SUNKO INK CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2021 AND 2020

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Notice to readers:
The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of SUNKO INK CO., LTD. as of and for the year ended 31 December 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SUNKO INK CO., LTD. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certified.

SUNKO INK CO., LTD.

HUANG,TING-DI
Chairman

15 March 2022

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To SUNKO INK CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of SUNKO INK CO., LTD. And its subsidiaries (the "Group") as of 31 December, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as at 31 December, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended 31 December, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2021 consolidated financial statements. 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.

Impairment of accounts receivable

As of 31 December 2021, the Group's and its subsidiaries' gross accounts receivable and allowance for loss amounted to $756,031 and $17,885 respectively. Net notes and accounts receivable accounted for 18% of consolidated total assets which was material to the Group. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Group, and the adoption of provision policy requires significant management judgement, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of allowance for loss policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; investigating accounts receivable details, recalculating the reasonableness of allowance for loss based on the expected credit groups, and based on the expected loss rate by management assessment, reevaluating the reasonableness of loss provisioning of accounts receivable. We also assessed the adequacy of disclosures related to accounts receivable. Please refer to Notes 5 and 6 of the consolidated financial statements.

Inventory valuation

As at 31 December 2021, the Group's net inventories amounted to $813,341 accounting for 20% of the total consolidated assets. The estimation of allowance for inventory valuation loss and obsolescence loss was based on inventories of the raw materials and finished goods. The estimation basis of inventory valuation based on the effect of products physical characteristic on quality, and the demand of products within a particular period in the future, the allowance for inventory valuation loss and obsolescence loss could be affected by management judgement. We therefore determined this a key audit matter.

Our audit procedures included, but were not limited to: assessing the effectiveness of obsolescence inventory internal control and the inventory valuation policy established by management, assessing stocktaking plan and selecting important storage locations to observe inventory counts to ensure quantities and status; obtaining inventory aging intervals to test whether the aging reports were reasonable; testing the unit cost and selling prices of inventories, sampled related certificates of purchases and sales to access the reasonableness of the net realizable value of inventories.

We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 ability to continue as a going concern of the Group, 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 audit committee, are responsible for overseeing the financial reporting process of the Group.

Auditor’s 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 auditor’s 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 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 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 internal control of the Group.

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 ability to continue as a going concern of the Group and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the 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 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2021 and 2020.

/s/Tu, Chin Yuan

/s/Yen, Wen Pi

Ernst & Young, Taiwan

15 March 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SUNKO INK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2021	2020
Current assets			
Cash and cash equivalents	4,6(1)	$383,297	$760,056
Financial assets measured at amortized cost - current	4,6(2)	-	600,000
Notes receivable, net	4,6(14)	31,868	39,248
Accounts receivable, net	4,6(3)&(14)	738,146	496,187
Inventories, net	4,6(4)	813,341	708,383
Prepayments		61,262	47,970
Other current assets	12	2,375	3,011
Total current assets		2,030,289	2,654,855
Non-current assets			
Financial assets at fair value through other comprehensive income -noncurrent	4,13	97,959	93,266
Financial assets measured at amortized cost - non current	4,6(2)&8	2,800	2,800
Investments accounted for under the equity method	4,6(5)	11,967	15,191
Property, plant and equipment	4,6(6)&8	1,664,358	1,702,885
Right-of-use assets	4,6(15)&7	104,701	103,387
Intangible assets	4	13,846	14,914
Deferred tax assets	4,6(19)	85,388	92,221
Prepayment for equipment		44,753	95,798
Other non-current assets	4	35,291	24,104
Total non-current assets		2,061,063	2,144,566
Total Assets		$4,091,352	$4,799,421

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
31 December 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2021	2020
Current liabilities			
Short-term loans	4,6(7)	$295,721	$226,246
Contract liabilities, current	4,6(13)	4,219	18,752
Notes payable		459	2,021
Accounts payable		328,500	295,020
Other payables	6(8)	219,186	590,964
Current tax liabilities	4	14,320	4,662
Lease liabilities, current	4,6(15)&7	30,439	23,047
Current portion of long-term loans	4,6(9)	172,835	127,609
Other current liabilities	12,13	1,077	186,441
Total current liabilities		1,066,756	1,474,762
Non-current liabilities			
Long-term loans	4,6(9)	528,457	670,292
Deferred tax liabilities	4,6(19)	74,832	75,005
Lease liabilities, non-current	4,6(15)&7	73,235	79,484
Net defined benefit obligation, non-current	4,6(10)	16,408	22,426
Other non-current liabilities		75	75
Total non-current liabilities		693,007	847,282
Total liabilities		1,759,763	2,322,044
Equity attributable to the parent company			
Capital			
Common stock	6(12)	1,889,952	1,889,952
Additional paid-in capital	6(12)	41,930	37,848
Retained earnings	6(12)		
Legal reserve		80,019	26,327
Special reserve		5,624	-
Unappropriated earnings		355,934	573,547
Subtotal		441,577	599,874
Other components of equity		(1,205)	(5,623)
Treasury stock		(40,786)	(44,853)
Total equity attributable to the parent company		2,331,468	2,477,198
Non-controlling interests	6(12)	121	179
Total equity		2,331,589	2,477,377
Total Liabilities and Equity		$4,091,352	$4,799,421

(The accompanying notes form an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2021	2020
Operating revenues	4,6(13)&7	$2,850,638	$2,752,601
Operating costs	6(16)	(2,722,534)	(2,613,246)
Gross profit		128,104	139,355
Operating expenses	6(16)		
Selling and marketing expense		(63,079)	(69,128)
General and administrative expense		(108,838)	(260,008)
Research and development expense		(51,299)	(54,464)
Expected credit (loss) gain	6(14)	(839)	490
Total operating expenses		(224,055)	(383,110)
Operating loss		(95,951)	(243,755)
Non-operating income and expenses	6(17),7		
Interest revenue		1,640	2,390
Other income		64,298	24,622
Other gains and loss		(9,246)	720,176
Finance costs		(12,244)	(16,151)
Share of profit or loss of associates and joint ventures	4,6(5)	(2,338)	(3,988)
Total non-operating income and expenses		42,110	727,049
(Loss) income from continuing operations before income tax		(53,841)	483,294
Income tax (expenses) benefit	4,6(19)	(16,175)	41,012
Net (loss) income		(70,016)	524,306
Other comprehensive (loss) income	6(18)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		4,884	540
Unrealized gains or loss from equity instruments investments measured at fair value through other comprehensive income		4,693	5,799
Income tax relating to items that will not be reclassified subsequently		(977)	(108)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	(182)
Share of other comprehensive income (loss) of associates and joint ventures which may be reclassified subsequently to profit or loss		(355)	(801)
Income tax relating to items that may be reclassified subsequently		71	218
Total other comprehensive (loss) income , net of tax		8,316	5,466
Total comprehensive (loss) income		$(61,700)	$529,772
Net (loss) income attributable to:			
Stockholders of the parent	4,6(20)	$(69,958)	$524,404
Non-controlling interests		(58)	(98)
		$(70,016)	$524,306
Comprehensive income attributable to:			
Stockholder of the parent		$(61,642)	$529,870
Non-controlling interests		(58)	(98)
		$(61,700)	$529,772
(Loss) Earnings per share (NTD)	4,6(20)		
(Loss) Earnings per share-basic		$(0.38)	$2.43
(Loss) Earnings per share-diluted		$(0.38)	$2.42

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to the Parent Company										
				Retained Earnings			Other components of Equity					
		Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Loss on Financial Assets Measured at Fair Value through other Comprehensive Income	Treasury stock	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2020	6(12)	$2,223,473	$37,785	$26,327	$14,519	$22,107	$46	$1,382	$(52,768)	$2,272,871	$4,466	$2,277,337
Appropriation and distribution of 2019 retained earnings												
Legal reserve	6(12)			-		-				-		-
Special reserve	6(12)				(14,519)	14,519				-		-
Net income for the year ended 31 December 2020						524,404				524,404	(98)	524,306
Other comprehensive income (loss), net of tax for the year ended 31 December, 2020	6(18)					432	(765)	5,799		5,466		5,466
Total comprehensive income (loss)		-	-	-	-	524,836	(765)	5,799	-	529,870	(98)	529,772
Capital reduction	6(12)	(333,521)	63						7,915	(325,543)		(325,543)
Diposal of equity instruments at fair value through other comprehensive incom						12,085		(12,085)		-		-
Non-controlling Interests											(4,189)	(4,189)
Balance as of 31 December 2020		$1,889,952	$37,848	$26,327	$ -	$573,547	$(719)	$(4,904)	$(44,853)	$2,477,198	$179	$2,477,377
Balance as of 1 January 2021	6(12)	$1,889,952	$37,848	$26,327	$ -	$573,547	$(719)	$(4,904)	$(44,853)	$2,477,198	$179	$2,477,377
Appropriation and distribution of 2020 retained earnings												
Legal reserve	6(12)			53,692		(53,692)				-		-
Special reserve	6(12)				5,624	(5,624)				-		-
Common stock cash dividend	6(12)					(92,237)				(92,237)		(92,237)
Net loss for the year ended 31 December 2021						(69,958)				(69,958)	(58)	(70,016)
Other comprehensive income (loss), net of tax for the year ended 31 December 2021	6(18)					3,907	(284)	4,693		8,316		8,316
Total comprehensive income (loss)		-	-	-	-	(66,051)	(284)	4,693	-	(61,642)	(58)	(61,700)
Capital reduction	6(11)		4,082						4,067	8,149		8,149
Diposal of equity instruments at fair value through other comprehensive incom						(9)		9				-
Balance as of 31 December 2021		$1,889,952	$41,930	$80,019	$5,624	$355,934	$(1,003)	$(202)	$(40,786)	$2,331,468	$121	$2,331,589

