYONG	Male	2018/05/09	208,000	0.23%	0	0.00%	0	0.00%	Ph.D., Materials Science Engineering, University of Illinois Urbana-Champaign General Manager, Business Department, Tai-Saw Technology Co., Ltd. Senior Deputy General Manager, Motech Industries Inc.	Director of Tai-Saw Technology Co., Ltd.	None	None	None	None
Deputy General Manager	Republic of China	WANG HSIN WU	Male	2006/01/01	300,356	0.34%	0	0.00%	0	0.00%	Institute of Financial Management, National Central University Deputy General Manager of Kaori since January 2006	Director of Kaori Technology Co., Ltd. (Ningbo)	None	None	None	None
Deputy General Manager (Note 2)	Republic of China	Cheng Ming Che	Male	2006/07/01	0	0.00%	0	0.00%	0	0.00%	Department of Marine Engineering, Tamkang University Deputy General Manager of Heat Exchanger Department in Kaori since July 2006	None	None	None	None	None
Deputy General Manager	Republic of China	Chou Wu Hsing	Male	2020/03/02	6,000	0.01%	0	0.00%	0	0.00%	Ph.D. In Mechanical Engineering, University of Michigan General Manager, AUO Envirotech General Manager, BenQ ESCO Corp.	None	None	None	None	None
Deputy General Manager	Republic of China	Chiu Hung Yi	Male	2020/03/16	129,325	0.14%	0	0.00%	0	0.00%	Graduate Institute of Human Resource Management, National Central University Manager of Management Division , Excellence Opto	None	None	None	None	None
Deputy General Manager	Republic of China	Lin Chang Chun	Male	2021/11/29	0	0.00%	0	0.00%	0	0.00%	Department of Advertising, Chinese Culture University Associate General Manager of Business Department in Super Micro Computer, Inc.	None	None	None	None	None
Associate General Manager	Republic of China	Tsai Meng Fang	Male	2007/07/01	61,346	0.07%	606	0.00%	0	0.00%	Department of Energy and Refrigerating Air-conditioning Engineering, National Taipei University of Technology Manager of Industrial Products Divisionin Mettler Toledo Taiwan	None	None	None	None	None
Associate General Manager	Republic of China	Chu Chiu Ming	Female	2010/08/01	47,516	0.05%	1,000	0.00%	0	0.00%	Law School of Myanmar University Salesman, Section Leader and Manager of Kaori PHE Business Division from May 1996 to JUly 2010 P	None	None	None	None	None
Associate General Manager	Republic of China	Hsu Yung Cheng	Male	2018/10/03	18,000	0.02%	0	0.00%	0	0.00%	Master's degree of Department of Management, University of Texas at Arlington Master's degree of the Institute of Mechanical Engineering, National Taiwan University Department Head of Chicony Power Tech Co.	None	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Shareholding		Current Shareholding by His/Her Spouse and Children		Shareholding in the Names of Others		Major Experiences (Education Background)	Concurrent Positions in the Company and Its Subsidiaries	Manager who is his/her spouse or a second-degree relative of his/her clan			Remark(s) (Note 1)
					Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares			Title	Name	Relationship	
Associate General Manager (Note 2)	Republic of China	Lien Chun Yuan	Male	2018/10/04	836	0.00%	0	0.00%	0	0.00%	MBA, California Southwest University CAO of TibaMe	None	None	None	None	None
Associate General Manager	Republic of China	Chiang Chih Hung	Male	2019/02/18	4,000	0.00%	0	0.00%	0	0.00%	College of Electrical Engineering & Computer Science, Tamkang University Vice Leader of Information Technology Department in Motech Industries Leader of Information Technology Department in Topcell Solar International Co., Ltd.	None	None	None	None	None
Associate General Manager	Republic of China	Li Ching Chun	Male	2019/04/01	41,000	0.05%	0	0.00%	0	0.00%	Ph.D., Institute of Applied Mechanics, National Taiwan University Postdoctoral Fellow, Institute of Applied Mechanics, National Taiwan University	None	None	None	None	None
Associate General Manager	Republic of China	Lin Yueh Hung	Male	2019/04/01	40,000	0.05%	0	0.00%	0	0.00%	Ph.D., Department of Mechanical Engineering, National Central University R&D Manager at Kaori since April 2014	None	None	None	None	None
Associate General Manager	Republic of China	Han Wen Teng	Male	2020/03/15	67,007	0.08%	0	0.00%	0	0.00%	Master's Degree ofDepartment of Materials Science and Engineering, Feng Chia University Manager at Kaori since September 2008	None	Vice Chairman	HAN HSIEN FU	Father and son	None
Associate General Manager	Republic of China	Huang Yao-Chun	Male	2020/03/15	13,000	0.02%	0	0.00%	0	0.00%	Master's Degree, Department of Mechanical Engineering, National Cheng Kung University Manager of Component Manufacturing Department in Foxsemicon Integrated Technology, Inc.	None	None	None	None	None
Associate General Manager	Republic of China	Chen Yu Chung	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Materials Science and Engineering, National Cheng Kung University Vice Leader of Electrics Department in Motech Industries	None	None	None	None	None
Associate General Manager	Republic of China	Cheng Chang Li	Male	2022/03/16	0	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Chemical Engineering, National Cheng Kung University Hydrogen Project Manager in, Chung-Hsin Electric and Machinery Manufacturing Corp. R&D Manager in Motech Industries Inc.	None	None	None	None	None
Corporate Governance Manager	Republic of China	Li Chia Jung	Male	2021/11/05	31,230	0.03%	1,346	0.00%	0	0.00%	MBA, College of Management, Yuan Ze University Audit Manager in Brightking Electronics Inc.	None	None	None	None	None

Note 1: If positions of General Manager or the person of equivalent position (manager of the highest level) and the Chairman are served by the same person, or they are spouses or relatives within first-degree of their clans, please disclose the information about the reasons , reasonableness, necessity thereof, and the measures adopted thereto (such as increasing the number of independent director seats, and more than half of all directors should not concurrently serve as employees or managers.)

Note 2: Deputy General Manager Cheng Ming Che retired since October 14th, 2021. Associate General Manager Lien Chun Yuan resigned on May 31st, 2021.

3. If positions of Chairman, General Manager or the person of equivalent position (manager of the highest level) and the Chairman of the Board are served by the same person, or they are spouses or relatives within first-degree of their clans, please specify the information about the reasons , reasonableness, necessity thereof, and the measures adopted thereto.
(Table 1 and Table 1-1): None

3. Remuneration o for Directors, Supervisors, General Manager, and Deputy General Managers during recent years:

(1) Remuneration for General Directors and Independent Directors: (Names and remuneration forms are disclosed separately)

2021/12/31 Unit: NTD 1000

Title	Name	Remuneration (Directors)								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base remuneration (A)		Severance Pay (B)		Directors remuneration (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee remuneration (G)						
		The Company	Companies in the Consolidated Financial Reports	the Company	Companies in the Consolidated Financial Reports	The company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company		Companies in the Consolidated Financial Reports		The Company	Companies in the Consolidated Financial Reports	
																Cash	Stock	Cash	Stock			
Chairman	HAN HSIEN SON	5,143	5,143	241	241	1,942	1,942	60	60	7,386 4.95%	7,386 4.95%	0	0	0	0	0	0	0	0	7,386 4.95%	7,386 4.95%	None
Vice Chairman	HAN HSIEN FU	0	0	0	0	971	971	60	60	1,031 0.69%	1,031 0.69%	4,810	4,810	200	200	0	0	0	0	6,041 4.05%	6,041 4.05%	None
Director	WU CHIH HSYONG	0	0	0	0	971	971	60	60	1,031 0.69%	1,031 0.69%	4,650	4,650	108	108	47	0	47	0	5,836 3.91%	5,836 3.91%	None
Director	WANG HSIN WU	0	0	0	0	971	971	60	60	1,031 0.69%	1,031 0.69%	3,391	3,391	253	253	35	0	35	0	4,710 3.16%	4,710 3.16%	None
Director	Chen Chun Liang	0	0	0	0	971	971	60	60	1,031 0.69%	1,031 0.69%	0	0	0	0	0	0	0	0	1,031 0.69%	1,031 0.69%	None
Director	HUANG HUNG HSING	0	0	0	0	971	971	60	60	1,031 0.69%	1,031 0.69%	0	0	0	0	0	0	0	0	1,031 0.69%	1,031 0.69%	None
Independent Director	CHEN FAN SHIONG	400	400	0	0	0	0	60	60	460 0.31%	460 0.31%	0	0	0	0	0	0	0	0	460 0.31%	460 0.31%	None
Independent Director	HONG HSIANG WEN	400	400	0	0	0	0	60	60	460 0.31%	460 0.31%	0	0	0	0	0	0	0	0	460 0.31%	460 0.31%	None
Independent Director	WU CHUN YING	400	400	0	0	0	0	60	60	460 0.31%	460 0.31%	0	0	0	0	0	0	0	0	460 0.31%	460 0.31%	None

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:
Remuneration for Independent Directors of the Company shall be decided in accordance with the relevant provisions of the Company's Articles of Incorporation, where the Remuneration Committee shall review the extent of each director's participation in the Company's operations, the value of their contributions, and the evaluation of their performance with reference to the standards in the industry, and then recommend a reasonable and fair remuneration level for submission to the Board of Directors for resolution.
2. In addition to the above-mentioned remuneration disclosed, the remuneration shall be disclosed as follows when received from the companies included in the Consolidated Financial Reports last year to compensate directors for their services (e.g.serving as an consultant but not a formal employee) : 0

Table of Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Reports (H)	The Company	Companies in the Consolidated Financial Reports (I)
Less than NT$ 1,000,000	CHEN FAN SHIONG; HONG HSIANG WEN; WU CHUN YING	CHEN FAN SHIONG; HONG HSIANG WEN; WU CHUN YING	CHEN FAN SHIONG; HONG HSIANG WEN; WU CHUN YING	CHEN FAN SHIONG; HONG HSIANG WEN; WU CHUN YING
NT$1,000,000 ~ NT$1,999,999	HAN HSIEN FU; WU CHIH HSYONG; WANG HSIN WU, Chen, Chun-Liang; HUANG HUNG HSING	HAN HSIEN FU; WU CHIH HSYONG; WANG HSIN WU, Chen, Chun-Liang; HUANG HUNG HSING	Chen, Chun-Liang; HUANG HUNG HSING	Chen, Chun-Liang; HUANG HUNG HSING
NT$2,000,000 ~ NT$3,499,999				
NT$3,500,000 ~ NT$4,999,999			WANG HSIN WU	WANG HSIN WU
NT$5,000,000 ~ NT$9,999,999	HAN HSIEN SON	HAN HSIEN SON	HAN HSIEN SON; HAN HSIEN FU; WU CHIH HSYONG	HAN HSIEN SON; HAN HSIEN FU; WU CHIH HSYONG
NT$10,000,000 ~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999				
NT$30,000,000~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				
Greater than or equal to NT$100,000,000				
Total	9	9	9	9

(2). Remuneration for Supervisors: N/A

(3). Remuneration of the General Manager and Deputy General Managers

Remuneration of the General Manager and Deputy General Managers (Names and methods of remuneration are disclosed separately)

2021/12/31 Unit: NT$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee remuneration (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company	Companies in the Consolidated Financial Reports	The Company		Companies in the Consolidated Financial Reports		The Company	Companies in the Consolidated Financial Reports	
								Cash	Stock	Cash	Stock			
General Manager	WU CHIH HSYONG	3,216	3,216	108	108	1,434	1,434	47	0	47	0	4,805 3.22%	4,805 3.22%	None
Deputy General Manager	Chou Wu Hsing	3,074	3,074	108	108	1,314	1,314	45	0	45	0	4,541 3.04%	4,541 3.04%	None
Deputy General Manager	WANG HSIN WU	2,424	2,424	253	253	967	967	35	0	35	0	3,679 2.47%	3,679 2.47%	None
Deputy General Manager	Chiu Hung Yi	1,615	1,615	95	95	551	551	23	0	23	0	2,284 1.53%	2,284 1.53%	None
Deputy General Manager (Note 2)	Cheng Ming Che	1,676	1,676	4,096	4,096	0	0	0	0	0	0	5,772 3.87%	5,772 3.87%	None
Deputy General Manager	Lin Chang Chun	221	221	10	10	415	415	3	0	3	0	649 0.44%	649 0.44%	None

Table of Range of Remuneration

Range of Remuneration for General Manager and Deputy General Managers of the Company	Names of General Manager and Deputy General Managers	
	The Company	Companies in the Consolidated Financial Reports
Less than NT$ 1,000,000	Lin Chang Chun	Lin Chang Chun
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999	Chiu Hung Yi	Chiu Hung Yi
NT$3,500,000 ~ NT$4,999,999	WU CHIH HSYONG; Chou Wu Hsing; WANG HSIN WU	WU CHIH HSYONG; Chou Wu Hsing; WANG HSIN WU
NT$5,000,000 ~ NT$9,999,999	Cheng Ming Che	Cheng Ming Che
NT$10,000,000 ~ NT$14,999,999		
NT$15,000,000 ~ NT$29,999,999		
NT$30,000,000 ~ NT$49,999,999		
NT$50,000,000 ~ NT$99,999,999		
Greater than or equal to NT$100,000,000		
Total	6	6

4. We specify and compare the total remuneration received by Directors, Supervisors, General Manager and Deputy General Managers in the last two years from the Company and from other companies in the Consolidated Financial Reports, analyze the ratio of total remuneration to net profit after tax in individual /separate financial reports, and then describe the policies, standards, and portfolios for remuneration payment , the procedures for determining remuneration, and the correlation with business performance and future risks.

(1) The remuneration for Directors, Supervisors, General Manager and Deputy General Managers are paid by the Company only.

In 2021 and 2020, the ratio of total remuneration to net profit after tax were 24.64 % and 28.72 %, respectively. As for 2021, we specify and compare the total remuneration received by Directors, Supervisors, General Manager and Deputy General Managers in the last two years from the Company and from other companies in t Reports, and analyze the ratio of total remuneration to net profit after tax in individual/separate financial reports: Unit: NTD (Thousands)

	Total Remuneration			
	2020		2021	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	12,341	12,341	18,932	18,932
Supervisor	220	220	N/A	N/A
General Manager and Deputy General Managers	19,754	19,754	17,822	17,822

	Ratio of total remuneration to net profit after tax (%)			
	2020		2021	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	10.97%	10.97%	12.69%	12.69%
Supervisor	0.19%	0.19%	N/A	N/A
General Manager and Deputy General Managers	17.56%	17.56%	11.95%	11.95%

Note: The Audit Committee was established in 2020/06/17, in which all the supervisors were dismissed.

(2) The policies, standards, and portfolios for remuneration payment, the procedures for determining remuneration, and the correlation with business performance and future risks.

① The renumeration for Directors and Supervisors, include travel expenses and distribution of earnings. Travel expenses are determined with reference to the industry standard, which are paid depending on the attendance of Directors and Supervisors to Board of Directors meetings.The distribution of earnings for the remuneration to directors will be determined according to the Company's Articles of Incorporation.

If there is any surplus after the Company's annual accounts, the Company shall first make up any losses in previous years, in addition to paying income tax according to the laws.

Than, the Company shall set aside 10% of the remaining balance as legal reserve, except when the accumulated legal reserve has reached the Company's total paid-in capital.

The remainder shall be set aside or reversed as special reserve, in accordance with the relevant laws and regulations or the regulations of the competent authorities.If there is any unappropriated earnings, the Board of Directors shall, dependig on the Company's businessdevelopment, propose dividends and bonuses to shareholders in the range of 10% to 100% of the earnings, and submit such a proposal to the shareholders’ meeting for resolution. The remuneration for our General Manager and Deputy General Managers, including salaries, bonuses, and employee remuneration, will be based on their positions held and the responsibilities they assumed, and then be determined by reference to the industry standard for similar positions.

②Correlation with business performance and future risks :

The bonus and earnings distribution items in the remuneration structure are taken into account based on the achievement of the Company's business performance in the current year, the changes in the overall economic environment,the relevant remuneration levels in the industry, and the capital required for the Company's future development.
Therefore, the remuneration paid by the Company (except for the fixed remuneration for independent directors and supervisors) to Directors, Supervisors, General Manager and Deputy General Manager is positively correlated with business performance and future risks.

4. Implementation of Corporate Governance

(a) Operations of the Board of Directors

(1) A total of 6 meetings of the Board of Directors were held in the previous period. The attendance of directors and supervisors was as follows:

Title	Name (Note 1)	Attendance in Person B	By Proxy	Attendance Rate (%) 【B/A】(Note 2)	Remarks
Chairman	HAN HSIEN SON	6	0	100	
Director	HAN HSIEN FU	6	0	100	
Director	WU CHIH HSYONG	6	0	100	
Director	WANG HSIN WU	6	0	100	
Director	Chen, Chun-Liang	6	0	100	
Director	HUANG HUNG HSING	6	0	100	
Director (Independent)	CHEN FAN SHIONG	6	0	100	
Director (Independent)	HONG HSIANG WEN	6	0	100	
Director (Independent)	WU CHUN YING	6	0	100	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(一) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Board of Directors Meeting Date	Session	Meeting Agenda and Resolution	Opinions From Independent Directors	Actions toward Independent Directors	Independent Directors' Avoidance of Motions, With Records or Written Declarations

2021/01/22	The 5th Meeting in the 20th Session	Amendment to "Internal Control System". Resolution: Passed as Proposed	None	None	None
		Change of CPAs. Resolution: Passed as Proposed	None	None	None
2021/03/19	The 6th Meeting in the 20th Session	Presentation of the 2020 "Internal Control System Statement". Resolution: Passed as Proposed	None	None	None

(2) In addition to the aforementioned items, other resolutions in the meetings of Board of Director through independent directors' avoidance of motions with records or written declarations: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, the contents of motion, the causes for avoidance and the situation of voting should be specified: None

3. TWSE/TPEx-listed companies are required to disclose the information about the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation contents of the self (or peer) evaluations conducted by the Board of Directors, while the "Implementation Status of Board Evaluations"should be filled out.

Cycle of Evaluation	Duration of Evaluation	Range of Evaluation	Method of Evaluation	Content of Evaluation
Annually	2021/1/1 to 2021/12/31	Board of Directors, individual directors, Remuneration Committee	Self-Evaluation	1. Degree of Participation in Company Operations 2. Grasp of Company Goals and Missions 3. Selection of Directors and Continuous Further Studies 4. Composition and Structure of the Board of Directors 5. Internal Control

On 2022/03/25, the meeting of Board of Directors in the Company passed its "2021 Board of Directors Performance Self-Evaluation Report", with the results listed as follows:

(1) Board of Directors Performance Evaluation

Top Five Aspects of Self-Evaluation	Number of Questions	Average Score
A. Degree of Participation in Company Operations	12	4.33
B. Improvement of Decision-Making Quality in Board of Directors	12	3.83
C. Composition and Structure of Board of Directors	7	4.14
D. Selection of Directors and Continuous Further Studies	7	3.29
E. Internal Control	7	4.29
Total/Average Score	45	3.98

(2) Board of Directors Member Performance Evaluation

Top Six Aspects of Self-Evaluation	Number of Questions	Average Score
A. Grasp of Company Goals and Missions	3	4.96
B. Understanding of Director's	3	4.93

Responsibilities		
C. Degree of Participation in Company Operations	8	4.85
D. Cultivation and Communication of Internal Relationships	3	4.96
D. Director's Expertise and Continuous Further Studies	3	4.81
F. Internal Control	3	4.78
Total/Average Score	23	4.88

(3) Functional Committee Performance Evaluation

Top Five Aspects of Self-Evaluation	Audit Committee		Remuneration Committee	
	Number of Questions	Average Score	Number of Questions	Average Score
A. Degree of Participation in Company Operations	4	4.92	4	4.92
B.Understanding of Functional Committee' Responsibilities	5	5.00	5	5.00
C. Improvement of Decision-Making Quality in Functional Committees	7	4.90	7	4.90
D. Composition and Member Selection of Functional Committees	3	5.00	3	5.00
E. Internal Control	3	5.00	-	-
Total/Average Score	22	4.96	19	4.96

Overall, the assessment result of "better than average" indicates that the Company has strengthened the functions of the Board of Directors and the functional committees are generally operating well. In the future, we will continue to refine and protect shareholders' rights and interests in order to enhance the effectiveness of corporate governance.

4. Evaluation of the goals for strengthening Board of Directors' functions in the current year and last year(e.g., establishing an audit committee, enhancing information transparency, etc.) and the situation of implementation:

The Company established its Audit Committee on June 17th 2020, with a total of 3 committee members. The Company has a plan that the practicing Directors should participate in the actual operation of management teams in various units and then review the management meetings, while also arranging diversified training courses to enhance directors' corporate governance capabilities.

(B) Audit Committee Status and Board of Directors Participation Status:

(1) The Company established its Audit Committee on June 17th 2020, with a total of 3 committee members.

(2) The term of the first session members was from June 17th, 2020 to June 16th, 2023. In the last year, the Audit Committee has been convened 5 times (A),

with the attendance of committee members as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remarks
Audit Committee Member	CHEN FAN SHIONG	5	100	Term began on 2020/6/17
Audit	HONG	5	100	Term began on 2020/6/17

Committee Member	HSIANG WEN			
Audit Committee Member	WU CHUN YING	5	100	Term began on 2020/6/17

Other mentionable items:

一、During the operations of the Audit Committee, if any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' avoidances of motions or major suggestions, resolutions of the Audit Committee and company response to the Audit Committee's suggestions shall be stated.

1. Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Motion and Response	Resolution	Company Response to Audit Committee Suggestion
1st Session, 3rd Meeting 110.1.22	1. Revision to Internal Control Systems. 2. Change of CPAs.	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
1st Session, 4th Meeting 2021/03/19	1. The 2020 Business Report and Financial Statement 2. Presentation of the 2020 "Internal Control Systems Statement".	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
1st Session, 5th Meeting 2021/05/07	1. Financial Statement for 2021 Q1	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
1st Session, 6th Meeting 2021/08/06	1. Financial Statement for 2021 Q2 2. Assessment of the independence and suitability of the CPAs hired by the Company	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
1st Session, 7th Meeting 2021/11/05	1 Financial Statement for 2021 Q3	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
1st Session, 8th	1. Amendment to "Corporate Social Responsibility Code of Conduct" 2. Amendment to "Corporate Governance	Passed with unanimous consensus	Motion brought to Board of Directors, passed with

Meeting 2022/01/21	Code of Conduct"		unanimous consensus from all attending directors
1st Session, 9th Meeting 2021/03/25	1. The 2021 Business Report and Financial Statement 2. The 2021 Earnings Distribution Plan 3. Presentation of the 2020 "Internal Control Systems Statement". 4. Assessment of independence and suitability of the CPAs hired by the Company. 5. Amendment to "Internal Control Systems". 6. Amendment to "Procedures for Acquisition or Disposal of Assets" 7. Amendment to "Corporate Governance Code of Conduct"	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors

2. Other motions passed with consensus from more than two-thirds of all directors without resolution from the Audit Committee, in addition to aforementioned matters: none.

2. If there are independent directors' avoidance of motions in conflict of interest, the independent Directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communication between independent Directors and internal auditors/accountants (should include significant subjects, methods and results of communication regarding the Company's financial and business conditions):

1. Method of Meeting: Seminar
2. Significant subjects and results through communication regarding the Company's financial and business conditions:

Time	Location	Subject of Communication	Result
2021/11/05	3F., No. 43, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City (Cosmos Hotel Taipei)	1. Explanation regarding 2021 "Corporate Governance Evaluation Indices (02/15 and 02/30) 2. 2021 Audit Personnel Professional Training Status Report	Exchange of Opinions
		1. 2022 Audit Project 2. Improvement for Deficiencies in Internal Control Implemented as of August 2021	No Objections
		1. Continued internal compilation of Kaori's Consolidated Financial Report 2. Kaori has requested Deloitte Taiwan for guidance on ESG 3. Deloitte Taiwan can provide their clients with consultations on matters such as industry transformation, mergers, digital transformation, process improvement and information security protection	Exchange of Opinions

(3) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Abstract	
1. Does the Company establish and disclose the Corporate Governance Code of Conduct based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". The information has been disclosed on the Company's website.	Non significant discrepancy
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?	V V V V		(1) The Company's financial department has designated dedicated persons to handle shareholders' suggestions, doubts, and disputes. Any legal issues involved will be handled by the Company's legal personnel or the law firms entrusted by the Company. (2) The Company has commissioned Mega Securities to deal with matters related to shareholding, and keeps the list of its major shareholders as well as the ultimate owners of those shares in constant sight. (3) The Company has established and enforced the regulations on inter-affiliate financial operations, the regulations on management of long-term and short-term investments, and the regulations on supervision of subsidiaries. (4) The Company has established "Standards of Ethical Conduct for Supervisors and Senior Professionals" and "Procedures for Handling Vital Information" to regulate and prohibit insiders from trading marketable securities by using non-public information in the market; everything will be implemented in accordance with the laws.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and submit the performance evaluation results to the Board of Directors and refer to these when determining the remuneration for individual directors as well as the nominations for reelection?	V V V		(1) The Company has established the "Method for Election of Directors and Supervisors" and the "Corporate Governance Code of Conduct", and has formulated a policy accordingly on the diversity of board members and set specific management objectives and implemented them step by step. Please refer to "Policy on Diversity of Board Members and Implementation" on Pages 9-10 of the annual report for status of implementation. (2) The Company has established a "Salary and Remuneration Committee" in accordance with regulations and has no plans to establish other functional committees at present. (3) The Company has adopted the "Board of Directors' Performance Evaluation Regulations", stipulating that the Board of Directors shall conduct an internal evaluation of the performance of the Board of Directors at least once a year, and that the Board of Directors shall conduct an evaluation of the performance of the Board of Directors at the end of each year in accordance with the evaluation procedures and indicators of the Regulations. In the future, the results of performance evaluation may be reported to the Board of Directors in accordance with the proposal and used as a reference for individual director's salary remuneration and nomination for reappointment. The 2021 self-evaluation of Board of Directors and Board member performance has been completed. The evaluation is based on a scale of 1 to 5: 5 (excellent), 4 (good), 3 (average), 2 (below average) to to 1 (poor) .(5 is a full score)	No significant discrepancy

Evaluation Item	Implementation Status (Note 1)			Deviations from the " Corporate Governance
	Yes	No	Abstract Illustration	
(4) Does the Company regularly evaluate the independence of CPAs?	V		There are five major areas involved in the Board of Directors' performance self-assessment: participation in company operations, improvement of quality of the Board's decision-making, Board composition and structure, the Board member selection and further studies, and internal control. The weighted average of this evaluation is 3.98. There are five major areas involved in the Board members' performance self-assessment: company objectives and tasks, directors' awareness of responsibilities, involvement in the Company operations, and internal control of internal relations and communication. The weighted average of the this evaluation is 4.88. There are five major areas involved in the functional committees evaluation: participation in company operations, awareness of functional committee responsibilities, improving the quality of functional committee decisions, composition and selection of functional committee members, and internal control. The weighted average of this evaluation is 4.96. Overall, the assessment result of "better than average" indicates that the Company has strengthened the functions of the Board of Directors and the functional committees are generally operating well. In the future, we will continue to refine and protect shareholders' rights and interests in order to enhance the effectiveness of corporate governance. (4) The Company's Board of Directors approved the "Regulations Governing the Evaluation of the Independence and Suitability of Certified Public Accountants" on Aug. 7, 2020, and the "Evaluation of the Independence and Suitability of Certified Public Accountants" (see Attachment 1) and the Accountant's Independence Statement for 2021 on March 25, 2022 to evaluate the independence and suitability of the Certified Public	

Evaluation Item	Implementation Status (Note 1)			Deviations from the " Corporate Governance
	Yes	No	Abstract Illustration	
	V		Accountants. Our Certified Public Accountants are Liu Shulin and Chen Wenxiang from Deloitte Taiwan, which is not an affiliate of the Company and causes no concerns about independence.	
4. Does the listed company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors in legal compliance, and handling the work related to meetings of the Board of Directors and the shareholders' meetings, and producing the minutes of board meetings and shareholders' meetings)?	V		The Financial & Accounting Division has been designated by the Board of Directors as the deliberative unit for business affairs. The Company's Board of Directors meeting on November 5, 2021 approved that the Special Assistant to the General Manager's Office should be the Head of Corporate Governance, with the Financial & Accounting Division responsible for handling requests from the Board of Directors and shareholders' meetings, assisting directors and independent directors in complying with laws and regulations, conducting company registrations and changes in registrations, preparing the minutes of board of directors and shareholders' meetings, etc., while also assisting directors in carrying out their duties in a timely and effective manner within three days.	None
5. Has the Company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and handle all the issues they care in terms of corporate social responsibilities?	V		The Company established he Stakeholder Area section on the corporate website. In addition, personnel are in place to deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
6. Has the Company appointed a professional shareholder service agency to deal with shareholder's affairs?	V		The Company has designated Mega Securities to deal with shareholder's affairs.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the “ Corporate Governance
	Yes	No	Abstract Illustration	
7. Information Disclosure (1) Does the Company have a corporate website for disclosure of both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V V V		The Company has set up a website to disclose information regarding the Company’s finances and corporate governance status. (2) The Company has established an English website and reports financial and business information on the Market Observation Post System on a regular or irregular basis. A spokesperson system has been established to collect and disclose company information. (3) The Board of Directors has approved the 2021 Annual Financial Report on March 25, 2022. Quarterly financial reports and monthly operation statuses have also been announced and reported by the deadline set by competent authorities.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the " Corporate Governance
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1)Status of employee rights and employee wellness: In addition to following the Labor Standards Act and related regulations for employees' rights and benefits, establishing an employee welfare committee, and implementing a pension system, the Company also encourages its employees to participate in various training courses and technical seminars, provides the plans of employee group insurance and arranges for regular health checkups, values the importance on labor relations and provides equal employment opportunities. (2)For investor relationship, supplier relationship, stakeholders' rights, please seethe Investor Area in the Company website (https:// https://www.kaori.com.tw/tw/) which provides contact numbers and email addresses of the dedicated personnel for shareholder issues who handle shareholder's suggestions, questions and disputes. The Company maintains smooth communication and amicable interaction with investors, suppliers and customers, and has adhered to the principle of honesty and trust, all of which follow company internal control system and management rules. (3) Status of Director Training: The directors of the Company have taken courses covering financial, business, commercial, legal and accounting subjects related to corporate governance in 2021, while independent Directors have also taken more than six hours of legal, financial or accounting courses each year, which has been disclosed in the Corporate Governance section of the Market Observation Post System. (4) Implementation of Risk Management Policies and Risk Measurement Standards: The Company has established various internal management regulations and risk management policies in accordance with the laws, with internal audit units performing various risk management, evaluation and audits in accordance with the regulations on a regular or irregular basis.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the " Corporate Governance
	Yes	No	Abstract Illustration	
			(5) Customer Policy Implementation: The Company has established customer policy and customer complaint procedures, with regular contacts between the Company and its customers. When customer complaints occur, we properly identify the problem and assign responsibility for it, take prompt and effective measures to deal with it, and propose preventive and improvement measures to prevent its recurrence, while also ensuring the best interests of both parties through amicable channels of consultation and communication. (6) Company Liability Insurance for Directors and Supervisors, and Corporate Social Responsibility: The Company has taken out US$1 million liability insurances for Directors and Supervisors to strengthen protection of shareholders' rights and interests.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. The 2020 corporate governance assessment for listed enterprises has 7 levels of governance proficiency, with the Company's assessment for 2020 falling on the 6th level (66%~80%). The items not to be improved yet: Reinforcement of the structure and operation of the Board of Directors, disclosure of information in English, and implementation of evaluation projects related to CSR; other priorities and measures: Reinforcement of structure and operation of the Board of Directors and implementation of evaluation projects related to CSR.				