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2021	2020
Cash flows from operating activities:		
Net (loss) income before tax	$(53,841)	$483,294
Adjustments to reconcile net income (loss) before tax to net cash provided by operating		
Depreciation (include record other gains and loss)	263,384	255,550
Amortisation (include record other gains and loss)	9,352	13,824
Expected credit (loss) gain	839	(490)
Net gain of financial assets/liabilities at fair value through profit or loss	(349)	(97)
Finance costs	12,244	16,151
Interest revenue	(1,640)	(2,390)
Dividend income	(5,034)	(3,254)
Share-based payment	3,364	-
Share of loss of associates and joint ventures	2,338	3,988
Loss (gain) on disposal of property, plant and equipment	2,687	(741,298)
Other	13	(2)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	7,380	(7,647)
(Increase) decrease in accounts receivables	(242,798)	92,158
(Increase) decrease in inventories, net	(104,958)	83,986
(Increase) decrease in prepayments	(13,292)	38,741
Decrease in other current assets	1,631	1,338
Decrease in contract liabilities	(14,533)	(1,632)
Decrease in notes payable	(1,562)	(76)
Increase (decrease) in accounts payable	33,480	(22,683)
(Decrease) increase in other payables	(39,631)	88,485
(Decrease) increase in other current liabilities	(118)	198
Decrease in net defined benefit obligation, noncurrent	(1,134)	(3,120)
Cash (used in) generated from operations	(142,178)	295,024
Interest received	1,748	2,288
Dividends received	5,034	3,254
Interest paid	(12,145)	(16,520)
Income tax paid	(763)	(34,587)
Net cash (used in) provided by operating activities	(148,304)	249,459

	For the years ended 31 December	
	2021	2020
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss through other comprehensive income or loss	-	$(42,500)
Disposal from disposal of financial assets at fair value through profit or loss through other comprehensive income or loss	-	21,697
Acquisition of financial assets measured at amortized cost	-	(550,000)
Proceeds from disposal of financial assets measured at amortized cost	600,000	-
Acquisition of property, plant and equipment	(89,498)	(93,516)
Proceeds from disposal of property, plant and equipment	1,550	820,930
Increase in advance receipt-disposal of assets	-	186,000
Decrease in advance receipt-disposal of assets	(186,000)	-
Acquisition of intangible assets	(2,387)	(3,931)
Increase in other non-current assets	(17,084)	(16,007)
Increase in prepayment for equipment	(63,594)	(116,315)
Dividends received	531	-
Net cash provided by investing activities	243,518	206,358
Cash flows from financing activities:		
Increase in short-term loans	1,067,801	1,033,148
Decrease in short-term loans	(998,326)	(1,098,530)
Increase in long-term loans	31,000	461,500
Decrease in long-term loans	(127,609)	(583,535)
Cach payments for the principle portion of the lease liability	(31,844)	(26,090)
Increase in other non-current liabilities	-	75
Cash dividends paid	(92,237)	-
Capital reduction	(325,543)	-
Proceeds from exercise of stock options	4,785	-
Changes in non-controlling interests	-	(4,189)
Net cash used in financing activities	(471,973)	(217,621)
Effect of exchange rate changes on cash and cash equivalents	-	(182)
Net (decrease) increase in cash and cash equivalents	(376,759)	238,014
Cash and cash equivalents at beginning of year	760,056	522,042
Cash and cash equivalents at end of year	$383,297	$760,056

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

1. General

Sunko Ink Co., Ltd. (hereinafter “the Company”) was incorporated in December 1974. The Company is engaged in manufacturing and trading of certain chemicals or industrial materials. Major product lines are as follows:

a. Argochemicals
b. Fine Chemicals: curing agent, non-halogenated flame retardant, reducing agent, antioxidant
c. Polymer: PU Based surface treating agent, Polymer-TPU, Polymer-TPV
d. UV Absorbers

In May 1996, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE), when the registered office was located at No. 139, Renmei Rd., Dali Dist., Taichung City 412036, Taiwan (R.O.C.). On 30 April 2021, as approved by Ministry of Economic Affairs, the Company’s registered operating office address was changed to 5F, No. 229, Zhongxing St., West Dist., Taichung City 403022, Taiwan (R.O.C.).

On 30 March 2016, the Company merged with Kuo Ching Chemical Co., Ltd. (hereinafter “Kuo Ching”). Kuo Ching was incorporated in April 1977, mainly engaged in production and trading of agrochemicals, fine chemicals, and other polymer materials. In October 2009, Kuo Ching’s shares was listed on the Emerging Stock Board. To improve efficiency and competitive capabilities, the Company merged with Kuo Ching on 30 March 2015 to integrate both entities’ production capacities, research resources, marketing and product lines. The Company was the surviving company which acquired all Kuo Ching’s assets, liabilities, rights, and obligations.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2021 and 2020 were approved to release in accordance with a resolution of the board of directors’ meeting on 15 March 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2021. The adoption new standard and amendment is described, had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

(a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41
The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022.The remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and loss arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NTD) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
B. exposure, or rights, to variable returns from its involvement with the investee, and
C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

A. the contractual arrangement with the other vote holders of the investee
B. rights arising from other contractual arrangements
C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and loss and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
B. derecognizes the carrying amount of any non-controlling interest;
C. recognizes the fair value of the consideration received;
D. recognizes the fair value of any investment retained;
E. recognizes any surplus or deficit in profit or loss;
F. reclassifies the parent's share of components previously recognized in other comprehensive income as changes in profit or loss.

The consolidated entities are as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main business	31 December 2021	31 December 2020
The Company	Blessingthoughts Co. Ltd. (Blessingthoughts)	Drinks, and food vending	83.52%	83.52
The Company	Kuo Ching Development Corp. (KuoChing Development) (Note)	Wholesale of chemical solvents, industrial additives, and other chemical raw materials or with derivative products	100%	

Note: The establishment registration of Kuo Ching Development's establishment registration was approved on July 14, 2021.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-current Distinction

An asset is classified as current when:

A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. The Group holds the asset primarily for the purpose of trading;
C. The Group expects to realize the asset within twelve months after the reporting period;
D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

A. The Group expects to settle the liability in normal operating cycle;
B. The Group holds the liability primarily for the purpose of trading;
C. The liability is due to be settled within twelve months after the reporting period;
D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Group’s business model for managing the financial assets
(b) the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or loss.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or loss and foreign exchange gains and loss, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or loss resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit loss of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
(b) the time value of money
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit loss: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit loss: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit loss.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit loss.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12(4) for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.

(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments.*

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or loss on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and loss are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instruments

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost under weighted average cost method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional loss are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and loss resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Estimated economic lives
Land improvements	7～20 years
Buildings	2～60 years
Machinery and equipment	2～25 years
Transportation equipment	5～8 years
Other equipment	2～20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment loss. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the related rental concessions that occurred as a direct result of the COVID-19 pandemic, the Group chose not to assess whether it was a lease modification, but instead treated the rental concessions as changes in lease payments, and applied this practical expedient on all eligible rental concessions.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment loss, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment loss relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and loss, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(20) Treasury shares

The Group buys back its parent company's equity instruments (treasury shares) that are recognized at cost as a deduction item under equity. The valuation difference resulted from transactions of treasury shares is reported under equity.

(21) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

<u>Sale of goods</u>

The Group manufactures and sells fitness equipment. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer obtains the right and carrying value of the goods). The sales of goods transactions of the revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group collects the payments when contracts signed-off and has the obligations to transfer the goods or provide the services, these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

(22) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(23) Income Tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders’ meeting.

<u>Deferred income tax</u>

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
B. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax loss, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax loss can be utilized, except:

A. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(24) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The acquiree's embedded derivatives in host contracts is separately assessed and valued.

If the business combination is achieved in stages, on final acquisition date, acquiree's equity interests that have been previously acquired by acquirer is required to be remeasured at fair value on the acquisition date, and respective remeasurement gain or loss shall be recorded as current periodical profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

In preparation of the Group's consolidated financial statements, the Group's management is required to make judgments, estimates and assumptions at the end of the reporting period that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties from these assumption and estimate may result in a material adjustment to the carrying amount of relevant assets or liabilities in future periods.

Major resources or factors that are the bases of estimates or assumptions are with uncertainties. Significant risks may exist that may result in material adjustments on the carrying amounts of assets or liabilities in future reporting periods. Major estimate factors are listed as follows:

A. Accounts receivables–estimate of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit loss. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that are expected to receive (by evaluating forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(3) and Note 14 for more details.

B. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, wholly or partially obsolete, or with downward selling prices. The estimates are based on the most reliable evidence available at the time the estimates are made. Refer to Note 6(4) for details.

C. The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation Techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Pension Benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate and expected salary raise/cut or changes. Please refer to Note 6(10) for more details.

E. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company make provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by different jurisdictional tax authorities. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entities' domicile.

Deferred tax assets are recognized to the extent where tax loss carryforward, tax credits and deductible temporary differences that are probable with foreseeable taxable profit being available, can be utilized. The amount of deferred tax assets is estimated based upon the likely timing of utilizing taxable temporary differences and forecasted taxable profits as well as future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2021	2020
Cash on hand	$94	$103
Petty cash	245	245
Demand deposits	382,958	459,708
Time deposits	-	300,000
Total	$383,297	$760,056

(2) Financial assets measured at amortized cost

	As of 31 December	
	2021	2020
Time deposits with maturity over three months	$ -	$600,000
Pledged time deposits	2,800	2,800
Subtotal	2,800	602,800
Less: loss allowance	-	-
Total	$2,800	$602,800
Current	$ -	$600,000
Non-current	2,800	2,800
Total	$2,800	$602,800

For further information on financial assets measured at amortized cost pledged as collateral and on credit risk, please refer to Notes 8 and Notes 12 (4), respectively.

(3) Trade receivables, net

	As of 31 December	
	2021	2020
Accounts receivable	$756,031	$513,233
Less: loss allowance	(17,885)	(17,046)
Total	$738,146	$496,187

Accounts receivables were not pledged.

The collection period is generally net 30~150 days. The total receivables of carrying amount are $787,899 and $552,481 as of December 31, 2021 and 2020, respectively. Please refer to Note 6 (14) for more details regarding loss allowance of accounts receivables for the year periods ended December 2021 and 2020. Please refer to Note 12 (4) for more details on credit risk management.

100% credit loss provision is reserved for account receivables which are deemed with least possibility to be collected. As of 31 December 2021, and 2020, the receivables with 100% loss allowances being reserved amounted to $13,679 without differences.

(4) Inventories, net

	As of 31 December	
	2021	2020
Raw materials	$353,103	$262,987
Work in progress	42,072	20,512
Finished goods	413,672	398,212
Merchandise	4,494	26,672
Total	$813,341	$708,383

The cost of inventories recognized as cost of sales for the years ended 31 December 2021 and 2020 amounted to $2,722,534 and $2,613,246, respectively. The expenses resulted from inventory write-downs were recorded as $23,747 and $2,815 for the years ended 31 December 2021, and 2020 respectively.

No inventories were pledged.

(5) Investments accounted for under the equity method

Details of investments accounted for under the equity method are as follows:

	As of 31 December			
	2021		2020	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Power Rich International Limited (Power Rich)	$10,460	30.00%	$13,890	30.00%
Bnkc Biochemical Technology Company, Limited (Bnkc Biochemical Technology Co.)	1,507	49.00%	1,301	49.00%
Sunko Biotech Company, Limited (Sunko Biotech Co.)	-	22.32%	-	22.32%
Chen Chi Technology Company, Limited (Chen Chi Technology Co.)	-	41.00%	-	41.00%
Total	$11,967		$15,191	

The Group's share of loss of Sunko Biotech Co. and Chen Chi Technology Co. equaled its interest in Sunko Biotech Co. and Chen Chi Technology Co. Therefore, the Group is not obliged to recognize its share of further loss.

(1) The details of investments recognized as profit and loss in 2021 and 2020 are as follows:

	For the years ended 31 December	
	2021	2020
Power Rich	$(3,075)	$(4,578)
Bnkc Biochemical Technology Co.	737	590
Total	$(2,338)	$(3,988)

(2) The details of the exchange differences on translation of foreign financial statements in 2021 and 2020 are as follows:

	For the years ended 31 December	
	2021	2020
Power Rich	$(355)	$(801)
Power Hero	-	(182)
Total	$(355)	$(983)

(3) Investments in associates

The Group's investments in Bnkc Biochemical Technology Co. and Power Rich are not significant. The investments are valued based on the investee's financial statements within the same fiscal accounting period. The investments in associates had no contingent liabilities or capital commitments as of 31 December 2021 and 2020. The investments have not been pledged as collaterals.

(6) Property, plant and equipment

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress	Total
Cost:								
As of 1 January 2021	$465,109	$3,083	$950,912	$2,448,748	$15,783	$306,403	$12,499	$4,202,537
Additions	-	-	12,788	55,562	539	13,906	-	82795
Disposals	-	-	(6,396)	(155,533)	(68)	(5,125)	-	(167,122)
Reclassification	-	-	10,102	107,982	231	1,909	(5,585)	114,639
As of 31 December 2021	$465,109	$3,083	$967,406	$2,456,759	$16,485	$317,093	$6,914	$4,232,849
Depreciation and impairment:								
As of 1 January 2021	$ -	$1,915	$458,713	$1,811,925	$10,644	$216,455	$ -	$2,499,652
Depreciation	-	132	49,248	161,019	848	20,477	-	231,724
Disposals	-	-	(6,247)	(151,509)	(68)	(5,061)	-	(162,885)
As of 31 December 2021	$ -	$2,047	$501,714	$1,821,435	$11,424	$231,871	$ -	$2,548,491
Cost:								
As of 1 January 2020	$543,082	$2,887	$908,494	$2,290,235	$16,004	$293,444	$23,576	$4,077,722
Additions	-	196	23,602	62,204	700	9,872	-	96,574
Disposals	(77,973)	-	(4,571)	(22,193)	(921)	(7,055)	-	(112,713)
Reclassification	-	-	23,387	118,502	-	10,142	(11,077)	140,954
As of 31 December 2020	$465,109	$3,083	$950,912	$2,448,748	$15,783	$306,403	$12,499	$4,202,537
Depreciation and impairment:								
As of 1 January 2020	$ -	$1,796	$408,471	$1,681,161	$10,594	$201,922	$ -	$2,303,944
Depreciation	-	119	54,465	151,975	971	21,259	-	228,789
Disposals	-	-	(4,223)	(21,211)	(921)	(6,726)	-	(33,081)
As of 31 December 2020	$ -	$1,915	$458,713	$1,811,925	$10,644	$216,455	$ -	$2,499,652
Net carrying amount:								
As of 31 December 2021	$465,109	$1,036	$465,692	$635,324	$5,061	$85,222	$6,914	$1,664,358
As of 31 December 2020	$465,109	$1,168	$492,199	$636,823	$5,139	$89,948	$12,499	$1,702,885

(a) There is no capitalization of interest due to purchase of property, plant and equipment for the years ended 31 December 2021 and 2020.

(b) Components of buildings that have different useful lives are the main building structure and air condition equipment and elevators, which are depreciated over 60 years and 5 years and 15 years, respectively. Machinery and equipment that have different useful lives are new reaction equipment, piping equipment, and production equipment for expansion, etc., which are depreciated over 10 years and 5 years and 7 years, respectively.

(c) As of 31 December 2021, and 2020, due to legal restrictions, part of the lands belonging to agricultural lands were recorded in the Group's accounts and the amount temporarily registered in the name of another person amounted to $7,011 without differences. The Group obtained the certificates of other rights for each of the lands.

(d) On February 26, 2020, the Group's board members passed the resolution to dispose of the land, plant and equipment of Dajia Factory. A transfer agreement was signed on May 28, 2020 for this project. However, the transaction was terminated in June 2021 because both parties could not reach a consensus on some of the transaction conditions, and the contract was terminated when mutually agreed and a termination agreement was signed on June 17, 2021. Pursuant to the terms of the termination agreement, the buyer agreed to pay the Group's due commercial interests in the amount of $55,000. Please refer to Note 16 (17) II for details of the account. At the same time, the Group also returned the transaction price of $186,000 paid by the buyer before the termination of the agreement.

(e) Please refer to Note 8 for property, plant and equipment pledged as collateral.

(7) Short-term loans

	As of 31 December	
	2021	2020
Unsecured bank loans	$295,721	$226,246

	As of 31 December	
	2021	2020
Interest rates applied for unsecured bank loans	0.65%~0.95%	0.63%~1.07%

The Group's open short-term lines of credit facilities were $701,758 and $1,061,505, as of 31 December 2021 and 2020, respectively.

(8) Other payables

	As of 31 December	
	2021	2020
Accrued capital reduction	$ -	$325,543
Accrued expense of pollution remediation	73,652	105,812
Accrued payroll	67,072	70,945
Accrued employee compensation	-	15,075
Payables on equipment	6,219	12,922
Accrued directors and supervisor's compensation expense	-	4,020
Other expense	72,243	56,647
Total	$219,186	$590,964

(1) On 10 November 2020, the Group adopted the resolution of the shareholders' meeting to reduce capital by cash and redeemed 33,352 thousand shares of shareholders' share capital, each with a par value of $10. Treasury shares were cancelled 798 shares accordingly due to capital reduction in accordance with the shareholding ratio. A total of $325,543 was refunded as a result of the capital reduction. Please refer to Note 6 (12) for details of the aforementioned capital reduction and refund to shareholders.