(4) Composition, Responsibilities and Operations of the Remuneration Committee

A. Composition of the Remuneration Committee

Remuneration Committee Member Information

Title (Note 1)	Name	Professional Qualification and Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Chairperson)	CHEN FAN SHIONG	Honorary Professor, Tatung University	No items as listed in Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
Independent Director	HONG HSIANG WEN	Consultant, Limeijia Investment	No items as listed in Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None
Independent Director	WU CHUN YING	Consultant, Wispro **Yuan Tsun Plastic Co. Ltd., Director of Business evelopment**	No items as listed in Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	None

2. Remuneration Committee Status:

(1) There are 3 members in the Remuneration Committee.

(2) The term of the fourth session members is from June 17th, 2020 to June 16th, 2023. In the last year, the Audit Comm 5 times (A), with the qualifications and attendance of committee members as follows:

Title	Name	Attendance Rate (B)	By Proxy	Attendance in Person (%) (B/A) (Note)	Remarks
Chairperson	CHEN FAN SHIONG	3	0	100	Term began on
Committee	HONG HSIANG	3	0	100	Term began on
Committee	WU CHUN YING	3	0	100	Term began on
Other mentionable items: 1. If the Board of Directors declines to adopt or modify a recommendation from the Remuneration Committee, please specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company’s response to the Remuneration Committee’s opinions (e.g., the remuneration passed by the Board of Directors exceeds the ones recommended by the Remuneration Committee, the circumstances and cause for the					

discrepancy shall be specified): None.

2. As for the resolutions of the Remuneration Committee, if any member has any objection or expressed reservations with the records or written statements, please specify the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion : None.

Remuneration Committee	Motion and Response	Resolution	Company Response to Remuneration Committee Suggestion
Fourth Session Second	1. 2020 year-end and business bonuses for the entire company 2. 2020 year-end and business bonuses for	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from
Fourth Session Third Meeting	1. 2020 employee and director remuneration distribution	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
Fourth Session Fourth Meeting	1. The 2020 director and employee remuneration distribution amount 2. Increase in maximum subsidy for employee stock ownership trust	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
Fourth Session Fifth Meeting 2022/01/21	1. 2021 year-end and business bonuses for the entire company 2. 2021 year-end and business bonuses for managers	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors
Fourth Session Sixth Meeting	1. 2021 employee and director remuneration distribution	Passed with unanimous consensus	Motion brought to Board of Directors, passed with unanimous consensus from all attending directors

3.3.5 Sustainable Development Implementation Progress: Fulfillment of Sustainable Development and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Promotion Item	Implementation Status (Note 1)			Discrepancy with "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish the governance structure of sustainable development promotion and set up the dedicated (concurrent) units for sustainable development promotion, which are authorized by the Board of Directors to senior management for such handling? And the supervision status of the Board of the Directors?	V		The governance structure of sustainable development promotion consists of the Chairman of the Board as the chairperson , the Vice Chairman as the vice chairperson,, the General Manager as the convener, and the Deputy General Manager of the Head Administrative Management Division as the vice convener. The implementation unit is organized based on four main dimensions: environmental management, corporate governance, social participation and green sustainable products. The Board of Directors provides oversight and guidance on environmental, social and corporate governance issues about sustainable development, while the implementation unit also schedules regular meetings each year to report implementation results to senior management and the Board of Directors. As for the governance and responsibilities for each promotion member, please see "Company Promotion of Sustainable Development" in the annual report for a description of the governance structure of company sustainable development promotion.	No significant discrepancy
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2)	V		The Company has established "Sustainable Development Principles" for the implementation of corporate governance, while conducting risk assessments on environmental, social and corporate governance issues related to the Company's operations, for developing a sustainable environment and safeguarding social welfare, to formulate relevant risk management strategies and	None

			measures for major issues. Please see the section "Company Promotion of Sustainable Development" in this annual report.	
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has established a suitable environmental management system according to the characteristics of its industrial characteristics, which meets the requirements of environmental protection laws and regulations. Our Kaohsiung plant has also acquired the ISO14001 environmental management system certification. Describe how to implement an effective environmental management system and the regulations under which it is implemented.	No significant discrepancy
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have lower impact on the environment?	V		To continue to improve energy efficiency, LED flat panel lights are used throughout the headquarters, while the lighting systems in each plant are being replaced sequentially. We are actively promoting initiatives such as paperless operations, electricity saving, domestic waste reduction and recycling, etc. Environmental protection companies have been hired at Zhongli and Kaohsiung plants to carry out recycling processes according to regulations.	No significant discrepancy
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		Greenhouse gas reduction issues are incorporated into the risk management process for continuous assessment of potential risks and opportunities of climate change for the Company. We also actively promote carbon emission reduction, greenhouse gas reduction, water reduction and other waste reduction management programs.	No significant discrepancy
(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		V	the Company has not yet taken inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years. Improvements will be discussed when risk management policies are taken into account in the future. Current management strategies are as follows: (1)Greenhouse Gas: A Carbon Management Committee was established in December 2021 to promote the Company's greenhouse gas reduction programs. We are also in the process of conducting ISO14064-1:2018 greenhouse gas inventory and certification operations, and we expect to obtain third-party certification in July 2022. (2)Water Resources: Our plants mainly use water for civilian use from tap water, which has no significant impact on natural water sources. The wastewater generated is also limited to general domestic wastewater only, and we will continue promoting our	Ongoing improvement

			water conservation policies through water conservation. Total water consumption in 2021: 3177.465 million liters (3) Other wastes: Total weight of waste in 2021: 118.046 tons 1. Setting up a staff cafeteria and providing environmentally-friendly tableware to reduce the use of disposable tableware. 2. Full recycling of paper containers to reduce the production of residential waste. 3. Setting up food waste recycling bins to reduce the production of residential waste. 4. The 2021 environmental target for Kaohsiung plant : 5% reduction in domestic waste.	
4. Social issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complies with relevant laws and regulations in Taiwan, including the Labor Standards Act, the Employment Service Act, and the Act of Gender Equality in Employment. It also adheres to standards of international human rights conventions such as the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the United Nations Labor Organization. Through internal company "Employee Work Guidelines" and "Internal Communication Guidelines", we provide a channel for complaints to protect the rights and interests of our employees and ensure that every employee w is treated fairly and respectfully. In addition, the problems such as child labor, forced labor or human rights violations have never occurred.	No significant discrepancy
(2) Does the Company enact reasonable employee welfare measures (including salaries, leaves, and other benefits), and do business performance or results reflect on employee salaries?	V		The Company holds regular labor-management meetings and weekly meetings to maintain a two-way good communication mechanism. It has also formulated and implemented reasonable employee welfare measures in accordance with the Labor Standards Act and relevant regulations,, including salary, leaves and other benefits, while also appropriately reflecting operational performance on employee remuneration. (1) The Board of Directors has established a Remuneration Committee, which is mainly responsible for policies, systems, standards and structure of remuneration. (2) Bonuses: Based on company operation performance, annual net profit and employee evaluation. (3) Maternity Pension:	No significant discrepancy

			NTD 50,000 for singleton. NTD 100,000 for twins. NTD 150,000 for triplets. And so on for multiple births. (4) Childcare Allowance: NTD 10,000 per child per household per year until the age of six. (5) Employees with excellent performance in proposing improvements will be commended at monthly meetings, with bonuses given to encourage outstanding employees.	
(3) Does the Company provide a healthy and safe working environment and organize trainings on health and safety for its employees on a regular basis?	V		the Company implements annual employee health checkups and regularly promotes a safe and healthy work environment at monthly meetings, while providing regular safety and health education to employees, with the participation of all employees. Through these meetings, we regularly interact with our employees and announce policy plans and trainings so that they can fully understand the Company's operation statuses. The Company provides and maintains a safe and sanitary work environment that meets the requirements of industry practice and the laws. We also conduct regular labor safety education trainings and preventive trainings as required by law.	None
(4) Does the Company provide its employees with effective career development and training sessions?	V		In order to respond to the rapid change of technology in the industry and ensure the talent and career development of employees, the Company has established the "Employee Education and Training Program" to enhance the knowledge and skills of employees and strengthen the efficiency and quality of work. We also implement on-the-job trainings for employees or have them participate in external professional trainings occasionally. the Company has set "employee learning and development" as a key human resource management point to cultivate outstanding professionals and improve operational performance so as to achieve the Company's operational goals.	No significant discrepancy
(5) By providing products and services, does the Company complies with relevant laws and international standards in relation to customer health and safety, customer privacy,marketing and labeling ? Have relevant consumer protection and grievance procedure policies been	V		The marketing and labeling of our products and services are conducted in accordance with relevant regulations. We do not perform actions such as deceiving, misleading or concealing from consumers that harm their rights. The Company has established a customer complaint management system and a customer-oriented quality management mechanism. In addition, the Company values customer opinions and has set up a stakeholder area on the	No significant discrepancy

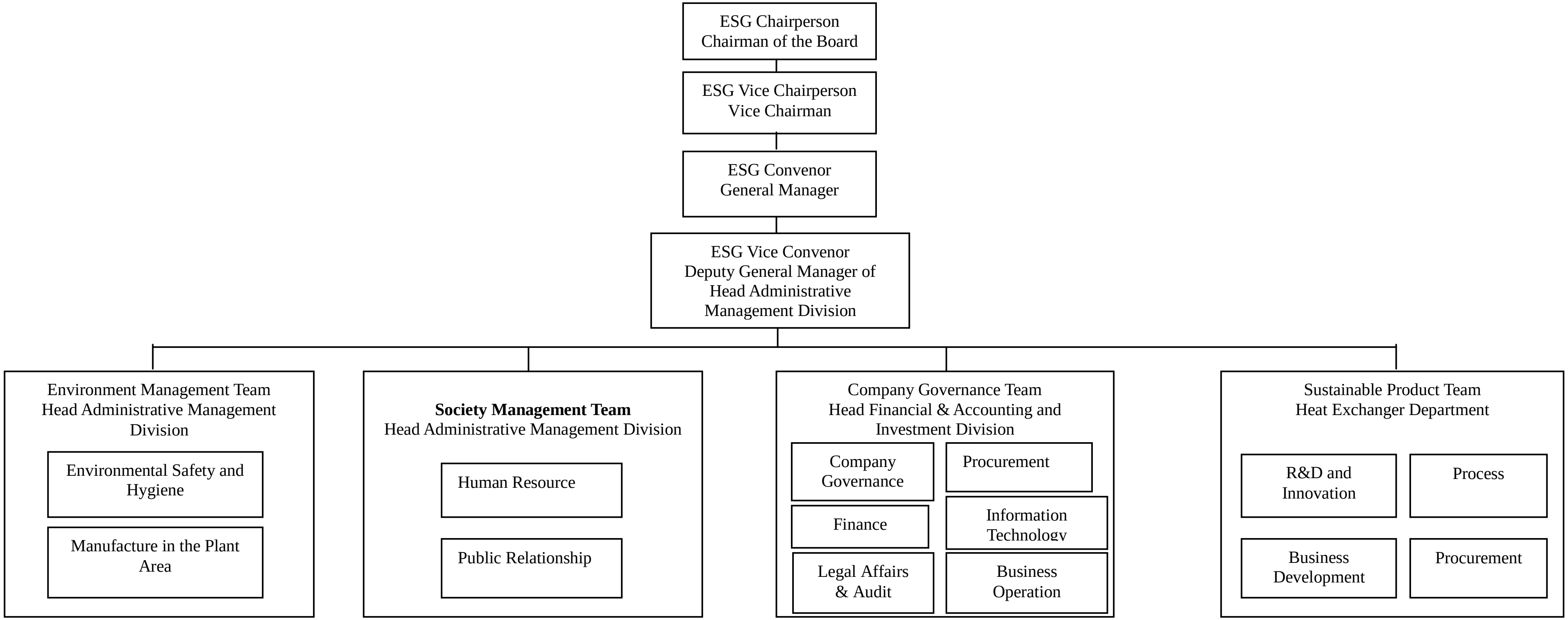
implemented?			Company website to provide contact ways for inquiries, complaints or suggestions in order to protect customer rights.	
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		We have established "Supplier Control Procedures" to find exceptional suppliers. In addition to expecting reasonable prices, we also ask suppliers to comply with the requirements from competent authorities on environmental protection, occupational safety and labor human rights issues. We establish good relationships with suppliers by doing business with them. We also ask them to provide materials in compliance with RoHS and other relevant environmental directives. The materials supplied by Kaohsiung plant's suppliers must comply with the EU RoHS Directive (latest version EU2015). the Company also conducts regular supplier evaluations to ensure that suppliers have no previous records of environmental and social impacts. The contracts between the Company and its major suppliers should include a provision to comply with the CSR policy of both parties. We may terminate or cancel the contract at any time if the supplier is involved in a violation of the policy and has a significant impact on the environment and the society. Exceptional suppliers will be acknowledged and d at annual year-end banquets.	No significant discrepancy
5. Does the Company refer to internationally-accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as Sustainability Report? Do the above-mentioned reports and related opinions have been confirmed by a third-party verification unit?		V	The Company is currently preparing its 2021 Annual Sustainability Report in accordance with the GRI Standards of the Global Reporting Initiative (GRI). We also expect to issue the first sustainability report in June 2022 in response to United Nations Sustainable Development Goals (SDGs). This report is issued on a voluntary basis and is planned to be confirmed by a third-party certification authority in the future.	Currently under compilation
6. Describe the difference(if any)between actual practice and the corporate social responsibility principles, if the Company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies: The Company's Board of Directors approved the establishment of the Company's Corporate Social Responsibility Code of Conduct in August 2016. In addition, the "Sustainable Development Principles" has been revised and approved by the Board of Directors on January 21, 2022 in order to fulfill corporate social responsibility and promote economic, environmental and social progress to achieve the goal of sustainable development. The Company regularly reviews its implementation of the Code and makes improvements accordingly. So far there				

are no discrepancies between regulation and implementation.
7. Other useful information for explaining the status of sustainable development practice: Our sustainability initiative focuses on “energy saving and carbon reduction, human-oriented and sustainable management". We are committed to incorporating ESG into our operation process, for moving towards sustainable management in a more systematic and organized manner. In face of climate change risks, Kaori follows international trends in calling for a net-zero carbon emission initiative. Net Zero Emission is crucial to a company's long-term strategical developments. Our priority is to promote "Low Carbon and Emission Reduction" as a sustainable action before achieving Net Zero Emission, (1) Voluntary carbon emission reduction: Refining hard-welding technology in processes, replacing energy-consuming production equipment, improving energy productivity and usage efficiency, and continuously reducing carbon emissions in the stages of product manufacturing and processing. At the same time, we continue to focus on reducing the waste produced by business operations. (2) Green renewable energy: Planning and building solar photovoltaic systems to increase the proportion of renewable energy use and support low-carbon energy transformation. (3) Low-carbon technology: By using liquid-cooling heat dissipation technology and hydrogen energy technology, we make advanced deployment for sustainable development of the industry chain, to build a complete low-carbon transformation structure. We continue developing critical green and low-carbon technologies to bring new paradigms and business models to traditional energy-consuming industries. During recent years, the Company has committed to cooperating with international manufacturers to develop and produce a number of energy-saving, hydrogen, and green energy products, and is actively moving into the green energy market. From using energy to saving energy, and now to producing energy, all of them show Kaori’s determination to fulfill its corporate environmental responsibility, to do its part for the earth, and to create a new world of green energy together with the industry. In 2021 the Company donated to disadvantaged students, cultural education, social welfare, disadvantaged children's service programs, etc., such as NTD 100,000 to the Taiwan Society for Metal Heat Treatment, NTD 10,000 to the Stardust Social Welfare Foundation, NTD 50,000 to the Eden Social Welfare Foundation, NTD 46,000 to the Taoyuan City Government Fire Department, NTD 30,000 to the National Tainan Industrial High School Alumni Association, and NTD 50,000 to the Taiwan Thermal Management Association. Our company has been actively participating in activities related to charitable organizations and fulfilling our corporate social responsibility.

Company Promotion of Sustainable Development:

1. Promotion of Sustainable Development Structure:

Kaori’s ESG Implementation Committee is organized based on four main dimensions: environmental management, corporate governance, social participation and green sustainable products:



2. Promoting Sustainable Development Governance

(1) Environmental Management Group: The Head Administrative Management Division leads the development and implementation of environmental policy and management systems, global climate change mitigation and adaptation, pollution prevention and control, energy efficiency, carbon emission management, environmental problem response mechanism; occupational safety and health policy and management mechanism, workplace safety, occupational disease prevention and health promotion, in addition to environmental protection, safety and health laws and regulations to communicate and implement labor relations.

(2) Social Management Team: The Head Administrative Management Division leads the development and implementation of attracting and retaining talents, employee's physical and mental health and work-life balance, labor relations and employee recognition, labor rights, cultivation and career development, and integration of public relations for stakeholder interaction and management.

(3) Corporate Governance Group: The Head Financial & Accounting and Investment Division is responsible for promoting and managing corporate governance, procurement, finance, information technology, legal affairs, auditing, and major operational issues.

(4) Sustainable Products Group: The Heat Exchanger Department facilitates R&D innovation, green manufacturing, green procurement, and business development.

3. Risk Assessment of Promoting Sustainable Development

Major Issues	Risk Assessment Evaluation Item	Risk Management Strategies and Measures
Environment	Environment Protection Climate Change	1. Reducing the impact of operations on natural environment and human beings: (1) Reducing the consumption of resource and energy caused by products and services. (2) Reducing discharge of pollutants, toxic substances and wastes, while disposing of wastes properly. (3) Increasing the recyclability and reuse of raw materials or products. (4) To maximize the sustainable use of renewable resources. (5) Enhancing product durability . (6) Increasing the performance of products and services. 2. We implement the inventory of corporate greenhouse gas and disclosure the results in accordance with ISO14064-1, the scope of which should include: (1) Direct greenhouse gas emissions: Greenhouse gas emissions sources owned or controlled by the Company. (2) Indirect greenhouse gas emissions: the input of electricity, heat or steam and other energy use generation. (3) Other indirect emissions: Emissions from company activities that are not indirect emissions from energy sources, but from sources owned or controlled by other companies.
Social Issues	Workplace Safety Employee Recruitment and Training	1. Providing a safe and healthy workplace for employees, including the provision of necessary health and first-aid facilities, and reduction of risk factors for employee safety and health to prevent occupational hazards. 2. Regular implementation of safety and health education training. 3. Provision of effective career development and training. 4. Business performance or results are appropriately reflected in the remuneration policy to ensure human resource recruitment, retention and encouragement, s to achieve the goal of sustainable management.
Corporate Governance	Society, Economics and Legal Compliance	Through the establishment of a governance organization, the establishment of an effective governance structure and related ethical standards and the implementation of internal control mechanisms, we ensure that all employees and operations of the Company comply with relevant laws and regulations, in order to improve corporate governance.

3.3.6 Fulfillment of Ethical Corporate Management and Measures:

The fulfillment of Ethical Corporate Management, Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", and the reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the "Ethical Corporate
	Yes	No	Abstract	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have Board-approved ethical corporate management policies and express these ethical corporate management policy and practices in its regulations and external correspondence , as well as the active commitment of the Board of Directors and senior management towards enforcement of such policy? (2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analyses and assessments of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct accordingly and ensure that the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (3) Does the Company provide clear operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the above-mentioned programs effectively and perform regular reviews and amendments?	V V V		(1) To ensure the implementation of ethical management, the Company has established an ethical management policy approved by the Board of Directors, and established an accounting system and internal control system. Internal auditors also regularly review the compliance status. In addition, we clearly state the core values of company management in external documents: innovation, quality, responsibility, and honor. The Company emphasizes the policy of ethical management to facilitate directors, supervisors, senior management, managers, employees, and substantive controllers in following guidelines during the course of business operations so as to implement ethical management. In accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, the Company has established the "Company Ethics Guidelines", "Procedures and Conduct Guidelines for Integrity Management" and "Code of Ethics". (2) In order to prevent unethical acts, the Company has adopted preventive management measures in the internal control regulations for business activities with higher risk that may cause unethical acts as listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies or in other business areas, to promote ethical management. (3) The Company has established a strict "Risk	No significant discrepancy

Evaluation Item	Implementation Status (Note 1)			Deviations from the "Ethical Corporate
	Yes	No	Abstract	
			Management Policy" to prevent business activities within its scope of operations that have higher risks of unethical behavior, and established an appropriate reporting system and submission channels. Relevant reports and processing records will be treated as confidential information. We fulfill the duty of confidentiality, review and revise the foregoing plans.	
2. Fulfillment of Ethical Management (1) Does the Company evaluate its business partners' ethical records and specify the ethics-related clauses in business contracts? (2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and the programs against	V V V V		(1) The Company avoids dealing with people with history of unethical conduct and has established integrity clauses in its business contracts. The Company's vital legal documents are all reviewed by legal personnel or legal advisors, who provide professional advice and recommendations. (2) The Company has designated the Special Assistant's Office as its dedicated unit to handle the revision, implementation, explanation, consultation service and	No significant discrepancy

Evaluation Item	Implementation Status (Note 1)			Deviations from the "Ethical Corporate
	Yes	No	Abstract	
unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and put into practice? (4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit trace the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (5) Does the Company regularly hold internal and external educational trainings on Ethical Management?	V		filing of the operation procedures and conduct guidelines, and the implementation of the same, under the supervision of the Audit Office, which is an independent department under the Board of Directors. The Audit Office conducts regular audits on the implementation of ethical management and is responsible for monitoring and reporting on all operations to the Board of Directors. (3) The General Affairs Division is authorized to establish the conflict of interest prevention policies and provide appropriate channels for reporting, whistleblowing and grievance procedure. (4) The Company promotes the principle that all business activities should be conducted in a manner that does not violate the integrity of the Company. In order to operate based on integrity, all the operations must comply with the Company's accounting system, internal control system and related policies. Regular audits by internal auditors have not found any violations of integrity. (5) The Company holds regular monthly meetings to promote all business activities to avoid acts that violate integrity, and encourages our staff to attend internal and external trainings regularly.	
3. Operation of the reporting channel (1) Does the Company establish both a reward/punishment system and an reporting channel? Can the accused person be reached by an appropriate person for follow-up? (2) Does the Company have standard operating procedures in place for investigating accusation cases, as well as follow-up actions and relevant	V V V		(1) In order to guide employees to have high ethical standards in the scope of business and to prevent occurrence of illegal behaviors, the Company has set up strict preventive measures and disciplinary measures as well as reporting and complaint channels, for which the General Affairs Division is responsible. Any person who violates ethical conduct regulations shall be punished in accordance with relevant provisions of company regulations. If a disciplined employee	No significant discrepancy

Evaluation Item	Implementation Status (Note 1)			Deviations from the "Ethical Corporate
	Yes	No	Abstract	
post-investigation confidentiality measures? (3) Does the Company provide the whistleblower with proper protection?			considers that the Company has improperly handled the matter and resulted in the infringement of their legal rights and interests, he/she may file a complaint to the General Affairs Division in accordance with the Company's relevant complaint handling regulations for legal remedies. (2) The Company has established principles and confidentiality mechanisms for handling whistle-blowing issues. (3) the Company treats whistleblowers in confidentiality in accordance with regulations, while keeping case-related information and processing records as confidential information and archiving such data well .	
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		Information related to the Company's Ethical Corporate Management Best-Practice Principles has been disclosed on the Company's website.	No significant discrepancy
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. In accordance with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, the Company has established the "Company Ethics Guidelines", "Procedures and Conduct Guidelines for Integrity Management", "Code of Ethics", "Internal Communication Guidelines", "Procedures for Handling Investor Relations" and risk management policies for information management, with no significant discrepancies between them.				
6. Other important information helpful to better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None				

(7) The Inquiry Methods for the Company's Corporate Governance Guidelines and Regulations:

The Company has established corporate governance guidelines and related regulations based on the spirit of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. Please see: Company website https://www.kaori.com.tw/tw/
Market Observation Post System https://mops.twse.com.tw

(8) Other Important Information Regarding Corporate Governance:

1. The "Procedures for Handling Vital Internal Information" established by the Company to manage vital internal information have been communicated to all the directors, supervisors, managers and employees, and have been specified on the "Electronic Bulletin Board" on the Company's intranet for all employees to follow, for fear of any violations or insider trading.
2. Upon their appointments, all the directors, supervisors, managers, and newly-appointed insiders of the Company are issued with an instruction manual about insider stock transactions of listed companies . These insiders are informed that the insiders themselves (directors, supervisors, managers, and 10% of major shareholders) and their related parties (spouses, minor children, and those who hold shares in their names) must comply with laws and regulations and adopt necessary precautions concerning insider stock of listed companies.
3. Other inquiry methods which enhance the understanding of corporate governance operations:
   Company Website: https://www.kaori.com.tw/tw/ Investor Area
   Market Observation Post System: https://mops.twse.com.tw

(9) Disclosures of Internal Control Systems

1. Statement of the Internal Control System

Kaori Heat Treatment Co., Ltd.

Statement of the Internal Control System

Date: March 25th, 2022

Based on the results of the self-assessment, the company internal control system in 2021 is described as follows:

(a) The Company recognizes that it is the responsibility of the Board of Directors and managerial personnel to establish, implement and maintain internal control systems, and that the Company has established such a system. Its purpose is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and laws.

2. Internal control systems are inherently limited. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above-mentioned three objectives. Moreover, the effectiveness of the internal control system may change as circumstances and conditions change. However, the Company's internal control systems have self-monitoring mechanisms; once deficiencies are identified, the Company will take corrective actions.

3. The Company determines the effectiveness of the design and implementation of its internal control systems in accordance with the internal control system effectiveness evaluation items stipulated in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as “the Guidelines”). The evaluation items of the internal control systems adopted in the Guidelines are based on the process of management control, in which the internal control systems are divided into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each component includes various sub-items. Please refer to the regulations in the Guidelines concerning the aforementioned items.

4. The Company has adopted the internal control system evaluation items above to evaluate the effectiveness of the design and implementation of its internal control systems.

5. Based on the results of the preceding evaluation, the Company concluded that its reports are reliable, timely, transparent and in compliance with relevant regulations and laws, concerning its internal control systems (including the supervision and management of subsidiaries) as of December 31, 2021, including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved. Its design and implementation are effective, which can reasonably ensure the achievement of the aforementioned objectives.

6. This statement will be the main content of the Company's annual report and public statement, which will be made available to the public. If the contents of the aforementioned disclosures are false or deceptively incomplete, it will incur the legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act .

7. This statement was approved by the Board of Directors at the board meeting held on March 25, 2022.None the 9 directors present in the meeting had no objections,, and all of them had reached an unanimous consensus on the contents of this statement.

Kaori Heat Treatment Co., Ltd.

Chairman: HAN HSIEN SON (affixed with a seal)

General Manager: WU CHIH HSYONG (affixed with a seal)

3. If an accountant is appointed to review internal control systems, the accountant's review report should be disclosed: See Appendix II.

(10) In the last year and as of the date of printing of the annual report, any punishment imposed on the Company and its internal personnel by laws, and the punishment by the Company on its internal personnel who violate the provisions of internal control systems, as well as major deficiencies and improvements : None

(11) Major Resolutions of Shareholders' Meeting and Board Meetings in the last year and as of the date of printing of the annual report.

1. Shareholders' meeting

The Company's 2021 regular meeting of shareholders was held at 09:30 a.m. on Thursday , June 24th, 2021, at No. 5-2, Jilin N. Rd., Zhongli Dist., Taoyuan City (Main Conference Room on 5th Floor of the headquarters). Resolutions of Shareholders' Meeting

Shareholders' Meeting Date	Motions
2021/6/24	A. Reports: Item One: The 2020 Business Report Item Two: The 2020 Audit Committee's Review Report Item Three: The 2020 report of remuneration distribution for employees, directors and supervisors Item Four: the 2020 Shareholders' Dividend and Bonus Distribution Reports Implementation Status: April 17th, 2021 is preset as the benchmark date of ex-dividend for the earnings distribution project. The dividends are wholly distributed before May 4th, 2021 (cash dividend of NTD 1.7 per earnings share). All other motions were passed as proposed. B. Ratification Item: Item One: Acknowledgment of the 2020 Business Report and Financial Statement Implementation Status: Acknowledgment of the 2020 Business Report and Financial Statement, with consolidated revenue of NTD 2,076,359,000, profit after tax of NTD 112,524,000, and earnings per share of NTD 1.26. C. Discussions and Elections: None

2. Board of Directors:

The Company held 8 board meetings in 2021 up to the date of printing of the annual repor. The summary of important resolutions is as follows.

Board Meeting Date/Session Number	Meeting Agenda and Resolution
2021/01/22 the 20th Session, 5th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for 2020 year-end and business bonuses for the entire company 3. Approval for 2020 year-end and business bonuses for managers 4. Approval for the 2021 annual budget 5. Approval for Amendment to "Internal Control Systems". 6. Approval for Change of CPAs.

Board Meeting Date/Session Number	Meeting Agenda and Resolution
2021/03/19 the 20th Session, 6th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for the 2020 Business Report and Financial Statement 3. Approval for the 2020 Earnings Distribution Plan 4. Approval for cash dividend program in the 2020 Earnings Distribution Plan 5. Approval for the 2020 employee and director remuneration distribution as reviewed by the Remuneration Committee 6. Approval for the 2020 "Internal Control Systems Statement". 7. Approval for resolution on stock-related matters for the 2021 regular meeting of shareholders 8. Approval for earnings repatriation from overseas reinvested companies
2021/05/07 the 20th Session, 6th Meeting	1. Approval for application for credit lines from financial institutions and conducting of credit-related matters based on business needs. 2. Approval for Financial Statement for 2021 Q1
2021/08/06 20th Session, 8th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for Financial Statement for 2021 Q2 3. Approval for the assessment of the independence and suitability of CPAs in the Company. 4. Approval for 2020 director and employee remuneration distribution program 5. Approval for increase in maximum subsidy for employee stock ownership trust 6. Approval for earnings repatriation from overseas reinvested companies
2021/11/05 the 20th Session, 9th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for Financial Statement for 2021 Q3 3. Approval for the 2022 Annual Audit Project 4. Approval for the Company’s first Corporate Governance Manager Appointment
2022/01/21 the 20th Session, 10th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for 2021 year-end and business bonuses for the entire company 3. Approval for 2021 year-end and business bonuses for managers 4. Approval for the 2022 annual budget 5. Approval for the amendment to "Corporate Social Responsibility Code of Conduct" 6. Approval for the amendment to "Corporate Governance Code of Conduct"
2022/03/25 20th Session, 11th Meeting	1. Approval for the application for credit lines from financial institutions and the processing of credit-related matters based on business needs. 2. Approval for the 2021 Business Report and Financial Statement 3. Approval for the 2021 Earnings Distribution Plan 4. Approval for the 2021 employee and director remuneration distribution. 5. Approval for the 2021 Internal Control Systems Statement. 6. Approval for the resolutions on stock-related matters for the 2022 regular meeting of shareholders 7. Approval for the assessment of the independence and suitability of CPAs in the Company.

Board Meeting Date/Session Number	Meeting Agenda and Resolution
	8. Approval for the amendment to Internal Control Systems. 9. Approval for the amendment to Corporate Governance Code of Conduct 10. Approval for the amendment to Rules of Procedure for Shareholders Meetings 11. Approval for the amendment to Procedures for Acquisition or Disposal of Assets 12. Approval for the amendment to Corporate Governance Code of Conduct

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors(in the last year and as of the datethe annual report): None

3.3.13 Resignation or Dismissal of the Company's Important Individuals, Including the Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D (in the last year and as of the date of printing of the annual report):

1. Summary of resignations and dismissals of company personnel:

April 18th, 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
	None			

3.5 Information Regarding the Company's CPA Fees

Information Regarding the Company's CPA Fees

Unit: NT$ thousands

Name of Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte Taiwan	Liu Shulin, Chen Wenxiang	2021/01/01 to 2021/12/31	3,550	0	3,550	

Range of CPA Fees

Name of Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte Taiwan	Chen Wenxiang	Liu Shulin	2021/01/01 to 2021/12/31	

	Fee Items / Fee Range	Audit Fee	Non-Audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001 ~ NT$4,000,000	3,550		3,550
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit: NT$ thousands

(1) If non-audit fees paid to CPAs, certified public accounting firms or their affiliates amount to at least one-fourth of the audit fees, the amount of such audit and non-audit fees and the content of non-audit services shall be disclosed as follows: N/A.

(2) If t the accounting firm is replaced by others and the audit fee paid in the year of such replacement is less than the audit fee paid in the year before the replacement, the amount of the audit fee before and after the replacement and the reasons for the replacement shall be disclosed: N/A.

(3) If the audit fee decreases by 15% or more when compared with that of the previous year, the amount, percentage and reasons for the decrease shall be disclosed: N/A.

6. Replacement of CPA

A. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">Motion passed in the Board of Directors Meeting on 2021/01/22</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to the needs for internal restructure of Deloitte Taiwan, we plan to change our CPAs as from 2020 Q4;our former CPAs were Su Yu Hsiu and Liu Shulin. and our new CPAs are Liu Shulin and Chen Wenxiang.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated the appointment or the CPA did not accept the appointment</td><td colspan="2">Status/Parties</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>-</td><td>-</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">1. Issuing of unqualified audit report in 2019.
2. Issuing of unqualified audit report in 2020.</td></tr>
<tr><td rowspan="6">Disagreements with the Company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Remarks/specify details: -</td></tr>
<tr><td>Others
(Disclosure needed for items concerning 6-1-4 to 6-1-7 in Article 10 of the Guidelines)</td><td colspan="4">None</td></tr>
</table>

B. Regarding the CPA successor

Name of accounting firm	Deloitte Taiwan
Name of CPA	Liu Shulin, Chen Wenxiang
Date of appointment	January 22nd, 2021
Consultation results and opinions on accounting treatments or principles that the CPA might issue prior to the appointment, with respect to specific transactions and the Company's	None

financial reports	
The succeeding CPA's written opinions of the disagreement toward the former CPA	None

3.7 If the Company's Chairman, General Manager, Chief Financial Officer, or the managers in charge of the finance and accounting operations had ever held any positions in the certified public accounting firm or its affiliates during the last year, their names, positions and duration of employment in such CPA agencies or affiliated businesses shall be disclosed: None.

3.8 Changes of Stock Transfer and Pledge in the Shareholding of Directors, Supervisors, Managers and Major Shareholder whose shareholding exceeds 10% of the Company's shares (in the last year and as of the date of printing of the annual report):

(A) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: Shares

Title	Name	2021		As of Apr. 18, 2022		Remarks
		Shareholding Increase/Decrease	Pledged Shareholding Increase/Decrease	Shareholding Increase/Decrease	Pledged Shareholding Increase/Decrease	
Chairman	HAN HSIEN SON	40,000	None	0	None	2,000,000 shares in ownership trust
Director (and Vice Chairman)	HAN HSIEN FU	40,000	None	0	None	1,200,000 shares in ownership trust
Director (General Manager)	WU CHIH HSYONG	10,000	None	2,000	None	
Director (and Deputy General Manager)	WANG HSIN WU	0	None	0	None	
Director	Chen, Chun-Liang	0	None	0	None	
Director	HUANG HUNG HSING	10,000	None	0	None	
Independent Director	CHEN FAN SHIONG	0	None	0	None	
Independent Director	HONG HSIANG WEN	0	None	0	None	
Independent Director	WU CHUN YING	0	None	0	None	
Deputy General Manager	Cheng Ming Che	0	None	0	None	Retired on 2021/10/14
Deputy General Manager	Chou Wu Hsing	0	None	0	None	
Deputy General Manager	Chiu Hung Yi	0	None	0	None	
Deputy General Manager	Lin Chang Chun	0	None	0	None	
Associate General Manager	Tsai, Meng-Fang	0	None	0	None	
Associate General Manager	Chu, Chiu-Ming	0	None	0	None	
Associate General Manager	Hsu, Yung-Cheng	0	None	0	None	
Associate General Manager	Lien, Chun-Yuan	-33,000	None	0	None	Left Position on 2021/05/31

Title	Name	2021		As of Apr. 18, 2022		Remarks
		Shareholding Increase/Decrease	Pledged Shareholding Increase/Decrease	Shareholding Increase/Decrease	Pledged Shareholding Increase/Decrease	
Associate General Manager	Chiang, Chih-Hung	0	None	0	None	
Associate General Manager	Li, Ching-Chun	-5,000	None	0	None	
Associate General Manager	Lin, Yueh-Hung	0	None	0	None	
Associate General Manager	Han, Wen-Teng	0	None	0	None	
Associate General Manager	Huang, Yao-Chun	0	None	0	None	
Associate General Manager	Chen, Yu-Chung	0	None	0	None	
Associate General Manager	Cheng, Chang-Li	0	None	0	None	

(B) Information of the Counterparts of Shareholding Transfer Concerning the Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Name (Note 1)	Cause of Shareholding Transfer (Note 2)	Date of Transaction	Counterpart	Relationship between counterparts and supervisor, and the percentage of shareholding exceeding the or major shareholders whose shareholding exceed 10%	Shares	Transaction Price
None						

(B) Information of the the stakeholders who are the counterparts in Shareholding Pledges concerning the shareholding of Directors, Supervisors, Managers and Major Shareholders:.

3.9 Information about the top 10 major shareholders who have the greatest percentages of shareholding, and who are stakeholders to each other or who are spouses or second-degree relatives of their clans:

April 18th, 2022

Name	the person Shareholding		Spouse's or Minor Children's Shareholding		Shareholding in others' names		Name and Relationship Between the Company's Top Ten Shareholders, or their Spouses or RelativesWithin Two Degree of their clans(Note)		Remarks
	Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares	Appellation (or Name)	Relationship	

Name	the person Shareholding		Spouse's or Minor Children's Shareholding		Shareholding in others' names		Name and Relationship Between the Company's Top Ten Shareholders, or their Spouses or RelativesWithin Two Degree of their clans(Note)		Remarks
	Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares	Appellation (or Name)	Relationship	
Tu Shui Cheng	3,195,000	3.57%	0	0.00%	0	0.00%	None	None	
Tsai He Ling	2,006,268	2.24%	0	0.00%	0	0.00%	None	None	
HAN HSIEN SON Property Trust for Han Cheng Mei-Hui	2,000,000	2.24%	0	0.00%	0	0.00%	HAN HSIEN SON HAN HSIEN FU	Spouses Kin by Marriage	
Li, Tsung-Hui	1,968,449	2.20%	0	0.00%	0	0.00%	None	None	
Ku Hung Tao	1,964,000	2.20%	0	0.00	0	0.00%			
Employee Share Trust at Mega Securities Shareholding Trust, Kaori Heat Treatment Co., Ltd.	1,852,583	2.07%	0	0.00%	0	0.00%	None	None	
HAN HSIEN FU	1,508,388	1.69%	489,702	0.55%	0	0.00%	HAN HSIEN SON	Brothers	
Chen Mei Yun	1,498,000	1.68%	0	0.00%	0	0.00%	None	None	
Li Ming Chieh	1,382,248	1.55%	0	0.00%	0	0.00%	None	None	
HAN HSIEN SON	1,260,276	1.41%	51,975	0.06%	0	0.00%	HAN HSIEN FU	Brothers	

10. The number of shares held by the Company, its directors, supervisors, managers, and the businesses directly or indirectly controlled by the Company in the same reinvestment business, with the consolidated percentage of shareholding calculated:

Dec. 31, 2021; Unit: Number of Shares; ％

Joint Venture	Company Investment		Direct or indirect investment controlled by Directors, Dupervisors and Managers		Consolidated Investment	
	Shares	Percent of Shares	Shares	Percent of Shares	Shares	Percent of Shares
KAORI INTERNATIONAL CO.,LTD	5,100,000	100.00%	0	0.00%	5,100,000	100.00%
KAORI DEVELOPMENT CO.,LTD	5,050,000	100.00%	0	0.00%	5,050,000	100.00%
Kaori Technology Co., Ltd. (Ningbo)	—	100.00%	0	0.00%	—	100.00%

IV. Capital Overview

4.1 Capital and Shares:

4.1.1 Source of Capital:

A. Issued Shares:

Unit: NT$ thousands

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2002/10	10	35,000	350,000	26,145	261,450	Capital increase by earnings 12,450	None	2002/08/16(91) Authorized by Letter No. (89)-Taiwan-Finance-Securities-(I)-0910145673
2003/09	10	35,000	350,000	29,000	290,000	Capital increase by earnings 28,550	None	2003/08/15(92) Authorized by Letter No. (89)-Taiwan-Finance-Securities-(I)-0920137148
2004/10	10	35,000	350,000	31,900	319,000	Capital increase by earnings 29,000	None	2004/08/13 Authorized by Letter No. Finance-Supervisory-Securities-(I)-0930136246
2005/09	10	35,000	350,000	34,771	347,710	Capital increase by earnings 28,710	None	2005/08/09 Authorized by Letter No. Finance-Supervisory-Securities-(I)-0940132241
2006/07	13	50,000	500,000	39,000	390,000	Cash capital increase 42,290	None	2006/05/08 Authorized by Letter No. Finance-Supervisory-Securities-(I)-0950115746
2007/10	20	100,000	1,000,000	44,000	440,000	Cash capital increase 50,000	None	2007/07/12 Authorized by Letter No. Finance-Supervisory-Securities-(I)-0960034033
2008/09	10	100,000	1,000,000	46,200	462,000	Capital increase by earnings 22,000	None	2008/07/16 Authorized by Letter No. Finance-Supervisory-Securities-(I)-0970035837
2009/08	21.3	100,000	1,000,000	51,284	512,844	Convertible bonds into capital increase by 5,084	None	2009/08/14 Authorized by Letter No. 09801184360
2009/09	10	100,000	1,000,000	55,904	559,045	Capital increase by earnings 4,620	None	2009/07/13 Authorized by Letter No. 0980034711
98.10	10	100,000	1,000,000	57,315	573,150	Convertible bonds into capital increase by 14,105	None	2009/10/20 Authorized by Letter No. 09801241260
99.01	10	100,000	1,000,000	57,621	576,211	Convertible bonds into capital increase by 3,061	None	2010/01/19 Authorized by Letter No. 09901012620
99.02	32	100,000	1,000,000	62,621	626,211	Cash capital increase 50,000	None	2009/10/26 Authorized by Letter No. 0980054536
99.04	10	100,000	1,000,000	63,532	635,324	Convertible bonds into capital increase by 9,113	None	2010/04/15 Authorized by Letter No. 09901072230

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Others
99.07	10	100,000	1,000,000	66,566	665,658	Convertible bonds into capital increase by 30,334	None	2010/07/21 Authorized by Letter No. 09901164400
101.08	10	100,000	1,000,000	69,894	698,941	Capital increase by earnings 33,283	None	2012/08/22 Authorized by Letter No. 10101172810
102.08	10	100,000	1,000,000	73,389	733,888	Capital increase by earnings 34,947	None	2013/08/22 Authorized by Letter No. 10201170270
102.09	48	100,000	1,000,000	77,389	773,888	Cash capital increase 40,000	None	2013/09/26 Authorized by Letter No. 10201199280
103.08	10	100,000	1,000,000	81,258	812,582	Capital increase by earnings 38,694	None	2014/08/22 Authorized by Letter No. 10301175910
104.09	10	100,000	1,000,000	89,384	893,840	Capital increase by earnings 81,258	None	2015/09/16 Authorized by Letter No. 10401195310

B. Type of Stock: April 18th, 2022; Unit: Number of Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Normal Shares	89,384,080	60,615,920	150,000,000	Listed shares

3. Bond information to be disclosed under the consolidated reporting system:

4.1.2 Status of Shareholders: April 18th, 2022

Shareholder Status / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	8	237	14,383	53	14,681
Shareholding (shares)	0	4,538,583	3,836,126	75,725,026	5,284,345	89,384,080
Percentage	0%	5.078%	4.292%	84.719%	5.911%	100%

4.1.3 Shareholding Distribution Status:

NTD 10 per share: April 18th, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	9,209	385,927	0.43
1,000-5,000	4,160	7,858,422	8.79
5,001-10,000	585	4,542,381	5.08
10,001-15,000	174	2,166,368	2.42
15,001-20,000	105	1,919,284	2.15
20,001-30,000	114	2,906,343	3.25
30,001-40,000	65	2,288,999	2.56
40,001-50,000	38	1,728,451	1.93
50,001-100,000	91	6,400,305	7.16
100,001-200,000	57	8,351,536	9.34
200,001-400,000	43	11,869,754	13.28
400,001-600,000	10	4,705,521	5.26
600,001-800,000	13	8,753,079	9.79
800,001-1,000,000	4	3,452,498	3.86
1,000,001 and above	13	22,055,212	24.70
Total	14,681	89,384,080	100.00

4.1.4 List of Major Shareholders:

Name of shareholders with 5% or more of shareholding or top ten shareholders in terms of shareholding, amount and percentage of shareholding

April 18th, 2022

Share / Shareholder's Name	Shareholding (Shares)	Percent of Shares
Tu Shui Cheng	3,195,000	3.57%
Tsai He Ling	2,006,268	2.24%
HAN HSIEN SON Property Trust for Han Cheng Mei-Hui	2,000,000	2.24%
Li Tsung Hui	1,968,449	2.20%
Ku Hung Tao	1,964,000	2.20%
Employee Share Trust at Mega Securities Shareholding Trust, Kaori Heat Treatment Co., Ltd.	1,852,583	2.07%
HAN HSIEN FU	1,508,388	1.69%
Chen Mei Yun	1,498,000	1.68%
Li Ming Chieh	1,382,248	1.55%
HAN HSIEN SON	1,260,276	1.41%

(5) Stock price, net worth, earnings, dividends per share and related information for the last two years:

Number		Year	2020	2021	Current Year As of 2022/03/31
Market Price per Share	Highest Market Price		86.7	65.7	70.5
	Lowest Market Price		36.4	38.5	49.75
	Average Market Price		66.94	50.98	57.5
Market Price Net Worth per Share	Before Distribution		21.50	21.09	20.30
	After Distribution		19.80	19.59 (Note 9)	-
Earnings per Share	Weighted Average Shares		89,384,080	89,384,080	89,384,080
	Diluted Earnings Per Share		1.26	1.67	0.52
Dividends per Share	Cash Dividends		1.7	1.5 (Note 9)	-
	Stock Dividends	Dividends from Retained Earnings	0	0	-
		Dividends from Capital reserve	0	0	-
	Accumulated Undistributed Dividends		0	0	-
Return on Investment	Price / Earnings Ratio		53.13	30.53 (Note 9)	-
	Price / Dividend Ratio		39.38	33.99 (Note 9)	-
	Cash Dividend Yield Rate		2.54	2.94 (Note 9)	-

* In the event of capital dividends from earnings or Capital reserve, the information on the market price and cash dividends retroactively adjusted for the number of shares issued should be disclosed.

Note 1: The highest and lowest market prices of common shares for each year are listed, and the average market price for each year is calculated based on the value and volume of the transactions for each year.

Note 2: Please use the number of outstanding shares at the end of the year as the basis for the distribution of shares as resolved at the following year's shareholders' meeting.

Note 3: If there are retroactive adjustments due to no-compensation stock allotment, the earnings per share before and after the adjustment should be shown.

Note 4: If the conditions of issuance of equity securities stipulate that unpaid dividends for the current year may be accumulated and paid in the years of earnings, the dividends accumulated and unpaid as of the current year should be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: The net value per share and earnings per share should be presented as of the most recent quarterly period audited by the accountants as of the printing date of the annual report; the remaining columns should be presented for the current year as of the printing date of the annual report.

Note 9: Motion passed in the Board of Directors meeting to pay a cash dividend of NTD 1.50 on March 25, 2022.

(6) Dividend Policy and Implementation Status:

A. Dividend Policy:

If the Company has a surplus after annual accounts, it shall first make up for the losses of previous years, in addition to paying income tax in accordance with the laws.

Then the Company shall set aside 10% of the remaining balance as legal reserve, except when the accumulated legal reserve has reached the Company's total paid-in capital, with the remainder set aside or circulated in accordance with relevant laws or the regulations of competent authorities as special reserve. If there is any unappropriated earnings, the Board of Directors shall, depending on the Company's development, prepare a proposal for the distribution of dividends and bonuses to shareholders in the range of 10% to 100% of the earnings. If new shares are to be issued, a resolution shall be submitted to the shareholders' meeting for distribution. In accordance with Paragraph 5, Article 240 of the Company Act, the Board of Directors is authorized to distribute dividends and bonuses or all or part of the legal reserve and Capital reserve required by Paragraph 1, Article 241 of the Company Act in cash, by a resolution of at least two-thirds of the directors present and a majority of the directors present, and to report such distribution to the shareholders' meeting.

The Company will pay cash dividends of no less than 10% of the total dividends to shareholders, by taking into account the Company's environment and growth, future capital requirements and long-term financial planning, as well as the interests of shareholders and a balanced dividend policy.

B. Proposed Distribution of Dividend:

The Company's net profit after tax for 2021 was NTD 149,156,147, plus remeasurements of the net defined benefit liability recognized in retained earnings of NTD -531,797, the legal reserve of 10% of NTD 14,862,435, and the adjusted retained earnings of NTD 60,700,085 at the beginning of the period, for a total distributable earnings of NTD 194,993,797. The proposed cash dividend of NT$1.5 per share is NTD 134,076,120. The aforementioned appropriation of earnings was approved by the Board of Directors on March 25, 2022.

(7) Effect of the proposed free allotment of shares at the shareholders' meeting on the Company's business performance and on the earnings per share:

The Company's earnings per share for 2021 was NTD 1.67. On March 25, 2022, the Board of Directors approved the distribution of cash dividends of NTD 1.50 per share, for a total of NTD 134,076,120, without any compensation. Since the net cash inflows from the Company's revenue and operating activities are stable, the extent of impact on operating results, earnings per share and shareholders' return on investment is not vital.

(8) Remuneration for Employees and Directors:

1. Percentage or scope of the remuneration for the employees and directors as set forth in the Articles of Incorporation.

If the Company makes a profit in a year, the Company shall set aside not less than 2% of the employees' remuneration and not more than 5% of the directors' remuneration. The employees' remuneration shall be paid upon the Board of Directors' resolution in the form of stock or cash distributed to employees of the Company who meet certain criteria. However, if the Company still has accumulated losses, it should retain the indemnified amount in advance and then allocate employees' and directors' remuneration in accordance with the aforementioned ratio.

2. Basis for estimating the amount of remuneration for employees and directors, calculating

the number of shares to be distributed as remuneration for employees, and accounting treatment, if the actual amount distributed differs from the estimated amount:

If there is any difference in 2021 betweenthe estimated amount and the basis for estimating the amount of remuneration for employees and directors, calculating the number of shares to be distributed as remuneration for employees, and the actual amount to be distributed, and if there is any significant change in the amount of remuneration resolved by the Board of Directors after the end of the year, such change will be adjusted to the annual expense. If there is still a change in the amount on the date of the shareholders' meeting, the change in accounting estimate is treated as an adjustment to be recorded in the year of the shareholders' meeting.

3. Distribution of Remuneration Approved by the Board of Directors

(1) Amount of employee remuneration and director remuneration distributed in cash or stock:

The Company's net profit before-tax for 2021 was NTD 195,520,598, which is proposed to be distributed in accordance with the Company's Articles of Incorporation, with NTD 4,078,994 for employees' remuneration and NTD 6,798,324 for directors' remuneration.

(2) Amount of employee remuneration distributed in stock, and the proportion to the aggregate of net profit after tax and total employee remuneration in the individual or separate financial statements for the current period:

There was no remuneration distribution to employees in stocks in 2021.

4. Information of actual remuneration distribution to - employees, Directors and Supervisors (including the number of shares, amount, and stock price of the shares distributed) in the previous year, Besides, if there is any discrepancy between the actual distribution and the recognized remunerations for employees, Directors, or Supervisors, please specify ,the ember of discrepancies the reasons, and how it is treated: N/A

4.1.9 Buy-back of the Company's Stocks: N/A

4.2 Status ofCorporate Bonds: N/A

4.3 Status ofPreferred Stock: N/A

4.4 Status ofGlobal Depository Receipts: N/A

4.5 Status ofEmployee Stock Warrants: N/A

4.6Status ofRestricted Stock for Employees: N/A

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: N/A

4.8 Financing Plans and Implementation: As of the preceding quarter priot to the printing date of the annual report, each of the previous issuances of marketable securities has been completed and the benefits of the program have been reasonably demonstrated.

V. Operational Highlights

5.1 Business Activities:

5.1.1 Business Scope:

(A) The Company's main areas of business operations are as follows:

1) CA02010 Manufacture of Metal Structure and Architectural Components
2) CA02090 Metal Wire Products Manufacturing
3) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
4) CA03010 Heat Treatment
5) CB01010 Mechanical Equipment Manufacturing
6) CB01990 Other Machinery Manufacturing
7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
8) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
9) CD01020 Tramway Cars Manufacturing
10) CD01060 Aircraft and Parts Manufacturing
11) CP01010 Hand Tools Manufacturing
12) F106010 Wholesale of Hardware
13) F113990 Wholesale of Other Machinery and Tools
14) F401010 International Trade
15) E599010 Piping Engineering
16) E601010 Electric Appliance Construction
17) E601020 Electric Appliance Installation
18) E604010 Machinery Installation
19) IG03010 Energy Technical Services
20) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval

(2) Operating revenue and its proportion to the main products of the Company in 2021:

Unit: NT$ thousands; %

Major Product	Individual Financial Report	Percentage of Sales Revenue	Consolidated Financial Reports	Percentage of Sales Revenue
Metal Products and Processing	10,142	0.49	10,142	0.45
Plate Heat Exchanger	1,156,884	55.43	1,301,156	58.32
Heat Energy Product	919,975	44.08	919,975	41.23
Total	2,087,001	100.00	2,231,273	100.00

(3) Current products and new products planned to be developed

1). Metal products and processing
2). Brazed and gasket Plate Heat Exchangers
3). Fuel cell reactor components and reformer
4). Development of Plate Heat Exchangers for air conditioners
5). Development of oil-cooling Plate Heat Exchangers for mechanical equipment
6). Development of Plate Heat Exchangers for air dryers
7). Plate Heat Exchanger for high-efficiency next-generation refrigerants
8). High-temperature and high-pressure brazed Plate Heat Exchangers
9). Methanol fuel cell power generation system / methanol restructuring hydrogen generator / PSA hydrogen purifier

10). Liquid-cooled cooling system

5.1.2 Industry Overview:

(1) Current Situation and Development:

We began our business mainly in metal heat treatment processing. Based on processing technology, we also began brass welding, manufacturing and selling stainless steel cold rolling machine rollers and Plate Heat Exchangers. In 2007, with our years of experience in the research and manufacture of heat treatment, brass welding and Plate Heat Exchangers, we successfully developed dust-free steel rack flooring products and plate freezing air dryers. Our operations begin from midstream processing in the steel industry. Then, we apply metal heat treatment and copper welding technology to our rollers and Plate Heat Exchangers, to enter downstream applications in the steel industry. In addition, in response to the green energy market, the Company established related divisions in 2009, to move into the production of components such as stationary Solid Oxide Fuel Cell (SOFC) reactors . In 2016, the Company ended its heat treatment processing and roller operationsin Kaohsiung. The land and plants formerly used by the RRoller Division are planned to be transferred to highly profitable Plate Heat Exchanger Division and Fuel Cell Division, to enhance the overall profitability of the Company.Driven by the continuous growth of energy-saving and green-energy products as well as Plate Heat Exchangers, e we expect to achieve good operating results in this year.

Currently, the Company is engaged in metal products and processing, Plate Heat Exchangers and fuel cell reactor components for heat energy products. The following is an analysis of the current status, industry characteristics and future development trends of the industry to which the Company belongs:

1) Current Situation

① Fuel Cell Industry

During recent years, due to the crises such as fossil energy depletion and the abnormal climate change caused by the destruction of global environmental pollution, countries are actively seeking and developing alternative energy sources. Fuel cells are power generation devices with the advantages of low pollution and high power efficiency. However, unlike ordinary non-rechargeable batteries, which are discarded after use, and unlike rechargeable batteries, which need to be recharged after use, fuel cells (as their name implies) can continue to add fuel to maintain their power.Therefore, countries around the world are actively developing the fuel cell industry.