(2) On 8 May 2020, the Board resolved and approved the total forecasted possible expenditures for remedying pollution in soil and underwater in the Group's Pingjhen and Dali plants. The total budget was estimated for $105,000, which has been booked in Q2 2020.

(9) Long-term loans

(1) Details of long-term loans as at 31 December 2021 and 2020 are as follows:

Lenders	As of 31 December 2021	As of 31 December 2020	Redemption
Mega International Commercial Bank secured bank loans	$106,250	$119,850	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
First Commercial Bank secured bank loans	100,000	100,000	Repayable quarterly from 24 March 2022 to 24 December 2024. Principle is repaid in 12 quarterly installments.
First Commercial Bank secured bank loans	100,000	100,000	Repayable quarterly from 5 August 2022 to 5 May 2025. Principle is repaid in 12 quarterly installments.
Chang Hwa Commercial Bank unsecured Revolving Loan	73,125	90,000	Repayable quarterly from 24 June 2021 to 24 March 2025. Principle is repaid in 16 quarterly installments.
Hua Nan Ban unsecured Revolving Loan	12,500	37,500	Repayable quarterly from 11 August 2018 to 11 May 2022. Principle is repaid in 16 quarterly installments.
Mega International Commercial Bank unsecured Revolving Loan	81,250	91,650	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
Taipei Fubon Bank unsecured Revolving Loan	37,500	47,500	Repayable quarterly from 1 December 2020 to 1 September 2025. Principle is repaid in 20 quarterly installments.

Lenders	As of 31 December 2021	As of 31 December 2020	Redemption
O-Bank unsecured Revolving Loan	31,000	16,400	Repayable quarterly from 15 September 2019 to 15 September 2021. Principle is repaid in 9 quarterly installments.
O-Bank unsecured Revolving Loan	89,000	89,000	Repayable quarterly from 15 July 2022 to 15 July 2025. Principle is repaid in 13 quarterly installments.
Taiwan Cooperative Bank unsecured Revolving Loan	70,667	106,001	From 21 March 2020 to 21 December 2023, an advance repayment of the current period was $5,500, and remaining balance was divided into sixteen installments with three months being one installment. Principle is repaid in 16 quarterly installments.
Subtotal	701,292	797,901	
Less: current portion	(172,835)	(127,609)	
Total	$528,457	$670,292	

	As of 31 December	
	2021	2020
Interest rates applied	1.09%~1.20%	1.09%~1.40%

(2) Please refer to Note 8 for property, plant and equipment pledged as collateral for long-term loans.

(10) Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2021 and 2020 were $16,948 and $17,339 respectively.

Defined benefits plan

The Group adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contribute an amount equivalent to 6.6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions on the assumption that workers meeting retirement terms will be retiring within the coming year, the Group shall make one-time contribution to the fund to eliminate the difference before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $459 to its defined benefit plan during the 12 months beginning after 31 December 2021.

The average duration of the defined benefits plan obligation as at 31 December 2021, was 9 years.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2021	2020
Current service costs	$452	$463
Interest expense	62	169
Service cost	-	-
Settlement loss	2,036	-
Total	$2,550	$632

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of 31 December	
	2021	2020
Defined benefit obligation	$78,306	$92,596
Plan assets at fair value	(61,898)	(70,170)
Other non-current liabilities - defined benefit obligation	$16,408	$22,426

Reconciliation of liability (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2020	$89,992	$(63,906)	$26,086
Current period service costs	463	-	463
Net interest expense (income)	624	(455)	169
Service cost	-	-	-
Subtotal	91,079	(64,361)	26,718
Remeasurement of defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	33	-	33
Actuarial gains and loss arising from changes in financial assumptions	3,452	-	3,452
Experience adjustments	(1,831)	-	(1,831)
Remeasurements of the defined benefit assets	-	(2,195)	(2,195)
Subtotal	1,654	(2,195)	(541)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Benefits paid	(137)	137	-
Contributions by employer	-	(3,751)	(3,751)
As of 31 December 2020	92,596	(70,170)	22,426
Current period service costs	452	-	452
Net interest expense (income)	275	(213)	62
Service cost	-	-	-
Liquidation of losses	2,036	-	2,036
Subtotal	95,359	(70,383)	24,976
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	183	-	183
Actuarial gains and loss arising from changes in financial assumptions	(3,071)	-	(3,071)
Experience adjustments	(990)	-	(990)
Remeasurements of the defined benefit assets	-	(1,006)	(1,006)
Subtotal	3,878	(1,006)	(4,884)
Benefits paid	(13,175)	13,175	-
Contributions by employer	-	(3,684)	(3,684)
As of 31 December 2021	$78,306	$(61,898)	$16,408

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of 31 December	
	2021	2020
Discount rate	0.70%	0.30%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2021 and 2020 is as shown below:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$ -	$1,808	$ -	$2,181
Discount rate increase by 0.10%	-	730	-	882
Discount rate decrease by 0.10%	740	-	894	-
Discount rate decrease by 0.25%	1,870	-	2,259	-
Future salary increase by 0.25%	1,841	-	2,215	-
Future salary decrease by 0.25%	-	1,789	-	2,151

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and assumptions for preparing sensitivity analyses was consistent with those in the prior fiscal period.

(11) Share-based payment

Treasury stock to employee transactions:

The Company purchases the shares, and the shares are to be transferred to the employees all at once or in installments within three years from the date of the repurchase of the shares. According to board of directors have resolved to issue 410 thousand of treasury shares to employees on 16 December 2021.

As of 2021, the treasury shares issued to employees is based on the evaluation of the fair value on the date of grant in Black-Scholes model. The parameters and assumptions are set in consideration of the terms and conditions in the share-based payment arrangement.

Information about the treasury shares transfer to employees is as follows:

	As of 16 December 2021	
The transfer of treasury shares to employees	Unit (thousands of shares)	Weighted average exercise price of share options)
Outstanding at beginning of period	-	$ -
Granted	410	11.67
Exercised	(410)	(11.67)
Forfeited	-	-
Outstanding at end of period	-	$ -
Exercisable at end of period	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (NTD)	$8.2060	

	Grant date on 16 December 2021
Expected volatility (%)	41.26%
Risk-free interest rate (%)	0.3605%
Expected option life (Years)	0.0219
Weighted average share price (NTD)	$19.8751
Option pricing model	Black-Scholes option pricing model

Note: The share closing price of the Company was $25.65, but the Company's treasury shares were issued to employees with a 2-year transfer restriction, so the market price was adjusted to $19.8751.

The remuneration costs recognized by the Company in 2021 and 2020 were $3,364 and $0 respectively.

(12) Equity

A. Common stock

As at 1 January 2020 the Company's authorized capital was $2,500,000, divided into 250,000 thousand shares with par value of $10 each. The issued and outstanding capital stocks were $2,223,473.

To increase return on shareholder's equity and improve various financial ratios, in utilizing financial leverage, on 10 November 2020, the Shareholders' meeting resolved an approval on a capital reduction amounted to $333,521, that 33,352 thousand shares were eliminated which represent 15% of total contributed capital. The above capital reduction case was approved by the governing authority on 15 December 2020, and the Board of Directors decided to set 17 December 2020 as the base date for the capital reduction. In addition, an amendment on corporation registration by the Department of Commerce of the Ministry of Economic Affairs was completed and filed.

The Company's authorized and issued capital was $2,500,000 as at 31 December 2021, and 31 December 2020, the number of issued shares was 188,995 thousand shares, and the paid-in capital was $1,889,952.

In August 2007, May and December 2012, the Company issued 30,000 thousand shares, 5,000 thousand shares and 5,000 thousand shares of private placement, respectively, in accordance with Article 43-6 of the Securities Exchange Act. The closing dates of the capital increase were August 7, 2007, October 30 and 5 December 2012. The above private shares were canceled in October 2009 as a result of a capital reduction to offset the accumulated loss, with 12,449 thousand shares canceled in proportion to the shareholding ratio. In March 2016, 5,000 thousand private shares were canceled due to the merger. In December 2020, 3,383 thousand shares were canceled as a result of the capital reduction in cash refund to the shareholders.

The above private shares and their subsequent allocations are based on the delivery date of the private securities in accordance with the third paragraph of Article 43-8 of the Securities Exchange Act (26 October 2007; 5 December 2012; 10 January 2013). After three years of holding such shares, the holders may apply for approval to the governing authority under Securities Exchange Act and other relevant regulations. The shares may be freely transferred in the open market after obtaining said approval.

As of 31 December 2021, the number of outstanding private 19,168 thousand shares with par value is 10 per share, and the public offering process has not yet been processed.

B. Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

	As of 31 December	
	2021	2020
Treasury share transactions	$24,845	$20,763
Premium from merger	15,188	15,188
Adjustments arising from changes in percentage of ownership in subsidiaries	1,897	1,897
Total	$41,930	$37,848

C. Treasury stock

In accordance with the Securities and Exchange Law, the proportion of the company's repurchase of the issued shares shall not exceed 10% of the total number of issued shares of the company, and the total amount of the shares purchased shall not exceed the amount of the reserved surplus plus the premium of the issued shares and the realized capital reserve.

As of 31 December 2021 and 2020, the Company's treasury stock amounted to $40,786 and $44,853, and the number of shares was 4,111 thousand and 4,521 thousand, respectively.

From 14 November 2018 to 10 January 2020, the Company repurchased 5,319 thousand shares. The purpose of the repurchase is to transfer the shares to the employees, and the shares are to be transferred to the employees all at once or in installments within three years from the date of the repurchase of the shares. The above treasury shares were written off for 798 thousand shares in proportion to the total issued capital in December 2021 due to the capital reduction in cash refund to the equity shareholders. In December 2021, 410 thousand of treasury stock shares were issued to the employees. Please refer to Notes 6 and Note 11 for details of the relevant share–based payment arrangement.

D. Distribution of retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

(a) Income tax obligation
(b) Offsetting accumulated deficits, if any
(c) Set aside 10% as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.
(d) Set aside or reserve special reserve in accordance with law and regulations.
(e) In combining the balance with the accumulated undistributed surplus of the previous period, the board of directors shall prepare a proposal for earnings distribution and submit it to the shareholders' meeting for a resolution distributing dividends to shareholders.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa- Zi 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. The Company’s special reserve resulted from first-time adoption of IFRS on 1 January 2012 (adoption date) was $0.

Details of the 2021 and 2020 earnings distribution and dividends per share as being approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 15 March 2022 and 20 June 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	$ -	$53,692		
Recognition (reversal) of special reserve	(4,419)	5,624		
Common stock cash dividend	-	92,237	$ -	$0.5

Please refer to Note 6 (16) for further details on employees’ compensation and remuneration to directors.

E. Non-controlling interests

	As of 31 December	
	2021	2020
Beginning balance	$179	$4,466
Consolidated Net Income Attributed to Non-controlling Interest	(58)	(98)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	-
Changes in subsidiaries' ownership	-	(4,189)
Ending balance	$121	$179

(13) Operating revenue

The Group's revenue mainly come from selling products the Group manufactured. Analysis of revenue from contracts with customers during the years ended 31 December 2021 and 2020 are as follows:

A. Disaggregation of revenue

	For the years ended 31 December	
	2021	2020
Sale of goods	$2,850,638	$2,752,601

The Group recognizes revenues when control of the products is transferred to customers. Revenues are earned and reported at the time that respective contract criteria are met.

B. Contract balance

Contract liabilities – current

	As of		
	31 December 2021	31 December2020	1 January 2020
Sales of goods	$4,219	$18,752	$20,384

The movement in the Group's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended 31 December	
	2021	2020
Revenue recognized from opening balance	$(18,752)	$(20,384)
Increase in advance receipt within the period (excluding the amount being recognized as periodical revenues)	4,219	18,752

C. Transaction price allocated to unfulfilled contract obligations

None.

D. Assets recognized from costs to fulfil a contract with customers

None.

(14) Expected credit (loss) gains

	For the years ended 31 December,	
	2021	2020
Operating expenses – Expected credit (loss) gains		
Trade receivables	$(839)	$490

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit loss. The assessment of the Group's loss allowance as at 31 December 2021 and 2020 are as follows:

31 December 2021

	Not yet due (note)	Overdue					Total
		<=30 days	31-90 days	91-180 days	181-365 days	>=365 days	
Gross carrying amount	$750,972	$21,168	$ -	$ -	$ -	$15,759	$787,899
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(2,126)	-	-	-	(15,759)	(17,885)
Net carrying amount	$750,972	$19,042	$ -	$ -	$ -	$ -	$770,014

31 December 2020

	Not yet due (note)	Overdue <=30 days	31-90 days	91-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$533,814	$1,804	$ -	$ -	$ -	$16,863	$552,481
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(183)	-	-	-	(16,863)	(17,046)
Net carrying amount	$533,814	$1,621	$ -	$ -	$ -	$ -	$535,435

Note: The Group's note receivables are not overdue.

The movement in the impairment provision of note receivables and trade receivables for the years ended 31 December 2021 and 2020 is as follows:

	Note receivables	Trade receivables
As of 1 January 2021	$ -	$17,046
Provision (Reversal)	-	839
As of 31 December 2021	$ -	$17,885
As of 1 January 2020	$ -	$17,536
Provision (Reversal)	-	(490)
As of 31 December 2020	$ -	$17,046

(15)Leases

A. The Group is a lessee

The Group leases various properties, including land, buildings, transportation equipment and other equipment. The lease terms range from 2 to 10 years.

The impact of Group's leases on the financial position, financial performance and cash flows is as follows:

(a) Amounts recognized in the balance sheet

(i) Right-of-use asset

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2021	$83,082	$61,872	$5,211	$1,295	$151,460
Additions	1,368	29,259	2,426	-	33,053
Disposals	-	-	-	(401)	(401)
As of 31 December 2021	$84,450	$91,131	$7,637	$894	$184,112

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2021	$16,332	$26,886	$4,109	$746	$48,073
Depreciation	8,814	21,050	1,607	189	31,660
Disposals	-	-	-	(322)	(322)
As of 31 December 2021	$25,146	$47,936	$5,716	$613	$79,411

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2020	$83,082	$50,859	$4,678	$1,568	$140,187
Additions	-	11,013	533	-	11,546
Disposals	-	-	-	(273)	(273)
As of 31 December 2020	$83,082	$61,872	$5,211	$1,295	$151,460

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2020	$ 7,811	$11,007	$2,197	$473	$21,488
Depreciation	8,521	15,879	1,912	449	26,761
Disposals	-	-	-	(176)	(176)
As of 31 December 2020	$16,332	$26,886	$4,109	$746	$48,073
Net carrying amount:					
As of 31 December 2021	$59,304	$43,195	$1,921	$281	$104,701
As of 31 December 2020	$66,750	$34,986	$1,102	$549	$103,387

(ii) Lease liabilities

	As of 31 December	
	2021	2020
Current	$30,439	$23,047
Non-Current	73,235	79,484
Total	$103,674	$102,531

Please refer to Note 6(17)(d) for the interest expense regarding with lease liabilities recognized during the years ended 31 December 2021 and 2020. Please refer to Note 12 (5) Liquidity risk management for the maturity analysis on lease liabilities as at 31 December 2021 and 2020.

B. Amounts recognized in the statement of comprehensive income

Depreciation on right-of-use assets

	For the years ended 31 December	
	2021	2020
Land	$8,814	$8,521
Buildings	21,050	15,879
Transportation equipment	1,607	1,912
Other equipment	189	449
Total	$31,660	$26,761

C. Income (gain) or expense (loss) relating with leases

	For the years ended 31 December	
	2021	2020
The expenses relating to short-term leases	$7,709	$13,065

D. Cash outflow related to lessee and lease activity

During the year ended 31 December 2021 and 2020, the Group's total cash outflows for leases amounting to $41,096 and $40,735.

(16) Summary of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2021 and 2020:

Function / Nature	For the years ended 31 December					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expenses						
Salaries	$272,961	$88,166	$361,127	$278,094	$110,391	$387,485
Labor and health insurance	28,330	9,113	37,443	27,581	8,676	36,257
Pension	13,262	6,236	19,498	13,607	4,364	17,971
Director's remuneration	-	1,788	1,788	-	5,655	5,655
Other employee benefits	17,078	4,265	21,343	18,180	5,050	23,230
Share-based payment	-	3,364	3,364	-	-	-
Depreciation	246,189	17,195	263,384	238,241	17,160	255,401
Amortization	2,977	4,947	7,924	4,213	7,778	11,991

According to the Articles of Incorporation, at least 3% of profit of the current year shall be appropriated as employees' compensation, and no higher than 1% of profit of the current year shall be appropriated as remuneration to board directors, however, the accumulated deficits, if any, shall first be made up for. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

As of 31 December 2021, and for the year then ended, the Company concluded as net operating loss, and accordingly no employees' compensation and remuneration to board directors have been appropriated.

On March 16, 2021, the Company's board directors passed the resolution to pay remuneration of employees and directors in $15,075 and $4,020 respectively. There are no differences in the amounts stated as expenses in the 2020 financial reports.

(17) Non-operating income and expenses

A. Interest income

	For the years ended 31 December	
	2021	2020
Financial assets measured at amortized cost	$1,640	$2,390

B. Other income

	For the years ended 31 December	
	2021	2020
Dividend income	$5,034	$3,254
Rental income	796	763
Others	58,468	20,605
Total	$64,298	$24,622

C. Other gains and loss

	For the years ended 31 December	
	2021	2020
Foreign exchange loss, net	$(6,824)	$(11,635)
(Loss) gains on disposal of property, plant and equipment	(2,671)	741,298
Gains on disposal of investments	-	428
Gains on valuation of financial assets at fair value through profit or loss (Note)	350	97
Others expense	(101)	(10,012)
Total	$(9,246)	$720,176

Note: Generated as financial assets or liabilities were measured at fair value through profit or loss.