Fuel cell is an energy conversion device that directly converts chemical energy into electrical energy by electrochemical reaction without combustion, which results in high energy conversion efficiency. It has a wide range of fuel sources, including coal, oil, natural gas and other hydrocarbon fuels, all of which can extract large amounts of hydrogen after restructuring reactions.It can also use alcohols (such as methanol) to serve as the feeding of fuel cell. The fuel cell is composed of two electrodes, positive and negative, and an electrolyte that conducts ions between them; hydrogen enters the fuel cell from the anode, with oxygen (or air) from the cathode. At present, fuel cells can be divided into six types, namely Alkaline Fuel Cells (AFC), Proton Exchange Membrane Fuel Cells (PEMFC/PEFC), Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), Solid Oxide Fuel Cells (SOFC) and Direct Methanol Fuel Cells (DMFC), according to the different electrolytes. Fuel cells are used in a wide range of applications, mainly in automobiles, stationary generators and portable electronics, etc. Our company mainly engages in the production of SOFC (Solid Oxide Fuel Cell), which is mainly used in large stationary fuel cell power generation systems.

According to the evaluations made by Digital Research, among the various types of fuel cells for stationary applications, the PEFMC technology is more mature; the global installation capacity would reach 80MW in 2015, while the SOFC installation capacity was only 40MW. However, with the advancement of high-temperature electrolyte production technology and the advantages of SOFC that has higher power generation efficiency without the need for using precious metal catalysts, the capacity of SOFC reached 350MW in 2020, surpassing the 300MW of PEFMC, while the third-ranked MCFC only reached 150MW.

Global Trends of Major Stationary Fuel Cell Installation Capacity

Unit: MW, %

	2015 (f)	2020 (f)	2010~2020 Growth Rate
PEMFC	80.0	300.0	28.8
MCFC	70.0	150.0	19.5
PAFC	16.0	22.0	2.8
SOFC	40.0	350.0	52.2
AFC	4.0	60.0	300.0
Total	210.0	882.0	26.8

Source: Digital Research, compiled by Taiwan Industry Economics Services, Taiwan Institute of Economic Research, March 2012.

Due to the characteristics of zero pollution, high endurance and high energy density, fuel cells are one of the key industries in Taiwan's green energy research and development. In 2009, the Legislative Yuan passed the "Renewable Energy Development Act". The Executive Yuan also keeps promoting many major energy initiatives such as the "National Energy Plan", the "Green Energy Industry Rising Program", and the "Fuel Cell Demonstration Operation Subsidies", which demonstrate Taiwan's determination to develop its energy industry and giving a boost to the hydrogen energy and fuel cell industries. After the new government took office in May 2016, the green energy technology industry was divided into four axes: "energy saving," "energy creation," "energy storage," and "system integration," with "energy storage" being the use of storage cells, fuel cells, or hydrogen energy to meet the demand for energy storage between peak and off-peak electricity consumption. In June 2016, the Energy Bureau of the Ministry of Economic Affairs released a new report on the capacity target for green energy installations, which also included a target of 60 MW (megawatts) for fuel cell power generation in 2025. In March 2017, the Executive Yuan announced the "Future Infrastructure Development Plan", which includes a NTD 1.6 billion project to verify the technology of fuel cells and other regional energy storage equipment in the Tainan Shalun Green Energy Science City from 2017 to 2024.

②Heat Exchangers Operations

Due to the of awareness energy depletion and climate change, energy conservation is on the rise, the heat exchanger market is on the rise in response to the needs o for product specification designs in various industries. The global Plate Heat Exchanger market (including gasket-type, brazed-type, laser welded-type, etc.) accounted for about US$3.4 billion in 2014, with BPHE accounting for about 17% with a production value of US$578 million.

Percentages of Various Plate Heat Exchangers \ Global market size		2014	2022 Forecast
		3.4 Billion USD	6 Billion USD
Plate Heat Exchanger Types	Brazed plate heat exchanger	16.96%	17.84%
	Gasket type heat exchanger	57.75%	56.40%
	Welded type heat exchanger	22.85%	23.56%
	Other Types	2.44%	2.20%

(Source: Plate & Frame Heat Exchanger Market Analysis And Segment Forecast To 2022, compiled by Kaori)

The growth in demand for heat exchangers in the industries such as refrigeration and air conditioning HVAC, green energy, tooling industry, machinery, and chemical industry is expected to push the sales of heat exchangers beyond the expected range. In addition, the growing interest in innovative technologies and efficiency across industries is also expected to drive market growth. Plate Heat Exchangers are expected to grow more vigorously as greenhouse gas issues lead to increased demand for new refrigerants, equipment retirement, and improved performance and efficiency.

2) Industry Characteristics

①Processing limited by geographical factors

Since the components for steel processing are mainly of large quantity, heavy weight or volume, and the processing period is relatively short, after considering the transportation cost and time for completion of delivery, the entrusted downstream-processing customers look for outsourced processing companies nearby for the sake of location convenience . Therefore, professional processing plants must be located near the downstream customers.Territoriality is one of the characteristics in mid-stream steel processing industries.

②Numerous small-scaled competitors but few professionals in in metal product processing

Mid-stream processing plants in the steel industry require extensive processing experience and large amounts of capital and manpower. However, most of the professional processing factories in Taiwan are limited by their own capital and equipment, which makes it difficult to accumulate experience, improve professional technology and expand business, so they are result usually in small scales. However, there are many types of downstream processing, resulting in many small-scale production line processors engaging in specific processing business, which further causes domestic steel midstream processing industry to be mostly small-scale, pure processing business, with few large professional steel processing plants.

③High energy efficiency of Solid Oxide Fuel Cells; promising future for decentralized energy systems

Solid Oxide Fuel Cells use water and natural gas or biomass as raw materials; their emissions are water and carbon dioxide, which are clean energy. Solid Oxide Fuel Cells react at high temperatures to generate electricity with an efficiency of 50% to 65%, and the overall energy efficiency can reach 90% if high temperature waste heat is recycled. The complexity of the Solid Oxide Fuel Cell design is comparable to that of an injection engine, because it requires a long service life without failure. The small size and ease of installation and maintenance is another irresistible attraction of fuel cells. Each has the size similar to a conventional diesel generator. Depending on power generation, there are large power plants, residential fuel cell generators, and portable backup power sources for stationary fuel cell units. The combination of fuel cell and UPS can serve the function of UPS and the high efficiency of fuel cell power supply.

Decentralized energy systems are decentralized compared to traditional centralized energy systems. Conventional centralized energy supply systems use high-capacity equipment (thermal and hydroelectric power plants, nuclear power plants), centralized production, and then deliver various types of energy to a large number of users over a large area through specialized transmission facilities. Decentralized energy systems, on the other hand, are directly oriented to users, producing and supplying energy locally according to users' needs, with multiple functions that can satisfy multiple objectives for medium and small energy conversion and utilization systems. The types are as follows: solar power, wind power, fuel cell power, geothermal power, biomass power, etc.

④Heat Exchanger Industry

Heat exchangers are marketed around the world in the aspects of food, clothing, housing and transportation and other related industries, with major industry features including:

A).Pressure Vessel:

Depending on the application and product design, heat exchangers are often classified as high-pressure vessels; therefore, its safety of product use must be taken seriously. As a result, countries all over the world set standards for heat exchangers, such as UL and ASME in the U.S., CE in Europe, KHK in Japan, KRAIA in Korean and CRN in Canada. In order to be sold in a local market, it is often necessary to pass the relevant inspection and obtain a certificate before being sold.

B).Applications:

Heat exchangers must comply with industry standards and certifications according to different industrial characteristics, such as vessel certification (DNV-GL, ABS, KR), drinking water certification KIWA, and HVAC performance certification AHRI for refrigeration and air conditioning.

C).Environmental Friendliness:

Countries with higher awareness of environmental protection require the reductions in the amount of refrigerant filling or require GWP(Global Warming Position and ODP(ozone depletion potential), ask manufacturers to adopt environmentally-friendly refrigerants, and provide appropriate subsidies to encourage manufacturers to develop new generation products.

As for the cases of government bids, COP (coefficient of performance efficiency factor) and EER (Energy Efficiency Ratio) will be required in order to meet Kyoto Protocol requirements (for carbon dioxide and other greenhouse gases to control and reduce).

D).General Characteristics:

Heat exchangers are used in residential, commercial and industrial fields. Many industries and their related equipment often have the needs for cooling, heating, and cooling (heat) recovery . The difference is only in the type of heat exchanger used. The Plate Heat Exchanger, however, is the most efficient heat exchanger because of its high efficiency and energy saving features. Therefore, many advanced industrial countries and companies around the world are using Plate Heat Exchangers for their newly designed systems. Their market size is also expanding.

(2) The correlations in upstream, mid-stream, and downstream industries:

① Fuel Cell Industry

Taiwan's hydrogen and fuel cell industry has a complete supply chain all the way from upstream to downstream, including things such as precious metal catalysts, proton exchange membranes, fuel cell units and their components, control systems and peripheral components, stationary power generation systems, portable power products, transportation vehicles, etc. In addition to the upstream raw material technology, Taiwanese industries have rich experience in mass production as well as cost advantages, with comparative advantages in entering the midstream and downstream product markets. In addition, Taiwan has a good foundation in the generator, electronic information and motorcycle industries. After the introduction of fuel technology that has the characteristics of energy efficiency and environmental protection, the products will be more competitive internationally.

The development of fuel cell technology in Taiwan began from research units. After the technology was successfully developed, it was transferred to private companies, and an industry was gradually formed. The vendors in upstream, midstream and downstream supply chains of the fuel cell industry in Taiwan are as follows:

List of domestic and foreign participants in the fuel cell manufacturing industry

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
	Proton-exchange membrane	Battery modules	Fuel Cell Systems	Hydrogen Supply
Main Corporations	Microcosm Technology Co. Ltd. DuPont (US) DSM (Netherlands) JSR(Japan) Hitachi Chemical Co., Ltd. (Japan) Tokuyama Chemical Engineering (Japan) Mitsui Chemicals (Japan) Nitto Denko (Japan) Toagosei (Japan)	Chung Hsin Electric & Machinery Leatec Fine Ceramics Eco-Energy Technology Asia Pacific Fuel Cell Technologies Toplus Energy SDI Corporation Fucell Leadtech Green Hydrogen Power NGK Insulators (Japan) Hitachi (Japan) Fuji Electric (Japan) JOMO (Japan) Daihatsu (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany)	Chung Hsin Electric & Machinery Toplus Energy Asia Pacific Fuel Cell Technologies Enermaster Technology Boyam Power Systems M-Field Energy YC Synergy Eco-Energy Technology Green Hydrogen Power Hephas Energy Fucell Noveltek Industrial Manufacturing Kaori Heat Treatment Asia Hydrogen Energy Neo Solar Power Hitachi (Japan) Fuji Electric (Japan) JX (Japan) Fuji Electric (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA	Air Products San Fu LienHwa Air Liquide Far
	MEA			Methanol Supply
	Yangtze GOC International NGK Insulators (Japan) Nippon Shokubai (Japan)			LCY Chemical Merck Electronic Chemicals (US) Mitsubishi Gas Chemical Company (Japan) Kurita Water Industries (Japan) Methanex (Canada)
	Catalysts			Methanol Fuel Tanks
				Asia Vital Components Toyo Seikan
				Hydrogen storage alloy tank
				HBank Technology Asia Pacific

	Green Hydrotec Sumitomo 3M (Japan) Hitachi Maxell (Japan)	Daimler(Germany) UTC POWER (US) FuelCell Energy (US)	(Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler (Germany) FuelCell Energy (US) Bloom Energy (US) Doosan (Korea)	Fuel Cell Technologies Boyam Power Systems Taiwan Innovative Space Canon (Japan) General
	GDL			Fuel reformer
	Carbon energy technology			Chung Hsin Electric & Machinery Asia Hydrogen Energy Green Hydrotec Kaori Heat Treatment JOMO (Japan) ENEOS (Japan) Idemitsu Kosan (Japan)
	Bipolar plate	BOP components		
	Porite Taiwan Plus Metal Tech Toplus Energy SDI Corporation Gallant Precision Machining Carbon energy technology EJ Composite	Kaori Heat Treatment AcBel Polytech Hephas Energy Apexgreen Tech		

Source: Taiwan Hydrogen and Fuel Cell Partnership, Industrial Technology Research Institute IEK, compiled by Taiwan Industry Economics Services, Taiwan Institute of Economic Research, March 2020

Main Fuel Cell Specifications

Fuel Cell Types	Operational	Electrolytes	Catalysts	Fuel Used	Energy	Power	Applications
Proton-exchange membrane	Room temperature ~	polymeric membrane	Platinum, etc.	Hydrogen	25~60%	1~1000kW	Distributed power, transport, portable
Direct Methanol Fuel Cells	Room temperature ~	polymeric membrane	Platinum, etc.	Methanol	40~47%	1W~1kW	Small batteries, 3C power source,
Alkaline Fuel Cells (AFC)	120~ 200 ℃	35~85 % KOH	Ni、Ag Precious	Hydrogen	25~50%	1~100kW	Distributed power, transport
Phosphoric Acid Fuel Cells	150~ 200 ℃	Phosphoric Acid	Platinum	Hydrogen	25~40%	0.1~1000kW	Distributed power, major power plants
Molten Carbonate Fuel Cells	600~ 700 ℃	Molten carbonate	Ni、NiO	Hydrogen, fossil fuel	30~55%	1~100MW	Distributed power
Solid Oxide Fuel Cells	700~ 1000 ℃	Zirconium dioxide	-	Hydrogen, fossil fuel	35~80%	1 kW ~100MW	Distributed power, transport, major

Source: Institute of Nuclear Energy Research, compiled by Taiwan Industry Economics Services, Taiwan Institute of Economic Research, January 2010

②Heat Exchangers Operations

The main materials for heat exchangers are stainless steel, copper foil, nickel foil, and other rubber products; most of the raw materials are imported, while the rest are made domestically.

Kaori has two plants in Taiwan, in Benjhou Industrial Park and Jhongli Industrial Park, specializing in the production of brazed Plate Heat Exchangers. The raw materials are produced as semi-finished products by stamping machines, turning and milling machines, laser cutting machines, etc., and then assembled by hand and hard-welded in vacuum furnaces, to be transformed into the final product. Most of the processing is done in the factories except for accessories, sheathing, casting and other special items, which are outsourced to external vendors. The high self-production rate of the product production process in the factory allows us to fullly control the efficiency of production after taking orders. As a result, dependence on outsourcing and procurement is low.

Kaori is the only manufacturer of brazed Plate Heat Exchangers in Taiwan, with a market share of over 80% in Taiwan while also exporting to over 70 countries. In addition to having distributors around the world, we also work with system equipment manufacturers to conduct factory-to-factory transactions.

Correlation Between Upstream And Downstream Vendors	Raw materials	Plate Heat Exchanger manufacturer	Distribution	End user
Product supply	Stainless steel Copper Nickel Nitrile Butadiene Rubber (NBR) Chloroprene rubber (CR)	Brazed Gasketed Semi-Welded	Third-party sales Electronic platform	Heating, ventilation and air conditioning (HVAC) Air oil pressure Power generation facilities Food and Beverage Industry
Name Of supplier	Jindal Steel and Power North American Stainless Nippon Yakin Kogyo Co.,Ltd	Kaori Heat Treatment Co., Ltd. Polaris Plate Heat Exchangers	R744 Heat Exchangers Online Genemco R.W. Baron Delta T Heat Exchangers	BP Shell SabMiller Voltas Scottish & Newscastle TATA Power

AIC S.A, API Heat Transfer, Danfoss,Kelvion, Guntner, Hisaka Works

Alfa Laval, HRS Group,Kaori Heat treatment Co., LTD,SWEP International AB, Xylem

Source: (GrandView Research Plate & Frame Heat Exchanger Market Analysis, Market Size, Application Analysis, Regional Outlook, Competitive Strategies And Forecasts, 2015 To 2022; compiled by Kaori)

(3) Trends of Product Development

1) Expanded range of applications for steel and metal products

The scope of services covered by traditional heat treatment processing is extremely extensive. The only industry directly related to heat treatment products in the Industrial Products Classification of the Ministry of Economic Affairs is the metal surface treatment industry. However, other indirectly related codes include metal and mechanical tools and parts, screws and nuts, metal molds, automotive parts, motorcycle parts and bicycle parts, etc. In addition, the value-added rate of the metal products industry is mainly affected by the fluctuation of international steel prices.

Currently, Plate Heat Exchangers are used in the refrigeration and air conditioning, water dispenser, petrochemical, pharmaceutical and food industries, etc. However, in practice, the list of industries or occasions that need to use heat exchange do not merely include the above-mentioned industries. In the future, it must be expanded into others such as small air conditioners for automobiles, desalination equipment for ocean-going fishing vessels, solar energy and geothermal heat collection systems, etc.

2) Increases in Quality Requirements

In recent years, due to the development of technology and industrial progress, various mechanical equipment and industrial products have higher requirements for products and even for their various processes than before. This requires a higher quality heat treatment process in order to make full use of metal characteristics meet their needs so that the industry can be upgraded smoothly. In addition, with the increasing efficiency and convenience of public transportation and the widespread use of various machines and equipment in work and daily life, safety has become even more important. Good heat treatment quality is also essential for safe transportation and equipment, and contributes to the safety of the general public and equipment users.

The contents of heat exchangers are often corrosive or flammable; if they burst, they will cause great pollution and damage to the operators and the surrounding environment in the factory. Therefore, in order to minimize the occurrence of hazards, it is necessary to classify heat exchangers as dangerous equipment, and to classify and inspect them according to the level of danger in order to achieve coexistence and co-prosperity under considerations of economy, environmental protection and safety. Therefore, under the insistence "Quality First", buyers pay less attention to price but put much more emphasis on product safety instead.

3) Active Global Development of Alternative Energy

In order to save energy, reduce carbon emissions and prevent worsening greenhouse effect, governments all over the world signed the Kyoto Protocol as part of the United Nations Framework Convention on Climate Change in December 1997; since the effective date in 2005, countries that have signed it have been required to reduce greenhouse gas emissions. Since fuel cells directly convert chemical energy into electrical energy, they possess the characteristics of high efficiency and low pollution, unlike traditional petrochemical combustion, and have a wide range of applications; they are now the key industry for alternative energy development in countries around the world. For example, fuel cell types such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC) are popular options for decentralized power generation because they produce the same amount of electricity with less greenhouse gas and pollutant emissions than that of thermal power generation and do not cause radiation pollution like nuclear power generation. However, since fuel cells are still unable to compete with traditional power generation methods in terms of cost, governments in various countries, including Taiwan, have adopted incentives such as research funding subsidies and tax breaks and the subsidies for fuel cell-related products in recent years to encourage the development of this industry. In order to further achieve the goal of reducing carbon emissions, major countries and corporations are actively promoting thepracticability of hydrogen energy technologies such as fuel cells. However, the Covid-19 pandemic and the disruption of natural gas pipeline renewal in certain regions will continue to affect the demand for fuel cells in the U.S. in 2020, which will not be conducive to U.S. industry demand for related parts and components from Taiwan.

(4) Competition

1) Alternative services for heat treatment processing:

Since heat treatment of metals is an essential process in many industries, there are no alternative services available.

2) Alternatives for Plate Heat Exchangers:

As the basic equipment for heat transfer and exchange, heat exchangers have been widely used in modern industrial and mechanical equipment, including heating and air conditioning in HVAC systems in automotive, aerospace, and commercial buildings, as well as heat recovery in industrial facilities. As the main component of all heat systems, heat exchangers are the most important and irreplaceable contributors to energy conservation. With continuous development of technology and innovation, the market will also continue to develop. Heat exchanger devices are essential components for energy exchange of hot and cold materials. They are commonly used in daily life, industrial processes and various places where hot and cold materials must be used for energy transfer and exchange, and Plate Heat Exchangers are among the types with excellent performance and small size. Therefore, there are alternative products such as fin-tube heat exchangers for some applications. However, in terms of performance and size, Plate Heat Exchangers still possess great advantage.

3) Alternatives for Fuel Cells

During recent years, due to the drying of petroleum and the intensification of environmental pollution, countries are actively seeking and developing clean and non-polluting alternative energy sources such as solar energy, wind energy, biomass energy and fuel cells derived from hydrogen energy. The future trend of energy development is to replace existing conventional power plants and nuclear power plants with safe and clean alternative energy sources instead, due to safety concerns. Compared to solar and wind power, which are subject to natural weather conditions that affect the normal output of electricity, fuel cells can provide stable, continuous, low-cost, and low-pollution electricity. Most importantly, power supply equipment is changed from centralized to decentralized, which not only reduces a large amount of capital investment but also significantly reduces the loss of power during transmission processes. In terms of power generation efficiency and supply stability, fuel cells have the highest efficiency and stability among alternative energy sources. Therefore, although there is complementarity among alternative energy sources, fuel cells still have the advantage in terms of development potential.

3. Technology and R&D Overview:

Unit: NT$ thousands

Year / Number	2021 Individual	Current year up to 2022/03/31 (Individual)	2021 Consolidated	Current year up to 2022/03/31 (Consolidated)
R&D Costs	68481	20727	68481	20727

Development of successful technology or products:

Year	Result
2021	1. Development of heat exchanger for high horse power freeze air dryers 2. Development for heat exchanger of different channels B110 3. Development of domestic high efficiency variable pressure adsorption type hydrogen generator 3. Development of industrial waste organic solvents decontamination and reuse technology 4. Development of 100KW cooling module for liquid-cleaned servers

5.1.4 Long-Term and Short-Term Development Plans

(1). Short-Term Development Plans

①Expanding international orders to drive revenue growth.

②Improving internal management procedures, establishing production management with high efficiency and reducing defective rate and reworking.

③Establishing RoHS-compliant manufacturing process management and environmental regulations to improve product competitiveness.

④Introducing experienced technical and managerial personnel, training the R&D and international marketing personnel.

⑤Securing appropriate and low-cost capital to meet the needs of our business development and sound operation.

⑥Continuing and strengthening the research and development of product technology and performance.

(2). Long-Term Development Plans

①Continuing the development of the export market to sell products all over the world.

②Serving customers with high-quality, low-price and fast delivery.

③Continuing the development of products that meet the needs of customers.

④Creating innovative competitive advantages and effective operation in order to pursue maximum benefits for our shareholders.

⑤Expanding the market share by expanding validation of large manufacturers.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Main Regions of Sales (Service)

Our main operations are metal products and processing, Plate Heat Exchanger production and heat energy products. Many metal parts, such as automobiles, machinery, molds, hardware, home appliance industry, and defense and military products, require heat treatments. During the production process, heat treatment is required for all components. The Plate Heat Exchangers otherwise produced are mainly sold to well-known domestic and foreign refrigerated air conditioner manufacturers. As for products related to the production of heat energy technology, they are mostly manufactured and sold to green energy manufacturers such as power generators, while fuel cells are mainly exported to the United States. In 2021 total net revenue was at NTD 2,231,273 thousand, with the export revenue at NTD 1,666,461 thousand; the ratio of domestic sales was 25.31% and export sales 74.69%, with export sales offices all over the world.

Unit: NT$ thousands (Source： Consolidated Financial Reports)

Area/Division	Year	2021 Revenue	2021 %	2020 Revenue	2020 %
Domestic		564,812	25.31	444,975	21.43
International	Asia	291,306	13.06	281,210	13.54
	Africa	-	-	127	0.01
	Oceania	7,717	0.35	2,933	0.14
	Europe	410,170	18.38	311,790	15.02
	America	957,268	42.90	1,035,324	49.86
Total		2,231,273	100.00	2,076,359	100.00

(2) Market Share:

Since we are a leading company in the domestic industries in terms of technology, scale and capability, and since heat treatment is a part of the manufacturing process of various related industries, involving a wide range of businesses, there are currently no related statistics for the estimation of our market share in heat treatment. Plate Heat Exchangers are a component of mechanical equipment, so there is no statistical data to estimate the market share.

(3) Future Market Supply, Demand and Growth

1) Growth Trends of the Refrigerated Air Conditioning Market

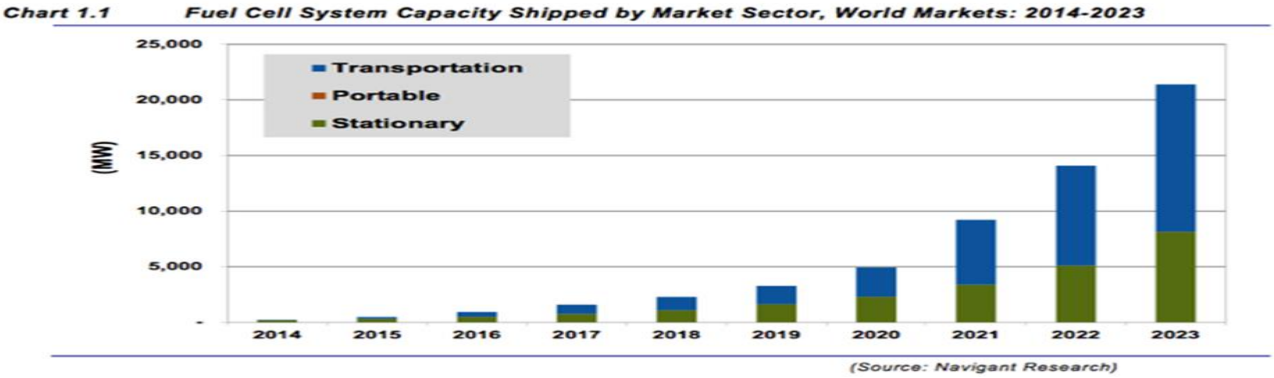
Although the refrigerated air conditioning industry has become mature, with markets in Europe, the United States and other developed countries having gradually saturated,however, heat waves in the past few years coupled with rising awareness of environmental protection mean that old air-conditioning equipment are placing a greater burden on the environment in terms of energy efficiency and the use of old refrigerants. Therefore, demand for replacement in the West has increased during recent years and the new types of environmentally-friendly refrigerants have generated a new wave of demand under government promotion, which is certain to drive the development and manufacture of next-generation products for heat exchangers. On the other hand, emerging industrial countries in Asia such as China and the Middle East are experiencing rapid growth in demand for refrigerated air conditioners due to income growth. In order to eliminate PM2.5 and accelerate its coal conversion program, there is a great demand in China for Plate Heat Exchangers, also making it one of the target markets in which manufacturers can win orders in the future.

Our company produces Plate Heat Exchangers, which are important components of refrigerated air conditioning equipment. These products were the results of technical transfers from the Industrial Technology Research Institute and have been developed by our company for various new products and new applications. During recent years, we have applied for a number of patents, which have been adopted by well-known domestic and foreign manufacturers of refrigerated air conditioners. In the future, the steady growth of global refrigeration and air conditioning equipment will indirectly drive the demand for the Company's Plate Heat Exchangers.

2) Trend of Heat Energy Products Industry Growth

The fuel cells in our heat energy products have the characteristics of high efficiency and low pollution, unlike traditional petrochemical combustion, and have a wide range of applications; therefore, they are now the key industry for alternative energy development in countries around the world.

According to Navigant Research, the fuel cell market will grow tenfold from 2014 to 2023 judged by fuel cell shipment and power generation, with fixed fuel cells accounting for 30% of the overall fuel market. This indicates that demand for fuel cells will continue to grow significantly in the future.



In terms of the distribution of fuel cells in various markets, the global fuel cell market reached approximately 136.3 billion yen in 2014, with the largest share being industrial fuel cells. Driven by the increasing maturity of SOFC technology and the incentives offered by major advanced countries in the West to companies that install fuel cells, the global market for industrial fuel cells reached 81.5 billion yen in 2014, promoted by corporations beginning to purchase fuel cells. In addition, as Japan proposed measures to encourage households to purchase fuel cells, the residential fuel cell market ranked second at 41.9 billion yen in 2014, with PEMFC and SOFC as the main battery types. Although the global market for fuel cells in fuel cell vehicles was only 1.1 billion yen in 2014, Fuji Keizai estimates that the market for these fuel cells will jump to 4.752 trillion yen by 2030, as hydrogen refueling facilities become more popular and environmental regulations become stricter.

Global Fuel Cell System Market Size Overview

Unit: Yen (hundred million)

	2014	2030 (f)
Industrial	815	6,813
residential	419	7,910
Fuel Cell Vehicles	11	47,520
Other Vehicles (forklift, bus,	61	830
Portable Power Sources/Backup	56	1,595
Portable Electronic Products	1	255
Total	1,363	64,923

Source: Fuji Keizai, compiled by Taiwan Industry Economics Services, Taiwan Institute of Economic Research, April 2016

(4) Competitive Niche

1). Company Position in the Industry

According to the data of heat treatment manufacturers compiled by the ITIS Project of the Metal Industries Research and Development CCenter, heat treatment manufacturers are mainly small and medium-sized enterprises with less than 100 employees. In addition, according to the membership list of the Taiwan Society for Metal Heat Treatment, there are only nine companies with paid-in capital more than $50 million: Kaori, Gloria Material Technology, SDI Corporation, RISE Lighting, San-Yung, Shin Kwang, Basso Industry, Yung Dah, China Steel Corporation and Chentai. Among these companies, only Kaori is a listed company primarily dealing in heat treatment processing.

Currently, the world’s largest manufacturer of Plate Heat Exchangers is Alfa Laval ,whose estimated heat exchangers market share is over 30% and whose main competitors are manufacturers such as Kelvion (Germany), Hisaka (Japan), SPX and SWEP (US). As for Taiwanese manufacturers, according to the information guide of Taiwanese manufacturers established by the ITIS Project of the Metal Industries Research and Development Center, there are 24 manufacturers of heat exchangers, with Kaori being the first manufacturer of brazed Plate Heat Exchangers in Taiwan. As of the end of 2008, we are the only one listed professional heat exchanger manufacturer.

Furthermore, according to the list of Taiwan's fuel cell partners and their main products, primary domestic manufacturers of fuel cell units mainly focus on Proton-Exchange Membrane Fuel Cells (PEMFC) and Direct Methanol Fuel Cells (DMFC) technologies, while our developments are based on Solid Oxide Fuel Cells (SOFC), meaning that there is no major domestic competitor that produces the same product as we do.

2). Key Factors in Current Company Achievements and Lack Thereof and Their Effects

①.Stability of quality and accumulation of experience

Our heat treatment services cover a wide range of parts and components, including automobiles, machinery and equipment, molds, hardware, home appliances, and defense and military products. If metal parts are defective due to poor quality of heat treatment, it may lead to halted operations of machine with the parts or even endanger the safety of machine operators or transport equipment users. Therefore, the stability of processing quality is the key factor in the success of the metal heat treatment industry.

We have rich experience in heat treatment, with technical teams who are knowledgeable on various metal materials and familiar with their physical properties, which allows us to effectively control heat treatment quality of each workpiece under different processing methods and heat treatment conditions. In addition, our years of practical experience have helped us control stability of quality of heat treatment parts, expand the scope of our services and strive for various opportunities, thus expanding the scope of our operations.

②.Mastering the core technologies of our products

We engage in the manufacturing of Plate Heat Exchangers and Sendzimir-type cold sheet rollers based on technologies of heat treatment and copper welding. Of the two, Plate Heat Exchangers requires solid grasp of technologies in heat treatment and copper welding, so Kaori is the only developer and manufacturer domestically. Sendzimir-type cold sheer rollers also require familiarity with steel materials and heat treatment technology to achieve the hardness and wear resistance required by cold sheet rolling mills; Kaori is the only one possessing the manufacturing technological capability in Taiwan. As for heat energy technology operations, its core strength lies in fuel cell core reactor products. The Company has fully mastered the key technologies of each division; in addition, our advantages in terms of capital, expertise and accumulated experience are beyond the reach of our competitors in the short term.

③.International quality assurance certification

Due to the increasingly stringent quality requirements of the heat treatment process, with some manufacturers such as Japanese automobiles and parts manufacturers also considering the availability of quality assurance certificates as one of the main factors when selecting heat treatment processing plants in order to maintain the stable quality of their components and to ensure the normal operation of their parts, we have established extremely strict quality control requirements. We r acquired Japan Industrial Standards (JIS) certification in 1989 and two special process certifications from McDonnell Douglas Aviation, Inc. for "heat treatment of steel" and "wet hard welding of aluminum alloy” in 1994. Subsequently, our Heat Exchanger Department was certified by various international certification organizations such as ISO, CE and Russia Certificate. Our Metal Product Division has also acquired certifications from international certification organizations such as ISO, UL (US) and PED (EU). In addition, the Company is also a qualified third-party company accredited by the Corporate Synergy Development Center, and has obtained Quality System Certificate from Aerospace Industrial Development Corporation and Certificate of Qualification from national defense. All these certifications and evaluations are proof of our strict quality control requirements and have established the Company as an important player in the domestic and international professional heat treatment industry.

(5) Favorable and unfavorable factors in development prospect and countermeasures

1). Favorable factors in development:

①Enlargement of scale; experienced management team

According to the ITIS Project of the Metal Industries Research and Development Centre, heat treatment industry reports on the U.S., Japan and Taiwan show that heat treatment companies with less than 20 employees accounted for more than 50% of the total number of heat treatment companies; there are only a few large heat treatment plants . The amount of capital we possess is the largest among domestic heat treatment plants; compared to small heat treatment plants or part-time heat treatment plants attached to manufacturing industries, we have more room for capital deployment and more flexible manpower allocation. In addition, since heat treatment processors are involved in a series of feasibility assessment, cost-benefit analysis, machine and equipment procurement, and even manpower deployment and technical upgrading when receiving new business orders, the Company, with its years of accumulated experience, supplemented by the advantages of a large professional heat treatment plant and the rich field experience of its management team, is able to use its professional and complete machine and equipment to provide complete and diverse services, to meet the various needs of customers when facing new heat treatment processing needs.

②Key role in promoting industry upgrading

Heat treatment is an indispensable manufacturing process for all kinds of metal machinery products. Our company has been working on the improvement of the process, so that characteristics of the heat-treated steel can be fully utilized to extend the life of machines and save cost of steel used by the manufacturer. Our heat treatment services help enhance the quality of automobile and motorcycle parts, various machines and equipment, and metal products based on international standards, while also having price advantages, strengthening our international competitiveness. Our company plays an essential role in the upgrading process of manufacturing industries.

In line with government policy to develop the aerospace industry, our company has been the first one to pass the McDonnell Douglas Aviation process certification and to acquire Quality System Certificate from Aerospace Industrial Development Corporation, making us a pioneer in the heat treatment industry towards the aerospace industry.

Since 2009 we have been actively involved in the fuel cell industry. With our own professional vacuum brazing and precision manufacturing technology, we have been certified by Bloom Energy and have become their global strategic partner for fuel cell development, making a great step forward for fuel cell industry technology in Taiwan.

③Wide range of product applications

The scope of services covered by traditional heat treatment processing is extremely broad, including metal and mechanical tools and parts, screws and nuts, metal molds, automotive parts, motorcycle parts and bicycle parts, etc. However, the rapid development of emerging industries such as electronic technology and aerospace has created a demand for new types of metal heat treatment processing, which has led to the expansion of clients for heat treatment processing.

Currently, Plate Heat Exchangers are used in the refrigeration and air conditioning, water dispenser, petrochemical, pharmaceutical and food industries, etc. However, in practice, the list of industries or occasions that need to use heat exchange do not merely include the above-mentioned industries. In the future, it must be expanded into others such as small air conditioners for automobiles, desalination equipment for ocean-going fishing vessels, solar energy and geothermal heat collection systems, etc.

Fuel cells are used in a wide range of applications, including consumer electronics, transportation, residential and industrial power, etc. Currently, the main applications of fuel cells are in automobiles, stationary generators and portable electronic products. Furthermore, since the nuclear disaster in Japan, people worldwide has put much more emphasis on pollution-free energy; according to Bloom Energy's news release, it is expected to launch home-based fuel cells in the next 5-10 years. With the influence of various countries actively developing alternative energy sources, fuel cells are expected to continue expanding their application in the future.

Benefits of decentralized energy systems:

a) Reduce transmission losses: Since most are closer to the power supply area, losses caused by long-distance power transmission can be avoided.

b) Increase power generation capacity.

c) Improve the quality and stability of power supplies, reducing the possibility of large-scale power outages and the hazards caused by them.

d) Lower construction cost than centralized power generation.

e) Use of waste heat from power generation to supply hot water and heating, even using absorption cooling system for cooling.

2). Unfavorable factors in development:

①Capacity utilization of processing affected by downstream industries

With the development of technology, traditional light industry and heavy industry have reached a mature stage; therefore, the demand for heat treatment and brazing has stabilized. In addition, business environment has changed due to the increase in labor and land costs and environmental protection requirements in Taiwan, resulting in the relocation of midstream and downstream steel industries for applications, such as automobile and motorcycle parts plants and metal fabrication, which has reduced the volume of traditional heat treatment and brazing business.

[Measures in Response]

Although the volume of traditional heat treatment and brazing business has been reduced due to the shift of demand out of the industry, new demand for various heat treatment and brazing processes has been generated through industry upgrading. Since our establishment, we have been focusing on heat treatment and copper welding technology improvement, while also maintaining close contact and experience exchange with various research institutes.

In addition to maintaining expertise in the heat treatment processing industry and improving the quality of heat treatment processing, we have been able to enter into the production of rollers and Plate Heat Exchangers after our inception, transforming the Company from a metal processing business into a manufacturing business with its own products, while also reducing its dependence on heat treatment processing and copper welding processing, thus reducing the impact of the outflow of customers. In addition, the Company is actively expanding export orders of Plate Heat Exchangers to reduce the risk of decline in the Taiwanese domestic market, while also continuing to develop new heat exchanger products and applications to expand the breadth and depth of its product line.

Kaori Technology Co., Ltd. (Ningbo) was established in 2002 to produce brazed

Plate Heat Exchanger and to provide heat treatment services to local Taiwanese businesses in China. The purpose of investing in Kaori Ningbo is to reduce production costs, strengthen export capacity and expand the market in China.

②Domestic labor shortage

During recent years, domestic manufacturing businesses all face the problem of labor shortage, which in turn has led to higher labor costs and affected the competitiveness of the industry.

[Countermeasures

In addition to increasing the degree of automation of machines and equipment to reduce manpower requirements, bringing in legal foreign workers and increasing employee benefits, the Company is also actively investing in R&D to make its services more sophisticated in line with the upgrading of domestic industries.

③Small size and uncompetitiveness of domestic energy market

Since the developed countries such as the United States, Japan and the European Union have early entries into the alternative energy market and they have large market sizes, they possess considerable advantages in upstream raw materials, key components and research and development personnel. However, domestic Taiwanese businesses entered the market later and face a smaller overall market size, owing to the fact that development of upstream, midstream and downstream industries is inherently limited;. Therefore, competitiveness of products in the international market still needs to be improved.

[Countermeasures]

Since the establishment of Fuel Cell Division in August 2008, the Company has been making use of its own expertise in vacuum hard welding and precision manufacturing technology. In addition, it has been working with Bloom Energy, a U.S. fuel cell company, to capture the international fuel cell market. We are continuing to invest in plant expansion and the purchase of machinery and equipment for the manufacture of key components in Solid Oxide Fuel Cells (SOFC), and we are also actively engaging in the development of fuel cell-related products, including fuel restructuring devices, in order to enhance the Company's competitiveness in the international market.

2. Main Applications and Production Processes of Major Products

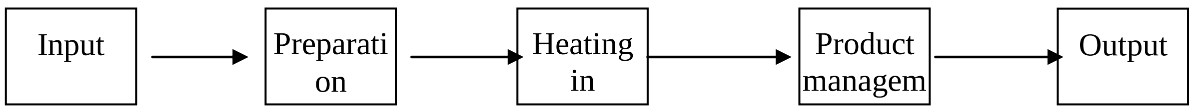
(1) Major Products and Main Applications

Major Products	Main Applications
Metal Products and Processing	Metal Products Processing: Brazing is mainly used for welding parts of automobiles and air-conditioning appliances, and for annealing and solid solutions for stainless steel pipes and electric heaters.
Plate Heat Exchanger	Heat exchangers are mainly used in the refrigeration and air conditioning industries, air pressure and hydraulic machinery industries, food industries (water dispenser, drinking water and distilled water), high-frequency furnace industry, boiler industry, rubber (plastic) industry, fuel cells, electric vehicles and other general production industries (for heat exchange of water and cooling water in machinery and equipment).
Heat Energy Product	The products such as new energy combustion reformers and fuel cell core reactor components are used in commercial large engines, steam and power plants, geothermal heat, hot springs, general industrial and commercial power generation; refrigerated air dryers: used in the electronics industry, paint spraying, pneumatic tools, food, chemical industry, laboratories, biotechnology industry, precision machinery workpiece processing, measuring instruments, etc. Fuel cell core reactor components are applied to stationary fuel cell units, which is a decentralized energy system. A decentralized energy system is a medium

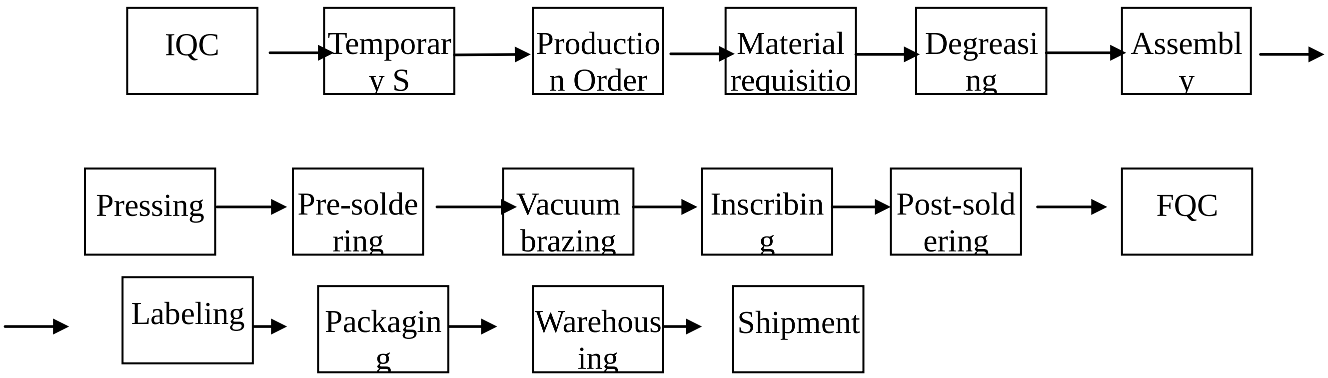
Major Products	Main Applications
	and small-scale energy conversion and utilization system directly facing the customers, producing and supplying energy locally in response to user demands, with multiple functions to meet various objectives. Fuel cells are used in a wide range of applications, including consumer electronics, transportation, residential and industrial power, etc. Currently, the main applications of fuel cells are in automobiles, stationary generators and portable electronic products. Used in server cooling system modules for data centers or cloud data centers.

(2) Major Products Production Processes

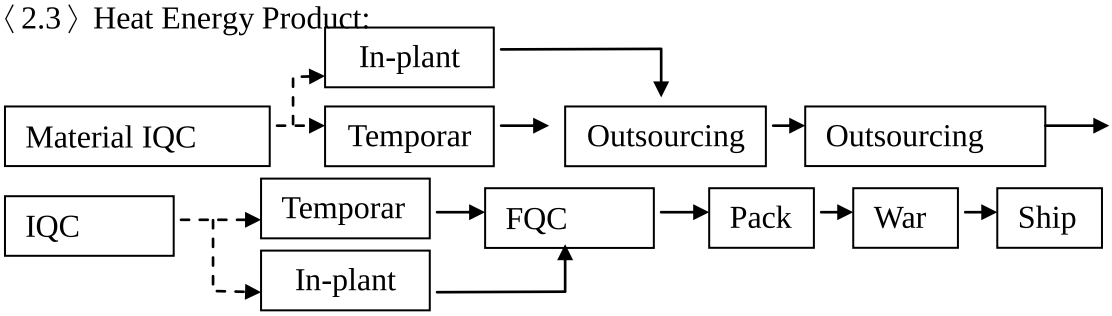
〈2.1〉 Metal Products and Processing: Processing at brazing plant



〈2.2〉 Plate Heat Exchanger:



〈2.3〉 Heat Energy Product:



3. Supply Situation of Main Raw Materials:

Main Raw Materials	Main Sources	Supply Situations
Stainless steel rolls, steel	UEX /METAL ONE	Good
Inconel plates, bases, ceramic parts, heat-resistant materials	United P., VDM, Chuang Cheng, Coors Tek, PROMAT	Good
Copper foil, copper rolls	AML, Aurubis Netherlands, Shenger	Good

4. Names of the clients accounting for more than 10% of the total purchase (sales) in aeither of the last two years, as well as the amount and percentage of purchase (sales)

(1) Clients:

Unit: NT$ thousands (Source: Individual Financial Reports)

	2020				2021				As of 2022 Q1			
Item	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Year (as of the preceding quarter) (%)	Relation with the Issuer
1	BLOOM ENERGY	964,219	48.33	None	BLOOM ENERGY	877,492	42.05	None	BLOOM ENERGY	179,487	36.81	None
	Other	1,030,774	51.67		Other	1,209,509	57.95		Other	308,162	63.19	
	Net Sales	1,994,993	100.00		Net Sales	2,087,001	100.00		Net Sales	487,649	100.00	

Unit: NT$ thousands (Source: Consolidated Financial Reports)

	2020				2021				As of 2022 Q1			
Item	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Year (as of the preceding quarter) (%)	Relation with the Issuer
1	BLOOM ENERGY	964,219	46.44	None	BLOOM ENERGY	877,492	39.33	None	BLOOM ENERGY	179,487	33.57	None
	Other	1,112,140	53.56		Other	1,353,781	60.67		Other	355,224	66.43	
	Net Sales	2,076,359	100.00		Net Sales	2,231,273	100.00		Net Sales	534,711	100.00	

Explanation for the Changes of Increases and Decreases :

From 2020 to end of 2021, BLOOM ENERGY's sales accounted for 39.33% to 46.44% of the net sales of each period, ranking first in the Company's sales. The main reasons behind changes are fluctuations in shipment of the processed parts and mechanical components for the Company's fuel cells.

(2) Suppliers

Unit: NT$ thousands
Source: Individual Financial Reports

	2020				2021				As of 2022 Q1			
Item	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Revenue	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Year (as of the preceding quarter) (%)	Relation with the Issuer
1	United P.	188,742	19.04	None	United P.	137,887	14.03	None	Metal One	31,421	8.81	None
2	UEX	94,142	9.49	None	UEX	111,530	11.34	None	CoorsTek	29,796	8.36	None
	Other	708,660	71.47		Other	733,693	74.63		Other	295,247	82.83	
	Net Sales	991,544	100.00		Net Sales	983,110	100.00		Net Sales	356,464	100.00	

Unit: NT$ thousands
Source: Consolidated Financial Reports

	2020				2021				As 2022 Q1			
Item	Appellation	Amount	Percent (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Entire Year (%)	Relation with the Issuer	Appellation	Amount	Percentage of the Net Sales in the Year (as of the preceding quarter) (%)	Relation with the Issuer
1	United P.	188,742	18.59	None	United P.	137,887	13.59	None	Metal One	31,421	8.51	None
2	UEX	94,142	8.27	None	UEX	111,530	10.99	None	CoorsTek	29,796	8.07	None
	Other	732,592	73.14		Other	765,090	75.42		Other	308,034	83.42	
	Net Sales	1,015,476	100.00		Net Sales	1,014,507	100.00		Net TSales	369,251	100.00	

Explanation for the Changes of Increases and Decreases:

The Company has made major purchases from two suppliers: UEX and METAL ONE for stainless steel rolls for Plate Heat Exchangers, and AML and Aurubis Netherlands for copper foil, in addition to larger procurement from United P for high nickel steel plates for fuel cell mechanism manufacturing. Besides, the sources for other materials are still decentralized. In the procurement of raw materials, the Company is able to select suppliers based on their quotes, quality, and trading conditions. There are no shortage or interruption of supply during the past two years.

5. Production in the Last Two Years:

Unit: ton, thousand of items, ㎡, ton, ton of refrigeration, KW, watt; NTD thousand
Source: Individual Financial Reports

Year / Production Output / Major Products (or by departments)	2020			2021		
	Capacity	Quantity	Output value	Capacity	Quantity	Output value
Brazing processing	1,200	596	21,327	1,200	314	7,977
Plate Heat Exchanger	313,840	265,588	673,129	313,840	329,661	864,898
Heat Energy Product	164,516	12,180	867,598	164,516	1,236	703,879
Total	-	-	1,562,054		-	1,576,754

Unit: ton, thousand of items, ㎡, ton, ton of refrigeration, KW, watt; NTD thousand
Source: Consolidated Financial Reports

Year / Production Output / Major Products (or by department)	2020			2021		
	Capacity	Quantity	Output value	Capacity	Quantity	Output value
Brazing processing	1,200	596	21,327	1,200	314	7,977
Plate Heat Exchanger	348,651	319,820	782,891	348,651	400,739	1,012,492
Heat Energy Product	164,516	12,180	867,598	164,516	1,236	703,879
Total	-	-	1,671,816		-	1,724,348

Note: 1. The unit of heat treatment processing and roller production capacity and quantity is in tons; the unit of brazing processes is in thousands of pieces; the unit of heat exchanger production capacity and output is in ㎡.

2. Since the units of calculation for each major product are different, the sum of production capacity and output is not meaningful and is therefore not shown.

3. Rollers and peripheral parts share equipment with heat treatment processing production, so its rollers and peripheral parts production capacity is not shown.

4. Heat energy products are new energy green power generation modules, waste heat generators and fuel cell components, so the sum of their production capacity and output is not meaningful.

6. Sales in the Last Two Years:

Unit: ton, thousand of items, ㎡, ton, ton of refrigeration, KW, watt; NTD thousand

Source: Individual Financial Report

Year / Shipments and Sales / Major Products (or by departments)	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Brazing processing	596	17,526	-	–	314	10,142	-	-
Plate Heat Exchanger	50,490	208,289	212,268	713,050	64,900	271,883	264,087	885,001
Heat Energy Product	4,952	84,387	1,648	971,741	281	54,035	1,317	865,940
Total		310,202		1,684,791		336,060		1,750,941

Unit: ton, thousand of items, ㎡, ton, ton of refrigeration, KW, watt; NTD thousand

Source: Consolidated Financial Reports

Year / Shipments and Sales / Major Products (or by departments)	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Brazing processing	596	17,526	-	–	314	10,142	-	-
Plate Heat Exchanger	54,146	343,062	262,913	659,643	131,354	500,635	266,857	800,521
Heat Energy Product	4,952	84,387	1,648	971,741	281	54,035	1,317	865,940
Total		444,975		1,631,384		564,812		1,666,461

5.3 Human Resources

Source:Individual Financial Reports

Year		2020	2021	As of March 31, 2021
Number of Employees	DIRECT WORKER	254	257	263
	Indirect Worker	231	230	227
	Total	485	487	490
Average Age		40.91	41.18	41.44
Average Years of Service		9.93	10.35	10.48
Education	Ph.D.	1.44%	1.64%	1.84%
	Masters	12.16%	11.50%	11.43%
	Bachelor's Degree	49.69%	53.18%	52.45%
	Senior High School	34.43%	31.62%	32.24%
	Below Senior High School	2.28%	2.06%	2.04%

Source: Consolidated Financial Reports

Year		2020	2021	As of March 31, 2021
Number of Employees	DIRECT WORKER	279	283	289
	Indirect Worker	262	263	260
	Total	541	546	549
Average Age		40.76	41.0	41.24
Average Years of Service		9.91	10.3	10.41
Education	Ph.D.	1.29%	1.47%	1.64%
	Masters	10.91%	10.26%	10.20%
	Bachelor's Degree	50.09%	53.48%	52.82%
	Senior High School	34.75%	31.87%	32.42%
	Below Senior High School	2.96%	2.92%	2.91%

5. Environmental Protection Expenditure

1. Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

   None

2. In response to the implementation of the EU Restriction of Hazardous Substances (RoHS) directive: the Company has complied with the RoHS directive and established an appropriate management system, with regular samples sent for inspection in compliance.

6. Labor Relations

1. Company employee welfare measures, trainings, training and retirement systems and their implementation, as well as agreements between employers and employees and measures to protect the rights and interests of employees.

5.5.1 Employee Welfare:

①Establishment of Employee Benefit Committee, with the Company contributing 0.15% and 20% of its monthly operating revenue and income from the sale of detritus to implement the following employee benefit measures

A. Domestic and international group travels

B. Subsidies for childbirths, marriages, funerals, hospitalizations and military service

(A) Maternity pension: For children under six years of age who are registered under company employee households.

a. NTD 50,000 for singleton.

b. NTD 100,000 for twins.

c. NTD 150,000 for triplets.

d. So on for multiple births.

(4) Childcare Allowance: NTD 10,000 per child per household per year .

C. Emergency Allowances

D. Scholarship for children's education.

E. Annual bonuses.

F. Birthday celebrations

②Other Benefits:

A.Group life insurance and accident insurance coverage.

B. Childbirth and childcare allowance subsidies.

(2) Implementation status of employee education and training :

In order to respond to rapid technological changes in the industry and to ensure talent and career development of employees for achieving company operational goals,

the Company has classified employee learning and development as a key human resources management item. With core functions as the basis, we

promote various training activities and personnel training programs based on the Company's operation strategy, with links to professional function training blueprints.

the Company also provides a variety of training methods and opportunities, including subsidies for on-the-job training,

professional development training and language learning subsidies, providing employees with abundant training resources. The results of the Company's education and training for 2021 are as follows:

	Item	Number of Classes	Total Number of Personnel	Total Number of Hours	Fee Total
1	Leadership Skill Training	5	20	77	60,100
2	Self-Inspiration Training	5	5	831	94,888
3	Professional Function Training	113	851	2,315	297,685
4	General Skills Training	22	101	1,439	2,000
5	Labor Safety and Health	41	107	794	121,980
Total		290	186	1,084	5,456

In order to provide the best learning environment for our employees, we have introduced a variety of learning platforms. In addition to learning in ordinary classrooms, we also provide e-learning and knowledge management systems and have established a teaching satisfaction survey mechanism to control effectiveness of learning. Our Human Resource Division is responsible for planning and promoting various learning activities and talent development projects and invites representatives from the supervisors of each unit to form

"Training Cultivation Units" to assist in the assessment and implementation of learning activities. Through cooperation with organizations, the following learning programs have been established:

A. Leadership Skill Training:

Provides courses for executives at all levels to learn and share practical experience to enhance leadership skills

B. Self-Inspiration Training:

Provides scholarships to support our employees to further their studies to acquire higher level of knowledge or ability in order to encourage their self-growth.

C. Professional Function Training:

Sets up a professional training blueprint according to position, seniority, and level, and provides various professional trainings to help employees acquire the professional abilities required for their jobs.

D. General Skills Training:

General training courses for all employees to help improve work performance, available to all employees.

Examples: communication skills, time management, etc.

E. Labor Safety and Health:

Obtaining relevant training hours and licenses in accordance with the laws.

(3) Retirement system and implementation:

In accordance with the Labor Standards act, the Company has established retirement programs for its employed personnel, formed a Labor Pension Supervisory Committee and made monthly contributions to the retirement reserve, which is also deposited under the Committee’s name in special accounts at the Bank of Taiwan, supervised and managed by the Committee. Four employees retired in 2021.

(4) Labor relations negotiations and employee rights and benefits protection measure statuses:

In accordance with the laws, the Company appoints representatives from labor and management for regular labor-management meetings to improve the exchange of opinions between labor and management, with matters resolved at meetings also required to be dealt with within a certain period of time. Therefore, since the establishment of the Company, there has always been a consensus between employers and employees, with no loss resulting from labor disputes.

The protection measures for work environment and employee safety are as follows:

Number	Item	Content
1	Access control	1. Comprehensive monitoring system surrounding a factory and plant perimeter. Specialized management and maintenance. 2. 24/7 contract with security companies to maintain plant security by conducting plant pedestrian and vehicle control. 3. Contact with the police for occasional factory perimeter patrols.
2	Maintenance and inspection of work environment and equipment	1. Work environment monitoring conducted in accordance with the Regulations for the Implementation of Work Environment Monitoring and qualified work environment monitoring institution appointed for regular implementation with results announced to employees. 2. In accordance with the Regulations for Public Safety Inspection and Reporting of Buildings, a professional company is commissioned to conduct public safety inspections every two years. 3. In accordance with the Fire Services Act, annual fire equipment inspections are commissioned. 4. In accordance with the Occupational Safety and Health Management Regulations and other related laws and regulations, we regularly conduct maintenance and inspections of high and low voltage electrical equipment, elevators, high pressure gas specific equipment, official vehicles, drinking fountains, and other equipment by professional personnel. 5. According to the Regulations for Labeling and General Knowledge Concerning Hazardous Chemicals, we conduct source management to establish a list of hazardous substances. Workplace safety data sheets have been set up for browsing. 6. In accordance with the Occupational Safety and Health Facilities Regulations, we provide personal protective equipment for employees, equip welding machines with automatic electric shock prevention devices, make gas cylinders fixed and upright, label drilling machines with

Number	Item	Content
		warning signs prohibiting the wearing of gloves during operation, and other safety protection measures. 7. The lighting in the factory area uses eye-protective flat panel lighting to protect employees' visual health and to save energy.
3	Disaster prevention and implementation	1. Besides regional protection groups, we have hired firefighting authorities to conduct fire prevention training. 2. In order to maintain the safety and health of employees, there are occupational safety and health supervisors and personnel; registration has been filed with the competent authority for inspection. 3. The Occupational Safety and Health Code of Conduct has been approved by the competent authority. 4. Factory supervisors and employees conduct hazard identifications to anticipate hazards and make continuous improvements. 5. Occupational disaster statistics are regularly filled in accordance with the Occupational Safety and Health Act; investigations are conducted on occupational disasters and submitted to the competent authorities for approval. 6. Reviews of relevant laws and regulations to evaluate impact and follow-up actions. 7. Participation in safety and health promotion meetings conducted by competent government agencies. 8. Participate in unannounced industrial park drills and practical fire drills.
4	Health promotion and environmental health	1. Health examinations: In accordance with the Labor Health Protection Regulations, qualified medical institutions are appointed to conduct medical examination of labor physical and health, with the report provided to employees in manuals. 2. AEDs (automated external defibrillators) are installed in the factories, with employees trained to operate them for emergency first aid. 3. Health promotion materials are provided to enhance employee knowledge. 4. First-aid personnel and kits in the factories: Be set up and maintained in accordance with the Labor Health Protection Regulations. 5. Daily cleaning of workplace as well as regular disinfection of the factory and office environment. 6. Drinking water provided in the workplace in accordance with the Occupational Safety and Health Facilities Regulations, with shower facilities set up for employees to use.
5	Implementation of operational safety control	1. Contractor management: Contractor entry safety training, occasional construction site inspections, and other related management and supervision activities conducted in accordance with the Occupational Safety and Health Act. 2. Application control for construction work: In accordance with the requirements of the Occupational Safety and Health Act as well as the results of risk assessment. Construction control and work permit are to be utilized as the basis for work for flame-using operations, elevated operations, confined space operations, live-line operations, dangerous pipeline drilling operations, and safety system interruption operations. 3. Contractors will be informed of hazards and accompanied by supervisors when they enter the factory for construction. 4. Dangerous machinery operations are conducted by well-trained and certified personnel.