D. Finance costs

	For the years ended 31 December	
	2021	2020
Interest on bank loans	$(10,701)	$(14,571)
Interest on lease liabilities	(1,543)	(1,580)
Total	$(12,244)	$(16,151)

(18) Components of other comprehensive income (loss)

A. For the year ended 31 December 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax effect	Other comprehensive income (loss), net of tax
Items not to be reclassified to profit or loss subsequently:					
Remeasurements of defined benefit plans	$4,884	$ -	$4,884	$(977)	$3,907
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	4,693	-	4,693	-	4,693
Items that may be reclassified to profit or loss subsequently:					
Share of other comprehensive income of associates accounted for under the equity method	(355)	-	(355)	71	(284)
Total of other comprehensive income	$9,222	$ -	$9,222	$(906)	$8,316

B. For the year ended 31 December 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax effect	Other comprehensive income (loss), net of tax
Items not to be reclassified to profit or loss subsequently:					
Remeasurements of defined benefit plans	$540	$ -	$540	$(108)	$432
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	5,799	-	5,799	-	5,799
Items that may be reclassified to profit or loss subsequently:					
Exchange differences resulting from translating the financial statements of a foreign operation	(182)	-	(182)	58	(124)
Share of other comprehensive income of associates accounted for under the equity method	(801)	-	(801)	160	(641)
Total of other comprehensive income	$5,356	$ -	$5,356	$110	$5,466

(19) Income tax

For the year ended 31 December 2021 and 2020 the major components of income tax (expense) benefit are as follows:

A. Income tax recognized in profit or loss

	For the years ended 31 December	
	2021	2020
Current income tax (expense) benefit:		
Current income tax charge	$(10,421)	$ -
Land value increment tax	-	(34,586)
Deferred tax (expense) benefit:		
Deferred tax (expense) benefit relating to origination and reversal of temporary differences	(4,375)	21,466
Deferred tax relating to origination and reversal of tax loss and tax credit	(1,379)	34,941
Reversal the land value incremental tax liability due from property sale	-	19,191
Total income tax (expense) benefit	$(16,175)	$41,012

B. Income tax related to components of other comprehensive income

	For the years ended 31 December	
	2021	2020
Deferred income tax (expense) benefit:		
Exchange differences on translation of foreign operation	$ -	$58
Share of other comprehensive income of associates accounted for under the equity method	71	160
Remeasurements of defined benefit plans	(977)	(108)
Income tax related to components of other comprehensive income	$(906)	$110

Reconciliation between tax expense (benefit) and accounting profit at the Company's applicable tax rates is as follows:

	For the years ended 31 December	
	2021	2020
Accounting (loss) profit before tax from continuing operations	$(53,841)	$483,392
At the Company's statutory income rate	$10,768	$(96,678)
Tax effect of tax-exempt income	1,663	149,739
Tax effect of non-deductible expenses	(51)	(114)
Adjustments of deferred tax assets/liabilities for write-downs or reversals	(18,123)	3,460
Tax on undistributed earnings	(10,421)	-
Reversal of the land value incremental tax liability due from property sale	-	(15,395)
Other adjustments according to tax law	(11)	-
Total income tax benefit recognized in profit or loss	$(16,175)	$41,012

Significant components of deferred tax assets (liabilities) are as follows:

(a) For the year ended 31 December 2021

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	$(2,232)	$ -	$ -	$(2,232)
Allowance for inventory valuation loss	20,466	(4,749)	-	15,717
Pension actuarial adjustment	3,326	-	(977)	2,349
Land value incremental tax	(72,514)	-	-	(72,514)
Accrued expense of pollution remediation	32,029	-	-	32,029
Exchange differences on translation of foreign operations	-	-	-	-
Share of other comprehensive income of associates accounted for under the equity method	207	-	71	278
Loss carry-forward	34,941	(1,379)	-	33,562
Others	993	374	-	1,367
Deferred income tax benefit /(expense)		$(5,754)	$(906)	
Net deferred income tax assets/(liabilities)	$17,216			$10,556
Balances on 31 December 2021:				
Deferred tax assets	$92,221			$85,388
Deferred tax liabilities	$(75,005)			$(74,832)

(b) For the year ended December 31 2020

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	$(2,232)	$ -	$ -	$(2,232)
Allowance for inventory valuation loss	17,413	3,053	-	20,466
Pension actuarial adjustment	3,434	-	(108)	3,326
Land value incremental tax	(91,705)	19,191	-	(72,514)
Accrued expense of pollution remediation	11,017	21,012	-	32,029
Exchange differences on translation of foreign operations	(58)	-	58	-
Share of other comprehensive income of associates accounted for under the equity method	47	-	160	207
Loss carry-forward	-	34,941	-	34,941
Others	3,592	(2,599)	-	993
Deferred income tax benefit /(expense)		$75,598	$110	
Net deferred income tax assets/(liabilities)	$(58,493)			$17,216
Balances on 31 December 2020:				
Deferred tax assets	$35,444			$92,221
Deferred tax liabilities	$(93,937)			$(75,005)

C. The following table provides the information of the unused loss carry-forward:

Year	Tax loss for the period	Unused tax loss as of 31 December 2021	Unused tax loss as of 31 December 2020	Expiration Year
2018	$16,949	$4,677	$7,270	2028
2020	163,122	163,132	167,436	2030
2021	82,269	82,269	-	2031
Total	$262,350	$250,078	$174,706	

D. Deferred assets with least possibility to be realized

As of 31 December 2021, and 2020, deductible temporary differences for which no deferred income tax assets have been recognized in amounted to $31,977 and $15,234, respectively.

E. Status of income tax returns assessment

As of 31 December 2021, the status of the Group's income tax returns which have been assessed by tax authorities is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
The Subsidiary -Blessingthoughts	Assessed and approved up to 2019
The Subsidiary –KuoChing Development (Established on July 14, 2021)	-

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the years attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share in 2021 shall be accounted for due to that net loss operating loss was concluded for the fiscal.

	For the years ended 31 December	
	2021	2020
(1) Basic earnings per share		
Net (loss) income attributable to the parent company (in thousands of NTD)	$(69,958)	$524,404
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	184,490	215,780
Basic (loss) earnings per share (NTD)	$(0.38)	$2.43

	For the years ended 31 December	
	2021	2020
(2) Diluted earnings per share		
Net (loss) income attributable to the parent company	$(69,958)	$524,404
Effect of dilution on net (loss) income attributable to ordinary stockholders of the Company after dilution	$(69,958)	$524,404
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	184,490	215,780
Effect of dilution:		
Employees' compensation (thousand shares)	-	1,364
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	184,490	217,144
Diluted (loss) earnings per share (NTD)	$(0.38)	$2,42

There were no transactions which may significantly change the number of the outstanding ordinary shares from the financial statement date to the date of releasing financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
KT Investment Company, Limited	The Company’s director
Macy Investment Company, Limited	The Company’s director
Chiaoli Investment Company, Limited	The Company’s director
Fulilu Investment Company, Limited	The Company’s director (Resigned as a corporate director on March 16, 2021)

Significant transactions with the related parties

A. Lease - related parties

(a) Rental income

	For the years ended 31 December	
	2021	2020
KT Investment Company, Limited	$549	$549

The Group leased its plant and building to the said related party, from which rental income and collection were set at arm’s length range.

(b) Right-of-use assets

	As of 31 December	
	2021	2020
Macy Investment Company, Limited	$58,228	$66,749

(c) Lease liabilities

	As of 31 December	
	2021	2020
Macy Investment Company, Limited	$58,757	$66,983

(d) Interest expenses

	For the years ended 31, December	
	2021	2020
Macy Investment Company, Limited	$917	$1,035

B. Key management personnel compensation

	For the years ended 31, December	
	2021	2020
Short-term employee benefits	$7,124	$13,256
Post-employment benefits	164	142
Total	$7,288	$13,398

8. Assets pledged as collaterals

The following table lists assets of the Group pledged as collaterals:

	Carrying Amount		
	As of 31 December 2021	As of 31 December 2020	Purpose of pledges
Property, plant and equipment – buildings, machinery and equipment	$448,891	$451,608	Long and short-term loans
Financial assets measured at amortized cost	2,800	2,800	Energy resources guarantee
Total	$451,691	$454,408	

9. Significant contingencies and derecognized contract commitments

The following items are the contingencies which have not been accrued and recorded on the balance sheet as on 31 December 2021

1. As of 31 December 2021, the amount available under unused letter of credit was $19,565.
2. As of 31 December 2021, the Group entered several construction contracts for which the development is in progress. The following provides significant details:

Supplier	Contract Subject	Total Contract Amount	Equipment Payment Made	Unpaid amount as of December 31 2021
Counterparty A	Equipment procurement	$21,500	$17,200	$4,300
Counterparty B	Equipment procurement	21,300	7,455	13,845
Counterparty C	Plant construction	28,095	4,214	23,881

10. Significant disaster loss

None.

11. Significant subsequent events

The Company approved a write-off of treasury shares on 16 December 2021 through the resolution of the board of directors. The base date for capital reduction was 19 January 2022. The amount of capital reduction was $41,111, and 41,111 thousand shares were written down. The amendment on registration document was completed on 7 February 2022.