2. Any losses suffered by the Company in the most recent fiscal year and as of the date of printing the annual report due to any labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

On September 25, 2020 our employee, Mr. Tseng, filed a lawsuit to confirm the existence of an employment relationship in the Civil Court of the Taoyuan District Court (Labor Lawsuit

No. 154, 2020). The case was settled out of court at Taoyuan District Court on January 13, 2021.

5.6 Management of Information and Communication Security

5.6.1 Structure of Management of Information and Communication Security:

The organizational structure, membership, and responsibilities of the Company's Information Security Committee are as follows:

Organizational Structure and Membership:

1. The Chairman/Vice Chairman/General Manager are advisors, as a given matter.
2. Committee Members: Deputy General Managers and higher positions, with the Audit Office in attendance.
3. Chairperson: the Chairperson of the committee shall be an officer of information departments as selected by the General Manager, or a specific high-ranking officer.
4. Executive Secretary and Implementation Teams: the Chairperson may establish Executive Secretaries and Implementation Teams, responsible for the coordination, planning and execution of committee missions.
5. The Audit Office/Financial & Accounting Division may provide assistance by giving reference information such as regulations from official agencies in charge of management.

Authority and Responsibility: Establishment of the Company's information security policy.

Missions: Review the effectiveness of information security policy implementation and consider information security policy adjustment proposals and interim motions.

5.6.2 Information and Communication Security Policies:

The objective of our information security management strategy is to strive to ensure an uninterrupted information environment for continuous operations, which is necessary for the development of the Company:

1. Our information security policies are hereby published to ensure an uninterrupted information environment for continuous operations, which is necessary for the development of our company.
2. We provide a clear guideline for our employees to follow and participate in the promotion of information security policy to ensure the secure operation of the Company's sensitive data/information systems/devices and networks.
3. We hope that all the staff can understand, implementat maintain our goal of continuous operation for the enterprise information system without interruption from all employees.

The Information Security Committee is responsible for the formulation and promotion of information security policies as well as the monitoring and management of information security risks.

The missions of the Information Security Committee include:

(1) Establish the information security policy and information security control mechanism.
(2) Supervise and implement the information security policies and tasks.
(3) Auditing the internal information security of the Company.
(4) Notification of information security incidents, emergency response and crisis management.
(5) Planning the educational trainings on information security .
(6) Coordinate and handle other matters about information securit. .

5.6.3 Implementation Measures:

In terms of management, in accordance with regulations from the Securities and Futures Bureau, the General Manager assigned the head of the Information Technology Division as manager for information security supervisor and two web management personnel as information security specialists to be in charge of information security management operations, in order to comply with the requirements of the regulatory authorities. The program was submitted to the Board of Directors for approval on March 25, 2022.

With regards to implementation, the Information Security Committee convenes every Wednesday at the meeting of chief operating officers, where the head of the Information Technology Division informs the Chairman/Vice Chairman/General Manager/Chief Operating Officer of all departments of important information security incidents and the changes in information security measures for the current period.

By doing so, higher-frequency management measures can be achieved:

1. Regularly holding information security policy meetings every year.
2. Convening ad hoc meetings when special events require the ruling on information security changes.
3. Receiving the reports from the Executive Committee (Information Security Policy Testing and Implementation Team) on policy effectiveness for the current period, and considering proposed adjustments to information security policies and extempore motions.

In this way, the management cycle of Plan-DoCheck-Act (PDCA) has been implemented, to review the applicability of information security policies and protection measures. In the future, we will add a dedicated information protection committee to report on the effectiveness of implementation. This allows us to achieve continuous improvements.

4. Inputs into the resources for information and communication security:

We have updated all of our firewalls in our plants in Taiwan by May 2020, to provide more immediate and comprehensive protection with these next-generation firewalls. At the same time, we will introduce CoreTex XDR products on the client side to form an internal and external defense framework with next-generation firewalls. As for basic traditional anti-virus software, old systems were replaced in December 2021 with the new anti-virus product "Kaspersky" ts . In addition to the above-mentioned capital invested and the expenses paid, there are also information security supervisors and special staff responsible for overall implementation and daily inspection tasks.

(5) Losses, potential impacts and responses to major information and communications security incidents in the most recent year and as of the date of printing of the annual report, with items stated if they cannot be reasonably estimated:

As of the printing date of the annual report, there has been no significant information security incidents and no operational or goodwill losses or possible impacts during the past two years.

7. Important Contracts

Nature of Contracts:	Parties	Duration of Contract	Content	Clauses
Long-Term Loan	O-Bank	2016.01～2022.08	Medium-term guaranteed loan, 2016.01～2022.08, interest rate at 0.9461% at 2021/12/31, calculated monthly, with a period of 6 months since 2017/08/01 and NTD 9,100,000 to be repaid every period.	Mortgage of the land and buildings of Zhongli Plant No. 2.
Long-Term Loan	O-Bank	2020.06～2026.06	Medium-term guaranteed loan, 2020.06～2026.06, interest rate at 0.9197% at 2021/12/31, calculated monthly, with a period of 6 months since 2022/06/01 ,and NTD 6,389,000 to be repaid every period.	Mortgage of the land and buildings of Zhongli Plant No. 2.
Long-Term	O-Bank	2020.06～2026.06	Medium-term guaranteed loan, 2020.06	Mortgage of

Nature of Contracts:	Parties	Duration of Contract	Content	Clauses
Loan			～2026.06, interest rate at 0.9197% at 2021/12/31, calculated monthly, with a period of 6 months since 2022/06/01 ,and NTD 6,067,000 to be repaid every period.	the land and buildings of Zhongli Plant No. 2.
Long-Term Loan	O-Bank	2020.09～2026.06	Medium-term guaranteed loan, 2020.09 ～2026.06, interest rate at 0.9197% at 2021/12/31, calculated monthly, with a period of 6 months since 2022/06/01, and NTD 1,011,000 to be repaid every period.	Mortgage of the land and buildings of Zhongli Plant No. 2.
Long-Term Loan	O-Bank	2020.09～2026.06	Medium-term guaranteed loan, 2020.09 ～2026.06, interest rate at 0.9197% at 2021/12/31, calculated monthly, with a period of 6 months since 2022/06/01, and NTD 1,278,000 to be repaid every period.	Mortgage of the land and buildings of Zhongli Plant No. 2.
Long-Term Loan	Shanghai Commercial and Savings Bank	2015.07~2025.04	Long-term guaranteed loan, 2015.07~2025.04, interest rate at 0.97% at 2021/12/31, calculated monthly, with a period of 3 months since 2016/07/15,and NTD 2,084,000 to be repaid every period.	Mortgage of the land and buildings of Zhongli Plant No. 3.
Long-Term Loan	Mega International Commercial Bank	2020.9～2025.9	Medium-term guaranteed loan, 2020.9～2025.9, interest rate at 1.1051% at 2021/12/31, calculated monthly, with a period of 3 months since 2022/09/07, and NTD 3,000,000 to be repaid every period, plus NTD 84,000,000 for the last period.	Mortgage of the land and buildings of Zhongli Plant No. 3 and the Kaohsiung Plant.
Long-Term Loan	Mega International Commercial Bank	2020.9～2025.9	Medium-term guaranteed loan, 2020.9～2025.9, interest rate at 1.1051% at 2021/12/31, calculated monthly, with a period of 3 months since 2022/09/07, and NTD 4,100,000 to be repaid every period, plus NTD 114,800,000 for the last period.	Mortgage of the land and buildings of Zhongli Plant No. 3 and the Kaohsiung Plant.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

1. A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT$ thousands

Source: Individual Financial Reports

Item \ Year		Financial Summary for the Last Five Years 2017	2018	2019	2020	2021	Financial Summary as of 2022/03/31 (Note 1)
Current assets		1,962,060	1,259,757	1,274,127	1,442,989	1,413,570	-
Property, Plant and Equipment (Note 2)		1,189,802	1,115,137	1,083,327	1,564,467	1,565,526	-
Intangible assets		0	0	0	0	0	-
Other assets (Note 2)		425,622	363,726	405,932	451,056	410,199	-
Total assets		3,577,484	2,738,620	2,763,386	3,458,512	3,389,295	-
Current liabilities	Before Distribution	1,441,493	639,472	799,557	980,648	1,094,175	-
	After Distribution	1,530,877	818,240	978,325	1,132,601	1,228,251	-
Non-current liabilities		346,646	249,553	139,072	556,201	410,281	-
Total liabilities	Before Distribution	1,788,139	889,025	938,629	1,536,849	1,504,456	-
	After Distribution	1,877,523	1,067,793	1,117,397	1,688,802	1,638,532	-
Equity attributable to shareholders of the parent		1,789,345	1,849,595	1,824,757	1,921,663	1,884,839	-
Capital stock		893,841	893,841	893,841	893,841	893,841	-
Capital reserve		663,133	631,849	593,414	593,414	593,414	-
Retained earnings	Before Distribution	218,324	353,354	362,321	388,488	385,159	-
	After Distribution	128,940	205,870	221,988	236,535	251,083	-
Other equity interest		14,047	(60,733)	(63,254)	45,920	12,425	-
Treasury stock		0	0	0	0	0	-
Non-controlling interest		0	0	0	0	0	-
Total equity	Before Distribution	1,789,345	1,849,595	1,824,757	1,921,663	1,884,839	-
	After Distribution	1,699,961	1,670,827	1,645,989	1,769,710	1,750,763	-

Unit: NT$ thousands
Source: Consolidated Financial Reports

Item \ Year		Financial Summary for The Last Five Years					Financial Summary as of 2022/03/31 (Note 1)
		2017	2018	2019	2020	2021	
Current assets		2,154,053	1,457,636	1,469,097	1,634,582	1,589,054	1,626,489
Property, Plant and Equipment (Note 2)		1,246,915	1,166,262	1,151,235	1,628,734	1,625,843	1,606,562
Intangible assets		0	0	0	0	0	0
Other assets (Note 2)		187,828	127,269	156,239	211,968	197,358	232,833
Total assets		3,588,796	2,751,167	2,776,571	3,475,284	3,412,255	3,465,884
Current liabilities	Before Distribution	1,452,805	652,019	812,742	997,420	1,117,135	1,244,070
	After Distribution	1,542,189	830,787	991,510	1,149,373	1,251,211	(Note 3)
Non-current liabilities		346,646	249,553	139,072	556,201	410,281	406,955
Total liabilities	Before Distribution	1,779,451	901,572	951,814	1,553,621	1,527,416	1,651,025
	After Distribution	1,868,835	1,080,340	1,130,582	1,705,574	1,661,492	(Note 3)
Equity attributable to shareholders of the parent		1,789,345	1,849,595	1,824,757	1,921,663	1,884,839	1,814,859
Capital stock		893,841	893,841	893,841	893,841	893,841	893,841
Capital reserve		663,133	631,849	593,414	593,414	593,414	593,414
Retained earnings	Before Distribution	218,324	353,354	362,321	388,488	385,159	297,654
	After Distribution	128,940	205,870	221,988	236,535	251,083	(Note 3)
Other equity interest		14,047	(60,733)	(63,254)	45,920	12,425	29,950
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before Distribution	1,789,345	1,849,595	1,824,757	1,921,663	1,884,839	1,814,859
	After Distribution	1,699,961	1,670,827	1,645,989	1,769,710	1,750,763	(Note 3)

2. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Source: Individual Financial Reports

Item \ Year	Financial Summary for the Last Five Years					Financial Summary As of 2022/03/31 (Note 1)
	2017	2018	2019	2020	2021	
Operating revenue	1,691,210	1,842,354	1,990,535	1,994,993	2,087,001	-
Gross profit	447,609	518,564	529,113	492,974	518,163	-
Operation profit and loss	129,738	212,007	186,513	159,569	185,372	-
Non-operating income and expenses	(60,270)	66,963	7,800	(9,144)	(2,012)	-
Profit before tax	69,468	278,970	194,313	150,425	183,360	-
Net profit of the current period in the unit with continued operations	56,138	229,734	158,138	112,524	149,156	-
Loss from units with halted operations	0	0	0	0	0	-
Net profit (loss) of the current period	56,138	229,734	158,138	112,524	149,156	-
Other comprehensive income (after tax)	(5,691)	(80,100)	(4,208)	163,150	(34,027)	-
Total comprehensive income	50,447	149,634	153,930	275,674	115,129	-
Net profit belonging to the parent company proprietor	56,138	229,734	158,138	112,524	149,156	-
Net profit belonging to non-controlling interests	0	0	0	0	0	-
Comprehensive income belonging to the parent company proprietor	50,447	149,634	153,930	275,674	115,129	-
Comprehensive income belonging to non-controlling interests	0	0	0	0	0	-
Earnings Per Share	0.63	2.57	1.77	1.26	1.67	-

Unit: NT$ thousands
Source: Consolidated Financial Reports

Year / Item	Financial Summary for The Last Five Years					Financial Summary As of Financial Information (Note 1)
	2017	2018	2019	2020	2021	
Operating revenue	1,779,318	1,931,586	2,083,280	2,076,359	2,231,273	534,711
Gross profit	492,039	566,945	575,456	528,382	593,603	149,391
Operation Profit and Loss	145,159	231,102	204,035	170,279	230,355	50,911
Non-operating income and expenses	(71,227)	52,750	(4,955)	(15,608)	(34,835)	12,309
Profit before tax	73,932	283,852	199,080	154,671	195,520	63,220
Net profit of the current period in the units with continued operations	56,138	229,734	158,138	112,524	149,156	46,571
Loss from units with halted operations	0	0	0	0	0	0
Net profit (loss) of the current period	56,138	229,734	158,138	112,524	149,156	46,571
Other comprehensive income(after tax)	(5,691)	(80,100)	(4,208)	163,150	(34,027)	17,525
Total comprehensive income	50,447	149,634	153,930	275,674	115,129	64,096
Net profit belonging tothe parent company proprietor	56,138	229,734	158,138	112,524	149,156	46,571
Net profit belonging to non-controlling interests	0	0	0	0	0	0
Total comprehensive income belonging to the parent company proprietor	50,447	149,634	153,930	275,674	115,129	64,096
Total comprehensive income belonging to non-controlling interests	0	0	0	0	0	0
Earnings Per Share	0.63	2.57	1.77	1.26	1.67	0.52

(2) Auditors' Names and Opinions During the Last Five Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	Deloitte Taiwan	Su Yu Hsiu , Lin Yi Hui	No opinions reserved
2018	Deloitte Taiwan	Su Yu Hsiu, Kung Shuang Hsiung	No opinions reserved
2019	Deloitte Taiwan	Su Yu Hsiu, Liu Shulin	No opinions reserved
2020	Deloitte Taiwan	Chen Wenxiang, Liu Shulin	No opinions reserved
2021	Deloitte Taiwan	Chen Wenxiang, Liu Shulin	No opinions reserved

2. Five-Year Financial Analyses

A. Financial Analysis – Based on IFRS

Individual Financial Analysis – Based on IFRS

Source:Individual Financial Reports

Year (Note 1) / Item (Note 3)		Financial Analysis for the Last Five Years					Financial Summary as of 2022/03/31
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	49.98	32.46	33.97	44.44	44.39	-
	Ratio of long-term capital to property, plant and equipment	179.52	188.24	181.28	158.38	146.6	-
Solvency (%)	Current ratio	136.11	197.00	159.35	147.15	129.19	-
	Quick ratio	105.86	111.98	92.83	87.83	75.10	-
	Interest earned ratio (times)	5.43	22.59	40.75	18.28	18.75	-
Operating performance	Accounts receivable turnover (times)	3.15	5.43	7.64	6.16	6.09	-
	Average collection period	115.87	67.21	47.77	59.25	59.93	-
	Inventory turnover (times)	2.35	2.52	2.59	2.60	2.67	-
	Accounts payable turnover (times)	9.01	11.2	11.37	10.16	9.07	-
	Average days in sales	155.31	144.84	140.92	140.38	136.70	-
	Property, plant and equipment turnover (times)	1.51	1.60	1.81	1.51	1.33	-
	Total assets turnover (times)	0.50	0.58	0.72	0.64	0.61	-
Profitability	Return on total assets (%)	2.01	7.61	5.89	3.84	4.60	-
	Return on stockholders' equity (%)	2.96	12.63	8.61	6.01	7.84	-
	Pre-tax income to paid-in capital (%)	7.77	31.21	21.74	16.83	20.51	-
	Profit ratio (%)	3.32	12.47	7.94	5.64	7.15	-
	Earnings per share (NTD)	0.63	2.57	1.77	1.26	1.67	-
Cash Flow	Cash flow ratio (%)	23.59	72.76	33.30	4.34	25.12	-
	Cash flow adequacy ratio (%)	84.96	107.78	105.56	70.87	69.84	-
	Cash reinvestment ratio (%)	3.03	15.20	3.91	(4.99)	4.73	-
Leverage	Operating leverage	1.84	1.57	1.62	1.67	1.56	-
	Financial leverage	1.13	1.06	1.03	1.06	1.06	-

Analysis of financial ratio differences for the last two years:
1. Profitability: In 2021, the profits increased by 32.55% compared to 2020 while other equity decreased compared to last year, caused by increase in return on equity.
2. Cash Flow: Caused by net cash inflow from operating activities increasing significantly by 546.10% in 2021 compared to 2020.

B. Consolidated Financial Analysis – Based on IFRS

Source: Consolidated Financial Reports

Item (Note 3)		2017	2018	2019	2020	2021	Current year as of 2022/3/31 (Note 2)
Year (Note 1)		Financial Analysis for the Last Five Years					
Financial structure (%)	Debt Ratio	50.14	32.77	34.28	44.70	44.76	47.64
	Ratio of long-term capital to property, plant and equipment	171.30	179.99	170.58	152.13	141.16	138.30
Solvency (%)	Current ratio	148.27	223.56	180.76	163.88	142.24	130.74
	Quick ratio	116.02	134.42	110.41	101.30	85.17	67.38
	Interest earned ratio (times)	5.71	22.97	41.73	18.77	19.93	29.35
Operating performance	Accounts receivable turnover (times)	3.25	5.45	7.54	6.12	6.01	5.82
	Average collection period	112.30	66.97	48.40	59.64	60.73	62.71
	Inventory turnover (times)	2.25	2.40	2.46	2.47	2.55	2.18
	Accounts payable turnover (times)	9.61	11.26	11.35	10.13	9.16	6.86
	Average days in sales	162.22	152.08	148.37	147.77	143.13	167.43
	Property, plant and equipment turnover (times)	1.50	1.60	1.80	1.49	1.37	1.32
	Total assets turnover (times)	0.52	0.61	0.75	0.66	0.65	0.62
Profitability	Return on total assets (%)	2.01	7.59	5.86	3.82	4.57	5.62
	Return on stockholders' equity (%)	2.96	12.63	8.61	6.01	7.84	10.07
	Pre-tax income to paid-in capital (%)	8.27	31.76	22.27	17.30	21.87	28.29
	Profit ratio (%)	3.16	11.89	7.59	5.42	6.68	8.71
	Earnings per share (NTD)	0.63	2.57	1.77	1.26	1.67	0.52
Cash Flow	Cash flow ratio (%)	25.36	73.14	34.92	5.86	26.43	(5.18)
	Cash flow adequacy ratio (%)	86.66	109.12	106.75	74.35	73.51	73.51
	Cash reinvestment ratio (%)	4.04	15.06	4.49	(4.28)	5.29	(8.24)
Leverage	Operating leverage	1.81	1.54	1.59	1.67	1.48	1.55
	Financial leverage	1.11	1.06	1.02	1.05	1.05	1.05

Analysis of financial ratio differences for the last two years:
1. Profitability: In 2021, profit increased by 32.55% compared to 2020 while other equity decreased compared to last year, caused by increase in return on equity.
2. Cash Flow: Caused by net cash inflow from operating activities increasing significantly by 405.58% in 2021 compared to 2020

＊ If the Company prepares individual financial reports, an analysis of the Company's individual financial ratios should be prepared separately.

* If financial information based on IFRS have been used for less than five years, the following table (2) should be prepared separately for financial information using RROC GAAP.

Note 1: Years that have not been audited and certified by an accountant should be noted.

Note 2: Companies whose shares are listed or traded on the stock exchange should include financial information for the current year as of the preceding quarter prior to the printing date of the annual report.

Note 3: The following formula should be shown at the end of this annual report:

1. Financial Structure
   (1) Debt ratio = total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (Equity total + Non-current liabilities)

/ Property, plant and equipment total.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid fees) / current liabilities.

(3) Interest earned ratio = income before tax and interest fees / current period interest fees.

3. Operating Performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from operations) turnover = net sales revenue / average remaining balance from the accounts receivable of each period (including the accounts receivable and notes receivable arising from operations).

(2) Average collection period = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory value.

(4) Accounts payable (including accounts payable and notes payable arising from operations) turnover = cost of goods sold / average remaining balance from accounts payable of each period (including the accounts payable and notes payable arising from operations).

(5) Average days in sales = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales revenue / average property, plant and equipment net value.

(7) Total assets turnover = net sales revenue / average total assets.

4. Profitability

(1) Assets return ratio = [income after tax + interest fees x (1 - tax rate)] / average total assets.

(2) Return on stockholders' equity = income after tax / average total equity.

(3) Profit ratio = income after tax / net sales revenue.

(4) Earnings per share = (income attributable to proprietors of the parent company - preferred share dividends) / weighted average of the issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = Net cash flow from operating activities from last five years / (capital expenditure + inventory increase + cash dividend) from last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (gross operating revenue - operating costs and expenses) / operating income (Note 6).

(2) Financial leverage = operating income / (operating income - interest fees).

Note 4: The foregoing formula for calculating earnings per share should be used with special attention to the following items:

1. Use on the weighted-average number of normal shares rather than on the number of shares outstanding at the end of the year.
2. The weighted-average number of shares are calculated by taking into account the period of circulation, in the situations of capital increase or treasury stock trading.
3. If there is capital increase from earnings or Capital reserve, the calculation of earnings per share for previous years and semi-annuals should be adjusted retroactively in proportion to the capital increase, without regard to the period of issuance of the capital increase.
4. If preferred shares are non-convertible cumulative preferred shares, the dividends (whether paid or not) for the year should be deducted from net income after tax or increased by net loss after tax. If the preferred shares are non-cumulative, the dividends should be deducted from net income if there is any after-tax profit; if there is a loss, no adjustment is required.

Note 5: Considerations of cash flow analysis should be conducted with special attention to the following items:

1. "Net cash flow from operating activities" refers to the amount of net cash inflow from operating activities in the cash flow statement.
2. "Capital expenditures" refers to the cash outflow from capital investment each year.
3. Increase in inventories is included only when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends from normal shares and preferred shares.
5. Gross property, plant and equipment refer to the total value of property, plant and equipment before accumulated depreciation is deducted.

Note 6: The issuer should classify operating costs and operating expenses into fixed and variable based on their nature. If estimates or subjective judgments are involved, attention should be paid to relevant reasonableness and consistency.

Note 7: If the Company's stock has no par value or the par value per share is not NTD 10, the foregoing calculation of the ratio of paid-in capital should be based on the ratio of equity attributable to the proprietors of the parent company in the balance sheet.

3. Supervisors' /Audit Committee's Report for the most recent Year

Kaori Heat Treatment Co., Ltd. Audit Committee's Review Report

The Board of Directors is authorized to provide the 2021 Business Report, Individual Financial Reports, Consolidated Financial Reports,and Earnings Distribution Proposal. The Board of Directors authorized Deloitte Taiwan's auditors Chen Wenxiang and Liu Shulin to jointly audit the Individual Financial Reports and Consolidated Financial Reports and provide an audit report.

The above-mentioned persons have duly audited the various documents prepared by the Board of Directors, and no discrepancies are found. Therefore, a report is hereby issued in accordance with Article 219 of the Company Act.

Best Regards,

To

The 2022 Regular Meeting of Shareholders of Kaori Heat Treatment Co., Ltd.

The Audit Committee

Committee Member: CHEN FAN SHIONG

Committee Member: HONG HSIANG WEN

Committee Member: WU CHUN YING

March 25th, 2022

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 provde 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)

KAORI HEAT TREATMENT CO., LTD.

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

1. 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	

TABLE 3

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	-	-	-

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

HSIEN-SOU, HAN
Chairman

March 25, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kaori Heat Treatment Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Revenue of the Group 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 overseas warehouse was $416,541 thousand, 19% of total revenue; therefore, we considered the occurrence of revenue derived from overseas warehouse as a key audit matter.

The key audit procedures that we performed in respect of revenue 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.

Other Matter

We have audited the separate financial statements of Kaori Heat Treatment Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2022

Notice to Readers

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

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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)	$ 498,574	15	$ 540,562	16
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	41,676	1	44,262	1
Financial assets at amortized cost - current (Notes 9 and 26)	47,784	1	43,770	1
Notes receivable (Notes 10 and 26)	16,167	1	13,499	-
Trade receivables (Notes 10 and 26)	334,955	10	366,398	11
Other receivables (Notes 10 and 26)	10,943	-	128	-
Inventories (Note 11)	575,506	17	599,435	17
Other current assets	63,449	2	26,528	1
Total current assets	1,589,054	47	1,634,582	47
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	88,432	2	124,846	4
Financial assets at amortized cost - non-current (Notes 7 and 26)	35,816	1	26,262	1
Property, plant and equipment (Notes 13 and 28)	1,625,843	48	1,628,734	47
Right-of-use assets (Note 14)	8,114	-	5,792	-
Investment properties (Notes 15 and 28)	24,424	1	25,523	1
Deferred tax assets (Notes 4 and 23)	14,463	-	18,081	-
Other non-current assets	25,648	1	11,464	-
Net defined benefit assets - non-current (Notes 4 and 19)	461	-	-	-
Total non-current assets	1,823,201	53	1,840,702	53
TOTAL	$ 3,412,255	100	$ 3,475,284	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16, 26 and 28)	$ 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)	190,308	6	41,606	1
Other payables (Notes 17 and 26)	154,057	4	132,850	4
Current tax liabilities (Notes 4 and 23)	18,058	1	29,688	1
Lease liabilities - current (Note 14)	2,715	-	2,086	-
Current portion of long-term borrowings (Notes 16, 26 and 28)	78,125	2	50,786	1
Other current liabilities	52,913	2	25,570	1
Total current liabilities	1,117,135	33	997,420	29
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 (Notes 4 and 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	1,527,416	45	1,553,621	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital				
Ordinary shares	893,841	26	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	1
Exchange differences on translating the financial statements of foreign operations	2,529	-	5,382	-
Total other equity	12,425	-	45,920	1
Total equity	1,884,839	55	1,921,663	55
Total	$ 3,412,255	100	$ 3,475,284	100

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 and 21)	$ 2,231,273	100	$ 2,076,359	100
COST OF GOODS SOLD (Notes 11 and 22)	1,637,670	74	1,547,977	75
GROSS PROFIT	593,603	26	528,382	25
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	111,261	5	99,571	5
General and administrative expenses	184,580	8	180,728	8
Research and development expenses	68,481	3	77,051	4
Expected credit loss (reversal)	(1,074)	-	753	-
Total operating expenses	363,248	16	358,103	17
PROFIT FROM OPERATIONS	230,355	10	170,279	8
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	2,574	-	3,338	-
Other income	6,192	-	12,721	1
Other gains and losses	(33,271)	(1)	(22,961)	(1)
Finance costs	(10,330)	-	(8,706)	(1)
Total non-operating income and expenses	(34,835)	(1)	(15,608)	(1)
PROFIT BEFORE INCOME TAX	195,520	9	154,671	7
INCOME TAX EXPENSE (Notes 4 and 23)	(46,364)	(2)	(42,147)	(2)
NET PROFIT FOR THE YEAR	149,156	7	112,524	5
OTHER COMPREHENSIVE (LOSS) INCOME				
Item 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	-	(25,065)	(1)

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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**	**%**
Item 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)	(2)	163,150	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 115,129	5	$ 275,674	13
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 149,156	7	$ 112,524	5
Non-controlling interests	-	-	-	-
	$ 149,156	7	$ 112,524	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 115,129	5	$ 275,674	13
Non-controlling interests	-	-	-	-
	$ 115,129	5	$ 275,674	13
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 consolidated financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								
				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)
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 consolidated financial statements.

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED 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	$ 195,520	$ 154,671
Adjustments for:		
Depreciation expense	108,300	110,207
Amortization expense	4,333	4,874
Expected credit loss (reversal)	(1,074)	753
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	(2,574)	(3,338)
Loss on disposal of property, plant and equipment	33	930
Write-down of inventories	3,734	10,306
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	32,547	(93,886)
Other receivables	(10,815)	44
Inventories	20,195	(60,034)
Other current assets	(36,921)	(2,852)
Net defined benefit assets	(461)	-
Notes payable	(123,915)	20,283
Trade payables	148,702	6,962
Other payables	21,414	(24,586)
Provisions	(1,752)	-
Other current liabilities	27,343	4,349
Net defined benefit liabilities	(24,002)	3,306
Cash generated from operations	369,735	108,512
Interest paid	(10,220)	(8,613)
Income tax paid	(64,216)	(41,491)
Net cash generated from operating activities	295,299	58,408
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	(13,931)	(1,152)
Payments for property, plant and equipment	(100,621)	(583,622)
Proceeds from disposal of property, plant and equipment	420	2,193
Increase in other non-current assets	(19,960)	(2,893)
Interest received	2,574	3,338
Net cash used in investing activities	(131,518)	(442,064)

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2021	2020
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	(917)	5,604
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,988)	14,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	540,562	525,810
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 498,574	$ 540,562

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Kaori Heat Treatment Co., Ltd. (the "Company" or "Kaori") was incorporated in the Republic of China (ROC) in October 1970. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The Group 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 consolidated financial statements are presented in the Group's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 Group'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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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 Group 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 Group 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 Group 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 Group 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 Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group 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 Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for 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.

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 consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 2 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity'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.

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 items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated 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.

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 the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to 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 re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. 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 the specific identification of cost on the balance sheet date.

g. Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which 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, and right-of-use asset

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 Group 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 for 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 a group entity 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement 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 debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. 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 asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by 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 Group 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 Group’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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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. Leasing

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

1) The Group 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 Group as lessee

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group 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 consolidated balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to the 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 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 an expense when employees have rendered services entitling them to the contributions.

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. 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 Group can no longer withdraw the offer of the termination benefit and when the Group 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 arrangements, except where the Group 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 only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at 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 Group 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, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’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 Group 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	$ 526	$ 491
Checking accounts and demand deposits	463,918	453,377
Cash equivalents (investments with original maturities less than three months)		
Time deposits	6,307	1,204
Repurchase agreements collateralized by bonds	27,823	85,490
	$ 498,574	$ 540,562

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

In 2020, the Group purchased Bloom Energy shares in the amount of $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 Group adjusted the investments in order 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 transferred to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
Current		
Time deposits with original maturities of more than 3 months (a)	$ 47,784	$ 43,770
Non-current		
Time deposits with original maturities of more than 1 year (a)	$ -	$ 26,262
Restricted deposits (b)	35,816	-
	$ 35,816	$ 26,262

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 3.25%-3.6% and 3.25%-3.6% per annum as of December 31, 2021 and 2020, respectively

According to "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds", the Group had 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 RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2021	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	$ 339,853	$ 372,400
Less: Allowance for impairment loss	(4,898)	(6,002)
	$ 334,955	$ 366,398
Other receivables		
Other receivable	$ 10,950	$ 135
Less: Allowance for impairment loss	(7)	(7)
	$ 10,943	$ 128

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

The Group 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 Group 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 Group 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 Group 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 Group'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	$ 93,498	$ 27,734	$ -	$ -	$ -	$ 121,232
Loss allowance (Lifetime ECL)	(935)	(555)	-	-	-	(1,490)
Amortized cost	$ 92,563	$ 27,179	$ -	$ -	$ -	$ 119,742

The expected credit loss rate for each above range of the Group is not more than 1% within the 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	$ 198,180	$ 34,334	$ 144	$ -	$ 1,330	$ 881	$ 234,869
Loss allowance (Lifetime ECL)	(264)	(985)	(29)	-	(1,330)	(881)	(3,489)
Amortized cost	$ 197,916	$ 33,349	$ 115	$ -	$ -	$ -	$ 231,380

The expected credit loss rate for each above range of the Group 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 Group 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 Group 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	$ 178,091	$ 16,692	$ 10	$ 1	$ 1,998	$ 883	$ 197,675
Loss allowance (Lifetime ECL)	(238)	(565)	(2)	(1)	(1,998)	(883)	(3,687)
Amortized cost	$ 177,853	$ 16,127	$ 8	$ -	$ -	$ -	$ 193,988

The expected credit loss rate for each above range of the Group 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 Group recognizes the full amount as expected credit loss.

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

	2021	2020
Balance at January 1	$ 6,077	$ 5,286
Add: Net remeasurement of loss allowance	-	753
Less: Impairment losses reversed	(1,074)	-
Foreign exchange gains and losses	(17)	38
Balance at December 31	$ 4,986	$ 6,077

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	$ 71,836	$ 79,313
Work in process	254,171	229,856
Raw materials	166,532	183,867
Supplies	7,929	7,108
Merchandise	484	798
Spare parts	8,941	10,487
Inventory in transit	65,613	88,006
	$ 575,506	$ 599,435

The cost of inventories recognized as cost of goods sold for 2021 and 2020 amounted to $1,637,670 thousand and $1,543,977 thousand, respectively. The cost of goods sold for 2021 and 2020 included inventory write-downs of $3,734 thousand and $10,306 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

The detail information of the subsidiaries at the end of reporting period was as follows:

			Proportion of Ownership (%) December 31		
Investor	Investee	Nature of Activities	2021	2020	Note
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Investment Management	100.00	100.00	a
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Investment Management	100.00	100.00	b
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	100.00	100.00	c

a. Kaori International Co., Ltd.(hereinafter as “Kaori International”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori. Kaori International is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

b. Kaori Development Co., Ltd. (hereinafter as “Kaori Development”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori International. Kaori Development is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

c. Kaori Technology (Ningbo) Corporation (hereinafter as “Kaori Technology (Ningbo)”) was incorporated in July 2012, and is 100% owned by Kaori Development. Kaori Technology (Ningbo) obtained the enterprise legal person permit to do business, the validity period beginning on July 2, 2012 to July 1, 2052. Main businesses include research, development, design and manufacture of heat exchange products as well as brazing and welding technology related products.

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	$ 732,029	$ 412,034	$ 137,978	$ 5,934	$ 126,280	$ 45,241	$ 2,163,675
Additions	-	2,374	6,782	6,078	286	29,726	55,375	100,621
Disposals	-	-	(26,145)	(4,401)	(1,571)	(22,809)	-	(54,926)
Reclassifications	-	10,348	-	13,656	-	3,327	(27,331)	-
Transfer from prepaid equipment	-	-	174	-	-	1,269	-	1,443
Effect of foreign currency exchange differences	-	(300)	(957)	-	(26)	(17)	-	(1,300)
Balance at December 31, 2021	$ 704,179	$ 744,451	$ 391,888	$ 153,311	$ 4,623	$ 137,776	$ 73,285	$ 2,209,513
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 161,770	$ 221,094	$ 76,225	$ 4,875	$ 70,977	$ -	$ 534,941
Depreciation expense	-	28,225	35,511	12,883	250	27,147	-	104,016
Disposals	-	-	(26,042)	(4,401)	(1,571)	(22,459)	-	(54,473)
Effect of foreign currency exchange differences	-	(150)	(626)	-	(23)	(15)	-	(814)
Balance at December 31, 2021	$ -	$ 189,845	$ 229,937	$ 84,707	$ 3,531	$ 75,650	$ -	$ 583,670
Carrying amount at December 31, 2021	$ 704,179	$ 554,606	$ 161,951	$ 68,604	$ 1,092	$ 62,126	$ 73,285	$ 1,625,843
Cost								
Balance at January 1, 2020	$ 207,726	$ 720,998	$ 453,297	$ 138,072	$ 7,285	$ 141,484	$ 486	$ 1,669,348
Additions	496,453	9,401	15,396	-	114	16,492	45,766	583,622
Disposals	-	-	(59,590)	(94)	(1,570)	(32,092)	-	(93,346)
Reclassifications	-	975	-	-	-	36	(1,011)	-
Transfer from prepaid equipment	-	-	850	-	49	321	-	1,220
Effect of foreign currency exchange differences	-	655	2,081	-	56	39	-	2,831
Balance at December 31, 2020	$ 704,179	$ 732,029	$ 412,034	$ 137,978	$ 5,934	$ 126,280	$ 45,241	$ 2,163,675
Accumulated depreciation and impairment								
Balance at January 1, 2020	$ -	$ 134,209	$ 238,213	$ 64,402	$ 5,628	$ 75,661	$ -	$ 518,113
Depreciation expense	-	27,217	38,211	11,917	764	27,108	-	105,217
Disposals	-	-	(56,733)	(94)	(1,570)	(31,826)	-	(90,223)
Effect of foreign currency exchange differences	-	344	1,403	-	53	34	-	1,834
Balance at December 31, 2020	$ -	$ 161,770	$ 221,094	$ 76,225	$ 4,875	$ 70,977	$ -	$ 534,941
Carrying amount at December 31, 2020	$ 704,179	$ 570,259	$ 190,940	$ 61,753	$ 1,059	$ 55,303	$ 45,241	$ 1,628,734

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 Group 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	$ 2,540	$ 2,131
Transportation equipment	5,574	3,661
	$ 8,114	$ 5,792

	For the Year Ended December 31	
	2021	2020
Depreciation charge for right-of-use assets		
Land	$ 176	$ 85
Transportation equipment	3,009	3,806
	$ 3,185	$ 3,891

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%
Land	1.25%	-

c. Material leasing activities and terms

The Group leases certain transportation equipment and land with lease terms of 3 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases land for the manufacturing of products with lease term of 43 years in China. The lease specifies that payments will be paid in total amount at once, and does not contain purchase option at the end of the contract.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	$ 995	$ 1,145
Total cash outflow for leases	$ (4,148)	$ (5,005)

he Group has leases that qualify as short-term leases. The Group 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 Group'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 Group 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 the 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 Group 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 Group 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 Group 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 Group 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	$ 96,823	$ 83,368
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	18,999	16,479
	$ 154,057	$ 132,850

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group 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 contribute amounts equal to 6% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31 2021	December 31 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 Group 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 changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will 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 dividends 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 bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 24(g).

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

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 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 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 $38,435 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 appropriation 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	$ 2,187,975	$ 2,035,314
Revenue from the rendering of services	43,298	41,045
	$ 2,231,273	$ 2,076,359
Contract liabilities		
Sale of goods	$ 34,124	$ 14,694
Contract liabilities - current	$ 34,124	$ 14,694

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

22. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net profit from continuing operations included the following:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	$ 492	$ 1,393
Financial assets at amortized cost	1,761	1,677
Others	321	268
	$ 2,574	$ 3,338

b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	$ 687	$ 687
Others	5,505	12,034
	$ 6,192	$ 12,721

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	(31,878)	(25,305)
Property, plant and equipment impairment loss	(33)	(930)
Others	(2,367)	(1,768)
	$(33,271)	$(22,961)

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

	2021	2020
	$ 10,330	$ 8,706

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	$ 104,016	$ 105,217
Right-of-use assets	3,185	3,891
Investment properties	1,099	1,099
Non-current assets	4,333	4,874
	$ 112,633	$ 115,081
An analysis of depreciation by function		
Operating costs	$ 68,711	$ 72,521
Operating expenses	38,490	36,587
Other gains and losses	1,099	1,099
	$ 108,300	$ 110,207
An analysis of amortization by function		
Operating costs	$ 1,081	$ 955
Operating expenses	3,252	3,919
	$ 4,333	$ 4,874

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (see Note 19)		
Defined contribution plans	$ 19,552	$ 17,709
Defined benefit plans	964	7,306
	20,516	25,015
Other employee benefits	$ 468,768	$ 449,940
	$ 489,284	$ 474,955
An analysis of employee benefits expense by function		
Operating costs	$ 278,056	$ 270,492
Operating expenses	211,228	204,463
	$ 489,284	$ 474,955

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 been 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	**Share**	**Cash**	**Share**
Compensation of employees	$ 4,079	$ -	$ 3,347	$ -
Remuneration of directors	6,798	-	5,577	-

If there is a change in the amounts after the annual consolidated 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 consolidated 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. The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2021	**2020**
Current tax		
In respect of the current period	$ 54,209	$ 43,678
Adjustments for prior year	(1,611)	(3,089)
	52,598	40,598
Deferred tax		
In respect of the current period	(6,234)	1,588
Income tax expense recognized in profit or loss	$ 46,364	$ 42,147

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	$ 195,520	$ 154,671
Income tax expense calculated at the statutory rate	$ 39,104	$ 30,934
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
Effect of different tax rates of entities operating in other jurisdictions	9,728	3,397
Adjustments for prior years' tax	(1,611)	(3,089)
Income tax expense recognized in profit or loss	$ 46,364	$ 42,147

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 tax assets and liabilities

	December 31	
	2021	2020
Current tax liabilities		
Income tax payable	$ 18,058	$ 29,688

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 exchange	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 Comprehensive 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 exchange	509	766	-	1,275
Right-of-use assets	5	(5)	-	-
Provisions	2,464	-	-	2,464
	$ 33,164	$ 638	$(15,721)	$ 18,081

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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

(Concluded)

e. 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 Group offered to settle the compensation of employees by cash or shares, then the Group 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 Group manages its capital to ensure that entities in the Group 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 Group 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 Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group 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 Group 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 assets

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 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 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)	944,239	990,619
Financial assets at FVTOCI		
Equity instruments	88,432	124,846
Financial liabilities		
Amortized cost (2)	1,437,520	1,441,022

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, short-term notes payable, notes payable, trade payables, other payables and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included notes receivable, trade receivables, notes payable, trade payables and borrowings. The Group'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 Group 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 corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group'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).

a) Foreign currency risk

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

The carrying amounts of the Group'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 31.

Sensitivity analysis

The Group was mainly exposed to the USD and EUR.

The following table details the Group'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 Group 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		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Profit or loss*	$ 3,676	$ 4,936	$ 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 Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group'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	$ 117,730	$ 155,522
Financial liabilities	$ 471,952	$ 671,448
Cash flow interest rate risk		
Financial assets	$ 463,580	$ 452,796
Financial liabilities	$ 620,000	$ 470,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group'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 Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by $391 thousand and $43 thousand, which was mainly attributable to the Group'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 a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group could be equal to the total of the carrying amount of the recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk of 35% and 51% of total trade receivables as of December 31, 2021 and 2020, respectively, was attributable to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group 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 Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes 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 upon 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 year.

December 31, 2021

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5 Years +**
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**	**5 Years +**
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

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	$ 86,678	$ 82,757
Post-employment benefits	4,617	3,253
	$ 91,295	$ 86,010

The remuneration of directors and key executives, as determined by the remuneration committee, is 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:

	December 31	
	2021	2020
Land	$ 207,726	$ 207,726
Building equipment, net	516,270	542,811
	723,996	750,537
Investment property	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 Group 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 Group'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 for 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. OTHER ITEMS

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

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of entities in Group 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	27.680 (USD:NTD)	$ 390,620
USD	195	6.376 (USD:RMB)	5,398
EUR	2,072	31.320 (EUR:NTD)	64,895
Financial liabilities			
Monetary items			
USD	511	27.680 (USD:NTD)	14,144
USD	516	6.376 (USD:RMB)	14,283
EUR	2	31.320 (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
USD	165	28.48 (USD:RMB)	4,699
EUR	1,532	35.02 (EUR:NTD)	53,651
Financial liabilities			
Monetary items			
USD	622	28.48 (USD:NTD)	17,715
USD	418	28.48 (USD:RMB)	11,905
EUR	2	35.02 (EUR:NTD)	70

For the years ended December 31, 2021 and 2020, net foreign exchange loss was $31,878 thousand and $25,305 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.

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 ventures). (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 5)

11) Information on investees. (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 receipt 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)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenues and results

Segment Revenue and Operation Results	Fabricated Metals and Processing		Heat Exchange Products		Thermal Products		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	$ 10,142	$ 17,526	$ 1,301,156	$ 1,002,705	$ 919,975	$ 1,056,128	$ 2,231,273	$ 2,076,359
Cost	6,440	28,009	967,661	795,798	839,064	898,151	1,813,165	1,721,958
Segment income	$ 3,702	$ (10,483)	$ 333,495	$ 206,907	$ 80,911	$ 157,977	418,108	354,401
Interest revenue							2,574	3,338
Finance costs							(10,330)	(8,706)
Other gains and losses							(27,079)	(10,240)
HQ management cost and remuneration of key management personnel							(187,753)	(184,122)
Profit before tax							$ 195,520	$ 154,671
Identifiable assets:								
Notes and trade receivables	$ -	$ 3,591	$ 228,873	$ 160,862	$ 122,249	$ 215,444	$ 351,122	$ 379,897
Inventory	-	2,696	376,177	337,589	199,329	259,150	575,506	599,435
Property, plant and equipment	-	52,569	933,052	951,352	692,791	624,813	1,625,843	1,628,734
	$ -	$ 58,856	$ 1,538,102	$ 1,449,803	$ 1,014,369	$ 1,099,407	2,552,471	2,608,066
Assets in general							859,784	867,218
Total assets							$ 3,412,255	$ 3,475,284
Identifiable liability:								
Notes and trade payables	$ -	$ 897	$ 115,028	$ 72,728	$ 76,239	$ 92,855	$ 191,267	$ 166,480
Liabilities in general							1,336,149	1,387,141
Total liabilities							$ 1,527,416	$ 1,553,621

Segment revenue reported above represents revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Geographical information

The Group operates in three principal geographical areas - Asia, Europe and America.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2021	**2020**	**2021**	**2020**
Asia	$ 856,118	$ 726,185	$ 1,684,029	$ 1,671,513
America	957,268	1,035,324	-	-
Europe	410,170	311,790	-	-
Others	7,717	3,060	-	-
	$ 2,231,273	$ 2,076,359	$ 1,685,029	$ 1,671,513

Non-current assets excluded deferred tax assets and financial instruments.

c. Major customer information

Single customer contributing 10% or more to the Group's revenue is as follows:

	For the Year Ended December 31	
	2021	**2020**
A group	$ 877,492	$ 964,219

TABLE 1

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				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. AND SUBSIDIARIES

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)

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	

TABLE 3

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS 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 RMB10,000)

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 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.

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
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	-	-	-

TABLE 5

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2021

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	1	Sales (Note)	$ 90,609	Kaori Heat sold inventories to Karori Technology (Ningbo), collection period is 30 days upon arrival.	4
				Trade receivable - related party	14,276	Collection period is 30 days upon arrival	-
				Purchase	6,384	Kaori Technology (Ningbo) sold inventories to Kaori Heat, collection period is 30 days upon arrival.	-

Note 1: Information regarding intercompany transactions should be numbered according to the following:

a. Parent company should be numbered 0.
b. Subsidiaries should be numbered beginning with 1.

Note 2: Intercompany transactions can be divided into three categories as following:

a. Parent company to subsidiaries
b. Subsidiaries to parent company
c. Subsidiaries to subsidiaries

Note 3: For the percentage of intercompany transaction in total sales or asset, year-end balance is used for balance sheet accounts while income statement accounts use the accumulated amount to calculate.

Note 4: The Company may decide whether to list the material transactions in this table according to the principle of materiality.

6. Financial difficulties for the Company and its affiliates in the most recent year and as of the printing date of the annual report: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

一、 7.1 Analysis of Financial Status

(一) Comparative Analysis of Financial Status

Unit: NT$ thousands
Source: Individual Financial Reports

Year / Item	2020	2021	Difference	
			Amount	%
Current assets	1,442,989	1,413,570	(29,419)	-2.04%
Non-current assets	2,015,523	1,975,725	(39,798)	-1.97%
Total assets	3,458,512	3,389,295	(69,217)	-2.00%
Current Liabilities	980,648	1,094,175	113,527	11.58%
Non-current liabilities	556,201	410,281	(145,920)	-26.24%
Total Liabilities	1,536,849	1,504,456	(32,393)	-2.11%
Capital stock	893,841	893,841	0	0.00%
Capital reserve	593,414	593,414	0	0.00%
Retained Earnings	388,488	385,159	(3,329)	-0.86%
Other equity interest	45,920	12,425	(33,495)	-72.94%
Total Stockholders' Equity	1,921,663	1,884,839	(36,824)	-1.92%

Unit: NT$ thousands
Source: Consolidated Financial Reports

Year / Item	2020	2021	Difference	
			Revenue	%
Current assets	1,634,582	1,589,054	(45,528)	-2.79%
Non-current assets	1,840,702	1,823,201	(17,501)	-0.95%
Total assets	3,475,284	3,412,255	(63,029)	-1.81%
Current Liabilities	997,420	1,117,135	119,715	12.00%
Non-current liabilities	556,201	410,281	(145,920)	-26.24%
Total Liabilities	1,553,621	1,527,416	(26,205)	-1.69%
Capital stock	893,841	893,841	0	0.00%
Capital reserve	593,414	593,414	0	0.00%
Retained Earnings	388,488	385,159	(3,329)	-0.86%
Other equity interest	45,920	12,425	(33,495)	-72.94%
Total Stockholders' Equity	1,921,663	1,884,839	(36,824)	-1.92%

(二) Analysis of changes in financial ratios:

1. Primary reasons behind changes in financial ratios in Individual Financial Report:

(1) Current liabilities: reduced by 26.24% compared to last period, primarily caused by less net defined benefit liability - non-current becoming net benefit asset.

(2) Other equity interest: reduced by 72.94% compared to last period, primarily caused by dealing with financial assets of other comprehensive income in 2020.

2. Primary reasons behind changes in financial ratios in Consolidated Financial Report:

(1) Current liabilities: reduced by 26.24% compared to last period, primarily caused by less net defined benefit liability - non-current becoming net benefit asset.

(2) Other equity interest: reduced by 72.94% compared to last period, primarily caused by dealing with financial assets of other comprehensive income in 2020.

(三) Future response actions: Not applicable

2. Financial Performance:

（一）Comparative Analysis of Financial Performance

Unit: NT$ thousands

Source: Individual Financial Reports

Year / Item	2020	2021	Difference in Revenue	Percentage Change
Gross operating revenue	1,994,993	2,087,001	92,008	4.61%
Operating Costs	1,502,019	1,570,171	68,152	4.54%
Gross profit	492,974	518,163	25,189	5.11%
Operating Expenses	333,405	332,791	(614)	-0.18%
Operating Income	159,569	185,372	25,803	16.17%
Non-operating income and expenses	(9,144)	(2,012)	7,132	-78.00%
Income before tax	150,425	183,360	32,935	21.89%
Tax Expenses	37,901	34,204	(3,697)	-9.75%
Current profit	112,524	149,156	36,632	32.55%
Total comprehensive income	275,674	115,129	(160,545)	-58.24%

Unit: NT$ thousands
Source: Consolidated Financial Reports

Year Item	2020	2021	Difference in Revenue	Percentage Change
Gross operating revenue	2,076,359	2,231,273	154,914	7.46%
Operating Costs	1,547,977	1,637,670	89,693	5.79%
Gross profit	528,382	593,603	65,221	12.34%
Operating Expenses	358,103	363,248	5,145	1.44%
Operating Income	170,279	230,355	60,076	35.28%
Non-operating income and expenses	(15,608)	(34,835)	(19,227)	123.19%
Income before tax	154,671	195,520	40,849	26.41%
Tax Expenses	42,147	46,364	4,217	10.01%
Current profit	112,524	149,156	36,632	32.55%
Total comprehensive income	275,674	115,129	(160,545)	-58.24%

（二）Analysis of changes in financial ratios:

Analysis of changes in financial ratios in Individual Financial Report:

(1) Non-operating income and expenses: non-operating expenses reduced by 78.00% compared to last period, due to increase in the share of profit or loss of subsidiaries using the equity method in 2021.

(2) profit before tax increased by 21.9% compared to last period, primarily due to growth in revenue as well as excellent cost and expense control.

(3) Current profit: increased by 32.55% compared to last period, primarily due to increase in pre-tax and decrease in tax.

(4) Total comprehensive income: reduced by 58.24% compared to last period, primarily caused by unrealized valuation loss of financial assets of other comprehensive income.

2. Primary reasons behind changes in financial ratios in Consolidated Financial Report:

(1) Operating income: in 2021 gross profit increased by 12.34%, which was caused by excellent control of operating expenses.

(2) Non-operating income and expenses: non-operating expenses increased by 123.19% compared to last period, due to increase in exchange loss recognized in 2021.

(3) Profit before tax increased by 26.41% compared to last period, primarily due to growth in revenue as well as cost and expense control.

(4) Current profit: increased by 32.55% compared to last period, primarily due to increase in pre-tax and decrease in tax.

(5) Total comprehensive income: reduced by 58.24% compared to last period, primarily caused by unrealized valuation loss of financial assets of other comprehensive income.

（三）Expected sales volume and its basis, possible impact on the Company's future financial operations and corresponding plans: omitted.

7.3 Cash Flow

(一) Cash Flow Analysis of 2021 Individual Financial Reports

Unit: NT$ thousands

Beginning cash balance	Net Cash Flow from Operating Activities	Yearly Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
448,950	274,879	(507,147)	216,682	-	-

2021 Parent Company Cash Flow Analysis:

1. The net cash inflow from operating activities was approximately NTD 274,879,000, mainly due to the increase in profit and decrease in accounts receivable, inventories and net defined benefit liabilities.
2. The net cash outflow from investing activities was approximately NTD 64,872,000, mainly due to the repatriation of earnings and the decrease in the purchases of equipment.
3. The net cash outflow from financing activities was approximately NTD 204,852,000, mainly due to the decrease in short-term bills payable and the increase in non long-term borrowings during the period.

(二) 2021 Consolidated Financial Reports Cash Flow Analysis:

Unit: NT$ thousands

Beginning cash balance	Net Cash Flow from Operating Activities	Yearly Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
540,562	295,299	(489,364)	346,497	-	-

2021 Consolidated Cash Flow Analysis:

1. The net cash inflow from operating activities was approximately NTD 295,299,000, mainly due to the increase in profit and the decrease in accounts receivable, inventories and net defined benefit liabilities.
2. The net cash outflow from investing activities was approximately NTD 131,518,000, mainly due to the decrease in the purchases of equipment.
3. The net cash outflow from financing activities was approximately NTD 204,852,000, mainly due to the decrease in short-term bills payable and the increase in non long-term borrowings during the period.

(三) Improvement plan for lack of mobility: None.

(四) Cash flow analysis for the coming year: omitted.

4. Major Capital Expenditure Items in Most Recent Year and the Effects on Financial Operations:

(一) Major Capital Expenditure Items and the Source of Capital: None

(二) Major Capital Expenditure Items and the Effects on Financial Operations:.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

2021/12/31 Unit: NT$ thousands

Item \ Remarks	Investment Amount	Policy	Reasons for Gain or Loss	Improvement Plan	Investment Plan for the Future
KAORI INTERTIONAL CO.,LTD	171,641	Transfer of investment to China in accordance with the resolution of the Board of Directors	Transferred investment, with recognized investment income NTD 36,564,000	None	None
BLOOM ENERGY Corp.	85,409	In accordance with the resolution of the Board of Directors	Financial assets at fair value through other comprehensive income or loss - Non-Current	None	None

6. Analysis of Risk Management of the Following Items in Most Recent Year as of Date of Printing of Annual Report:

(一)Effects of the Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Unit: NT$ thousands; %

Item	2021 (Individual Financial Reports)	2021 (Consolidated Financial Reports)
Interest expenditure	10,330	10,330
Ratio of interest expenditure to total net revenue	0.49%	0.46%
Ratio of interest expenditure to profit before tax	5.63%	5.28%
Exchange loss	32,571	31,878
Ratio of exchange loss to total net revenue	1.56%	1.43%
Ratio of exchange loss to profit before tax	17.76%	16.30%

Interest rate: Interest expense as a percentage of revenue was only 0.46% and 5.28% of net i profit before tax in 2021, a slight decrease compared to last year, mainly due to the impact of the pandemic on the banking industry, which offered preferential interest rate reduction programs. Interest rates are expected to be adjusted significantly in the coming years, due to the central bank's policy of raising interest rates. Except for major capital expenditures and long-term investments, which are financed by medium- and long-term funds, the Company still uses short-term working capital as the main financial adjustment. Therefore, any changes in interest rates will not have a significant impact on the Company. In the future, the Company will continue to place its idle funds in financial institutions with good credit ratings, based on the principle of conservative prudence, by taking safety and reasonable returns into account.

Foreign exchange rates: The Company's foreign sales have been increasing in recent years, and its sales and raw material purchases are mainly denominated in U.S. dollars. As the New Taiwan Dollar appreciated significantly in 2021, exchange rate changes against the U.S. dollar had a certain degree of impact on the Company's profitability. Net exchange loss reported in the 2021 Consolidated Financial Reports was NTD 31,878,000, only 1.43% of the Company's revenue and 16.3% of the Company's profit before tax. The Company's response to the risk of exchange rate fluctuations is mainly to employ natural hedge by using U.S. dollar-denominated import and export transactions and to adjust foreign currency assets and liabilities according to fluctuations of the exchange rate. The specific measures taken by the Company to minimize the impact of exchange rate changes on the Company's earnings are as follows:

①For the foreign exchange positions held, we obtain full understanding of the trends of exchange rate and refer to professional consultation services provided by various financial institutions, to decide the time to convert to NTD or keep foreign exchange positions in order to reduce exchange rate risks.