12. Others

(1) Categories of financial instruments

	As of 31 December	
Financial Assets	2021	2020
Financial assets at fair value through profit or loss	$97,959	$93,266
Financial assets at fair value through profit or loss, current (Other current assets)	1,184	81
Amortized cost of a financial asset:		
Cash and cash equivalents (excluding cash on hand)	382,958	759,708
Measured at amortized cost financial assets	2,800	602,800
Notes receivables	31,868	39,248
Trade receivables	738,146	496,187
Other receivables (Other current assets)	736	918
Subtotal	1,156,508	1,898,861
Total	$1,255,651	$1,992,208

	As of 31 December	
Financial Liabilities	2021	2020
Financial liabilities at amortized cost:		
Short-term loans	$295,721	$226,246
Notes and accounts payable	328,959	297,041
Other payable	219,186	590,964
Long-term loans (including current portion)	701,292	797,901
Lease liability	103,674	102,531
Subtotal	1,648,832	2,014,683
Financial liabilities at fair value through profit or loss (Other current assets)	754	-
Total	$1,649,586	$2,014,683

(2) Financial risk management objectives

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk preference.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant activities, approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk factor varies independently from other risk factors. A correlation normally exist among risk factors. However, the following sensitivity analyses do not disclose the correlations among these risk factors.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group applies natural hedges on the foreign currency risk arising from purchases or sales as certain portion of receivables or payables are denominated as the same currencies, and utilizes spot or forward exchange contracts to manage foreign currency risk. The Group designates certain forward currency contracts as balance sheet hedges to hedge its exposure to foreign currency exchange risk associated with certain balance sheet assets or liabilities. Hedge accounting is not applied as the aforesaid natural hedges or designated forward contracts to hedge currency risk are deemed ineffective hedges. Furthermore, the currency risk exposures due from investments in oversea associates are not hedges as the investments are set for certain operating strategies.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk mainly resulted from the volatility of exchanging USD or CNY to NTD, and vice versa. The information of the sensitivity analysis is as follows:

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2021 and 2020 is decreased/increased by $3,304 and $1,177, respectively; and no impact on the equity.

b. When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2021 and 2020 is increased/decreased by $46 and by $190, respectively; and no impact on the equity.

Interest rate risk

The Group is exposed to interest rate risk arising from borrowing at floating interest rates. Interest rate risk is the risk that the fair value or forecasted cash flows of a financial instrument fluctuates due to the volatility in market interest rates.

The sensitivity analysis of interest rate fluctuation is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting dates, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2021 and 2020 to increase/decrease by $997 and $1,024, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future performance of equity markets. The Company's equity investments are classified as financial assets at fair value through other comprehensive income. The equity investment portfolio is submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves changes on the equity investment portfolio.

At the reporting date, for equity investments in the listed companies which are recorded as financial assets at fair value through other comprehensive income, an increase/decrease of 10% in the share price could increase/decrease $425 and $610 for the years ended 31 December 2021 and 2020, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a financial loss may be triggered when a counterparty defaults its obligations. The Group is exposed to credit risk from operating activities (primarily for, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

The Group mitigates credit risks by implementing the Group's credit policy, procedures and controls. Credit limits are set for all counter parties based on their financial positions, credit ratings, historical experience, prevailing economic condition and the Group's internal rating criteria etc. For dealing with some counterparties with less credit, certain financial instruments of credit enhancement, such as advance receipts or a letter of credit, may be required to be provided to mitigate possible credit risk exposures.

As of 31 December 2021 and 2020 accounts receivables from top ten customers represent 64% and 51% of the total accounts receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from deposits in banks, fixed income securities and other financial instruments is managed by the Group's treasury division in accordance with the Group's policy. The Group only deals with counterparties that are approved through internal control procedures; therefore, the counterparties are limited to banks, financial institutions, companies or government entities with good credit standing.

The Group would write down or write off values of financial assets if these are forecasted to be least possible to be collected in the case of the issuer or debtor being insolvent or in financial distress.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity, including contractual interests. The undiscounted interest payment due from borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	>= 5 years	Total
As of 31 December 2021					
Short-term loans	$298,073	$ -	$ -	$ -	$298,073
Notes and accounts payable	328,959	-	-	-	328,959
Long-term loans	174,849	484,763	60,428	-	720,040
Lease liabilities	31,667	36,929	22,815	16,000	107,411
As of 31 December 2020					
Short-term loans	$228,211	$ -	$ -	$ -	$228,211
Notes and accounts payable	297,041	-	-	-	297,041
Long-term loans	129,121	364,499	333,167	-	826,787
Lease liabilities	24,346	35,910	21,709	25,143	107,108

Derivative financial assets (liabilities)

	Less than 1 year	2 to 3 years	4 to 5 years	>= 5 years	Total
As of 31 December 2021					
Inflows	$90,115	$ -	$ -	$ -	$90,115
Outflows	(89,685)	-	-	-	(89,685)
Net	$430	$ -	$ -	$ -	$430
As of 31 December 2020					
Inflows	$30,781	$ -	$ -	$ -	$30,781
Outflows	(30,700)	-	-	-	(30,700)
Net	$81	$ -	$ -	$ -	$81

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Long-term loans (including current portion)	Lease liabilities	Deposit margin	Total liabilities from financing activities
As of 1 January 2021	$226,246	$797,901	$102,531	$75	$1,126,753
Cash flows	69,475	(96,609)	(31,844)	-	(58,978)
Non-cash changes	-	-	32,987	-	32,987
As of 31 December 2021	$295,721	$701,292	$103,674	$75	$1,100,762

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term loans	Long-term loans (including current portion)	Lease liabilities	Deposit margin	Total liabilities from financing activities
As of 1 January 2020	$291,628	$919,936	$117,174	$ -	$1,328,738
Cash flows	(65,382)	(122,035)	(26,090)	75	(213,432)
Non-cash changes	-	-	11,447	-	11,447
As of 31 December 2020	$226,246	$797,901	$102,531	$75	$1,126,753

(7) Fair value of financial instruments

A. Valuation methodology and assumptions for fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. The following are the methodology and assumptions taken by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quoted prices (including listed equity securities) at the reporting date.

(c) Fair value of equity instruments without market quoted prices (including private placement of listed equity securities, unquoted public company and private company equity securities) are valued by market approach which takes industrial comparable entities’ quoted market prices or other relevant information as reference to estimate probable fair values.

(d) Fair value of debt instruments without market quoted prices, bank loans, and other non-current liabilities are determined based on the counterparties' prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as interest rates and discount rate are primarily based on relevant information of equivalent instruments (such as yield curves published by the Taipei Exchange, average prices and credit risks for Fixed Rate Commercial Paper published by Reuters, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial instruments, financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2021 and 2020 is as follows:

<u>Forward currency contracts</u>

The Group entered into forward currency contracts to mitigate its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Contract Amount	Contract Period
As at 31 December 2021		
Forward currency contract	Sell foreign currency USD 97 thousand	From 2021.08.19 to 2022.01.07
	Sell foreign currency USD 97 thousand	From 2021.09.23 to 2022.02.09
	Sell foreign currency USD 94 thousand	From 2021.10.01 to 2022.02.11
	Sell foreign currency USD 31 thousand	From 2021.10.15 to 2022.02.15
	Sell foreign currency USD 51 thousand	From 2021.10.18 to 2022.01.25
	Sell foreign currency USD 94 thousand	From 2021.10.20 to 2022.01.28
	Sell foreign currency USD 51 thousand	From 2021.11.05 to 2022.02.15

Items (by contract)	Contract Amount	Contract Period
	Sell foreign currency USD 102 thousand	From 2021.11.05 to 2022.02.18
	Sell foreign currency USD 62 thousand	From 2021.11.05 to 2022.03.11
	Sell foreign currency USD 68 thousand	From 2021.11.05 to 2022.03.11
	Sell foreign currency USD 153 thousand	From 2021.11.05 to 2022.02.22
	Sell foreign currency USD 51 thousand	From 2021.11.15 to 2022.02.25
	Sell foreign currency USD 622 thousand	From 2021.11.15 to 2022.02.22
	Sell foreign currency USD 51 thousand	From 2021.11.29 to 2022.03.01
	Sell foreign currency USD 97 thousand	From 2021.11.29 to 2022.04.08
	Sell foreign currency USD 136 thousand	From 2021.11.29 to 2022.04.13
	Sell foreign currency USD 33 thousand	From 2021.11.29 to 2022.04.08
	Sell foreign currency USD 48 thousand	From 2021.11.29 to 2022.04.08
	Sell foreign currency USD 68 thousand	From 2021.11.29 to 2022.04.13
	Sell foreign currency USD 68 thousand	From 2021.11.29 to 2022.05.11
	Sell foreign currency USD 59 thousand	From 2021.12.14 to 2022.02.15
	Sell foreign currency USD 59 thousand	From 2021.12.14 to 2022.02.22
	Sell foreign currency USD 51 thousand	From 2021.12.14 to 2022.03.11
	Sell foreign currency USD 161 thousand	From 2021.12.14 to 2022.03.08
	Sell foreign currency USD 94 thousand	From 2021.12.14 to 2022.03.22
	Sell foreign currency CNY 1,035 thousand	From 2021.12.15 to 2022.02.19
	Sell foreign currency USD 51 thousand	From 2021.12.20 to 2022.03.16
	Sell foreign currency USD 102 thousand	From 2021.12.20 to 2022.03.22
	Sell foreign currency USD 94 thousand	From 2021.12.20 to 2022.04.01
	Sell foreign currency USD 68 thousand	From 2021.12.20 to 2022.04.08
	Sell foreign currency USD 203 thousand	From 2021.12.20 to 2022.05.13
As at 31 December 2020		
Forward currency contract	Sell foreign currency USD 48 thousand	From 2020.11.04 to 2021.02.19
	Sell foreign currency USD 115 thousand	From 2020.11.19 to 2021.03.16
	Sell foreign currency USD 136 thousand	From 2020.11,23 to 2021.03.12
	Sell foreign currency USD 67 thousand	From 2020.12.16 to 2021.04.09
	Sell foreign currency USD 86 thousand	From 2020.12.16 to 2021.03.30
	Sell foreign currency USD 94 thousand	From 2020.12.16 to 2021.02.19
	Sell foreign currency USD 176 thousand	From 2020.12.16 to 2021.05.07
	Sell foreign currency USD 134 thousand	From 2020.12.28 to 2021.04.29
	Sell foreign currency USD 67 thousand	From 2020.12.28 to 2021.05.07
	Sell foreign currency USD 94 thousand	From 2020.12.28 to 2021.03.23
	Sell foreign currency USD 33 thousand	From 2020.12.31 to 2021.04.13
	Sell foreign currency USD 45 thousand	From 2020.12.30 to 2021.04.01