②During the quotation and bargaining process, the sales staff also adjusts prices according to exchange rate fluctuations in order to appropriately respond to exchange rate changes.

③We collect information on international finances and exchange rate changes at all times and maintain close contact with banks to keep ourselves abreast of exchange rate changes, while also adjusting the currency of our loans flexibly and keeping ourselves abreast of exchange rate changes.

Inflation: The Company pays much attention to inflation and adjusts product selling prices and raw material inventories as appropriate. So far, inflation has not affected the Company's operations, but the potential impact of rising raw materials on the Company continues to be closely monitored.

(二) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

(1)The Company did not engage in any high-risk or high-leveraged investments or lending in 2021, as of the date of printing of the annual report. The Company has established "Procedures for Acquisition and Disposal of Assets", "Procedures for Lending and Procedures for Endorsement Guarantee", which have been approved by the shareholders' meeting.

(2)As of the printing date of the annual report, the Company has committed no endorsement or guarantee for others.

(三) Future Research & Development Projects and Corresponding Budget

Department	Research Projects	Completion	Expected Research Expenditure	Expected Completion Schedule	Major Success Factors
Heat Energy	Development of Liquid Cooling System Module with Low Power Server in Green Data Center	Sample Production Stage	5,000,000	2023/Q2	1. Clear market demand 2. Brazing technologies 3. Heat flow analysis technologies
New Energy Division	Development of new industrial waste organic solvents decontamination and reuse equipment	Basic pyrolysis equipment validation in progress	6,000,000	2023/Q1	Parameters of distillation towers and combustion parameters of waste organic liquid control
Fuel Cell Division	New High-Power Solid State Fuel Cell Reactor (for marine shipping)	Sample testing	5,000,000	2023/Q1	1. Brazing technologies 2. Argon welding technologies
Fuel Cell Division	Hydrogen production equipment heat exchanger reactor	Design changes in progress	6,000,000	2022/Q4	1. Brazing technologies 2. Argon welding technologies
Fuel Cell Division	Cathode heat exchanger module witf 4-piece curved plate type fuel cells	Design changes in progress	8,000,000	2022/Q3	1. Brazing technologies 2. Argon welding technologies
Plate Heat Exchanger Division	Development for heat exchanger of different channels B040, B200	Developing the molds	4,000,000	2022/12	With new style, the refrigerant filling volume can be reduced, for GWP reduction, which is more environmentally-friendly
Plate Heat Exchanger Division	Large DW heat exchanger development D205	Product trial in progress	3,500,000	2022/09	Original patent extension series
Plate Heat Exchanger Division	Large connector aperture heat exchanger development Z140, Z300	Product trial in progress	1,000,000	2022/06	Complementing new energy related applications, in line with the future development trends

(四) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

(1)Changes in Policies

Changes in related laws have not had a significant impact on our operations. The Company consistently pays close attention to any changes in local and foreign policies and proposes response measures in a timely manner when necessary.

(2)Changes in Regulations

①Major Regulations

A. Central authority for the purpose of the industry and the important laws and regulations affecting the industry: major laws affecting the Company can be broadly classified into civil and commercial laws, economic regulations, labor regulations and environmental laws. Other than recent amendments to the Securities and Exchange Act and certain provisions of the Company Act, there have been no significant changes. Our main business purposes are subject to the regulations from the authorities such as the Ministry of Economic Affairs, the Financial Supervisory Commission, the Industrial Development Bureau, the Labor Council, and the Environmental Protection Agency; there are no violations of important laws and regulations affecting the industry.

B. The Company assesses whether the information that should be disclosed in accordance with laws concerning the disclosure by public companies is handled in accordance with the laws concerning the disclosure by public companies.

②Patents

The Company's patent rights are registered with the Intellectual Property Office, Ministry of Economic Affairs, and patent certificates have been issued. There is no infringement of rights by the Company.

③Major labor disputes or environmental pollution incidents

As of the date of printing of the annual report, the Company has had no major labor disputes or environmental pollution incidents.

④Conclusion

Major laws affecting the Company can be broadly classified into civil and commercial laws, economic regulations, labor regulations and environmental laws, which have seen no significant changes and do not affect the Company’s financial operations. In addition, for legal issues, we have hired Mr. Hsieh Tien-Jen , former Chairman of Consumers’ Foundation, as legal consultant and an important source of advice on future legal changes, so that we can reduce operational risks from legal changes.

(五) Effects of and Response to Changes in Technology (Including Information and Communication Safety Risks) and the Industry Related to Corporate Finance and Sales:

(1)Metal Products and Processing:

At present, the processing targets are mainly in the automotive and home appliance industries. During recent years, the aforementioned heat treatment and brazing industries have been moving out abroad. In addition to developing welding technology for various materials, the Company has been developing its own products such as steel-raised flooring for clean rooms and heat dissipation modules by using brazing technology to reduce the impact of the industry shift on the Company's brazing business and to continue the business expansion.

(2)Plate Heat Exchangers:

Because of its small size, high pressure resistance and wide range of applications, Plate Heat Exchanger will continue to replace the traditional shell-and-tube and fin-and-tube heat exchangers, which are larger in size and have poorer heat conduction performance. The Company will continue developing new Plate Heat Exchangers that are suitable for different fluids or flow rates and have higher heat transfer efficiency, so that the Company's business will continue to grow.

(3)Heat Energy Products:

In response to global energy shortage, official implementation of the Kyoto Protocol and the emphasis on environmental protection after the United

Nations Summit on Climate Change in Copenhagen, the Company has timely launched the ultra-high-temperature hot and cold water host, which is both energy-conserving and environmentally friendly. This product can significantly reduce the use of fossil energy, avoid the greenhouse effect caused by coal or fuel oil and air pollution caused by gas emissions, which is in line with the world's environmental protection policies and energy-saving demands.What's more, it has a wide range of applications and market development potential.

Governments around the world have become more active in conserving energy and reducing carbon emissions to prevent the worsening of the greenhouse effect. The Kyoto Protocol as part of the United Nations Framework Convention on Climate Change was signed in 1997;. Since the effective date in 2005, countries that have signed it have been required to reduce greenhouse gas emissions. Fuel cells are more efficient because they convert chemical energy directly into electricity, then driving the turbine of a generator, unlike traditional methods of burning fossil fuels to heat water vapor, . For example, fuel cell types such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC) are popular options for decentralized power generation because they produce the same amount of electricity with less greenhouse gas and pollutant emissions than thermal power generation and do not cause radiation pollution like nuclear power generation. However, since fuel cells are still unable to compete with traditional power generation methods in terms of cost, governments in various countries, including Taiwan, have adopted incentives such as research funding subsidies and tax breaks and subsidies for fuel cell-related products during recent years to encourage the development of this industry.

For an international market overview, after Bloom Energy's Solid Oxide Fuel Cell (SOFC) products in the U.S., ENEOS will also launch SOFC products for home use in October 2011. Due to the high efficiency of SOFC-type fuel cell power generation, we expect a promising future of sales volume. In 2009, the Company joined an alliance with Bloom Energy for the manufacture and processing of key components required for the Hot Box in fuel cells. Since 2012, the Company has achieved significant financial stability and profitability. The alliance is based on mutual trust and reliability, and the Company strives to meet Bloom Energy's requirements in terms of quality, delivery and any other requirements. The U.S. has reinstated the Investment Tax Credit (ITC) for fuel cells in February 2018, retroactively from 2017 until 2021, with the credit rate gradually reduced from 30% to 22%. When taxpayers invest in fuel cell equipment that meets relevant requirements, the U.S. government provides tax credits for the cost of the equipment multiplied by the credit rate, up to a maximum of $3,000 per kW of power. Initially, the focus of Taiwan's fuel cell installation policy was on industrial residual hydrogen as the main source of hydrogen, with incentives for demonstration and operation developed to attract residual hydrogen operators and large domestic electricity users to build such plants. The goal is to build two 30MW (megawatt) demonstration plants by 2025. In response to gradual stabilization of client demand after the passage of the law, the U.S. energy industry has also benefited from the Investment Tax Credit (ITC).The Biden administration has reportedly made a proposal to Congress for a 10-year extension to encourage taxpayers to build renewable energy generation equipment such as solar, fuel cells, and wind power generation equipment, to help support the energy industry market. For our operations in the next three years, thanks to a large order received by Bloom Energy from SK Group in Korea, we expect to see greater momentum regarding the demand for fuel cell unit parts. The annual growth rate of fuel cell production is expected to increase in 2022 compared to that of 2021.

(4)Information and Communication Security:

Hacking attacks from any third-party compromised systems can damage computer systems that control or maintain critical corporate functions such as manufacturing operations and accounting. These attacks can be used to compromise a company's internal network systems in an illegal manner to disrupt operations/steal trade secrets/research and development results/and conduct activities that damage the company's reputation.

In order to avoid or reduce the risk of information and communication security, we must change the mindset of the Company's management, invest the necessary resources to build the basic protection system and information security equipment, and build up the awareness of all employees of the Company on information security risks, and most importantly, implement the reward and punishment system, so that all employees of the Company are aware that non-compliance with information security regulations will seriously endanger the overall operation of the Company / harm the interests of shareholders.

Risk and management measures for information technology security: Measures for three aspects of information security maintenance: protection system/institutional regulation/implementation of management. the Company has established comprehensive network and computer-related information security measures, including traditional anti-virus software/next-generation firewall/implementation of XDR products responsible for cloud information security event detection and response,.etc. However, these systems alone cannot guarantee that the Company is completely protected from attacks, so for setting regulations and strengthening personnel information security awareness, we are also gradually cooperating with the implementation of the government regulatory authorities and revising the organizational rights and responsibilities of the information security specialized units and supervisors in the internal control system of the electronic computer cycle provisions. At the same time, information security lectures are arranged in the monthly meetings of the whole company every quarter, with the key points of external information security incidents in that quarter explained one by one to enhance awareness of information security among employees. In terms of management, Information Technology Division is responsible for regular audits; once a violation of information security regulations is found, it must be immediately reported to the Company for assessment and punishment in accordance with the Company's reward and punishment system.

(六) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures:

Since its establishment, the Company has focused on its own business operations, with good results and reputation. There are no reports in the market that are unfavorable to the Company's corporate image, and no issue of any change in its corporate image.

(七) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

The Company has no ongoing merger and acquisition activities, hence not applicable.

(八) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

In recent years, due to the rising labor awareness and rising price levels in Taiwan, industries have been moving to the China and building their main production bases there, in which wages and related costs are lower, in order to effectively reduce costs and improve product competitiveness in face of high labor costs, labor shortages, and rising land and raw material costs in Taiwan.

In view of rapid economic and industrial development in China and proximity to customers and expansion in the Asia Pacific region, the Company has created an additional production line in Ningbo, China, while the main company continues focusing on R&D, design centers and manufacturing processes.

The stable and profitable production capacity in China should provide a stable contribution to the Company. In addition to expanding its own production capacity in response to the growth of the industry, the Company also maintains a long-term partnerships with outsourcing companies, which should enable it to effectively adjust its capacity utilization in response to the future economic cycle and changes in product demand.

Due to our strong capabilities in brazing and argon-welding, Kaori has been favored by international green technology companies as their strategic partner. For long-term development, Kaori established the Fuel Cell Division in 2009, officially declaring to the outside world its determination to become a key player in the energy industry. In July 2010, the Company completed its first new fuel cell plant in Jhongli Industrial Park, which is a key component in the production of Solid Oxide Fuel Cells (SOFC). By 2013, this heat energy product fuel cell had indeed set a historic high for the Company's revenue and profitability. The global fuel cell industry continues to grow, with fuel cell shipments growing at an exponential rate each year. In order to effectively reduce costs, increase product capacity and meet order demands, the Company began construction of a new fuel cell plant in Kaohsiung's Benjhou Industrial Park in 2011, which was officially completed in December 2011. The main purpose of the new plant is to expand production space for Fuel Cell Division and to develop a component center. In addition, in 2014 the conversion of the metal processing plant in Zhongli Plant 3 was completed, but the metal processing work was transferred to the Kaohsiung plant. Therefore, the Company's production space for fuel cells in Zhongli can be fully improved and meet the demand of customers for continued strong growth in shipments, so the risk to the Company from plant expansion is limited. The global operation headquarters office building was activated in the main plant in Jhongli Industrial Park in February 2017.

With many years of experience in heat exchanger design and manufacturing and metal workpiece welding markets, we have accumulated many years of experience in the refrigeration and air conditioning, heat management and energy industries. During recent years, the rise of online applications such as face recognition, autonomous driving and remote medical consultation has driven the rapid development of 5G communication and the cloud industry. We have launched a series of energy-saving liquid cooling system products for cloud data centers with huge power consumption. Now the use of factory space originally located in Jhongli Industrial Park is nearly saturated for heat exchanger and fuel cell divisions. Therefore, the Company purchased land and factory on Ziqiang 4th Road in Jhongli Industrial Park in March 2020 and started renovating the factory in the fourth quarter of 2021. We expect to officially begin the production of cloud data center cooling modules in 2022.

(九) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1)Import risks:

Our main products are Plate Heat Exchangers, metal fabrication, and key components inside heat energy products fuel cells (SOFC). the Company has certain special conditions for the quality of various parts, and some raw materials have to pass quality certification of our primary sales customers. Therefore, in order to control quality and ensure that the sources of various materials will not shave any shortage, we regularly evaluate suppliers' quality, delivery accuracy, financial status and company organization to ensure the quality of their supplies. In addition, the proportion of the top ten importers in the first quarter of 2021 and 2022 to the net purchase amount of each year did not exceed 14.03%, so there is no risk of excessive concentration of imports. In the procurement of raw materials, the Company is able to select suppliers based on their quotes, quality, and trading conditions; it also tries to maintain more than two suppliers if possible in order to reduce risk of concentration of purchases; overall source of supply is stable, and there should be no shortage or interruption of supply.

The fluctuation of international metal raw material prices i during recent years has caused suppliers to lengthen the supply period due to the shortage of raw materials. With the fluctuation of raw material prices and longer stock preparation time, key manufacturers of heat exchangers and fuel cells have to strengthen stock preparation and safety stock management, and pass on the costs to downstream manufacturers in a timely manner to maintain gross margins.

(2)Sales risks:

The Company's revenue is derived from processing and product sales; its main sales customers are well-known domestic and foreign companies. The combined sales of the top ten customers accounted for 59.37% of the net operating revenue in 2021. As shown by the top ten customers and the proportion of their sales, except for BLOOM ENERGY, our single customer for fuel cells, the Company suffers from no concentration of sales. From 2021 to the first quarter of 2022, Bloom Energy accounted for 39.33% and 33.56% of the consolidated net sales for each period. This is due to the fact that fuel cell components and mechanisms produced by Bloom Energy and the Company have begun shipping in 2009. As a result, Bloom Energy, our customer, has been able to achieve a steady growth in revenue, which in turn has contributed to the steady growth of the Company's fuel cell reactor business. The Company is currently the main global supplier of fuel cell reactor components to Bloom Energy; the relationship between the two companies in developing products together is not likely to be terminated in the near future.

In addition to using the many years of experience we have accumulated in heat treatment processing, copper welding processing and Plate Heat Exchangers to provide services to our customers with excellent technology, stable quality and accurate delivery, we are also developing new heat treatments, brazing services and heat energy technologies to expand our customer base and actively create new products and business opportunities through research and development.

(十) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% in Most Recent Year as of Date of Printing of Annual Report:

For the most recent year and as of the date of printing of the annual report, there has been no significant transfer of ownership, and therefore was no significant impact on the Company's operations due to a significant transfer or replacement of ownership.

(十一) Effects of, Risks Relating to and Response to the Changes in Management Rights in Most Recent Year as of Date of Printing of Annual Report:

For the most recent year and as of the date of printing of the annual report, there is no change in the Company's operation due to the change of management rights, and the Company has established a complete internal control system and related management rules; therefore, the impact and risk on the Company's operation due to the change of management rights shall be able to be reduced.

(十二) As for any litigation or non-litigation matters: the Company and its Directors, Supervisors, General Managers, persons in charge, substantial shareholders holding more than 10% of the shares, as well as any significant litigation, non-litigation or administrative dispute that has been determined or is still pending from the Company, the outcomes such litigations should be disclosed because they may have a significant impact on shareholders' equity or the price of securities, including the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation, and the disposition of the case as of the date of printing of the annual report:

(1) Theft of government property:

The Ministry of Economic Affairs filed a lawsuit against Kaori for criminal theft and civil tort damages in the Taoyuan District Court for the misappropriation of Industrial Park land by the factory and the land purchased by Kaori in 1975, due to the lack of boundary identification at that time. The decision for the case was delivered by the Taiwan High Court on August 10, 2021; the main text of the decision was as follows:

The original decision to dismiss the later second paragraph and the claim for false enforcement of the appellant (Note: Ministry of Economic Affairs), as well as the costs of litigation (except for the determined portions), is hereby denied.

For the above-mentioned parts denied: (a) The Appellate Party(Note: Kaori) shall pay to the Appellant the sum of NTD 768,981, plus the interest at the rate of 5% per annum from July 31, 2008 to the date of settlement. (2) The Appellee shall pay the Appellant NTD 6,597 per month from July 24, 2015 until the removal of the pipeline and concrete base located at Lot No. 204-2, Zhongli District, Taoyuan City, as shown on the attached map: No. 204-2(1), 204-2(3), 204-2(4), 204-2(5), 204-2(7), 204-2(8), with a total area of 145 square meters, and then return the land to the Appellant.

The rest of the appeal is dismissed.
The appellant shall bear 90% of the costs of the first (except for the determined portion) and second proceedings, and the Appellate Party shall bear the rest. The case was determined without any further appeals from both parties.
Current situation: Kaori is currently handling the case in accordance with the ruling of the District Court and the High Court. The third demolition coordination meeting hosted by Jhongli Industrial Service Center is scheduled on April 11, 2022.

(2) Minchali:

Minchali Industry Co. Ltd. filed a lawsuit for damages in the Civil Division of the Taoyuan District Court, claiming that the four batches of heater beams and parts delivered by the Company between 2008 and 2013 were unable to withstand high temperatures and were deformed, severely bent and warped, etc., and therefore sought damages in the amount of NTD 17,106,572, plus the interest at 5% per annum from the day after the service of the complaint. On February 26, 2005, the Taoyuan District Court ruled that Kaori should pay NTD 9,320,953.

On March 25, 2016, an appeal was filed to the Civil Division of the Taiwan High Court, and on May 15, 2018, the Taiwan High Court pronounced that Kaori Heat Treatment Co., Ltd. should pay NTD 4,618,916 to Minchali Industrial Co. Ltd.

On June 13, 2018, Kaori filed an appeal to the Supreme Court against the Taiwan High Court's judgment of NTD 4,618,916; Kaori also filed an appeal against the unsuccessful portion of the judgment.

On November 30, 2020, the Supreme Court ruled that the original judgment was abrogated, except for the parole portion, and remanded the case to the High Court.

Current situation: Case currently pending in the High Court.

(十三) Other Major Risks and Measures in Response: None

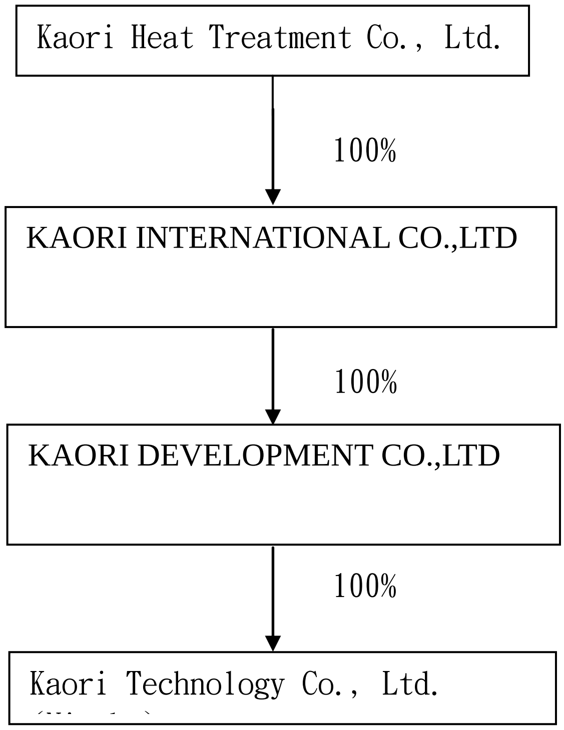
7.7 Others: None

VIII. Special Disclosure

一、 8.1 Summary of Affiliated Companies

(一) Consolidated Business Reports of Affiliated Companies

1. Affiliated Company Organizational Chart



2. Name, date of establishment, paid-in capital and main business items of each affiliated company

Unit: NT$ thousands

Business Name	Date of Establishment	Address	Paid-in Capital	Primary Operations or Productions
KAORI INTERNATIONAL CO.,LTD	2002.03.04	Trust Net Chambers,Lotemau Centre,P.O.Box 1225,Apia,Samoa	NTD 171,641	Investment
KAORI DEVELOPMENT CO.,LTD	2002.03.04	Trust Net Chambers,Lotemau Centre,P.O.Box 1225,Apia,Samoa	NTD 169,984	Investment
Kaori Technology Co., Ltd. (Ningbo)	2002.07.02	No. 8, Chuangye 4th Road, Baoshui West District, Beilun District, Ningbo City, Zhejiang Province	RMB 41,380	Production and sales of Plate Heat Exchangers, oil coolers, air dryers, spare parts for railroad industry, international trade and consulting services.

3. Information on the reasons and persons presumed to be in a controlling or subordinate relationship:

none.

4. Industry covered by the operations of the affiliated companies as a whole: See the aforementioned.
5. Names of Directors, Supervisors and General Managers of the affiliated companies and their shareholdings or capital contributions to the companies:

December 31st, 2021

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage of Shares
KAORI INTERNATIONAL CO.,LTD	Director	Kaori Heat Treatment Co. Ltd. Representative: HAN HSIEN SON	5,100,000	100%
KAORI DEVELOPMENT CO.,LTD	Director	Kaori International Co. Ltd. Representative: HAN HSIEN SON	5,050,000	100%
Kaori Technology Co., Ltd. (Ningbo)	Director	Kaori Development Co. Ltd. Representative: HAN HSIEN SON, HAN HSIEN FU, WANG HSIN WU	—	100%

6. Financial situations and results of operations of affiliated companies:

2021/12/31; Unit: NTD thousands

Business Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Current profit (after tax)	Earnings per share (after tax)
KAORI INTERNATIONAL CO.,LTD	NTD 171,641	NTD 218,657	NTD 0	NTD 218,657	NTD 36,638	NTD 36,588	NTD 36,565	—
KAORI DEVELOPMENT CO.,LTD	NTD 169,984	NTD 217,866	NTD 0	NTD 217,866	NTD 36,251	NTD 36,200	NTD 36,638	—
Kaori Technology Co., Ltd. (Ningbo)	RMB 41,380	RMB 58,593	RMB 8,572	RMB 50,021	RMB 55,576	RMB 10,385	RMB 8,350	—

8.1.2 Consolidated Financial Reports of affiliated companies: see pages 154-216.

8.1.3 Business Report of Affiliated Company Relationship

1. Overview of the relationship between subsidiaries and its controlling company:

Name of the controlled company	Cause of the control	Shareholding and pledge of the controlled company			Staff serving as Directors, Supervisors or Managers in the controlled company	
		Shareholding (Shares)	Percentage of Shares	Shares Pledged	Title	Name
KAORI INTERNATIONAL CO.,LTD	Subsidiary with more than 50% shareholding	5,100,000	100%	0	Corporate Representative	HAN HSIEN SON
KAORI DEVELOPMENT CO.,LTD	Subsidiariy with more than 50% shareholding	5,050,000	100%	0	Corporate Representative	HAN HSIEN SON
Kaori Technology Co., Ltd. (Ningbo)	Subsidiary with more than 50% shareholding	—	100%	0	Corporate Representative	HAN HSIEN SON
						HAN HSIEN FU
						WANG HSIN WU

December 31sts, 2021; Unit: Number of Shares; %

2. Transactions:

(1). Purchases and Sales:

Unit: NT$ thousands

Purchase and sale target	Transaction target	Relationship	Type of transaction	Revenue	Condition of transaction			Notes receivable (paid) and accounts payable		Unrealized income/loss
					Price	Payment terms	Comparison with normal transactions	Remaining balance	Percentage (%)	
Kaori Heat Treatment Co., Ltd.	Kaori Technology Co., Ltd. (Ningbo)	Subsidiary	Import	6,384	Average 10% increase from cost	30 day until arrival	Price of sales as the same as the conditions of unrelated party transactions	0	-	-

Unit: NT$ thousands

Purchase and sale target	Transaction target	Relationship	Type of transaction	Revenue	Condition of transaction			Notes receivable (paid) and accounts payable		Unrealized income
					Price	Payment terms	Comparison with normal transactions	Remaining balance	Percentage (%)	
Kaori Heat Treatment Co., Ltd.	Kaori Technology Co., Ltd. (Ningbo)	Subsidiary	Sales	90,609	Average 10% increase from cost	30 day until arrival	Price of purchase same as conditions of unrelated party transactions	14,276	5	2,549

(2). Property transactions: None.

(3). Information on financial transactions: None.

(4). Assets leases: None.

(5). Other significant transactions (e.g., production and sales contracts, acquisition of bonds issued by controlled companies, subscription of new shares issued by controlled companies after the former shareholders have renounced their subscription): None.

3. Endorsement guarantees: None.

4. Other events with significant financial or business impact: None.

二、 Private placement of marketable securities for the most recent year and as of the date of the annual report: None.

三、 Company shares held or disposed of by subsidiaries in the most recent year and as of the date of the annual report: None.

四、 Other matters requiring additional information: None.

五、 Matters that may have major effects on shareholders' equity or the price of securities as defined in Article 36-3-2 of the Securities and Exchange Act for the most recent year and as of the date of the annual report: None.

Attachment Ⅰ

Kaori Heat Treatment Co., Ltd.

Assessment of the independence and suitability of CPAs.

1. Appointed auditors: Auditors Chen Wenxiang Liu Shulin, Deloitte Taiwan
2. Year of audit: 2021

Serial Number	Evaluation Item	Evaluation Result	
		Yes	No
1	The auditors do not have a direct or major indirect financial interest with the Company.	▓	□
2	The auditors are not engaged in financing or assurance activities with the Company or the Company's Directors.	▓	□
3	The auditors do not have a close business relationship or potential employment relationship with the Company.	▓	□
4	The auditors and members of the audit team are not currently or have been in the last two years holding directorships, managerial positions or positions with significant influence over the audit of the Company.	▓	□
5	The auditors do not provide non-audit services to the Company that could directly affect the audit.	▓	□
6	The auditors do not hold any shares or other securities issued by the Company.	▓	□
7	The auditors do not act as the Company's advocate or coordinate conflicts with other third parties on behalf of the Company.	▓	□
8	The auditors are not related to a Directors, Managers, or officer of the Company who have significant influence over the audit.	▓	□
9	The auditors never received any gifts or presents of significant value from the Directors or Managers of the Company (the value of which exceeds normal social etiquette standards)	▓	□
10	Other references: Statement of Accountant's Independence	▓	□
Evaluation Result			

Date of Review by the Board of Directors: 2022.03.25

Note: 1. The review form is conducted by the Board of Directors

2. The review form is conducted once per year

2022.3.25, Deloitte No. 11103180

Recipient: Kaori Heat Treatment Co., Ltd.
Topic: We have audited the financial statements of the Company for the year as of December 31, 2021, and believe that there are no significant deficiencies in internal control.
Description:

1. We, the auditors, have been entrusted with the audit of the Company's balance sheet as of December 31, 2021, as well as its consolidated statements of income, changes in equity, and cash flows for the period from January 1, 2021 to December 31, 2021, and related notes to the financial statements (including summaries of significant accounting policies). In planning and performing our audit in accordance with generally accepted auditing standards, we consider internal control relevant to the preparation of financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements mentioned above, but not for the purpose of expressing an opinion on the effectiveness of internal control. Therefore, we the auditors who do not express opinions on the effectiveness of internal control.
2. Our consideration of internal control was conducted for the purpose stated in the preceding paragraph and was not designed to identify all significant deficiencies in internal control. For this purpose, we did not identify significant deficiencies in internal control over the course of our audit. However, there may still be significant deficiencies in the Company that have not been identified. If we the auditors were allowed to perform a more comprehensive audit of internal control, then such significant deficiencies were possibly to be identified.
3. Deficiencies in internal control mean that the design, implementation or operation of the control do not allow for timely prevention or detection and correction of misstatements in financial statements, or lack the necessary controls to allow for timely prevention or detection and correction of misstatements in the financial statements. A significant deficiency in internal control means a deficiency in internal control or a combination of deficiencies in internal control that, aoorcding to our professional judgment, should be brought to the attention of the governing entity.
4. This communication is for the use of management and governance units and may not be appropriate for other purposes.
5. On behalf of the agency, we would like to express our gratitude for your cooperation during our audit.

Deloitte Taiwan

Chen Wenxiang, CPA

Liu Shulin, C