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair values of the Group's assets and liabilities are measured at fair value on a recurring basis as follows:

As of 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward currency contract	$ -	$1,184	$ -	$1,184
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	$4,254	$ -	$93,705	$97,959
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	$ -	$754	$ -	$754

As of 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward currency contract	$ -	$81	$ -	$81
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	$6,097	$ -	$87,169	$93,266
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	$ -	$ -	$ -	$ -

Re-classifications between Level 1 and Level 2 during the period

During the years ended 31 December 2021 and 2020, there were no re-classifications between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2021	$87,169
Total gains and loss recognized for the year ended 31 December 2021:	
Amount recognized in OCI (presented in "Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	6,356
Ending balances as of 31 December 2021	$93,705
Beginning balances as of 1 January 2020	$40,216
Total gains and loss recognized for the year ended 31 December 2020:	
Amount recognized in OCI (presented in "Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	1,036
Acquire in 2020	42,500
Ending balances as of 31 December 2020	$87,169

Information on significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy

Significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy are as follows:

As of 31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Correlation between inputs and fair value	Sensitivity Analysis of correlation between inputs and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group’s profit or loss by $9,371

As of 31 December 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Correlation between inputs and fair value	Sensitivity Analysis of correlation between inputs and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group’s profit or loss by $8,717

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's treasury division is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent reasonable prices. The team analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December					
	2021			2020		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets						
Monetary item:						
USD	$19,138	27.68	$529,740	$10,925	28.48	$311,144
CNY	1,051	4.34	4,561	4,349	4.38	19,049
Financial liabilities						
Monetary item:						
USD	$7,201	27.68	$199,324	$6,792	28.48	$193,436

The Group had $6,824 and $11,635 foreign exchange loss for the years ended 31 December 2021 and 2020, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) Information at significant transactions

A. Financing provided: None.

B. Endorsement/Guarantee provided: None.

C. Securities held as at end of the period (excluding subsidiaries and associates):

Holding Company	Type and name of securities		"Relationship	Financial statement account	As of 31 December, 2021			
					Shares	Carrying amount	"Percen tage of	Shares
SUNKO INK CO., LTD.	Stock	CHING FENG HOME FASHIONS. CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	214,309	$3,365	0.13%	$4,254
		LINCO TECHNOLOGY CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	422,734	4,068	0.80%	4,554
		THE FIRST LEASING CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	2,852,325	25,930	12.96%	31,825
		TOTAL ACRYLIC POLYMER INDUSTRY (TAPI) CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	100,000	1,000	2.00%	14,826
		GLOBAL GRAPHENE GROUP, INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	6,155	16,405	0.87%	-
		YAYI CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	368,898	4,883	1.85%	-
		SAR TECHNOLOGY INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	4,250,000	42,500	5.18%	42,500
		KING SHINE EE TECHNOLOGY ENTERPRISE CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	1,000	10	0.01%	-
				Less: Unrealized gains (loss) from investments in equity instruments		(202)		
				Total		$97,959		

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock for the period: None

E. Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock for the period: None

F. Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock for the period: None

G. Related party transactions for purchases and sales amounts exceeding the lower of $100 million or 20% of the capital stock for the period: None.

H. Receivables from related parties with amounts exceeding the lower of $100 million or 20% of capital stock as at end of the period: None.

I. Transaction of derivative financial instruments:

   Please refer to Note 12(8).

J. Significant intercompany transactions among consolidated entities are as follows:

   None.

(2) Information on investees

Investees' names, locations, main businesses and products, original investment amount, investment as at end of the period, net income (loss) of the investees and investment income (loss) recognized for the period:

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (in thousands)	Percentage of ownership (%)	Carrying value			
The Company	Power Rich	Anguilla	Investment Services	$27,403 (USD 990,000)	27,403 (USD 990,000)	990,000	30.00%	10,460	$(10,252)	$(3,075)	
The Company	Bnkc Biochemical Technology Co.	Taiwan	Wholesale of Chemical Raw Material, wholesale of Cosmetics, and Retail of Cosmetics	$490	$490	49,000	49.00%	$1,507	$1,505	$737	
The Company	Sunko Biotech Co.	Taiwan	Biotechnology Services	$60,000	$60,000	1,674,044	22.32%	$ -	$ -	$ -	
The Company	Chen Chi Technology Co.	Taiwan	Synthetic resin and plastic manufacturing	$14,360	$14,360	1,640,000	41.00%	$ -	$ -	$ -	
The Company	Kuo Ching Development Corporation	Taiwan	Wholesale of chemical solvents, industrial additives, other raw materials with derivative products	$1,000	$ -	100,000	100%	$2,606	$1,606	$1,606	
The Company	Blessingthoughts	Taiwan	Drinks, and food vending	$15,200	$15,200	1,520,000	83.52%	$615	$(352)	$(294)	Note

Note: The company is undergoing liquidation procedure.

(3) Information on investments in Mainland China

(Amounts in thousands; Currency denomination in NTD or in foreign currencies)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Beginning accumulated outflow of investment from Taiwan	Investment flows for the period		Ending accumulated outflow of investment from Taiwan	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as at end of the period	Accumulated inward remittance of earnings as at end of the period
					Outflow	Inflow						
Eehung (Note1)	Trading of chemical goods, raw materials, mechanical equipment and spare parts, electronic equipment and spare parts	$15,883 (RMB 3,513,896)	Investment in Mainland China was through indirect oversea investee that is invested through direct oversea investee company.	$8,871 (USD 285,600)	$ -	$1,890 (USD 61,279.88)	$8,871 (USD 285,600)	$ -	- %	$ -	$ -	$ -

Accumulated investment in Mainland China as of 31 December 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment The parent company's net account values × 60%
NT$8,871 (USD285,600)	NT$6,981 (USD224,320.12)	NT$1,399,881 (Note2)

Note 1: Approved by the Investment Committee, Power Hero has invested in Giant Way and indirectly invested in Eehung in Mainland China. Eehung was liquidated on 25 February 2019, and a notification letter from the Investment Committee of the Ministry of Economic Affairs was received to state that the investment amount has been returned by Giant Way on 13 August 2020.

Note 2: According to the regulations of Investment Commission, Ministry of Economic Affairs, the parent company's investment upper limit in Mainland China is 60% of its net value.

Significant transactions with investee companies in Mainland China directly or indirectly through third parties: None.

(4) Information on major shareholders

Names of major shareholders \ Shares	Number of shares held	Shareholding ratio
Macy Investment Company, Limited	16,838,191	8.90 %
KT Investment Company, Limited	10,801,010	5.71 %

14. Operating segment information

(1)Segment revenue and operating results

The Group's business is mainly engaged in the manufacture, processing and trading of various plant protection drug progenitors, specialty chemicals and plastic raw materials, etc. The operating decision makers of the Group review the overall operating results of the Company with a single operating unit to make decisions on company resources and evaluate the overall performance of the Company, without distinguishing between departments, so it is a single operating department.

(2) Geographic information

(i) As of 31 December 2021 and 2020 the Group's external sales are listed as follows:

	For the years ended 31 December	
Area	2021	2020
Taiwan	$2,187,844	$2,008,856
United States	191,195	155,139
Asia	243,563	398,457
Europe	160,785	156,384
Other	67,251	33,765
Total	$2,850,638	$2,752,601

Sales by region are grouped based on the regions where the customers are located at.

(ii) Non-current asset:

	As of 31 December	
Area	2021	2020
Taiwan	$1,862,949	$1,941,088

(a) Information about major customers

	For the years ended 31 December	
	2021	2020
Company A	$537,783	$445,211